

# Submission by Worsley Alumina Pty Ltd

## 1. Train Path Policy

### Required Amendment 3

The amendment reads as follows;

**Section 2.2.1, on page 4 of the proposed TPP (conditional train path process), should be amended to make provision for the introduction of traffic specific capacity for bulk commodities on mainlines where demand for capacity is high, in order to remove potential barriers to entry for new operators.**

### WAPL Opinion

WAPL has concerns relating to the implications of the amendment and submits the following key points:

- The proposal to include conditional pathways in an industry pool of pathways and, as a consequence, deny WAPL unfettered access to the conditional pathways currently available to it, would create a serious and unacceptable business risk for the company.
- The conditional pathways that have been secured from WestNet Rail are not barriers to entry for potential rail operators.

The reasons for these opinions are set out in the following discussion.

### ***Basis for WAPL Opinions***

WAPL has a number of serious concerns relating to the proposal put forward by Pacific National and supported by ERA as outlined below:

- The rail operations serving the coal industry in the Hunter Valley have little in common with those associated with WAPL's and the approach used for pathway provision and allocation is very different from WA.
- Pooling conditional pathways does not recognise the role of these pathways in an exporter's business
- WAPL view is that conditional pathways are not anti-competitive mechanisms
- PN views represent a rail operator's view rather an exporter's (customer of a rail operator) view
- WAPL asserts that the ERA 's required amendment identifying "mainlines where demand is high" for application of the proposal is not valid

These concerns are expanded upon in the following sections of the submission.

## **Comparison of Supply Chains Involving Rail**

### **1. Hunter Valley Coal Supply Chain**

The Hunter Valley coal supply chain exhibits the following characteristics:

- The business needs of the coal industry determine the method by which the industry participants use pathways in the Hunter Valley. A central planning group (including representatives of coal producers, coal terminal managers, rail network owner and rail operators) plan on a short term time horizon (days) to meet ship cargo assembly requirements. The planning group can decide whether or not coal will be sourced from specific locations.
- Within the Hunter Valley, access can be granted on a time tabled or scheduled basis for both passenger and freight trains. However, and as a result of the coal industry's business needs, pathway requirements for coal trains are not granted on a scheduled basis but rather on an overall coal industry demand basis. The coal industry has been granted access to a number of nominal pathways that are available each day for the movement of coal trains. The total number of pathways the coal industry requires includes sufficient additional or conditional pathways to cater for variations in weekly or monthly demand for coal transport.
- Trains are not allocated to specific origin-destination tasks but rather form a common pool of resources available to undertake various tasks defined by the planning group.
- Trains are not scheduled to regularly undertake a specific task within specified performance criteria.
- Coal terminal capacity at the ports is very high in relation to ship sizes. Coal terminal capacity at the mines is high relative to short term production.
- Transport activities from specific mines are undertaken on a short term campaign basis.
- Coal production is unlikely to be affected by rail transport activities.
- Typically the rail network is dual track which provides a high level of flexibility and closely spaced pathways.
- The overall coal supply chain is generally optimised but the specific origin/destinations are not.

## **2. WA Alumina Industry Supply Chains**

The WA alumina industry supply chains exhibits the following characteristics:

- Within WA, access is granted on a scheduled or time tabled basis for both passenger and freight trains. Pathway requirements for alumina industry trains are granted as either scheduled or conditional paths. A proportion of paths are conditional paths which are available to meet individual company surge requirements. All paths are allocated to specific train movements.
- Each company plans its own rail transport requirements directly with its rail operator. A long term plan is in place which is amended on a weekly basis to deal with production and shipping variations. Individual companies use the specifically allocated train pathways (scheduled and conditional) to achieve their weekly transport requirements.
- Trains are allocated to specific origin – destination tasks.
- Trains are scheduled to regularly undertake a specific task within specified performance criteria. Train are scheduled to travel over the rail network on specific pathways to meet agreed repeatable activity cycles. These schedules have been developed through close consultation between WAPL (the exporter), the rail operator and WestNet Rail.
- Alumina stockpile capacity at the ports is low in relation to ship sizes. Alumina stockpile capacity at the refineries is very low relative to short term production.
- Transport activities from specific refineries are undertaken on a very regular basis and exhibit limited variation.
- Alumina production and export could be affected by rail transport activities without detailed micro management.
- The rail network is all single railway which limits flexibility and increases the intervals between pathways.
- Each origin/destination which forms a part of individual exporter's supply chain is optimised.

### **Conditional Pathways**

WAPL has secured scheduled and conditional train paths. The conditional pathways are in accordance with point (iii) of Conditional Pathways in section 2.2.1 of the TTP. WAPL has negotiated these conditional pathways based on its demonstrated need to have surge capacity to ensure all of the objectives of its supply chain are met.

Dedicated conditional pathways form a significant component of WAPL's business risk management strategy. To have these pathways become part of a pool (as is suggested by PN) would create an unacceptable risk and would seriously jeopardise the capacity and performance of WAPL's export supply chains and risk plant shutdowns.

### **Conditional Pathways are not Anti-competitive**

In WAPL's opinion, the fact that exporters have dedicated conditional pathways has no relevance to the issue of promoting competition on the rail network. As mentioned above, conditional pathways are a part of an exporter's risk management strategy.

WAPL would not seek to buy spot services in the market but will always be open to changing its rail operator. WAPL is satisfied that the access regime within WA allows it to effectively go to the market and test the competitive environment. Therefore, WAPL does not agree that conditional pathways are a potential barrier for rail operators seeking access. WAPL is also satisfied that appropriate mechanisms exist within the Part 5 Instruments to allow re-allocation of pathways to a newly contracted operator.

### **Rail Operator's View**

PN's views represent a rail operator's view rather than an exporter's view. In the end it is the exporter (in bulk haul exports) that creates the demand for the rail transport services and not a rail operator. It is therefore the requirements of the exporter that need to be met when considering pathway allocation. WestNet Rail understands this need, and the need is currently adequately provided for within the access regime.

### **Application of PN's Proposal - Which Sections of the Rail Network?**

PN and ERA's consultant discuss the application of the proposal to the grain industry and the rail network that serves the grain industry. In some respects the grain industry supply chain and the demands for rail transport have similarities with the coal industry supply chain in the Hunter Valley. Aspects such as a common pool of trains for allocation to tasks, and many origins of grain but a common destination at the port are very similar to the coal industry supply chain. However, the rail network serving the grain industry is under-utilised, and there is little need for such a proposal as a new rail operator would have little difficulty securing pathways that could be used effectively. The flexibility sought by the proposal is already available to the grain industry because of the low pathway usage. Also, the proposal presents little or no risk to exporters or the grain industry generally as there would not be any need to ration pathways to keep within the pathway capacity of a railway.

However, as outlined earlier, for railways with pathway usage close to the practical capacity for the railway, the proposal could have serious consequences for exporters. Therefore such a proposal should not be considered for heavily utilised railways.

Therefore WAPL is of the view that the proposal does not have validity for either heavily or lightly trafficked railways.

## **2. Over-payment Rules**

### **Required Amendment 2**

WAPL supports this amendment and believes it would assist to clarify the amendment' intent if the method of determining the time period or term to be used in the equivalent annual contribution calculation was specified.

## **3. Train Management Guidelines**

### **Required Amendment 4 & 7**

Required Amendment 7 is supported; however, it is believed that adding the additional objective in Section 2.1 (Required amendment 4) does not add any value. The existing objectives are clear and in any case the rules used in Table 1 will govern the outcomes.

### **Paragraph 37 of the Draft Determination**

No reference can be found in the Required Amendments for the proposed Train Path Policy relating to this paragraph.

## **4. Conclusion**

The following summarises WAPL's submission.

### **Train Path Policy**

The WAPL submission focuses on its concerns relating to Required Amendment 3 for the proposed TPP, as follows:

- The proposal represents a serious business risk to WAPL.
- Conditional pathways are not a barrier to entry for rail operators.
- The need for the proposed changes is not demonstrated.

In addition it is the view of WAPL that:

- pathway allocation processes and the operating characteristic of the Hunter Valley coal supply chain are very different from, and are not relevant to, the alumina industry supply chains in WA.

### **Other Part 5 Instruments**

As mentioned, WAPL has raised three minor points in relation to the Over-payment Rules and the Train Management Guidelines