



21st December 2001

Dr Ken Michael
Acting Rail Access Regulator
PO Box 7459
Cloister Square WA 6850

(by email)

Dear Dr Michael,

**REF: Proposal Which May Affect Capacity on the Kalgoorlie to
Esperance Railway Line**

WMC Resources Limited ("WMC") is a regular user of the Kalgoorlie to Esperance railway line, for the purposes of :

- Haulage of **wet nickel concentrate** from Leonora to Esperance for storage and subsequent export overseas.
- Haulage of **dry nickel concentrate** from Leonora to our smelter just south of Kalgoorlie
- Haulage of **dry nickel concentrate** from our Kambalda Nickel Operation to our smelter just south of Kalgoorlie.

The wet nickel concentrate utilises the entire length of the Kalgoorlie to Esperance line, whereas the dry nickel concentrate utilises that section of the railway line between Kalgoorlie and Redmine, approximately 50 kms south of Kalgoorlie.

In addition to the above, WMC also hauls a variety of products on rail between Kalgoorlie and Perth – for example,

- **Bulk nickel matte in containers**
- **Bagged nickel matte**
- **Bulk sulphuric acid**
- **Bulk coke in containers**
- **Bulk by-products in containers**

Whilst we realise that your Office is not seeking specific comment on the Koolyanobbing to Kalgoorlie section of railway line, the Kalgoorlie to Perth information is provided to demonstrate WMC's reliance on efficient and timely access to rail infrastructure.

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A member of the
WMC Limited
group of companies

Our entire rail related haulage task is provided by Australia Western Railroad (“AWR”).

The WMC products hauled on the Kalgoorlie to Esperance line require specialised storage (dry concentrate in overhead silos) or covered storage (wet concentrate in sheds).

Given the limited specialised or covered storage infrastructure in place, access to regular, timely and efficient rail operations is a critical component in the efficient operation of our entire Nickel Business Unit

To illustrate this, the dry nickel concentrate is the primary feedstock for our smelter near Kalgoorlie. Output from the smelter is either railed to our nickel refinery at Kwinana where it is the primary feed stock for all of WMC’s nickel metal production, or is railed to Fremantle Port for export, where it ultimately becomes part of our customers’ primary feed for their own nickel refineries.

As a further illustration, for wet nickel concentrate, production from our Mt Keith nickel mine depends on covered storage being available at Mt Keith. The available covered storage has limited capacity and, as a result, Mt Keith rely heavily on the rail service to Esperance to remove wet nickel concentrate from the shed and so allow production to continue. Coupled with this is a similar problem, in reverse, at Esperance, where limited covered storage has to be managed, balancing rail deliveries into the shed with exports from the shed.

The major point with both the dry and wet concentrate examples is that the rail is an integral part of the logistics chain, and cannot be viewed in isolation.

The Portman Proposal

Whilst WMC is fully supportive in principle of any proposal which increases the utilisation of rail, and ultimately the competitiveness of rail when compared to alternative forms of transport, there are nevertheless a number of issues with the Portman proposal that cause some concern, particularly with respect to the impact on existing users of the railway line such as WMC. These are :

- **Delays** - WMC’s existing experience with the iron ore trains is one of ongoing delays to the AWR freighter service carrying WMC’s product to Esperance, with direct impact on WMC’s operations. It is difficult to see this situation improving if additional tonnages are hauled on the railway in its current configuration. **Of even greater concern is any possible impact on the dry concentrate services between Kalgoorlie and Redmine.**
- **Flexibility and Surge** – it would appear that any possible surge capacity or flexibility available to AWR would disappear if the Portman tonnages were brought on line. Any logistics task must have the ability for surge – the Portman proposal removes this, as the railway

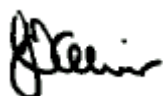
will be required to operate at greater than 100% capacity, unless it is significantly upgraded.

- **Maintenance and Upgrade Costs** – the Kalgoorlie to Esperance line is of a fit purpose for the WMC products. WMC would not be receptive to any increased access costs due to line upgrades and increased maintenance requirements flowing from the Portman requirements.
- **Technical Aspects** – we assume that all innovative technical solutions have been evaluated which may allow greater tonnage on the railway line. For example, upgrading wagon types and further increases to the allowable axle weights for the track.
- **Loading/Unloading Times** – as pointed out by Westnet in their submission, load and unload times will play a major part in any increase in tonnage on the railway line. Path management by Westnet will be of critical importance – “on time” trains must have priority. WMC does recognise that load and unload issues can impact the “on time” status of trains – this is why flexibility and surge must exist in the capacity of the railway line.

If any point in our submission is unclear, please do not hesitate to contact the undersigned on 08 94422845 or email john.oliver@wmc.com.

Yours faithfully

WMC RESOURCES LTD



John Oliver
Group Manager - Transport & Logistics