

GLENCORE

20th March 2015

Mr Wayne Johnson,
General Manager – Customer Service and Operations Hunter Valley
Australian Rail Track Corporation Limited
Email : wjohnson@artc.com.au

Dear Wayne,

Re Positive Performance Incentive Schemes under the HVAU

In reply to ARTC's letter of 6 February 2015 seeking submissions on their consultation paper on the above matter we offer the following feedback.

TUT PPIS under clause 13.5

In principle Glencore is not opposed to the introduction of an incentive scheme to extract additional capacity from existing infrastructure. Any such scheme however must be based upon the following principles;

- Any reward must be based upon the ARTC having exceeded their obligations in a transparent manner verifiable by independent scrutiny;
- A party must have actually benefitted by using the additional capacity (i.e. the capacity availability was predictable and foreseeable in advance);
- The party benefitting from the additional capacity should pay the 'premium' and the magnitude of the premium must take into account the return already being earned by ARTC; and
- If over performance is to be further rewarded then the penalties for underperformance must also be "adequate" to drive behavior.

With the coal industry facing particularly difficult trading conditions and considering the rate of return currently being earned by ARTC is the envy of coal producers, it is not an appropriate time to consider further rewarding ARTC. Glencore feels it is more appropriate to postpone this debate to the next Undertaking period.

NON TUT PPIS under clause 13.3

Glencore is particularly concerned by this proposed incentive scheme for the following reasons;

- The safety of an organisation's people (employees, contractors & other stakeholders) is a fundamental management responsibility that requires no external incentive.
- There is still a considerable lack of transparency into ARTC's operating and

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maintenance costs. Glencore is convinced that the current process to determine if ARTC's operating costs are 'Efficient' could be improved by allowing the Access Holders more transparency into ARTC's operations and costs. Until there was sufficient transparency and a period to benchmark cost performance, Glencore would be opposed to the introduction of an incentive scheme incorporating this facet of ARTC's performance.

In summary with the coal industry in severe distress, Glencore considers it inappropriate at this time for the introduction of further monetary rewards for ARTC. With the current Undertaking to expire in 2016 it would be more appropriate to postpone this debate till the next Undertaking. In the meantime Glencore would invite ARTC to further improve its transparency, particularly into its costs, such that stakeholders can have a more informed debate on this issue at that time.