



Submission to the Queensland Competition Authority on the Declaration Review of the Dalrymple Bay Coal Terminal

**PUBLIC VERSION – CONFIDENTIAL INFORMATION
REDACTED**

11 March 2019

PUBLIC VERSION

CONFIDENTIALITY: Highly confidential and competitively sensitive information has been redacted.

1. Introduction

1.1 BHP previously provided a submission to the Queensland Competition Authority (**QCA**) on the Declaration Review of the Dalrymple Bay Coal Terminal dated 16 July 2018.

1.2 BHP confirms that the matters addressed in the previous submission have not changed, and welcomes the fact that the QCA's findings in its declaration review of the Dalrymple Bay Coal Terminal (**DBCT**) are consistent with that submission. The purpose of this submission is to address some specific matters arising from the draft determination.

2. Hay Point Coal Terminal

2.1 BHP agrees with the QCA's finding that the services provided by the Hay Point Coal Terminal (**HPCT**) are not substitutes to place HPCT in the market that the DBCT operates.¹

2.2 This is because BHP Mitsubishi Alliance (**BMA**) does not operate the HPCT as a common user facility and does not have any incentive nor intention to do so in the future. As explained in section 2.3 of BHP's previous submission:

- (a) the HPCT has always been operated by BMA as a dedicated, largely single-user coal loading facility;
- (b) BMA intends to, and has strong incentives to, continue to operate in this way in order to realise efficiencies in coordinating mining operations, above rail operations (including those operated by BMA Rail) on the Goonyella system, and maximise operational simplicity, flexibility and responsiveness; and
- (c) even as expanded in 2015, the current capacity of the HPCT is insufficient to load and export all of the coal produced at the BMA and BHP Billiton Mitsui Coal Pty Limited joint venture (**BMC**) mines described in Table 1 of the previous submissions.

2.3 In this context, BMA anticipates that it will continue to use all of the available capacity of the HPCT for its own operations, and those of BMC where efficient to do so, and therefore does not anticipate offering services to third parties in the foreseeable future.

2.4 Given this, BHP agrees with the QCA's finding that the relevant market is the market for DBCT's coal handling services in the Goonyella system,² and that if there were a small, but significant non-transitory change in the DBCT terminal infrastructure charge, DBCT users would not switch from or to the coal handling services at HPCT, nor would HPCT respond in some other way that might defeat that price increase.³

3. Use of DBCT not evidence of switching

3.1 As explained in the previous submission, BMC has contracted capacity at DBCT of [REDACTED]. BMC has contracted capacity at DBCT because BMA has always had the intent of using all available capacity at HPCT. [REDACTED]

[REDACTED] Consistently with the QCA's findings, this is not evidence of "switching" between the coal handling services provided by the DBCT and HPCT. Rather it reflects the fact that HPCT is fully efficiently utilised.

3.2 As noted in our July 2018 submissions, there should be no issue with perceived asymmetry of outcomes: even if it were theoretically feasible for BHP to use the services at DBCT in substitution for the services at HPCT, that is not relevant to the question before the QCA as to whether the services at HPCT are able to be

¹ Draft Determination, p.26.

² Draft Determination, p.35.

³ Draft Determination, p.23.

substituted for services at DBCT. For all the reasons noted above and in our previous submissions, the answer to that question is clearly “no”.

4. **Conclusion**

4.1 BHP supports the draft findings by the QCA that the relevant market for consideration is the market for DBCT's coal handling services in the Goonyella system and, in this market, there are no viable substitutes to DBCT.