



'High performance in uncertain times'



DELIVERING RESULTS

TRANSFIELD WORLEY SERVICES REGIONAL LEADING PRACTICE FORUM EAST COAST 2011

Monday, 28 March 2011 to Tuesday, 29 March 2011
Sofitel Brisbane Central
249 Turbot Street, Brisbane, Queensland





ASCIANO PROCUREMENT

Contracting Strategies

March 2011



PETER HANDS

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Asciano – who we are

Australia's largest national rail freight and ports operator

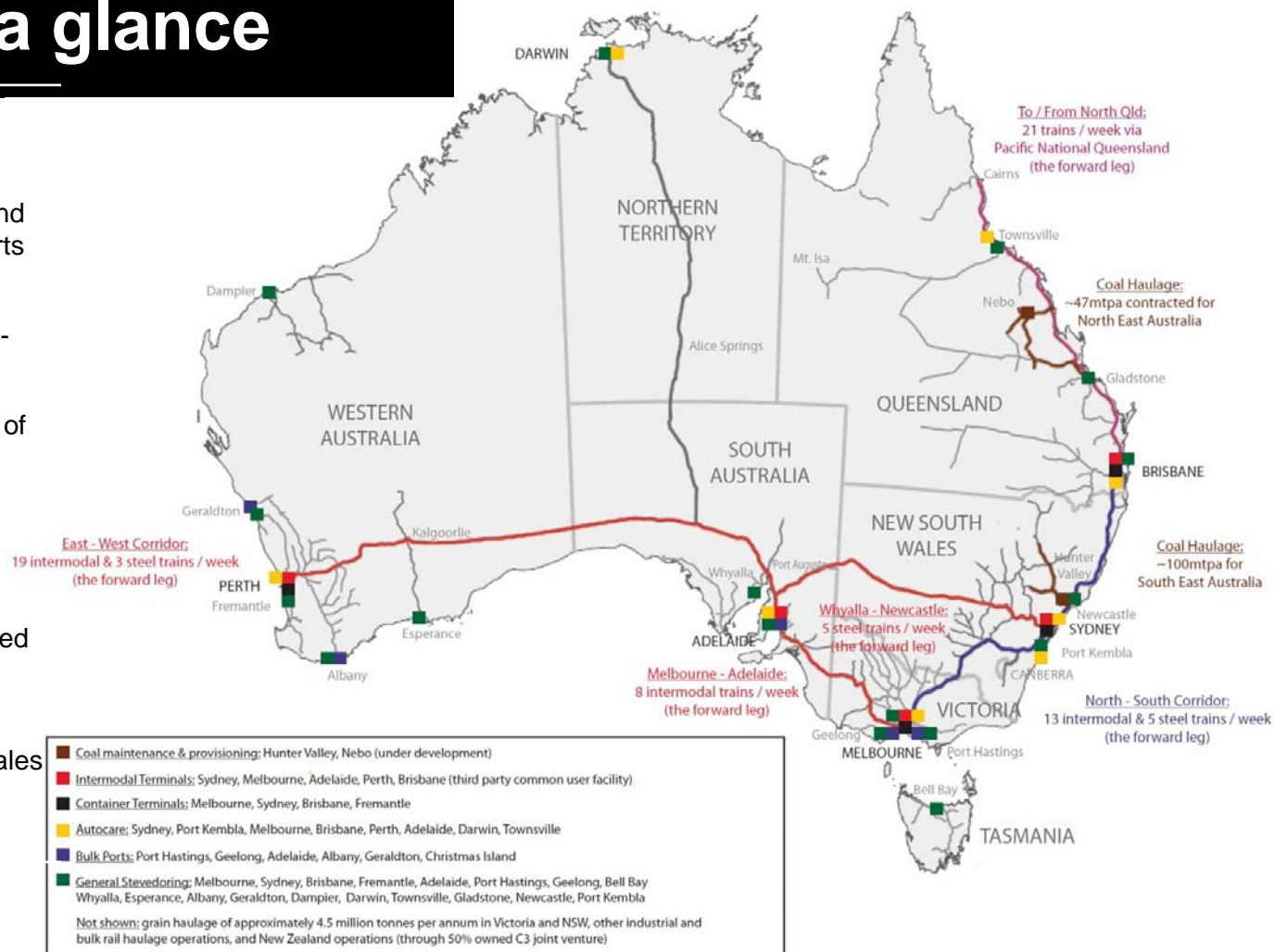
- ✓ Own and operate a range of infrastructure assets including Ports and Rail across Australia
- ✓ Listed in 2007 and currently a top 50 ASX company with revenue of \$2.814 billion (year ending 30 June 2010)
- ✓ Company's portfolio currently includes the unique combination of the Pacific National and Patrick Ports businesses
- ✓ 8000+ employees
- ✓ Our vision is to provide world class management expertise to the transport infrastructure industry
- ✓ Asciano values: Safety First; Financial Success; Customer Value and Teamwork.



Asciano at a glance

Asciano:

- ✓ Hauls around 80% of New South Wales' coal exports and 36% of Australian coal exports
- ✓ Hauls 70% of rail freight on East-West & long haul North-South corridors
- ✓ Handles approximately 50% of Australia's container port throughput
- ✓ Handles over 50% of new vehicle imports
- ✓ Hauls 95% of steel transported domestically by rail
- ✓ Hauls 50% of New South Wales and Victoria bulk rail grain exports



Australia's leading provider of bulk haulage services for coal, containers, grain and bulk industrial products

- ✓ Operations in all states of Australia.
- ✓ Operates over 13,000+ wagons that travel in excess of 1.75 billion km / year.
- ✓ Operates over 600+ locomotives that travel in excess of 80 million km / year.
- ✓ Train Size - from 600 to 3000 metres and up to 16,000 tonnes or 160 wagons.



The rail industry is growing ...

- ✓ The Australian Rail Freight Transport Industry has been growing by an average of 6.9% over the last 5 years, to be worth \$10.5 billion in 2010/11

(ANZSIC I60201, 20 Jan 2011

<http://www.ibisworld.com.au/industry/default.aspx?indid=1888>)

- ✓ Growth is anticipated to continue on the back of the resources boom, particularly in the Coal/Iron Ore Industry.
- ✓ Rapid growth > 150% in the Coal Sector is anticipated over the next 10 to 20 years mainly due to export coal growth and port/rail expansions in Queensland and NSW.



Rapid growth in coal is fuelling Pacific National's procurement requirements

A view of future coal market growth and additional train requirements to 2020 - 2030

Estimated Growth (Optimistic View)	Current 2010 Mtpa	Growth (mtpa) up to 2020	% Growth	Est. Train Requirements	Est Locomotive Requirements	Estimated Wagon Requirements
Hunter Valley Coal	105	250	138%	69	207	5934
Queensland Coal (including the Galilee and Sarat Basins)	200	540	170%	138	442	15180
				207	649	21114

Significant number of additional locomotives and wagons will be required over the next 10 years.

Driven by major port developments at Abbot Point, Hay Point, Dalrymple Bay, Gladstone and Wiggins Island in Queensland and Kooragang Island/Newcastle in NSW.

Major coal mine expansion in QLD (Sarat & Galilee Basins) and NSW (Hunter Valley)

Pacific National is actively competing in these markets and winning business is dependent to effective procurement strategies.

Our major Coal customers

- Xstrata Coal – Qld & NSW
- Macarthur Coal - Qld
- RioTinto – NSW & Qld
- Anglo Coal – NSW & Qld
- Whitehaven Coal - NSW
- Idemitsu Coal – NSW
- Centennial Coal – NSW & Qld
- Idemitsu Coal



Customer Expectations

- **Value for Money**
 - **Reliability in Performance**
 - **Dependability in Service**
 - **Innovation**
 - **Responsiveness**
 - **Flexibility**
- Supporting their competitive position in the market.
 - Repeatability of operations with no impact on their business.
 - Doing what you say you will do.
 - On time and right first time.
 - In technical and commercial solutions.
 - Ability to quickly respond and speed to market.
 - Ability to adapt to the changing operating and business environment.

Pacific National's procurement strategies must deliver on these expectations.



Procurement Objective & Strategy

Objective: Deliver reliable, fit for purpose assets that reduce whole of life cost of asset ownership

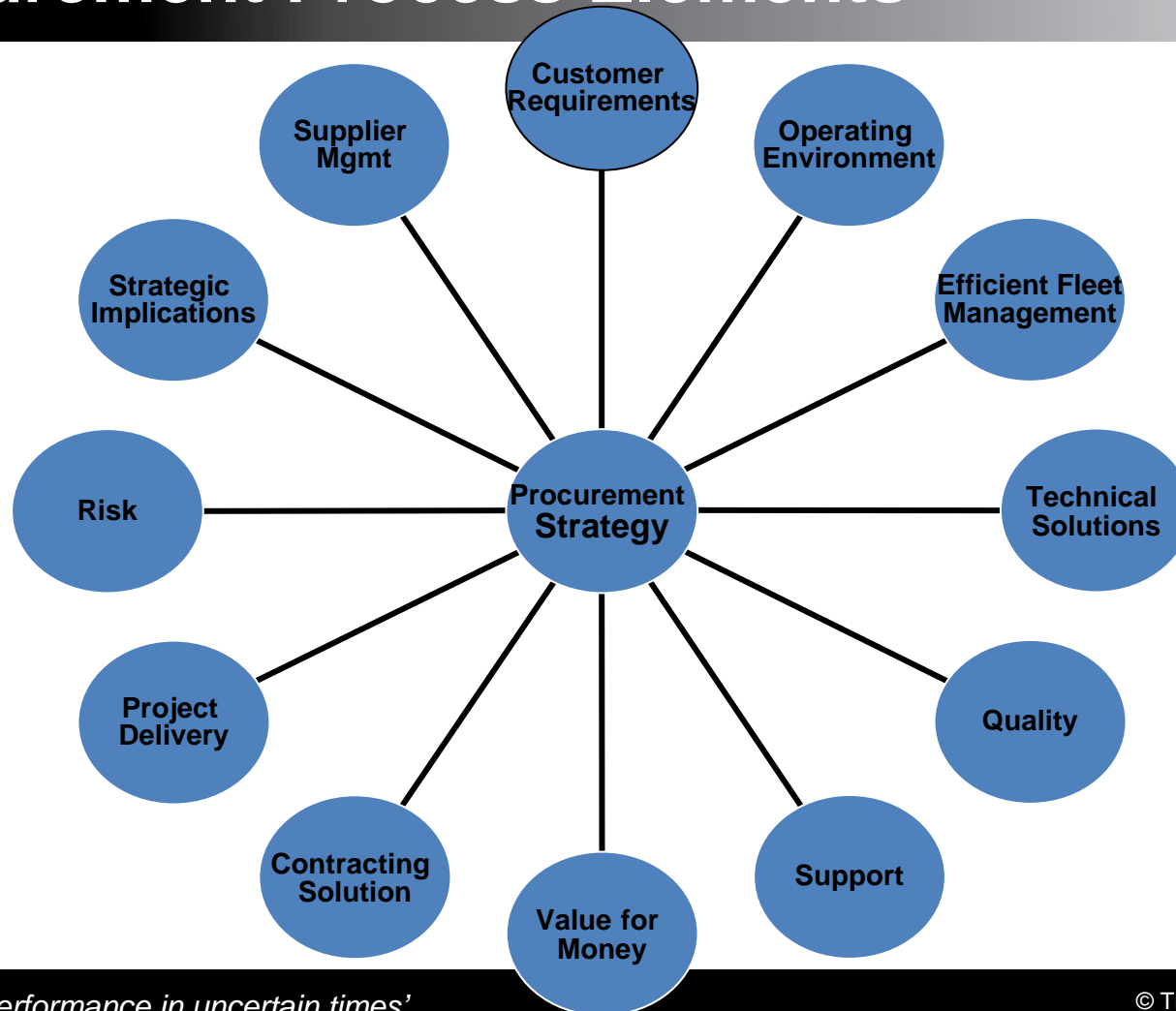
Strategy: Use the current growth in the coal haulage market as a catalyst to access and develop national & international competitive locomotive and wagon supply markets.

Tactics:

- International sourcing / global procurement processes
- Develop strategic partnerships / long term relationships
- Develop technical and engineering partner alliances
- Create and foster a competitive environment.
- Strategic use of technical and operational experts.
- Use of innovative supply agreements.
- Apply a risk management philosophy
- Challenge the status quo



Procurement Process Elements



Procurement Process

- End to End Procurement Process – Systems & Procedures
- Based on “Best Practice” Frameworks



Benefits Derived to Date

- ✓ Whole of life Cost Down >25% in some cases
- ✓ Time to market reduced >33% in most cases
- ✓ Long term relationships delivering value and innovation.
- ✓ New products and a broader supplier market developed and providing choose.
- ✓ Competitive environments maintained.
- ✓ Innovation in the supply chain achieved.
- ✓ On time delivery achieved.
- ✓ Risks managed.



Lessons Learnt

- Clearly understand your customers requirements (Customers / Pacific National).
- Well documented requirement specifications are a **must**.
- Long term partnerships work best
- The more the suppliers know about your business the better.
- Evolution of products reduces the procurement/delivery risk.
- Competitive environments will assist in delivery innovation and value for money
- Value for money means different things to different people
- Best results are achieved when the end user is fully engaged and involved



Questions

- In the end it's all about juggling the money and balancing risk.
- Questions????

