Newcastle Coal Infrastructure Group (NCIG) was established by six mining companies who had plans to develop new mines and increase exports from their existing mines. At the time, these mining companies had concerns about the ability of the coal logistics chain to enable this planned increased production to be exported to markets in Asia.

While each company can be regarded as a competitor, NCIG provided the means and external funding to set up the port infrastructure required to export 66 million tonnes of additional coal through the port of Newcastle.

CEO of NCIG, Aaron Johansen, explains: “We set up the capital structure of the company in a way that allowed any shareholder, if they wanted to, to fund their own share of the terminal. One of the shareholders, BHP Billiton, financed their share of the terminal through their finance arm, while the remainder was externally funded through various banks and other institutions from around the world. Our capital and business structure is unique. We were the first coal terminal and possibly the first infrastructure asset to set up in this way.

“It allowed us to finance the full construction of the terminal, costing $2.5 billion in total. With external financing, our shareholders then provided support of that financing through take-or-pay-style arrangements, in which they commit to pay a toll charge associated with an entitlement to export capacity over time. Through these arrangements, our shareholders gained a level of certainty around access to the port capacity required for their expanded coal production, whilst NCIG gained the confidence around future revenue streams required to fund the terminal.

“NCIG’s toll charge is calculated on a cost-recovery basis, levied against each tonne of capacity provided. As the vast majority of our customers are related companies to our shareholders, we chose not to include a profit element to our toll charge. Our focus is to operate as efficiently as possible to provide our services in the most cost-effective way. There is uniqueness to our capital structure in that we’ve provided our shareholders with port capacity to their export markets without significant upfront shareholder investment. This freed up capital for our shareholders to concentrate on their upstream developments.”
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According to Aaron, NCIG is the first greenfield coal terminal to be built in Australia since the 1980s, which means the shareholders were intimately involved in the development of the project. “Being a greenfield site, we sat down with our shareholders to find out what their key requirements were in designing the terminal, one of which was a request for dedicated stockpile areas. The main benefit of this approach is that customers can separate the rail program from their shipping program.

“This is beneficial because many of our customers’ operations are some distance away from the port of Newcastle. Traditionally, miners have been required to rail their coal to the port and have it loaded onto a vessel over a short time frame in order to minimise vessel demurrage costs incurred by the miners. The further away a mine is from a port, the harder it is for them to do this. We provide dedicated storage areas for each customer so they can build their stockpile over a longer period of time to have it ready for when a vessel arrives. Once the vessel arrives, we can berth the vessel, reclaim the coal, and load it straight on. This operational method provides a lot of saving in terms of incurred demurrage in addition to operational flexibility in how our customers structure their mine plans, their rail schedule, and their shipping program.”

In setting up NCIG, the organisation undertook an extensive recruiting program to ensure the right people joined the company. This was the foundation for building the corporate culture right from the start. “As soon as we brought a critical mass of people on board, we set up a team retreat where we worked through with our new employees the vision, mission, and values of the company, thus creating ownership and cultural alignment.” Our initial employees helped build that vision, and the employees that have followed on through a similar process, adopted and added to this culture.

Creating clarity around NCIG’s mission also helped define each staff member’s value to the business. “Every employee in the company has an annual performance agreement outlining not only their role, but defining the key performance indicators aligning individual, workgroup, and company targets. Everyone can see what they’re working on, what their key areas of individual focus are, and how that contributes to the development of the company. This has a positive effect on the culture.”

Operating out of a highly automated terminal, NCIG can run its plant with relatively few people. “As such, our employees are high-performance oriented with a flexible attitude to what they do. The way we work fits in with that; we’ve just recently extended our workplace agreement negotiated directly with our technicians. “What we have is a highly flexible but lean workforce. We have 100 people in an organisation that operates every minute of every day of the year. Part of our great culture comes from our open-door policy. For instance, my office is in a high-traffic area; my door is always open, and anyone can walk in and talk to me about anything. This approach is embedded throughout the company as well.”

Since the organisation’s genesis, safety has been a key focus of NCIG. This has resulted in the development of a best-practice safety system that has delivered outstanding safety results. “We’ve operated the last two and half years without a lost-time injury across our employee and...
“It’s the right time for us to look at the systems and processes we have in place that have been successful to date, and make sure they’re the right systems and processes to take us forward, considering the long life of the terminal.”

- Aaron Johansen

Aaron believes NCIG has a good relationship with all of its key suppliers. “As an example, Aurecon Hatch has been our EPCM provider throughout the entire three phases of construction expansion since 2007. This key relationship has been paramount in delivering the successful construction of our terminal. Aurecon Hatch’s involvement has been an integral part of the delivery of a terminal constructed ahead of time and under budget across all three stages.

“On the operations side, we have a number of key relationships with suppliers and contractors. Our workforce operates the terminal and provides first-response maintenance, backed up by contractors, to perform scheduled maintenance and specialist repairs. Our largest R&M contractor is Downer; they undertake our electrical and mechanical maintenance, and we’ve had a great relationship with them from the start of operations and even before that, they were our electrical contractor on our terminal construction. We have good relationships with a core number of contractors that undertake most of our contract work.”

Japan’s resources and energy demands have helped fuel the success of NCIG and assisted the company to forge strong relationships with various Japanese organisations. “Japan is the key destination for coal exports from Australia. It has traditionally been the key destination and still is. Over 46 per cent of the coal through the NCIG terminal last year was destined for Japan. Our experience is that the issues that Japan has faced with its nuclear program have reinforced their support for coal and gas, which are their two key sources of energy. We have a Japanese bank, SMBC, supporting us as one of our seven key banks, which also includes Australian banks ANZ, CBA, and NAB. They were part of the initial funding of our terminal, and they’ve been with us ever since.”

With construction all but completed and the terminal running at full capacity, NCIG is looking towards sustainability. “We’ve a 45-year operation, so we need to sustain our practices over the long term while optimising our investment in the facility. It’s the right time for us to look at the systems and processes we have in place that have been successful to date, and make sure they’re the right systems and processes to take us forward, considering the long life of the terminal. Our focus has moved from construction and operational ramp-up to now being on operational excellence, optimising our people, processes, and technology.”

NCIG values its social licence to operate and strives to be a good neighbour to the Newcastle residents surrounding its operations. “As part of being a good corporate citizen, we like to assist charity groups and non-profit organisations within the community in helping them achieve their goals. We undertake a biannual program in which we seek submissions from the community for our community donation and sponsorship program. We review all submissions and assess the relative community benefits of them. Over the past four years, we’ve donated close to a million dollars across 133 projects through this community support program.

“Over the past three years, we’ve also hosted an annual charity ball in which we raise money for a nominated charity. Each year, we provide a short list of charities to our workers and they vote for the charity to be supported. Over the last three charity balls, we’ve raised more than $200,000 for three different charities. At the most recent one, we raised $83,000 for Lifeline Newcastle, which assists in suicide prevention and crisis support services. This program works well, and it’s a good way for our employees and contractors to socialise outside of the work environment.”

As a premier coal export facility and an integral part of the nation’s coal supply, NCIG is well positioned to service the international and domestic market for many years to come. “We’ve spent the past six years and a large amount of money constructing our terminal. The near-to-medium term future for NCIG is around continuous improvement, optimising the investment that we have made to get the most out of ourselves and our terminal.

“We want to deliver a low-cost, world-class operation that achieves industry-leading safety performance whilst also being a good corporate citizen. In terms of the longer-term view, we’re also looking at ways we could expand further should the need arise from our shareholders down the track.”

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Aurecon and Hatch are proud to have assisted NCIG with the planning, design and project delivery of the 66 Mtpa coal export facility on Kooragang Island. Delivered ahead of time and under budget.

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