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Mr E J Hall
Chief Executive
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Hall

QR's Draft Amending Access Undertaking – Revised Coal System Maintenance Costs

Thank you for the opportunity to provide comments on Queensland Rail's (QR's) most recent draft amending access undertaking (DAAU) which the Queensland Competition Authority (QCA) is currently assessing. As noted in QRC's earlier submissions on QR Network Access' (QRNA's) proposal to revise maintenance costs due to fundamental errors by QRNA, this matter has not been an easy one for industry to address.

The failure of QRNA to adequately consult with industry throughout these processes has added unnecessary uncertainty and complexity to this issue. Despite QRC raising serious concerns about their approach, QRNA has again failed to consult with industry in submitting another DAAU in order to finalise its approach to QRNA's own maintenance cost errors.

QRC is pleased that the Authority has clearly identified the related issues of efficient maintenance costs and how QRNA measures and manages these costs, as major issues to be considered as part of the next undertaking process. While QRC is hopeful that deferring the full set of maintenance issues will allow QRNA time to develop a more comprehensive approach, there are a number of processes which could usefully commence immediately. These processes include reviewing the extent of inefficient maintenance practices and the actual scope of maintenance activities being undertaken compared to that previously approved by the QCA.

QRC notes the QCA's view that there were no issues raised during the consultation on the draft decision which convinced it to alter the QCA's final decision to reject QRNA's proposal. QRC stands by the concerns raised in earlier submissions, and particularly the key principles set out in those submissions. QRC does not wish to present any *additional* information for the Authority's consideration at this time. As such, QRC relies on the Authority to determine the appropriateness of QR's most recent DAAU arising from QRNA's previous errors.

QRC would be reluctant for QRNA to see any positive decision in its favour as having implications beyond the particular matter being considered – that is, this should not provide a precedent for QRNA to continually seek to revise its approved access undertaking.

In approaching the forthcoming replacement access undertaking, key concerns that QRC raised in earlier submissions will need to be systematically addressed. These include:

- **Transparency** – from a customer's perspective, the distinction between actual and efficient costs, as well as efficiency of QRNA's maintenance task needs to be thoroughly considered. QRC would like to be confident that reference tariffs are based on an efficient maintenance costs and an efficient scope of maintenance activities. In particular, QRC notes the benefits of QRNA providing regular public reports as to the scope of maintenance undertaken compared to that provided within reference tariffs.
- **Maintenance planning** – the process of these DAAU processes has highlighted deficiencies in the way that QRNA plans and schedules maintenance activities and then monitors the execution of those plans.
- **Impact on system performance** – there remains a number of concerns surrounding the future impact of QRNA's decision to 'internalise' the benefits associated with ballast contamination. This includes the possible system constraints to rectify the problem and how the associated costs will be appropriately allocated. QRC considers that this should be considered in terms of the relationship between QRNA and QR's above-rail operator – not within access charges which would impact on end-customers. If QR has realised the benefits of such a trade-off then the associated costs should also be 'internalised' (not passed onto end-customers by means of socialisation within access charges).

Given the commercial sensitivities claimed for many of these issues by QRNA, and also their complex technical nature, QRC will remain heavily reliant on the QCA to play an active role in the development of QRNA's next maintenance regime. QRC looks forward to developing a proper consultative process with QRNA which includes the QCA.

Yours sincerely,



Greg Lane
Acting Chief Executive