

# QRC submission

Working together for a shared future

Submission in response to the Queensland Competition Authority's Draft Decision – *Coal System Maintenance Costs*

To the Queensland Competition Authority  
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QUEENSLAND COMPETITION AUTHORITY

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## Introduction

The Queensland Resources Council (QRC) is a non-government organisation representing companies that have an interest in exploration, mining, minerals processing, gas and energy production. It is the resource industry's key policy-making body in Queensland, working with all levels of Government, interest groups and the community.

The council works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

This submission has been prepared by QRC in response to the Queensland Competition Authority's (QCA's) *Draft Decision – Coal System Maintenance Costs September 2007* (draft decision), in response to a draft amending access undertaking (DAAU) submitted by Queensland Rail (QR). QR's DAAU sought to amend reference tariffs to reflect revised maintenance cost forecasts and an error in AT5 for the Central Goonyella cluster.



### Executive Summary

QRC has been disappointed with a number of aspects of this DAAU process. Specifically, the lack of consultation undertaken by QRNA prior to submitting the DAAU, the level of public disclosure of information supporting QRNA's proposal and the departure from forecasts which had been independently assessed for efficiency on several occasions.

Moreover, QRC is concerned that the approach adopted by QRNA (direct applications of DAAU processes to the regulator without appropriate industry consultation) may have established a misconception within QRNA that this approach is appropriate in any circumstance.

QRC suggests that any approach which enables QRNA to accept certain risks during a regulatory period, retain benefits when outcomes favour QRNA, and seek after the fact adjustments when outcomes are adverse to QRNA, is clearly not the intention of the regulatory regime.

Regardless of the approach taken by QRNA, QRC notes that the draft decision should not establish any precedent which could be used to unnecessarily reopen issues by QRNA within regulatory periods.

The quantum of QRNA's error and the delay in identifying this error only heightens the need to install appropriate reporting mechanisms and ensure the incentive frameworks are achieving their intended purposes.

The full extent of any inefficient QRNA maintenance practices and how they impact on the condition of the infrastructure, should not be overlooked and appropriate measures be taken to restore confidence in QRNA's capabilities as a priority.

This submission responds to the range of matters raised in light of the Authority's draft decision and the Authority's independent consultant's report by GHD, *Report for Assessment of QR's Maintenance Costs July 2007* (Independent Report).

In relation to the matters raised in the draft decision and Independent Report, QRC suggests there are a number of aspects where industry's understanding of maintenance issues would benefit from receiving clarification and further consideration by the QCA. In particular, the extent of the 'surprise' identified relating to the apparent condition of the Goonyella corridor and likely impact on future system capacity ('maintenance bottleneck').



→ **QRC's Guiding Principles**

QRC's principles used to frame this submission, and consequential positions, are outlined below.

<i>Principle</i>	<i>QRC Position</i>
<i>Appropriateness – industry consultation and use of the DAAU process</i>	→ Acknowledges the QCA's approach which seeks to resolve these matters in a timely, yet pragmatic manner. → There should not be any misconception that DAAU processes are appropriate in any circumstance.
<i>Efficient Costs and Incentive Regulation</i>	→ Efficient costs developed on a coal-only basis. → Incentives within the regulatory regime need to influence behaviour and be aligned to their stated objectives.
<i>Users should only pay once</i>	→ Does not support proposals which would provide for users effectively paying more than once. Including shifting of approved costs between regulatory periods. → Opposes inappropriate shifting of above-rail costs into below-rail costs.
<i>Transparency and Accountability</i>	→ There should greater transparency and accountability within the regulatory regime.
<i>Regulatory fatigue</i>	→ Constructive engagement with industry by QRNA is preferred.



→ **QRC's recommendations in response to the draft decision**

QRC requests that the QCA consider the following recommendations in order to clarify a number of fundamental, yet unanswered, industry concerns arising from QR's DAAU, the draft decision, and Independent Report. The recommendations offered by QRC below provide a summary; as such the entirety of this submission represents QRC's response to the draft decision.

<i>Issue</i>	QRC Recommendations
<i>Appropriateness – industry consultation and use of the DAAU process</i>	<ul style="list-style-type: none"> <li>→ Considers that this DAAU is worthy of consideration by the QCA.</li> <li>→ Preference for some process of genuine engagement from QRNA and stakeholders prior commencement of regulatory processes.</li> </ul>
<i>Efficient Costs and Incentive Regulation</i>	<ul style="list-style-type: none"> <li>→ Seeks clarification of the impact of the proposed costs giving regard to non-coal costs.</li> <li>→ Application of the Independent Report's recommended X-factor be applied to ensure that QRNA's fundamental assumption of an 'efficient base' can be substantiated.</li> <li>→ Suggests that the Independent Report's recommended X-factor also be applied to the ballast items over the remaining two years of this regulatory period.</li> <li>→ Supports transparent reporting requirements which align incentives in relation to the application of the X-factor mechanism.</li> </ul>
<i>Users should only pay once</i>	<ul style="list-style-type: none"> <li>→ Identification of measures which have been implemented to ensure users are only paying efficient costs, both in terms of capital and maintenance costs.</li> <li>→ Seeks clarification as to the extent of delayed maintenance resulting in premature asset failure.</li> <li>→ Independent review of the condition of the ballast on the central Queensland coal network.</li> </ul>
<i>Transparency and Accountability</i>	<ul style="list-style-type: none"> <li>→ A timely transparent review process, including the assessment of QRNA's 2005-06 capital expenditure.</li> <li>→ Publicly reporting on the actual performance of maintenance activities (as opposed to detailed costs). Including scope and quantity reporting of maintenance activities be implemented as priority.</li> <li>→ Costing Manual to be assessed if it provides any value to this maintenance cost process, or whether it is simply allocating actual costs, without seeking to make any link to efficient costs.</li> <li>→ Individual tariff rates, individual building block components of the annual revenue requirement, and the relevant system allowable revenues, be provided to assess how particular proposals and decisions impact on individual customers.</li> <li>→ Supports the draft decision to correct both the published reference tariff error and the relevant system allowable revenue error.</li> </ul>



### **Appropriateness – industry consultation and use of the DAAU process**

#### **→ Regulatory Pragmatism**

Given the approach taken by QRNA within its proposal, QRC acknowledges the QCA's approach which seeks to resolve these matters in a timely, yet pragmatic manner.

Given the limited public information available to assess QR's proposal, industry is constrained in its ability to provide a detailed analysis of all matters relating to the DAAU. In this regard, QRC has relied on the information provided in the draft decision and independent consultant's report.

#### **→ QRNA's 'consultation' process**

Firstly, QRC is disappointed with the lack of consultation undertaken by QRNA prior to initiating this regulatory process. QRNA was clearly aware of these issues for some time, however undertook an inadequate process of consultation, based on an extraordinarily limited amount of information. QRC maintains that the DAAU process being undertaken by QCA cannot be seen as a substitute for genuine engagement by QRNA with its customers.

Secondly, QRC is disappointed that constructive processes recently undertaken by QRNA and QRC during the development of QR's Schedule F amendment proposal has not apparently enlightened QRNA on how to best to engage with its customers.

It would be useful if the QCA's decision on this matter could explicitly indicate the Authority's expectations regarding consultation with industry. This guidance could help break the pattern of QRNA using regulatory processes as a means of communicating cost surprises to their customers.

#### **→ Use of regulatory processes must be appropriate**

QRC notes that QRNA's regulatory regime was not intended to be based on an asymmetric intra-regulatory period cost pass-through approach – whereby a regulated service provider accepts certain risks at the commencement of the regulatory period, then regularly seeks adjustments when outcomes are adverse, yet retain benefits when circumstances are favourable, on a regular basis throughout the regulatory period.

QRC accepts that the duration of the undertaking seeks to provide certainty to QRNA in terms of the revenues it can recover and terms and conditions that it can offer without regulatory intervention. However, QRC considers that this regulatory 'safe-harbour' also extends to providing certainty and stability to access seekers, stakeholders and end customers. Given this, QRC's position is that the use of DAAU processes should be reserved for situations which are in the combined best interests of QRNA, industry, access seekers and the regulator. QRC would prefer to see some process of genuine engagement with QRNA to identify the importance of an issue before a DAAU is prepared.

To do otherwise would only facilitate an approach which promotes the continual shifting of approved revenues, terms and conditions, which are essentially approved within the regulatory 'safe harbour' to protect the interests of access seekers, industry and QRNA.

An approach of incrementally increasing QRNA's prices from previously approved efficient costs undermines the analysis and consultation which goes into establishing robust regulatory processes.



→ **QCA has verified QRNA's error as 'material'**

Given QRNA's confidentiality claims, QRC is unable to verify the extent of QRNA's error. However, QRC notes the QCA's Independent Report benchmarking findings which suggest that QRNA's proposed costs (not actual costs) were higher than comparative benchmarked observations. In addition the draft decision notes that these are "broadly consistent". This matter is further considered in following *Efficient Costs and Incentive Regulation* section of this submission.

The draft decision should not establish any precedent. While clearly the quantum of QRNA's error is a legitimate concern, the materiality of the error should not provide the basis for the consideration of a DAAU – the extent of QRNA's error highlights the lack of transparency of QRNA's reporting requirements.

Given the potential impacts on the infrastructure during the remainder of the regulatory period if QRNA undertook any form of 'maintenance strike' and the costs this would impose on access seekers, industry and QR, QRC considers that this DAAU is worthy of consideration by the QCA.

**Efficient Costs and Incentive Regulation**

→ **Efficient maintenance costs**

QRC supports the principle of efficient costs being recovered by QRNA by means of inclusion within access charges. QRC notes the Independent Report findings that QRNA's revised costs were higher than comparable railway benchmarks (for non-ballast items) and the draft decision presented this as "broadly consistent".

It is not clear from the draft decision the extent to which maintenance costs relating to non-coal traffics have been taken into consideration or the impact of these on the proposed costs. QRC understands that there are non-coal related maintenance impacts which should be considered. For example, it is not clear the extent to which infrastructure which is not required for a coal-only system has been addressed in this analysis and the impact on the efficiency of QRNA's proposed costs.

QRC notes that there is a significant gap from QRNA's claimed actual costs and the efficient costs which were benchmarked against other relevant comparators.

Further, the appropriate incorporation of relative productivity improvements could effectively reduce the variation from the comparative benchmark.

QRC seeks clarification by the QCA of the impact of the proposed costs giving regard to the costs on a coal-only basis.

→ **The appropriate X-factor**

The draft decision does not provide any direct reference to the consideration of the appropriate X-factor, although the QCA's independent consultant's report clearly recommends a suitable range between 0.5% and 1% per annum, which "is applicable over and above the arguments put forward by QRNA in its proposal" (Independent Report, p1)



QRC suggests that the QCA further explore this matter, including assessing the benchmarked comparative analysis given the incorporation of recommended productivity improvements.

Furthermore, QRC notes that the QCA did not seek to include relative productivity improvements within the approved 2001 Access Undertaking (2001 AU) X-factor. In effect, the 2001 AU approved X-factor only sought to address QRNA's assessed operational inefficiencies, which given their magnitude at the time was considered appropriate. Rather, the QCA foreshadowed that such productivity improvements would be incorporated within subsequent review periods. Relevant QCA decisions indicate the productivity improvements to be around 1%, at that time.

Importantly, QRC had previously supported the QCA's 2005 decision to set the X-factor to zero on the basis that QCA's assessment of QRNA's then approved maintenance costs – that is, as the proposed UT2 maintenance costs were found to include substantial reductions from the first regulatory period and appropriate savings during the 2005 regulatory period, an X-factor of zero was appropriate.

Given that QRNA's approach is based on the assumption that 2004/05 maintenance allowance forms an 'efficient base' for non-ballast cleaning items, QRC considers that this oversight by QRNA has effectively overstated the first step in its proposed roll-forward of efficient hypothetical costs. In addition, the Independent Report recommends that an X-factor should be applied to ensure that QRNA's fundamental assumption of an 'efficient base' can be substantiated. Further QRC suggests that this productivity allowance also be applied to the ballast items over the remaining two years of this regulatory period.

In effect, the adoption of the recommended X-factor would recognise the fundamental principles of efficient costs and the purposes of the incentive regime.

#### → **Aligning incentives of the X-factor**

QRC considers that incentives within the regulatory regime need to influence behaviour and be aligned to their stated objective in order to operate as intended. In this regard, QRC supports transparent reporting requirements which align incentives in relation to the application of the X-factor mechanism.

This has been a longstanding concern to industry. By way of background, these matters were previously raised by industry prior to the commencement of the first regulatory period in 2001.

*The council believes that it is essential to ensure that the QCA's proposed CPI-X mechanism has its intended effect of motivating QR to reduce its unit maintenance costs to competitive levels, rather than attempt to meet its cost targets by simply reducing the number and /or scale of tasks performed. (Queensland Resources Council, November 2001, Response to the QCA Request for comments)*

Maintaining the current regulatory and public reporting processes will only maintain the focus on QRNA's current costs structures. That is, the current reporting approach encourages QRNA to seek to maximise its budget, which provides an incentive to reduce the actual quantity of maintenance activities to satisfy its budget constraint, rather than seeking to minimise costs subject to meeting the target set of stated maintenance tasks.



Aligning the incentives with the X-factor mechanism would also enable the public reporting of scope and quantities, given any perceived commercial confidentiality concerns would be removed. Indeed, the incentive framework needs to be aligned and greater transparency would improve confidence in their application.

→ **Alignment of incentives**

QR's proposal has not sought to recover costs associated with changes to maintenance practices, which arise due to higher levels of track defects and throughput above anticipated levels. QRC notes each of these matters requires a different response, both in terms of users effectively paying more than once (refer to *Users should only pay once*) and the appropriate alignment of incentives.

In relation to maintenance practices which result in greater throughput and do not reflect the principle of pricing based on coal-only costs, QRC considers that this matter should be considered within the assessment of the volume increment incentive framework. QRC suggests that this would provide the appropriate mechanism of capturing the costs associated with delivery of greater throughput.

QRC suggests that it is important that the incentives provided in the regulatory regime align with the interests of industry, above-rail operators, access seekers and QR, through this volume-based approach.

**Users should only pay once**

→ **Efficient costs should only be recovered once**

As a matter of principle, QRC does not support proposals which would provide for users effectively paying more than once. In assessing this principle, there are a number of aspects which need to be considered.

QRC notes that the Independent Report suggests that QRNA's current maintenance paradigm is "reactive" in nature – reflecting possible past inaction.

*The contemplated changed maintenance practices appear to be in response to a corrective maintenance increase rather than a preventative maintenance strategy (Independent Report, p. 27)*

*... may already be in a maintenance deficit situation requiring catch-up maintenance work at greater cost (Independent Report, p.19)*

*QR should never have got itself in the predicament of "reactive" maintenance (Independent Report, p.40)*

*At volumes operating on the CQCR [central Queensland coal region] the philosophy of the maintenance management must be that the maintenance effort will be 100% preventative maintenance (Independent Report, p.25)*

A "reactive" maintenance paradigm while more expensive, should be viewed in terms of efficiency. For example, in terms of higher costs (capital and maintenance) associated with not undertaking appropriate preventative maintenance practices. In particular, it would not be efficient in circumstances:

- which necessitates prematurely bringing forward capital expenditure as a result of failure to maintain the infrastructure asset appropriately; or



- where appropriate preventative maintenance tasks are not undertaken and the resultant cost exceeds reasonable observable benefits.

QRC notes that in the absence of public reporting of maintenance scope and quantities, it is unreasonable for industry to provide meaningful comments relating to the efficiency of QRNA's maintenance activities on future capacity and service quality of the coal below-rail network.

In relation to inefficiencies relating to the failure to maintain the infrastructure asset appropriately and therefore imposing substantial capital costs to rectify a problem (which could have been avoided by an appropriate preventative maintenance program), QRC considers that the role of the QCA to review QRNA's capital expenditure replacement programs and provide independent verification of the veracity of this program is of critical importance.

QRC notes the Independent Report findings that:

*QR advised that in addition, the contamination has increased the cost of associated remedial work such as spoil removal and earthworks (Independent Report, p. 28)*

Any evidence which suggests asset failure due to delayed maintenance needs to be appropriately addressed. QRC seeks clarification from QCA as to the extent of the problem and what measures has the QCA sought to implement to ensure users are only paying efficient costs, both in terms of capital and maintenance costs.

QRC supports the QCA undertaking public review processes of QRNA's capital expenditure program – however, QRC notes that 2005-06 capital expenditure assessment has not been released for comment by QRNA or the QCA. In the absence of a timely transparent review process, this does nothing to increase industry's confidence in QRNA's efficient management of infrastructure planning.

In addition, maintenance practices which result in additional costs being transferred into future regulatory periods (such as inappropriately leaving spoil from ballast cleaning within rail corridors as previously raised by QRNA in a number of operational forums) should not be deemed efficient by the regulator. QRC suggests that the QCA consider such practices as inefficient in the context of any assessment of efficient costs between future regulatory periods.

→ **Shifting costs between regulatory periods**

As a matter of principle, QRC does not support shifting of approved costs between regulatory periods which provides for users effectively paying more than once.

In relation to the condition of the below-rail ballast, there are a number of matters raised which need to be clarified. QRC notes that the Independent Report suggests that, even though QRNA received a considerable increase in its first regulatory period maintenance allowance to correct identified ballast fouling at that time, in fact the actual amount required has increased:

*It was also advised that the total increase in the quantum scope since UT1 is approximately 20% (Independent Report, p. 28)*



QRC is unable to verify, despite the QCA approving a major amount of maintenance work to remedy the condition of the Goonyella ballast in 2001, whether this work has actually been undertaken since the scope of this work was approved. QRC considers that while past failures need to be recognised and responsibility taken, the more pressing matter is that the extent of this problem is identified and solutions provided.

To this end, QRC supports the QCA undertaking an independent review of the condition of the ballast on the central Queensland coal network, with the Goonyella corridor representing the priority. This should include a review of approved scope and of related maintenance activities (such as ballast cleaning) compared to actual work undertaken. In addition, there are a range of stakeholders who need to be reliably informed as to the extent of this problem and the impact of available solutions on the future capacity of the network.

If the suggested 'maintenance bottleneck' is real, this could result in a further loss of system capacity, which will result in material economic costs. This includes lost export revenues, lost coal royalties to the State, profitability and viability of current and future mine projects and damage to the reputation of Queensland as a reliable supplier of quality coal products.

Given that users have already paid for (by means of incorporation within access charges) the efficient maintenance cost for an approved scope and quantity of work, industry should not pay for this work to be completed in future regulatory periods. QRNA needs to demonstrate to industry, the wider community, shareholders, and above-rail operators that these issues have been prudently addressed and the QCA needs to be able to verify QRNA's claims.

→ **Cross subsidisation – coal loss and ballast contamination**

While QRC notes that there is a marginal level of ballast cleaning required even when there is no contamination, the Independent Report clearly identified the primary causes of coal loss and the implications for ballast contamination arising from the current practices related to **above-rail operators** (and their related activities at loading and unloading facilities), rather than the operations of QRNA.

*QR appear to have a very large coal contamination problem, one which is not repeated anywhere in Australia, Hunter Valley included (Independent Report, p.33)*

*In relation to ballast ploughing ... when wagons are being unloaded, the ploughing by the wagon of coal built up because the bin underneath is not being emptied fast enough... which accounts for 40% of the contamination (Independent Report, p.31)*

*In relation to coal spillage from the wagon, either off the top of the coal pile or leaky doors en route ... accounts for 40% of the contamination (Independent Report, p.31)*

QRC considers that this matter should be addressed by above-rail operators responsible for the problem, rather than QRNA given that the matter arises from haulage operations rather than the below-rail infrastructure.

*If ballast fouling is creating big problems then coal contamination either needs to be stopped or the operator should be made to pay for the damage that is*



*created. The "reference train" is not one that drops coal (Independent Report, p.19)*

In addition, given that reference tariffs apply to reference train services any cost recovery arising from above-rail operations should be sought directly by QRNA from the above-rail operators, rather than the costs being 'socialised' within QRNA's regulated access charges.

QRC opposes inappropriate shifting of above-rail costs into below-rail costs. QRC notes that in this instance, this would effectively result in users effectively paying more than once – first within above-rail contracts and again within below-rail access charges.

In circumstance where QR has 'internalised' the benefits associated with ballast contamination, 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 too should be 'internalised' (not passed onto end-customers by means of socialisation within access charges).

### **Transparency and Accountability**

#### **→ Restoring confidence and credibility**

The full extent of QRNA's error in relation to its forecast maintenance costs, and possible impact of inefficient practices on the infrastructure, needs to be independently assessed and appropriate measures taken to restore confidence in QRNA's capabilities as a priority. In particular, QRNA's credibility has suffered from:

- the size of QRNA's initial maintenance forecast error which was provided during 2006;
- delays in identifying and responding to these errors;
- failure to consult with industry;
- suggestions QRNA is now operating under a 'reactive' maintenance program; and
- concerns surrounding the condition of the ballast throughout the coal network.

It is important that QRNA is able to demonstrate to industry, likely access seekers, current above-rail operators, shareholders and the wider public, that it is maintaining this critical export infrastructure to the standard of a professional asset manager.

QRC suggests that there are no barriers to requiring QRNA to publicly report on the actual performance of maintenance activities (as opposed to detailed costs), at the detailed level provided in Schedule MB, part 4 of its approved access undertaking and recommends this avenue to the QCA for consideration.

#### **→ Maintenance scope and quantity reporting**

Industry has been a strong advocate for implementing robust and transparent reporting arrangements in regard to performance of maintenance tasks against plans. This comes from industry's understanding of the need to adequately maintain complex infrastructure assets and the consequences of infrastructure failure due to inadequate maintenance programs.



To illustrate this point, the then Queensland Mining Council's *Response to the QCA Request for Comments* (November 2001) stated that:

*... we recommend that QR be required to submit a long term maintenance plan outlining the tasks required to ensure that the network remains "fit for purpose", with satisfactory fulfilment of these tasks to be assessed through regular reporting ...*

*In addition, QR should annually report physical performance against planned maintenance performance. This is a commonly reported measure in project management, and which is independent of expenditure and would bring to all parties' attention any failure to meet expected planned maintenance targets.*

To this end, QRC reaffirms this longstanding industry's position and suggests that QRNA be required to report publicly and to the regulator on scope and quantity, compared to its approved forecast. Clearly this would overcome any commercial confidentiality concerns and the tracking of actual compared to forecast would provide some confidence to industry that QRNA is adequately maintaining its infrastructure.

#### → **Ballast Contamination**

There is high degree of apprehension within industry relating to the QCA's, and the Independent Report, concerns surrounding the severity of the ballast contamination problem and its apparent persistence despite claimed action by QRNA.

QRC notes that the Independent Report which states:

*In fact, it appears that without coal contamination much of the debate about maintenance practices and cost would disappear. Nevertheless, even if contamination could be stopped immediately a backlog exists that will require considerable effort to eliminate (Independent Report, p.27)*

A critical issue for industry arising from the draft decision relates to the extent of ballast contamination on the central Queensland coal system – in particular the condition of the Goonyella system – and the likely impact as a capacity constraint to the supply chain is of particular concern.

QRC notes QRNA's own estimated maintenance backlog of approximately seven years and suggests that this may imply a limited capacity to maintain the infrastructure.

In order to return some confidence into the regulatory regime, there needs to be a process established within the access undertaking which will enable the QCA and QRNA to transparently resolve this matter. Industry is concerned that the momentum required to resolve this matter could be lost after the QCA makes its subsequent decision.

#### → **Costing Manual – allocating inefficient costs?**

QRC also questions whether the Costing Manual is providing any value to this maintenance cost process, or whether it is simply allocating actual costs, without seeking to make any link to efficient costs.



The set of regulatory accounts which use the costing manual and the considerable work (for QRNA, QCA and Auditor-General) which this process creates needs to be reviewed by the QCA to identify the benefits of maintaining this process.

QRC considers that this activity should cease, pending a review during the impending replacement access undertaking consultation process. Further, QRC recommends that scope and quantity reporting of maintenance activities be implemented as priority.

→ **Impact on Reference Tariffs and Revenues**

There needs to be more information to enable users to evaluate the extent of the cost impact on individual commercial operations.

The draft decision does not provide sufficient information relating to the impact on individual tariff rates, individual building block components of the annual revenue requirement, or the relevant system allowable revenues.

QRC supports any future decisions by the QCA, and future applications by QRNA, clearly outline the impact of decisions, and applications, on these fundamental components of the regulatory regime. QRC considers that this would provide greater transparency as to how particular proposals and decisions impact on individual customers.

→ **AT5 Hail Creek – Central Goonyella cluster**

QRC supports the draft decision for QRNA to correct both the published reference tariff error and the relevant system allowable revenue error – ensuring any revenue lost to QRNA during 2006/7 as a result of this issue should not subsequently recovered under future revenue-cap adjustment processes (ie. the revenue foregone as a result of this error should be deemed to have been collected by QRNA for the purposes of the Revenue Cap Adjustment).

**Regulatory fatigue**

QRC notes that QRNA's approach to the regulation of its below-rail infrastructure is becoming laborious, complex, and haphazard. This imposes a significant burden on industry.

It is difficult to avoid the conclusion that QRNA has set out to engineer a form of regulatory fatigue across industry stakeholders – there are currently several distinct but concurrent regulatory issues where QRNA has either instigated deliberations or delayed an agreed reporting process.

While recent processes of constructive engagement by QRNA during the development of QR's Schedule F amendment proposal effectively reduced a considerable amount of this burden, this application and others subsequent have only increased the sense of regulatory fatigue.