



RIO TINTO

COAL AUSTRALIA

23 March 2007

John Hall
Chief Executive
Queensland Competition Authority
Level 19, 12 Creek Street
Brisbane QLD 4000

By Facsimile: (07) 3222 0599

Dear John

Queensland Rail (QR) Access Undertaking (2006) – Proposed Schedule F Amendment

I refer to your letter of 1 March 2007 seeking submissions regarding QR's proposed Schedule F amendments to its 2006 Access Undertaking. As a significant stakeholder in the outcome of the review of QR's proposed amendments to its Access Undertaking, Rio Tinto Coal Australia (RTCA) appreciates the opportunity to provide the following comments. RTCA has been a regular contributor to QCA consultation processes in the past and advises that on this occasion it has been an active participant in extensive industry discussions and negotiations with Queensland Rail Network Access (QRNA) regarding the finalisation of the outstanding issues with QR's 2006 access undertaking.

Regarding QR's proposed Schedule F amendments, RTCA takes this opportunity to emphasise its support for the recommended industry approach to resolving the outstanding issues, as outlined in the Queensland Resources Council (QRC) submission.

Without restating verbatim the QRC submission regarding QR's proposed Schedule F amendments, RTCA reiterates its view that to assure the longer-term competitiveness and efficiency in rail freight services it is essential to have an appropriate access regime in place. To this end RTCA supports changing the regulatory arrangements to reflect the following principles:

- The form of regulation should be changed to a hybrid revenue cap from 1 July 2006 in which AT2-5 (the Reference Tariffs which are designed to reflect QRNA's fixed costs and return on capital) are subject to revenue caps, while AT1 and EC (which are designed to recover QRNA's incremental maintenance costs and variable electricity costs) will continue under the current price-cap arrangement;
- The revenue cap for AT2-5 should be implemented by creating a recovery / return mechanism for revenue under-recovery (after collection of take or pay) and over-recovery relative to Annual Allowable Revenue with six revenue caps covering AT2-4

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for Newlands, Goonyella, Blackwater and Moura, and AT5 for Goonyella and Blackwater;

- Take or Pay and relinquishment fees under existing Access Arrangements should remain unchanged;
- There should be no change to the existing approach to the establishment of Reference Tariffs (AT1-5 and EC); and
- There should be no re-profiling of the demand/volume forecast.

RTCA appreciates the opportunity to provide these comments and would be pleased to discuss them further if necessary. For further information regarding this advice please contact Chris Tziolis on (07) 3361 4337.

Yours faithfully



Matt Coulter
General Manager - Corporate Development