

File Ref: 204686

17 December 2007

Mr John Prescott
Chairman of the Board
Queensland Rail
GPO Box 1429
Brisbane Qld 4001

Dear Mr Prescott

Final Approval
QR's Voluntary Draft Amending Access Undertaking – Revised Maintenance Costs

The Queensland Competition Authority (the Authority) today approved Queensland Rail's (QR's) proposal to amend its approved access undertaking to revise reference tariffs and system allowable revenues in the central Queensland coal region (CQCR) based on revised maintenance cost allowances for 2007-08 and 2008-09.

Background

On 3 May 2007, QR submitted a voluntary draft amending access undertaking (DAAU) to the Authority for its approval. In it, QR sought to revise its reference tariffs in the CQCR for 2007-08 and 2008-09 due to an increase in maintenance costs.

On 22 November 2007, the Authority released its final decision to not approve QR's maintenance cost DAAU. In it, the Authority accepted most but not all of QR's claims. In addition, the Authority had concerns with the way in which QR sought to implement this approach.

In response, on 26 November 2007, QR submitted a new voluntary DAAU to the Authority for approval.

The DAAU proposed a revised set of set reference tariffs and system allowable revenues to apply from 1 July 2007 for the CQCR consistent with the Authority's November 2007 decision.

Final Approval

In making its decision to approve QR's revised DAAU, the Authority, as required by the provisions of the *Queensland Competition Authority Act 1997*, considered QR's proposal and supporting information and submissions from stakeholders – and has also undertaken its own analysis. In doing so, the Authority had regard to the matters it considered in making its November 2007 decision.

In this regard, the Authority:

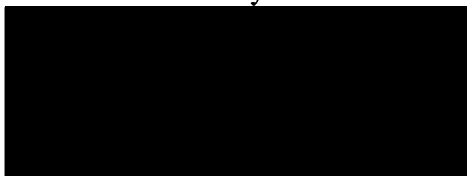
- is satisfied that QR's new DAAU is consistent with Authority's November 2007 decision; and
- considers that no further issues have been raised which have convinced the Authority to move from the position it took in the November 2007 decision.

The Authority's reasoning and conclusions remain consistent with its November 2007 decision. In particular, the Authority accepts that it is likely that the efficient cost of maintenance has increased since QR originally developed its maintenance forecasts – and that, on balance, it is reasonable for QR to recoup some part of any unforeseen increase in efficient costs. However, the Authority notes that the estimates of QR's true efficient maintenance costs will not be known until a full-scale review is undertaken.

On this, the Authority notes that QR is undertaking a detailed internal review of its maintenance activities as part of the development of its next access undertaking – and welcomes QR's commitment to seek, and develop, robust maintenance plans and a cost build up that reflects this.

The Authority also notes that the Queensland Resource Council (QRC) has again raised concerns regarding the transparency and accountability of QR's maintenance program, and QR's apparent approach to the regulatory process. The Authority has not sought to address these matters in this decision – and instead considers that these are better addressed as part of the development of the next access undertaking.

Yours sincerely



Brian Parmenter
Chairperson