



21 November 2008

Mr E.J. Hall  
Chief Executive Officer  
Queensland Competition Authority  
Level 19, 12 Creek Street  
BRISBANE, QLD 4000

By email: [rail@qca.org.au](mailto:rail@qca.org.au)

Dear Mr Hall,

### Queensland Network's West Blackwater Reference Tariff Proposal

Thank you for the opportunity to provide comments on the QR Network Pty Ltd's (QR Network) West Blackwater Reference Tariff proposal.

Asciano provided a submission to the QCA in August 2008 in response to the QR Network preliminary proposal. Although there have been some modifications to the QR Network proposal since the preliminary submission, Asciano's comments remain essentially the same. Therefore, this submission should be read in conjunction with Asciano's August submission.

Asciano generally supports QR Network's proposed reference tariff for the Minerva – Gladstone coal traffic and believes QR Network has provided a well argued and documented submission that is consistent with the QR Network 2008 Undertaking with the exceptions noted below and in our August 2008 submission.

Notwithstanding this support, Asciano believes there remain matters that appear to require further consideration by the Queensland Competition Authority (QCA) prior to approving the reference tariff:

1. In response to the QR Network preliminary submission (PrelimSub), Asciano raised a concern regarding the claimed traffic flows on the relevant lines. In the QR Network Final Submission (FinalSub), the traffic flows have been adjusted, however, Asciano still finds the nominated Minerva proportion of traffic counter-intuitive.

QR Network claims that Minerva coal is 85% of the traffic of the Nogoia – Burngrove traffic (FinalSub section 4.2.1) measured on a gross tonne kilometre (gtk) basis. Asciano accepts that the Minerva coal train is likely to generate substantially higher gtk per train than other trains using the relevant lines, and that therefore the 85% measure for Nogoia - Burngrove may be accurate. However, it is a concern that reliance on a simple gtk allocation would not necessarily be representative of other measures such as train kilometres and this has the potential to distort the allocation of costs that are not mass related eg the costs of train control. As Asciano is not privy to the cost modelling produced by QR Network, we are not in a position to comment on whether this has a material impact on the allocation of costs.

2. QR Network also claims that the 2007/08 figure of 85% is more representative of future traffic proportions than the 80% in 2006/07 due to Minerva traffic having reached full contracted volumes in that year. QR Network's argument only holds true to the extent

that all other traffics are held reasonably constant in volume. What QR Network does not discuss is whether the grain volumes on the Burngrove – Nogoia and Springsure lines in those years are abnormal.

Given the claim for the Springsure line (Nogoia – Wurba) that the Minerva coal traffic accounts for 100% of the traffic in 2007/08 and 98.7% in 2006/07 (FinalSub section 4.2.1), it would appear that the grain traffic in the two reported years is unusually light, presumably due to drought. In several points in the FinalSub,<sup>1</sup> QR Network mentions that the predominant purpose of the Springsure line (and to a lesser extent Burngrove – Nogoia) was originally for grain traffic and therefore it would be appropriate for QR Network to explain whether the quoted proportions are in fact representative of the medium term traffic or, if not, what has happened that the grain traffic has apparently disappeared for ever.

3. The fact that QR Network has substantially modified the value claimed for the Minerva proportion of traffic on one of the lines (Nogoia – Burngrove) between its two submissions from 94% to 80% suggests a degree of uncertainty or alternatively inaccuracy in the preparation of the claim from what ought to be hard data. Again, as Asciano does not have access to the modelling we are not able to ascertain whether the change has a material impact on the modelled costs – the fact that the reference tariff in both submissions is the same suggests not (this, by itself, seems counter-intuitive). Asciano suggests that the if the value of the proportion of traffic is relevant to the calculation of the reference tariff, the QCA should satisfy itself that QR Network has accurately determined the proportion of traffic attributable to Minerva coal.

Should you have any questions in relation to this submission please contact me on (02) 8484 8043.

Yours sincerely

A handwritten signature in blue ink that reads "Tim Kuypers". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

**Dr Tim Kuypers**  
**Group General Manager**  
**Access & Regulation**

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<sup>1</sup> QR Network, Sections 2, 4.1, 4.1.1.2