

17 August 2009

Mr John Hall
Chief Executive
Queensland Competition Authority
Level 19, 12 Creek Street
Brisbane QLD 4001

RE: QR Network's Draft Amending Access Undertaking – Establishing a new reference tariff for the Lake Vermont mine

Dear John,

Thank you for the opportunity to provide comments on QR Network's Draft Amending Access Undertaking (DAAU) which seeks to establish a reference tariff for coal carrying train services operating from the Lake Vermont mine to the Port of Gladstone. This submission is provided by industry to assist the Queensland Competition Authority's (QCA's) consideration of QR Network's application.

The Queensland Resources Council notes that due to the particular circumstances of the proposed Lake Vermont train service that amendment to QR Network's 2008 Access Undertaking is required. Necessary amendments include increasing the relevant system allowable revenues which relate to the train service for revenue-cap purposes, an adjustment to the capital indicator to reflect the capital expenditure incurred to date and the level of common cost contribution for a train service which transverses more than one central Queensland rail system.

Common cost contribution – determination and allocation for cross system traffic

A matter of particular importance to industry is the allocation of common cost contributions between the Blackwater and Goonyella systems generated by the proposed reference tariff. QRC supports an allocation of common cost contributions to existing users on the basis of Blackwater and Goonyella actual gross tonne kilometres (gtk's). In principle, this revenue should be distributed to existing users in the form of offsetting reductions to system tariffs, although due to timing issues associated with this application it may be more practical for guaranteed reductions to relevant system allowable revenues within the 2008/09 revenue-cap assessment process.

In relation to the selection of the most appropriate common cost contribution formula, QRC supports the QCA considering a practical approach of weighting the Blackwater and Goonyella formulae, specifically the relevant intercepts stated in clause 4 of Part B to Schedule F of QR Network's Undertaking. This approach would ensure that the level of common cost contributed to each system by the Lake Vermont reference train service reflected the intention of the minimum common cost contributions contained in the Undertaking. QR Network's proposal to use the Blackwater System formula for the entire journey would effectively overstate the contribution provided to existing Goonyella users in comparison to the intent of the Goonyella specific formula.

Volume forecasts – to reflect actual tonnes hauled

While QRC appreciates that QR Network's proposal contained forecast tonnages due to the timing of its application, QRC supports the use of the actual railings achieved by the proposed reference train service for the determination of the appropriate reference tariff to apply over the period 1 January to 30 June 2009. It is understood that this information is now available and the actual volumes materially differ from QR Network's total forecast.

Asset lives

QRC supports the established regulatory convention of adopting asset lives, which are the lesser of the physical useful life of the rail infrastructure or the economic life of the infrastructure (reflecting the existing and expected coal mineral resource that will be served by the infrastructure).

Incremental spur maintenance and operating costs

QRC supports the QCA reviewing the proposed incremental maintenance and operating costs consistent with past regulatory practice. QRC looks forward to reviewing the findings of the QCA's examination of these cost items.

Should you wish to discuss any of the issues raised in this submission, please do not hesitate to contact Russell Silver-Thomas, Adviser – Industry Policy, on (07) 3295 95060.

Yours sincerely

Michael Roche
Chief Executive