

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear John,

QR Network's Draft Amending Undertaking - West Blackwater Reference Tariff

I refer to my letter dated 28 July 2008 regarding the formal submission by QR Network Pty Ltd (QR Network) of its 2008 Access Undertaking (the 2008 Undertaking) and QR Limited's (QR's) withdrawal of its 2005 Access Undertaking (the 2005 Undertaking) effective from 1 September 2008.

As you are aware, the Blackwater system reference tariffs in the 2005 Access Undertaking were approved by the QCA on the basis that an endorsed reference tariff would be developed for coal carrying train services originating from the Minerva mine and utilising the Blackwater system (the West Blackwater Reference Tariff).

QR Network had proposed to submit a Draft Amending Undertaking (DAU) incorporating the West Blackwater Reference Tariff as an amendment to the 2005 Undertaking. QR Network now proposes to submit the DAU as an amendment to the 2008 Undertaking. However, given the short timeframe required for the QCA's approval of the 2008 Undertaking QR Network has not included the matters relevant to the West Blackwater Reference Tariff in the 2008 Undertaking.

Given this approach, QR Network will not be able to formally submit this DAU until the 2008 Undertaking is approved by the QCA.

In view of the above and in order to facilitate the QCA's timely consideration of the DAU, QR Network provides the attached preliminary submission. QR Network proposes that upon the QCA's approval of the 2008 Undertaking, it will formally submit the DAU in substantially the same form as this preliminary submission.

In developing the West Blackwater Reference Tariff, QR Network has sought to provide an appropriate balance between QR Network's legitimate business interests, the interests of current users of the relevant rail infrastructure and the interests of future Access Seekers. QR Network has sought to maintain a consistent approach for the West Blackwater Reference Tariff to the approach for developing reference tariffs for the rest of the Blackwater system.

The proposed commencement date for the West Blackwater Reference Tariff is 1 July 2007. This commencement date has been proposed in order to balance likely customer concerns regarding a long period for backdated access charges with the issues identified by the QCA in approving QR's revenue cap submission for the 2006/07 year. Notwithstanding, QR Network has calculated the Reference Tariff from the date of original railings to avoid any increase that might otherwise be attributable to the timing of the DAU.

In addition, as the DAU also proposes to vary the Blackwater system's allowable revenue for the 2007/08 year, QR Network (on behalf of QR) is unable to submit its 2007/08 revenue cap adjustment until such time as the DAU process is completed. At this stage QR Network does not expect this process to be finalised before the due date for the submission, in accordance with Subparagraph 3.3.1(b)(ii) of Part A of Schedule F of the 2005 Undertaking, of 29 August 2008.

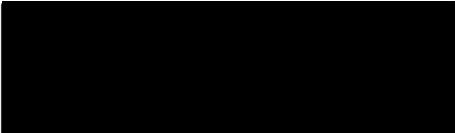
In view of the above, QR Network (on behalf of QR):

- Requests that the QCA grant an extension of time, in accordance with Subclause 3.3.3 of Part A, for submission of the Reference Tariff variation to 31 October 2008. The proposed date assumes that no more than three (3) months would be required for the QCA to approve the 2008 Undertaking, for QR Network to formally submit the DAU and for the QCA to consider the DAU and publish its decision.
- Proposes to submit QR's proposed Reference Tariff variation for 2007/08 as soon as possible following the QCA's decision, and by 31 October 2008 at the latest.
- Proposes that if the QCA's decision on the DAU is not provided by 31 October, then QR's revenue cap submission will incorporate revenue adjustment amounts on two (2) bases:
 - That the DAU is accepted without amendment; and
 - That the DAU is rejected without amendment.

This preliminary submission comprises an explanatory document, together with a clean copy of Schedule F and a copy marked up against the proposed 2008 Undertaking. A disc containing the financial model used to develop the West Blackwater Reference Tariff is provided concurrently with the submission.

Please contact Gayle Andrews on 3235 5476 should you have any further queries regarding the preliminary submission.

Yours faithfully



Mike Carter
Executive General Manager
QR Network Pty Ltd

31 July 2008