

1 June 2018

Mr Charles Millstead  
Chief Executive Officer  
Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane QLD 4001  
(submitted via QCA online submission form)  
cc Aurizon Network Pty Ltd

Dear Mr Millstead,

**RE: QCA consultation draft – maintenance allowances**

**1 The QRC**

The Queensland Resources Council (**QRC**) is the peak representative organisation of the Queensland minerals and energy sector. The QRC's membership encompasses minerals and energy exploration, production, and processing companies and associated service companies. The QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively and in a socially and environmentally sustainable way.

All operating Queensland coal producers are members of the QRC. A number of coal mining companies in development and operating phase are also members of the QRC. This submission has been prepared in close consultation with the QRC's rail working group.

**2 Purpose of this submission**

This submission is provided in response to the consultation paper released by the Queensland Competition Authority (**QCA**) on 29 May 2018 in relation to Aurizon Network's 2017 draft access undertaking: maintenance allowance and practices (**Consultation Paper**).

**3 Submission to be provided in two parts**

The QRC will provide its submissions on the Consultation Paper in two parts. This submission is the first part. The second part will be provided in the future and by 20 June. The QRC's submissions broadly address the two different aspects of the Consultation Paper. This first submission addresses the QCA's comments on the maintenance allowance – in particular, items 1.1 and 1.2 of the Consultation Paper. The second QRC submission will address the balance of the Consultation Paper (principally being the maintenance practices and incentive arrangements).

**4 QCA's position in Consultation Paper is the result of additional information provided by Aurizon Network and a diligent regulatory process**

Section 1.1 of the Consultation Paper explains that there is \$73M of difference between the direct maintenance cost allowance sought by Aurizon Network and that which was considered prudent by the QCA in its draft decision (based on the information available to the QCA at the time).

The QCA notes that the bulk of the difference between that which Aurizon Network claimed and that which the QCA considered as prudent relates to mainline ballast undercutting (\$42.9M of the \$73M difference).

Aurizon Network provided a detailed submission on the QCA's draft decision. That submission included substantial new information and further explanation of Aurizon Network's position on the maintenance allowance.

The QRC also made a submission on the QCA's draft decision. In respect of the maintenance allowance the QRC noted that Aurizon Network has the opportunity to provide more information. The QRC further submitted that to the extent that Aurizon Network established a greater maintenance allowance the QRC would be supportive of the maintenance allowance being increased.

The QCA has considered the additional information provided by Aurizon Network. The QCA's preliminary view is that (subject to receipt of information specified in the appendix to the Consultation Paper) it will accept Aurizon Network's position on the maintenance allowance. The QRC understand this to mean that the QCA will (subject to receipt of the additional information sought by the QCA) increase the maintenance allowance by up to \$73M.

#### **5 QRC's position on maintenance allowance comments in Consultation Paper**

The QRC wholly supports the regulatory process. The QCA issued a draft decision based on the information which was available to it at the time. Aurizon Network provided substantial new and additional information, and as a result of that new information the QCA have indicated its willingness to increase allowable maintenance costs.

In assessing the maintenance allowance, the QRC notes that the QCA has (for confidentiality reasons) access to information which the QRC and its members do not. Accordingly, the QCA is best placed to assess the prudence of the maintenance allowance sought by Aurizon Network.

If the QCA consider it appropriate to increase Aurizon Network's maintenance allowance the QRC confirm that it supports that increase. For clarification, the QRC supports the QCA's preliminary view that (subject to verification) Aurizon Network's maintenance allowance be increased.

#### **6 Submission on balance of Consultation Paper**

The QRC welcome the QCA's initiative in consulting on ways to discourage future sudden, unpredictable and damaging changes in maintenance practices by Aurizon Network. The QRC will provide a further submission (addressing items 1.3 of the Consultation Paper and onwards) by 20 June.

Yours sincerely



Ian Macfarlane  
**Chief Executive**