



Monday 1 July 2013

Dr Malcolm Roberts
Executive Chairman
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

By email: research@gca.org.au

Dear Dr Roberts,

Asciano Submission to the QCA Paper on Regulatory Objectives and the Design and Implementation of Pricing Principles

1. Introduction

Asciano welcomes the opportunity to make a submission to the Queensland Competition Authority (QCA) Discussion Paper on Regulatory Objectives and the Design and Implementation of Pricing Principles.

Asciano is a major stevedoring operator and above rail operator in Australia. In particular Asciano, through its subsidiary Pacific National, operates both coal trains and general freight trains in Queensland. Pacific National coal trains operating in Queensland largely operate on the Aurizon rail network.

Asciano's main concern with the design and implementation of pricing principles is that these principles are efficient and transparent and result in efficient prices that:

- are accurately reflective of the costs of providing the service;
- are only paid by those that use the service; and
- are non discriminatory (i.e. the identity of the user of a service is not a factor in determining the price).

Asciano believes that the current provisions of the QCA Act provide an appropriate framework for developing and implementing efficient prices.

This submission is public.

2. QCA Discussion Paper

The QCA Discussion Paper incorporates risk, fairness and regulatory governance issues into the development of pricing principles and proposes a set of high level pricing principles to be used to guide specific decisions.

Broad pricing criteria identified in the QCA Discussion Paper include:



- Economic efficiency (i.e. productive, allocative and dynamic efficiency) including the efficient allocation and management of risk.
- Fairness; where pricing needs to be fair and reasonable from the perspective of both service providers and user. Fairness includes consideration of consistency and horizontal and vertical equity.
- Regulatory governance and practice; where regulatory laws, rules, procedures, and regulatory capacity, and associated pricing arrangements must result in the regulator performing its functions in a transparent, stable and practical manner.

3. Issues

Asciano has no issue with the broad pricing criteria identified in the Discussion Paper and agrees with general position put forward in the Discussion Paper that the application of pricing criteria will necessarily involve trade-offs that will vary depending on specific circumstances. Asciano recognises that it is not possible to specify pricing criteria in such a way that provides a clear solution to the determination of optimal price levels and price structures in all circumstances.

Cost and Price Information and QCA powers

Given the application of pricing principle will vary depending on specific circumstances Asciano believes that the QCA must have sufficient power to obtain all relevant information for a given set of circumstances so that the optimal decision can be made. Asciano is concerned that in making pricing decisions the QCA's ability to obtain information may be limited by:

- the adequacy of the QCA's current power to obtain information relevant to costs and pricing;
- the reluctance of the QCA to use these current powers to obtain information relevant to costs and pricing; and
- the ability of access providers to avoid the provision of relevant cost and pricing information. Such avoidance may be exacerbated where the access provider is vertically integrated.

In particular Asciano notes that under the QCA Act (s159-s163) the QCA has numerous powers in relation to preparing a cost allocation manual for an access provider. Asciano believes that this power should be fully and rigorously exercised by the QCA.

Asciano notes that one of the major pricing tasks facing the QCA is the pricing of access to the Aurizon Network. However no costing manual has been finalised for Aurizon Network since the separation of Aurizon from Queensland Rail and the subsequent privatisation of Aurizon in 2010.

Asciano believes that the QCA must ensure:

- cost allocation manuals for regulated access providers are regularly reviewed and updated; and
- robust and consistent series of cost and price data for regulated access providers are maintained.

The pricing criteria of economic efficiency and fairness cannot be served in the absence of



relevant and detailed cost and pricing information.

“User Pays” Pricing Principle

Asciano strongly supports a pricing principle that requires users of an access provider’s service to pay for the components of the service that they use, but equally users should not pay for components of a service that they do not use.

Asciano believes that this principle is consistent with economic efficiency criteria, fairness criteria and the regulatory governance criteria.

The issue of “user pays” pricing is a particular issue in the Aurizon Network in relation to the payment of electric infrastructure. Aurizon Network has made various proposals whereby the Blackwater rail system electric infrastructure should be partially paid for by diesel trains (which do not use electric infrastructure) or trains using the Goonyella system (which do not use Blackwater rail system electric infrastructure). This has been the major issue in Queensland rail access pricing in the past 18 months.

Asciano believes that further clarity around this pricing principle would be beneficial. Asciano strongly believes that based on both the efficiency and fairness criteria users should not be required to pay for infrastructure they do not use and have no plans to use.

4. Conclusion

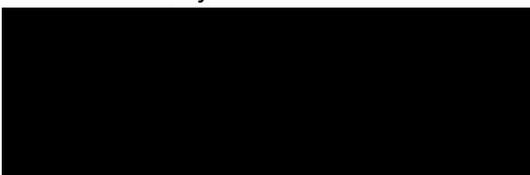
Asciano’s main concern with the design and implementation of pricing principles is that these principles are efficient and transparent and result in prices that:

- are economically efficient, and in particular the prices accurately reflect the costs of providing the service and are only paid by those that use the service; and
- are fair, and in particular the prices are non discriminatory.

Asciano believes that the current provisions of the QCA Act provide an appropriate framework for developing and implementing efficient prices. In particular Asciano believes that the QCA should ensure cost allocation manuals for regulated access providers are regularly reviewed and updated to ensure that the pricing criteria of economic efficiency and fairness are served.

Feel free to contact Stuart Ronan on 02 8484 8056 to discuss this submission.

Yours faithfully



Tim Kuypers
General Manager Regulatory