



Professor Flavio Menezes
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Submissions on QCA's Draft Recommendations on Queensland Rail's 2020 Declaration Review

26 April 2019

Dear Professor Menezes,

Aurizon Coal welcomes the opportunity to respond to submissions made regarding Queensland Competition Authority's (QCA's) Draft Recommendations on Queensland Rail's (QR's) 2020 Declaration Review.

Aurizon's above rail operations are conducted in two separate and distinct markets with different factors relevant to consideration of whether declaration or non-declaration should be made. Prior to 1 February 2018, Aurizon Coal was the only access holder in the West Moreton Coal System. Since that time, access holdings and the relevant commercial obligations have transitioned to the South West Producers with Aurizon Coal as their Nominated Rail Operator. Despite this change in commercial arrangements, Aurizon Coal has significant investments and interests in the West Moreton Coal System. As in previous submissions, the focus of this submission by Aurizon Coal relates to coal haulage in the relevant West Moreton and metropolitan systems.

Aurizon Coal maintains its support of the draft recommendation that the facility comprising the West Moreton Coal System, including the metropolitan rail corridor from Rosewood to Port of Brisbane should continue to be subject to declaration post-2020. Aurizon Coal maintains that QR has not provided sufficient evidence that the services provided by the West Moreton Coal System fail to satisfy the access criteria in section 76 of the *Queensland Competition Authority Act 1997*; in particular, that declaration does not promote a material increase in competition. Appropriate mechanisms are required to promote competition in up and downstream markets for coal haulage in the West Moreton system and provide the appropriate incentives to QR to provide fair and reasonable terms of access and pricing including obligations to maintain the network to an appropriate standard.

QR's detailed submission on the draft recommendations, which stakeholders have only received recently, has significant deficiencies should the service be undeclared. Aurizon maintains that:

- whilst QR is not vertically integrated it does have the ability to severely impact the efficiency and competitiveness of the downstream market for coal haulage in the West Moreton system through risk of material pricing errors affecting efficient utilisation and investment in the West Moreton Coal System. The low tonne axle load (TAL) in the West Moreton System means that above-rail assets currently utilised are unable to be deployed to other haulage tasks within narrow gauge networks. Use of this rollingstock

in networks which use modern engineering equivalents would be inefficient and uncompetitive making this rollingstock unique to the West Moreton system.

- The Access Framework provides no certainty of ongoing application nor fair and reasonable terms of access. QR has a wide scope to amend the terms and the only option to challenge amendments is to start legal proceedings which is ineffective considering the time and investment required.
- QR is a vertically integrated passenger rail service provider and the interaction of the coal carrying services with high volume and frequency passenger services introduces a complexity otherwise not present. Government and political pressure in relation to this interaction cannot be underestimated.

Should you have any questions in relation to the submission please contact me via phone on (07) 3019 1171 or email at Mariese.Murphy@aurizon.com.au.

Kind regards

A handwritten signature in black ink that reads "mmurphy". The signature is written in a cursive, lowercase style.

Mariese Murphy
A/ Manager Infrastructure & Implementation
Coal Customers