

Thursday, 27 January 2011

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

Dear Mr Hall,

QR National 2009-2010 Revenue Cap – Revenue Adjustment Amounts

Thank you for the opportunity to comment on the QR National Network Services proposed revenue adjustment amounts for the 2009-2010 year. Asciano notes that the QR National proposal is lodged under the QR 2008 Access Undertaking.

General Information Issues

As a general comment, it is difficult for Asciano to provide detailed comment on the QR National proposed revenue adjustment amounts for the 2009-2010 year given the limited level of information disclosed in the QR National public submission.

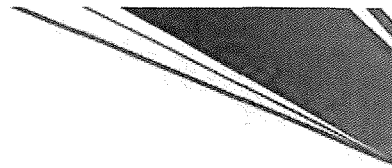
The current approach to ensuring that the QR National access pricing is compliant with the QR National Access Undertaking relies almost exclusively on the Queensland Competition Authority acting to ensure that the correct outcomes are achieved. However, Asciano is concerned that to some extent the Authority is itself reliant on QR National modelling and data to ensure compliance.

While Asciano believes that previously the Authority has diligently undertaken this difficult task, Asciano believes that the future efficacy and transparency of this process will be considerably enhanced by the improved Authority powers in the 2010 Access Undertaking, particularly as they relate to auditing powers.

Asciano believes that if the future QR National Revenue Cap adjustment proposals made under the 2010 Access Undertaking are based on information and statements audited under section 3 of the 2010 Access Undertaking then these concerns regarding the transparency and verifiability of information will be reduced.

Connection between Activity and Revenue

The QR National proposal does not provide any detailed data linking quantifications of physical traffic or tonnages to the over-recoveries and under-recoveries reported for various systems. In future the proposal should provide additional information relating to quantification of traffic and tonnages on the various systems including comparisons of forecast traffic and actual traffic.



Variability of Adjustments

The previous QR revenue adjustments sought were substantial under-recoveries of \$25 million to \$43 million and these under-recoveries were across all systems and tariffs. In previous submissions Asciano had expressed concern about the relatively large size of these under-recoveries.

Asciano notes that, when compared with previous revenue proposals, the quantum of the total revenue adjustment has reduced considerably in the current 2009- 2010 revenue adjustment proposal. While Asciano welcomes the fact that the quantum of adjustment has reduced substantially from previous QR revenue adjustments the current 2009-10 revenue adjustment proposal continues to contain major levels of variability within the individual revenue components.

In particular under-recoveries of approximately \$12.6 million in the Blackwater system and over-recoveries of \$6.4 million in the Goonyella system indicate that at a more detailed level there is a need for improved forecasting. Improved forecasting will result in more predictable price paths allowing users and above rail operators to more accurately cost, fund and plan their operations.

Impact of Recent Flooding

Recent flooding in Queensland has understandably impacted on volumes, and as such it is expected there may be issues with forecasts and actual results aligning in 2010-2011. Asciano appreciates that the impact of recent flooding is not the subject of the current revenue adjustment proposal, however Asciano would appreciate that any information on the impact of recent flooding on forecasts and consequently potential revenue and tariff adjustments be provided to above rail users as soon as it is available. Such information is needed by both above rail providers and users in managing activities to restore coal production.

If you wish to discuss this submission please contact me on 02 8484 8056.

Yours Faithfully,



Stuart Ronan
Manager, Access and Regulation