

File Ref: 1299139

21 June 2018

Mr Nick Easy
Chief Executive Officer
Queensland Rail
GPO Box 1429
Brisbane Qld 4001

Dear Mr Easy

Final decision: Queensland Rail's QCA levy 2017–18 proposal

On 21 June 2018, the Queensland Competition Authority made a decision to approve Queensland Rail's proposal for the QCA levy 2017–18.

Accordingly, the QCA levy for 2017–18 will be:

- \$0.31825 per net tonne for the West Moreton System coal users
- \$0.03447 per thousand gross tonne kilometres for the Mount Isa freight and minerals users
- \$0.00394 per thousand gross tonne kilometres rebate for the North Coast and West Moreton freight and minerals users

The QCA's review of Queensland Rail's 2017–18 QCA levy proposal is summarised in the attached decision notice.

We have published this letter and our final decision on our website. If you have any questions about this decision notice, please contact George Passmore on 07 3222 0545 or by email at george.passmore@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

DECISION NOTICE

QUEENSLAND RAIL'S 2017–18 QCA LEVY

21 June 2018

The Queensland Competition Authority has made a decision to approve Queensland Rail's proposal for the 2017–18 QCA levy, as submitted on 5 January 2018. This constitutes a notice for the purposes of clause 3.7 of the 2016 access undertaking.

Background

The QCA fee is a fee charged by the QCA for providing regulatory services. The QCA levy is a tariff charged by Queensland Rail to its customers to recover the QCA fee. The 2016 undertaking outlines that the QCA levy will be 'determined from year to year, based on the QCA Levy levied by the QCA to Queensland Rail and allocated amongst Train Service types in a manner approved by the QCA' (cl. 3.7).

The QCA levy is reviewed (taking into account any over- or under-recovery in the previous year) after the QCA announces the next year's fees for providing regulatory services.

Since 2010–11, Queensland Rail's QCA levy has allocated the QCA fee roughly equally between West Moreton coal services, North Coast Line freight, and Mount Isa line freight.

Queensland Rail's proposal

On 5 January 2018, Queensland Rail submitted a proposal to collect QCA levies totalling \$2,213,834 in the 2017–18 financial year. It said these levies were intended to cover

- (a) a \$2.015 million under-recovery of QCA fees accumulated between 2010–11 and 2016–17; and
- (b) the \$198,000 QCA fee for 2017–18.

Key issues

Allocation of QCA fees

In its proposal, Queensland Rail said the majority of the accumulated under-recovery was attributable to the draft access undertaking (DAU) process that led up to the approval of the 2016 access undertaking in October 2016. Queensland Rail said it allocated the fees based on a principle of 'beneficiary pays' such that:

- for the 'DAU period' costs for 2014–15 and 2015–16—roughly 65 per cent of the costs were allocated to West Moreton, 19 per cent to Mount Isa, and 15 per cent to North Coast Line

- for the 'ongoing regulatory costs' since then—roughly 47 per cent to West Moreton, 29 per cent to Mount Isa, and 22 per cent to North Coast.

Queensland Rail explained that the QCA's assessment of the issues associated with coal reference tariffs for the West Moreton network was one of the most significant drivers of the costs underpinning the \$3.74 million of QCA fees for 2014–15 and 2015–16. As such, the West Moreton coal system users should bear the greatest burden of these costs. Users of the North Coast Line would be allocated the lowest proportion of these costs due to the direct competition with road transport limiting access charges.

West Moreton coal users said the high costs were attributable to Queensland Rail's 'inappropriate approach to the development of the undertaking' and therefore, Queensland Rail should bear some responsibility of the high costs. Stakeholders also said other users of the network benefitted from the undertaking and should bear some of the associated costs.

The QCA considers that Queensland Rail acted in accordance with the QCA Act in developing its DAU. Additionally, Queensland Rail is entitled to pass the QCA fee on to its access holders through access charges (cl. 3.7 of the 2016 access undertaking). The QCA also considers that Queensland Rail's proposed allocation of costs across train service types is reasonable based on the QCA's own assessment of the relative costs, benefits and access revenues. Therefore, the QCA considers it is appropriate to approve Queensland Rail's proposal for allocating fees across train service types. These matters are discussed at greater length in the QCA's draft decision.

Timing of recovery

Queensland Rail proposed to collect the accumulated under-recovery within a single year through adjustments. In practice, almost all of the \$2.015 million unrecovered balance as of July 2017 will be recovered from West Moreton coal miners.

Stakeholders from the West Moreton coal system have said this adjustment would cause financial hardship.

The QCA notes that the proposed levy of 31.825 cents a metric tonne for West Moreton coal users is less than 4 per cent of the below-rail access charge. While the increase in levies is not trivial, the QCA does not consider that it will add an onerous financial burden to users. The QCA also notes that Queensland Rail has borne this unrecovered balance for three years. Therefore, the QCA finds Queensland Rail's proposal to recover the balance in the 2017–18 financial year is reasonable to approve.

Final decision

For the reasons discussed above and detailed in the QCA's draft decision, and recognising there were no stakeholder comments on QCA's draft decision, the QCA's final decision is to approve Queensland Rail's proposal for the QCA levy 2017–18. The QCA levy for 2017–18 will be:

- \$0.31825 per net tonne for the West Moreton System coal users
- \$0.03447 per thousand gross tonne kilometres for the Mount Isa freight and minerals users
- \$0.00394 per thousand gross tonne kilometres rebate for the North Coast and West Moreton freight and minerals users.