

Rio Tinto Coal Australia Submission to the QCA on the Aurizon Network 2017 Draft Access Undertaking

Rio Tinto Coal Australia (Rio) welcomes the opportunity to respond to the Queensland Competition Authority (QCA) on the Aurizon Network 2017 Draft Access Undertaking (2017 DAU).

In addition to endorsing the submissions made by the Queensland Resources Council and the Dalrymple Bay Central Coordinator (DCCC), Rio would like to offer some additional brief comments on the Aurizon Network's Submission.

Aurizon Network is a monopoly supplier of below rail services to the coal industry with a related body corporate Aurizon Operations providing above rail haulage.

Rio is concerned that Network's submission seeks to diminish the powers and scope of the QCA, reducing transparency and accountability within the Undertaking whilst at the same time increasing Network's ability to customise Agreements. Given Network's ability to influence commercial outcomes, Rio Tinto would expect such a proposal would require the QCA's powers and scope to increase not decrease as proposed.

It is not inconceivable that Network's proposed changes under clause 6.13 Access conditions limiting the QCA oversight of Access conditions combined with proposed changes to clause 7.4.3 Relinquishment/Resumption for Change in Payload provides a basis for commoditising track (or a track /haulage combination) taking track access out of the regulated environment. This may /or may not be in the interest of pursuing the objectives of the QCA act. For example, offering a selected customer access to a larger consist that requires green light running (in for example, a single track network) to the detriment of other customers &/or operators would be counter to the QCA act. However, offering larger consists to all customers in a Network may improve the efficiency outcomes of a Network. Given the ability of the Network to influence a spectrum of possible commercial outcomes, Rio would not support a diminishing of the QCA's current range of oversight or powers as proposed by Network.

Rio would also add that it has achieved substantial savings in the operations and corporate overheads of its own rail network in iron ore through reducing waste and pursuing productivity in line with much of the resources sector. RTIO rail & track has seen in-excess of a 30% improvement in labour productivity & a 17% reduction in rail maintenance unit costs since 2014 whilst improving day of operation losses. The modest productivity gains & cost plus approach to capacity management employed by Network warrants closer scrutiny.