

Friday, 9 December 2016

Catherine Barker
Director Business Performance
Queensland Competition Authority
PO Box 2257
Brisbane Queensland 4001

Dear Catherine

Pacific National Response to the Aurizon Network Submission 2015-16 Revenue Adjustment Amounts to QCA

Pacific National welcomes the opportunity to provide comment on the Aurizon Network submission to the Queensland Competition Authority (QCA) on 2015-16 Revenue Adjustment Amounts (the Submission). Areas of concern to Pacific National are outlined below.

Reliability of Forecasting

Pacific National recognises that forecasting is problematic, however differences between Aurizon Network's actual and forecast revenue indicate that there is scope for improvement in Aurizon Network's forecasting. Improved forecasting accuracy will minimise the amount of revenue and tariff adjustment required. Pacific National believes that increased consultation by Aurizon Network with miners and train operators, including Pacific National, will result in improved forecasting.

Aurizon Network Proposed Treatment of Rebates

Pacific National has previously raised concerns that Aurizon Network's treatment of rebates in its revenue cap adjustment¹.

Pacific National remains concerned that these rebate arrangements are commercial arrangements which are separate from the allowable revenues and regulatory process, yet Aurizon Network seeks to recover rebate adjustments by socialising the recovery of these payments through the regulatory revenue and pricing process. Pacific National notes that this approach to rebates will continue in UT4 as the QCA Final Decision² required Aurizon Network to continue with the rebate arrangements. Thus the 2016 Access Undertaking³ includes new wording that allows rebates to be included in adjusted allowable revenue.

Pacific National continues to hold concerns regarding the socialisation of these rebate adjustments and believes that more equitable rebate adjustment methods should be considered in future commercial agreements and future access undertakings.

¹ For example the 7 November 2014 "Asciano Response to the Aurizon Network Submission on 2013-14 Revenue Adjustment Amounts and Increments to the QCA" and the 6 November 2015 "Asciano Response to the Aurizon Network Submission on 2014-15 Revenue Adjustment Accounts and Increments to the QCA"

² QCA, April 2016, "Final Decision Aurizon Network 2014 Draft Access Undertaking Volume III – Pricing and Tariffs" p109-114.

³ Aurizon Network Access Undertaking 2016 Schedule F 4.5 c) vii).

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Conclusion

Pacific National is seeking that the QCA continues to seek improved transparency in Aurizon Network's forecasting approach (noting that the recently approved 2016 Access Undertaking moves towards improved transparency) and considers the treatment of rebates in future access undertakings.

If you wish to discuss this submission further please contact me on 02 8484 8056 or Ying Yeung on 07 3002 3726.

Yours sincerely

Stuart Ronan
Manager Access and Regulation