17 October 2018

Queensland Competition Authority
Attn: Charles Millsteed
Level 27 / 145 Ann Street
Brisbane QLD 4000

Dear Mr Millsteed,

Queensland Rail 2020 Draft Access Undertaking

New Hope Group (NHG) welcomes the opportunity to provide a submission on Queensland Rail’s 2020 Draft Access Undertaking (“2020 DAU”).

NHG commends the more incremental approach to changes proposed by QR in respect of the wording of the 2020 DAU and related standard access agreement (SAA) given the rigorous and recent review conducted by the QCA in respect of AU1. That has allowed this submission to focus on only those issues of concern in the amendments, and NHG anticipates it will make the process for consideration of those documents more efficient. Volume 2 of this submission addresses those matters of concern.

However, the West Moreton reference tariffs proposed under the 2020 DAU represent very substantial increases. This occurs despite QR adopting a volume forecast which represents a substantial increase on AU1 volumes, and despite QR claiming that the vast majority of its costs are fixed. We estimate that QR is seeking a 67% increase in revenue from coal services. The increase is heavily reliant on fundamental, and in our view, unjustified increases in:

(a) QR’s asset beta (from that which QR proposed and the QCA accepted as appropriate as recently as June 2016) and therefore the resulting weighted average cost of capital (WACC);

(b) the regulatory asset base through high capital expenditure (at a time when QR is expressing concern about potentially falling volumes); and

(c) the allocation of the West Moreton system network asset base (and fixed operating and maintenance costs) to West Moreton coal services.
In addition, proposed maintenance and operating costs appear excessive and have not been adequately justified as being prudent and efficient.

NHG considers that it is not appropriate for the QCA to approve QR’s 2020 DAU for the reasons set out in its submission. Volume 1 of our submission includes an overview of our submission.

Thank you for your consideration of our submission.

Yours faithfully,

NEW HOPE GROUP

Sam Fisher  
General Manager - Marketing & Logistics

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