

23 October 2013

Mr Mark Gray
Chief Executive Officer
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4001

Dear Mr Gray

Review Event Submission – Central Queensland Flood January 2013

Wesfarmers Curragh welcomes the opportunity to comment on Aurizon Network's (**AN**) 2013 Review Event Submission (**2013 Flood Review Submission**) and the report prepared by Sinclair Knight Merz (**SKM**) on the 2013 flood event.

Wesfarmers Curragh supports and endorses the entire submission made by the Queensland Resources Council (**QRC**) dated 27 September 2013 and requests that the QCA not approve AN's 2013 Flood Review Submission.

Wesfarmers Curragh would like to reiterate a number of the key concerns raised by the QRC in its submission.

1. Insurance Coverage

Wesfarmers Curragh considers it important that the QCA not make a decision on the 2013 Flood Review Submission until being satisfied that AN has exhausted all insurance claims available to it in respect of the flood event. For example, AN's 2013 Flood Review Submission does not detail:

- (a) AN's insurance coverage in respect of the critical infrastructure the subject of the claim;
or
- (b) the basis for which AN's Neercol Creek Bridge insurance claim made under the Industrial Special Risk Policy was denied.

These matters require further investigation by the QCA.

The QCA should also satisfy itself that industry has received the full benefit of insurance premiums contributed to via the payment of Reference Tariffs in assessing whether the amounts claimed by AN are truly incremental.

2. Labour Costs and Overheads

Wesfarmers Curragh does not object to AN seeking to recover reasonable, prudent and efficiently incurred incremental costs as a result of events outside of its control. However, it is entirely unreasonable for AN to claim amounts that fall either within covered UT3 allowances or that are not necessary additional expenses.

In this respect, Wesfarmers Curragh:

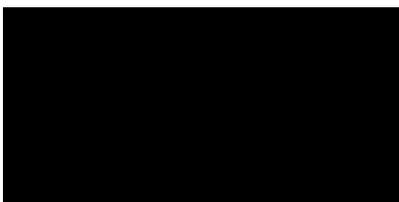
- (a) supports the finding of SKM that \$2,301,270 be excluded from the AN claim on the basis that it relates to work already covered under the UT3 maintenance and opex budget;
- (b) does not consider it prudent or reasonable for users of the rail network to pay a margin of 5.57% on work undertaken by AN's employees (senior management, engineers administrative support etc.) during the flood event; and
- (c) requests that the QCA further investigates AN's claim for overheads to ensure that amounts claimed are truly incremental costs to AN over and above those overhead amounts that should reasonably be allocated to UT3 general maintenance budgets.

3. Recovery of final determined costs

Wesfarmers Curragh endorses the QRC's suggestion of an alternative recovery mechanism to that proposed in the 2013 Flood Review Submission. To seek recovery of the final determined amount over the balance of the 2013/14 period will unfairly prejudice producers in an environment where unprecedented efforts are being made to reduce cash costs in order to stay competitive in the international export market. Wesfarmers Curragh supports the QRC's proposal that approved costs related to this 2013 Flood Review Submission instead be recovered over the term of UT4.

Wesfarmers confirms that this submission may be made publically available.

Yours sincerely



Ben Pentelow
Manager Coal Sales and Infrastructure