

24 December 2010

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear John

QR NETWORK'S 2010 ACCESS UNDERTAKING

QR Network's 2010 Access Undertaking (2010AU) was approved by the QCA on 1 October 2010. Clause 7.6 (a) of 2010AU requires QR Network to submit a proposed Standard User Funding Agreement (SUFA) and a draft amending access undertaking to implement the principles set out in Schedule J (DAAU). The proposed SUFA and DAAU are to be lodged by 1 January 2011 (three months after the 2010AU approval date) following consultation with stakeholders.

QR Network has had limited consultation with stakeholders regarding SUFA. We have sent the DAAU to stakeholders but have had no discussion. This situation has arisen because of insufficient time between 2010AU approval and the required lodgement date for adequate stakeholder consultation to occur. However, as the principles in Schedule J were largely reflected in Parts 6 and 7 of the approved 2010AU the extent of consequential amendments to the access undertaking necessary to fully implement the Investment Framework principles are limited. We propose to continue engagement with stakeholders on both the SUFA and DAAU.

Please find attached QR Network's:

- Proposed SUFA, and
- DAAU

The proposed SUFA does not fully implement provisions dealing with a Funding User's rights pursuant to Clause 7.5.5(k). The proposed SUFA outlines the process for determining when Funding Users should be enabled to assume constructor responsibilities. However, giving effect to these 'step-in' rights is problematic from a practical implementation perspective. QR Network is discussing possible approaches with stakeholders and following this consultation will submit an addendum to this DAAU by no later than 25 February 2011 to address this issue.

The DAAU overwhelmingly reflects the principles in Schedule J. However in some cases QR Network has departed from the literal application of the principles where these are not in the interest of either Funding Users or QR Network.

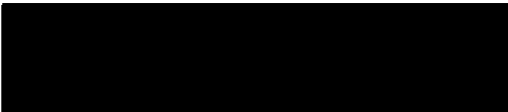
The DAAU also includes minor amendments to address operational issues with the application of the 2010AU in some areas which do not give effect to the intended positions in the Final Decision and there are also some minor changes to address formatting and cross-referencing errors and the removal of redundant clauses.

As noted above the DAAU does not perfectly comply with the requirements of Clause 7.6(a) and it is submitted in accordance with section 142 of the *Queensland Competition Authority Act 1997*.

QR Network has been unable to prepare detailed explanatory notes for other aspects of the DAAU and the proposed SUFA in the short time available. We will prepare explanatory notes by 21 January 2011. Rather than seek an extension to the lodgement date to finalise drafting of explanatory notes QR Network considers it is in the broader interests of stakeholders to commence the formal consultation process by 1 January 2011 as anticipated by the 2010AU.

This cover letter and the attachments do not contain confidential information and may be disclosed by QCA.

Yours sincerely



Glen Mullins
Acting Chief Executive Officer
QR Network Pty Ltd