

QLD COMPETITION AUTHORITY

18 DEC 2014

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Department of
**State Development,
Infrastructure and Planning**

Our ref: DGBN14/1495

17 DEC 2014

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

Dear Mr ~~Hindmarsh~~ *John*

Queensland Competition Authority (QCA)'s draft decision on the Maximum Allowable Revenue (MAR) component of Aurizon Network's 2014 draft Access Undertaking (UT4)

Thank you for the opportunity to provide comment on QCA's draft decision on the MAR component of Aurizon Network's 2014 draft UT4.

The Department of State Development, Infrastructure and Planning is the lead agency responsible for driving economic development in Queensland, and we wish to comment on some aspects of the draft decision, given its importance to this state's coal industry and economy.

As noted in a previous submission to the QCA, the coal industry is a key part of the Queensland economy, employing an estimated 28 000 people, and contributing \$1.7 billion in royalties in 2012/13, with the majority of this coming from Central Queensland. In addition, mining made up around 9 per cent of the Queensland economy in 2012/13, and coal represents more than two thirds of this mining contribution. In 2013/14, 208 million tonnes of coal at an estimated value of A\$26 billion were exported.

Accordingly, we welcome QCA's draft decision to not approve Aurizon Network's 2014 draft UT4, insofar as it applies to MAR and to propose a lower MAR of \$3.88 billion. We also support QCA's draft decisions with regard to volume forecasts, operating costs, maintenance costs, the regulatory asset base, depreciation, and return on investment.

Our expectation is that a MAR which is based on efficient costs will support a more competitive coal supply chain, which will deliver benefits to both the industry and the economy of Queensland.

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We also support QCA's view that, to the extent possible, regulatory arrangements should be predictable and stable in order to reduce uncertainty with regard to investment decision making.

If you require any further information, please contact Steve Kanowski, Chief Economist and Executive Director, Infrastructure Policy and Planning, Department of State Development, Infrastructure and Planning, on 3452 7301 or steve.Kanowski2@dsdip.qld.gov.au, who will be pleased to assist.

Thank you for your consideration of this submission.

Yours sincerely

A handwritten signature in black ink, appearing to be 'DE', written over a light blue horizontal line.

David Edwards
Director-General