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18 February 2015

Dr Malcolm Roberts
Chairman
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

via email: rail@qca.or.au

Dear Malcolm,

Aurizon Network Submission to the QCA regarding Proposed New Reference Tariff Train Services to Wiggins Island Coal Export Terminal

Rio Tinto Coal Australia (RTCA), as manager of the Hail Creek and Kestrel Mines in Central Queensland, appreciates the opportunity to provide comment on Aurizon Networks (AN) proposed new reference tariffs for train services to the Wiggins Island Coal Export Terminal (WICET)

RTCA has been a regular provider of submissions to the QCA on various access undertaking matters and re-iterates its position that the pricing of access to the Network must be based on the efficient and prudent costs associated with the investment in; and operation of; the rail infrastructure network.

RTCA supports the principle that where Network expansions are required to meet the demand of new and or expanding users, then existing users of the Network should be no worse off from a pricing, and or, Take-or-Pay (ToP) exposure perspective.

RTCA has the following concerns with Aurizon Networks WICET reference tariff submission:

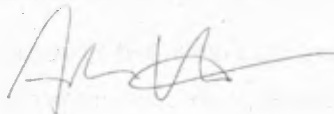
1. RTCA was not directly consulted with by AN in relation to this matter and as such is not in a position to assess the accuracy of the information provided in AN's submission;
2. RTCA is concerned at the inconsistent representations made to industry with regard to the requirement for Blackwater asset expansions (duplications of Blackwater mainline sections) associated with the WICET project. For example, AN originally proposed that a number of Blackwater mainline duplications were required to expand Network capacity for all Blackwater users including WICET. That position was subsequently changed such that the duplications/expansions identified were deemed to be a bundled collection of "major projects" specifically required for WICET users only. Network subsequently changed its position suggesting that 1/7th of the WICET related investments should be included in the Blackwater asset base, finally submitting that 50% of the related

investments should be included in the Blackwater asset base and socialised across all Blackwater users;

3. AN has negotiated special access conditions with the WICET users incorporating higher rates of return in order to have the required investments underwritten and consequently undertaken. Yet, AN's submission now proposes that a significant portion of those investments should be socialised across all Blackwater users. It would appear that AN has changed its position over time with regard to the allocation of these investments to mitigate / transfer risk to a larger pool of users;
4. Given the various historical positions in relation to these investments, and the lack of access to the WICET pricing arrangements/model and/or the underlying assumptions used by AN to determine the proposed allocation of assets, it is impossible for RTCA to assess the reasonableness of AN's proposal to socialise a share of the investments across all Blackwater users; and
5. There has been a lack of transparency and consultation with non WICET users regarding the proposed volume forecasts and the risks posed to non WICET users in terms of triggering ToP. Existing non WICET users should not be exposed to an increased risk of triggering ToP due to inadequate ToP conditions or other underwritings of WICET Users.

RTCA provide consent for this submission to be made available for publication in the usual way. As always, we would welcome the opportunity to discuss these matters directly with the QCA and if you require any additional information, please call me on (07) 3625 5078.

Yours sincerely,



Adam Viertel

Manager – Infrastructure