

2019-20 Queensland Rail QCA Levy

Introduction

Pacific National (PN) welcomes the opportunity to provide a submission on Queensland Rail's (QR) proposed 2019-20 Queensland Competition Authority (QCA) levy.

The QCA charges a fee for providing regulatory services. In turn, QR charges its customers a tariff (QCA levy) to recover the QCA fee allocated among its four services.

QR is seeking to collect \$2,243,730 in levies during the 2019–20 financial year. PN has strong concerns with the proposed 2019-20 allocation methodology as the North Coast line is effectively unregulated – our customers should not be slugged with a high fee for no service.

We provide detailed supporting analysis for the revised weightings below.

QCA Fee Allocator	QR nominated percentage	PN nominated percentage
Coal - West Moreton System	64.4%	85%
Freight & Minerals – Mount Isa line	19.7%	12.4%
Freight & Minerals – North Coast line	14.5%	1.3%
Passenger	1.3%	1.3%

QCA 2019-20 regulatory activities require a higher West Moreton fee allocation

The QCA provides regulatory oversight of four QR systems. However, in practice, the QCA only *effectively* regulates the West Moreton coal system.

The West Moreton coal system is the only system subject to a thorough regulatory analysis where the QCA determines a regulated tariff, rate of return and regulated standard access agreement. It is also the only system where the QCA monitors QR's ongoing compliance and assesses capital expenditure and reference tariff variations.

In comparison, the North Coast line is subject to limited regulation. The regulatory framework allows QR to set prices within a very broad floor/ceiling range and there is no regulator approved freight and minerals standard access agreement.

During the 2019-2020 financial year, the QCA undertook, or is continuing to oversee, the following West Moreton coal system regulatory activities:

- West Moreton capital expenditure claim 2017–18 (final report delivered 15 August 2019).
- West Moreton volume and reference train service review event September 2019 (ongoing).
- 2020 Draft access undertaking (2020 DAAU) (ongoing).

The 2020 DAAU notionally relates to all systems but is almost exclusively focussed on the West Moreton coal system which in turn reflects the 2020 DAAU QCA Draft Decision.

The decision allocates only cursory commentary and analysis (less than two percent of the document) on the North Coast line. The bulk of the decision concerns the appropriate regulated tariff, rate of return and regulated standard access agreement for the West Moreton coal system.

QR has not established a link between the proposed North Coast line QCA levy allocation and the QCA regulatory activity. The allocation is too high and must be reduced for the North Coast line.

QCA's limited regulatory oversight of the North Coast line means freight and minerals customers pay more

QR's North Coast line monopoly pricing is constraining growth but also eroding the economics of current services; these unregulated access charges are one of the highest cost per GTK. A high QCA fee would further cement this inequity.

The QCA can strengthen its regulatory oversight of these lines in its deliberations leading up to the final decision in March 2020. At the very least it should:

- Mandate a road to rail modal shift pricing rule. QR must demonstrate to the QCA and rail operators (and other upstream and downstream stakeholders) how pricing on the North Coast line is set to encourage road to rail modal shift through lower access charges.
- Require QR to submit an intermodal freight standard access agreement for QCA approval.
- Commit to establish a QR performance reporting regime in the undertaking.

However, in the absence of a fundamental change from the draft to final decision (and the general absence of regulatory activities on these lines), the North Coast line allocator should be the same as the passenger system (which also receives no effective regulatory oversight).

Conclusion

PN recommends the QCA set the North Coast line allocator percentage at **1.3 percent** to match the passenger system for 2019-20.