

20 May 2013

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

Dear Dr Roberts

Aurizon Network's (AN's) May 2013 Extension Draft Amending Access Undertaking (Extension DAAU)

We support AN's revised Extension DAAU and welcome the revisions made by AN to bring the DAAU in line with the industry's endorsed pricing methodology.

We recognise the DAAU has been submitted by AN on a without prejudice basis and that the final pricing methodology to apply for FY14 will be determined by the QCA through its consideration of AN's 2013 Draft Access Undertaking (UT4). However, we are very concerned with the magnitude of the increases in maintenance and operating costs submitted by AN in UT4.

	(\$M nominal)	FY12	FY13 (Interim Tariff)	FY13 (UT4 submission)
CQCN Maintenance Costs		182	187	233
CQCN Operating Costs (excluding Corporate and Electric Connection costs)		64	66	71
CQCN Corporate Costs		3	3	66
CQCN Operating (Electric Connection) Expenditure		nil	nil	68

Source: 2013 Aurizon Draft Access Undertaking – Volume 3: Maximum Allowable Revenue and Reference Tariffs, Aurizon, Transitional tariff inputs.pdf

AN's UT4 cost base provides a worrying trend line for our business and comes on the back of the significant escalation in rail infrastructure costs which occurred in UT3, compared to AN's UT2 cost base. The continuation of this escalating cost base trend line will further contribute to the declining competitiveness of Queensland coal in the global coal market.

In approving the Extension DAAU, we request that the Authority reinforce the need for AN to prudently manage its FY14 expenditure and ensure its asset management plan is reflective of the budget provision in the Extension DAAU and not the budget claim in UT4.

If you have any queries or require more information, please contact Tanya Boyle on telephone [REDACTED] or mobile [REDACTED]

Yours sincerely



Neil Buckley
Senior Manager, Outbound Supply Chain
BHP Billiton