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29 October 2010

Mr Michael Carter
Chief Executive Officer
QR Network Pty Ltd
GPO Box 456
Brisbane, QLD, 4001

Dear Mr Carter

Approval of QR Network's Adjustment Charge for 2009-10

The Queensland Competition Authority (the Authority) today approved QR Network's proposed adjustment charges for 2009-10, which allow QR Network to recover the difference between the revenue it collected during the 2009-10 financial year, and the higher tariffs the Authority approved on 28 June 2010.

Background

The Authority on 28 June 2010 approved 2009-10 tariffs for coal services, which increased by 27% on average across the central Queensland coal region. As these tariffs were approved at the end of the financial year, QR Network during 2009-10 collected tariffs which were set by escalating the (then) approved tariffs for 2008-9 by the consumer price index.

QR Network's 2010 access undertaking provides for QR Network to use an adjustment charge to recover the difference in access charges if the Authority approves a reference tariff that applies retrospectively.

On 9 September 2010, QR Network submitted its 2009-10 adjustment charge proposal to the Authority. In it, QR Network sought to recover an additional \$161 million from users. This reflected the difference between the \$533 million that QR Network charged access holders during 2009-10 and the \$689 million which QR Network calculated it was entitled to collect based on the access charges the Authority approved at the end of the financial year, plus accrued interest of \$4.4 million assessed at the bank bill swap rate.

The Authority published the application and sought comments from stakeholders, and did not receive any submissions.

Final Approval

The Authority has approved QR Network's adjustment charge application. In doing so, the Authority noted that QR Network had appropriately:

- (a) identified the access holders to which the adjustment charge applies;

- (b) allocated the amount of adjustment charge to those access holders based on:
 - (i) raling information;
 - (ii) the reference tariffs;
 - (iii) estimates of the revenue shortfall; and
 - (iv) estimates of the \$4.4 million interest charge;
- (c) levied the charge over the correct billing period; and
- (d) identified \$2.9 million of those charges to be included in the revenue cap adjustment for 2009-10 as they applied to services for which haulage agreements have transferred to a new access holder.

This letter constitutes formal notice of approval of QR Network's proposed 2009-10 adjustment charge for the purposes of section 2.3 of Part A of schedule F of the access undertaking.

Yours sincerely



EJ Hall
Chief Executive