



Mr Charles Millsted
Chief Executive Officer
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

20 September 2018.

Queensland Rail's proposed QCA Levy for 2018-19

Dear Mr Millsted,

Thank you for the opportunity to provide comments on Queensland Rail's (QR's) submission which seeks approval of the QCA Levy for 2018-19.

The New Hope Group (NHG) appreciates the opportunity to provide comments.

NHG considers that QR's proposed approach is inappropriate for the following reasons:

- Revised weightings are inappropriate: We have concerns regarding the appropriateness of the proposed changes to the weightings applied to traffic types, and consider QR has allocated too high a proportion of the costs to West Moreton coal traffics.
- Flat rate per tonne applied to coal producers is inappropriate: Given the proposed method of allocation of cost between service types (driven by gtps), it is inappropriate for the QCA Levy to continue to be recovered from coal producers on a flat per tonne basis. Rather, the levy should be applied on a commensurate distance basis.

We also reiterate our previous concerns regarding the practice of allowing full recovery of QCA fees by QR in cases where unreasonable approaches cause the QCA and customers to incur very high costs, as was the case in the development of the existing undertaking. While we understand that QR has a right to seek favourable outcomes for itself, we don't accept that there are no limits to the extent to which the cost of dealing with unreasonable claims and inefficient approaches should be passed on to customers. In the current process (DAU2), QR has again submitted ambit claims regarding revenue allowances. We expect that the QCA may again need to incur additional costs to deal with these ambit claims, and suggest that the final AU2 should include a provision which explicitly allows the QCA to determine the extent to which the QCA's fees should be passed on to customers through the QCA Levy.

REGISTERED OFFICE

P: PO Box 47, Ipswich, QLD Australia 4305
A: 3/22 Magnolia Drive, Brookwater, QLD Australia 4300
T: +61 7 3418 0500 **F:** +61 7 3418 0355 **W:** newhopegroup.com.au

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1. Revised weightings are not appropriate:

NHG has previously raised concerns (NHG submission of 12 February 2018) regarding the lack of evidence provided by QR in support of its proposed allocations of the QCA Fee between train service types. This concern has not been addressed in QR's current submission. For 2018/19, QR proposes to:

- Begin with an allocation based on gtk's, without providing an explanation as to why this is the most appropriate base. Alternative approaches, such as allocation by tonne or by train path, are not discussed.

then
- Multiply the coal gtk's by a factor of 14. That is, every coal gtk would incur 14 times the level of fee charged to a gtk involving another train service type (9.3 times in the case of Mt Isa freight, due to the use of a 1.5 factor for that service).

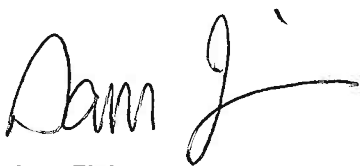
NHG accepts that a reasonable portion of the additional costs likely to be incurred by the QCA in 2018/19 will relate to consideration of Western System reference tariffs for the new undertaking. However, we do not consider that an allocation to non-coal traffic of less than a third of the QCA's costs appropriately reflects the benefits which these customers receive from the undertaking or from the QCA's ongoing compliance activities. NHG also requests that the QCA consider alternative approaches for allocation including using a per tonne or train path based approach.

2. Flat \$/t recovery from coal producers is not appropriate:

The allocation of costs to West Moreton coal services is based on the proportion of gtk's attributable to this service (with weightings). It is therefore incongruent that this cost is not then recovered from these services on a consistent basis, being a 'per gtk' basis. Recovery based on a standardised \$/t charge is inconsistent with the basis on which the costs were calculated and allocated to West Moreton coal services. Recovery on a per gtk basis would better reflect the basis on which costs are incurred, and better aligns with the beneficiary pays principle. We also note that there is a precedent for recovery on a 'per gtk' basis as QCA Levies for freight and minerals are recovered in this manner. If the QCA considers that the \$/t method is appropriate despite the inconsistency mentioned above, we would encourage the QCA to include an explanation of that view in its draft decision.

Thank-you for your consideration of our submission.

Yours sincerely



Sam Fisher
General Manager Marketing and Logistics
New Hope Group

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