

Wednesday, 14 May 2014

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

By email: rail@qca.org.au

Dear Dr Roberts,

Asciano Submission on the Aurizon Network Proposal for New Reference Tariffs for Middlemount to Dalrymple Bay Coal Terminal

This Asciano submission to the Queensland Competition Authority (QCA) is in response to the Aurizon Network proposal for new reference tariffs for the rail access from the Middlemount mine to the Dalrymple Bay Coal Terminal (DBCT). The Asciano subsidiary Pacific National is the above rail operator which serves the Middlemount mine.

Asciano notes that Middlemount Coal Pty Ltd broadly supports the proposed new reference tariffs for rail access from the Middlemount mine to DBCT.

Asciano also broadly supports the proposed reference tariffs; however, Asciano believes that the QCA should consider the following issues in regard to the recognition of Middlemount services within the Goonyella System.

Aurizon Network's Proposed Interpretation of Private Incremental Cost

Asciano does not agree with Aurizon Network's proposed alternative interpretation of Middlemount's privately funded spur line as a Private Incremental Cost (as per section 2.2 of the Aurizon Network submission). On the basis that the Goonyella System Allowable Revenues contain the Private Incremental Costs of existing users, Aurizon Network appears to be proposing an alternative interpretation of Private Incremental Costs such that it also includes capital costs associated with a spur line that is privately owned. This approach results in Middlemount being recognised for their privately funded and owned spur line (similar to the recognition provided to existing users).

Asciano believes that rather than redefining Private Incremental Cost to include capital costs for privately owned spur lines, such capital costs should be treated as Common Costs, in a manner similar to how spur lines of existing users are treated. This will result in Middlemount's privately funded and owned spur line being treated in the same manner as spur lines included in the System Allowable Revenue as existing users.

Common Costs is defined in Aurizon Network's 2010 Access Undertaking as follows:

... those costs associated with provision of Rail Infrastructure that are not Incremental Costs for any particular Train Service using that Rail Infrastructure.

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And Incremental Costs is defined in the AU as:

... those costs of providing Access, including capital (renewal or expansion) costs, that would not be incurred (including the cost of bringing expenditure forward in time) if the particular Train Service or combination of Train Services (as appropriate) did not operate, where those costs are assessed as the Efficient Costs and based on the assets reasonably required for the provision of Access.

Based on these definitions, spur lines of existing uses are not Incremental Costs and therefore are classified as Common Costs. Middlemount's spur line should also be treated as a Common Cost. This is consistent with the definitions of the Access Undertaking and prevents any unintended consequential effects from Aurizon Network's change in the interpretation of Private Incremental Costs.

Recognition of Middlemount Train Services in the Goonyella System

Section 2.2 of the Aurizon Network proposal notes that Middlemount has contracted rail capacity to DBCT via a fixed term transfer where these volumes are considered to be included in the original UT3 volume forecast (albeit from a different mine). Asciano has a different interpretation and believes that the Middlemount volumes should be treated as additional volumes within the Goonyella System.

The Goonyella System reference tariffs are set on forecast volumes which are generally lower than contracted volumes. Given this, it could be argued the forecast did not include a consideration of the Middlemount volumes. This reiterates Asciano's concern that forecast volumes are predominately determined by Aurizon Network. Asciano strongly supports a transparent process that involves participation of supply chain stakeholders associated with system forecasting.

Please contact Stuart Ronan on (02) 8484 8056 or Ying Yeung on (07) 3002 3726 if you wish to discuss this submission.

Yours Faithfully

A large, stylized handwritten signature in black ink, appearing to read "Geoff Featherstone".

Geoff Featherstone
General Manager Strategy
Pacific National

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