

1 February 2024

Professor Flavio Menezes
Chair
Queensland Competition Authority
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Dear Professor Menezes,

North West Phosphate submission to the Queensland Competition Authority on Queensland Rail's 2025 Draft Access Undertaking

Thank you for the opportunity to provide a submission regarding Queensland Rail's (QR's) 2025 Draft Access Undertaking (DAU). This matter is of vital importance to the investment decisions of North West Phosphate and to the economic development of the North West Minerals Province.

Phosphate International Ltd t/a North West Phosphate is a public unlisted company, 100% Australian owned, that is progressing the largest greenfield phosphate mining project in Australia. The project is located approximately 130 kilometres north of Mt Isa in the North West Minerals Province of Queensland and covers a footprint of 58km². The flagship project at Paradise South has an initial target annual production of 1 million tonnes per annum of high-grade beneficiated phosphate concentrate over an almost 50-year mine life.

This letter provides a brief summary of North West Phosphate's issues with QR's 2025 DAU, and responds to the Queensland Competition Authority's request for submissions. North West Phosphate reinforces the comments provided by both Mt Isa to Townsville Economic Zone and Aurizon Bulk.

As a general comment, North West Phosphate has identified issues with QR's competitiveness on the Mt Isa to Townsville corridor. Specifically:

- Rising costs outpacing CPI
- Mt Isa line cash costs have increased almost 40% over the previous regulatory period when compared with CPI
- Mt Isa corridor containerised access prices much higher than equivalent alternatives, driving customers to road solutions
- High fixed charges, which account for 60% of the access price, acts as a barrier to entry by deterring customers, encouraging alternative transport solutions, and incentivising short-term rail contracting (which undermines new project developments in the region)
- Limited innovation and improvement, which translates to poor quality of service and performance. For example, trains are speed limited in sections of the rail, lengths of train are restricted, and maximum heights constrained (despite double stacking of containers)

being announced in 2020, with \$50 million of funding allocated, but the project has not commenced).

These identified issues are driving a decline in asset utilisation on the Mt Isa to Townsville rail corridor, with less than 50% of available paths contracted, which under previous regulatory guidelines, has led to tariff price increases and thus a resultant further decline in rail usage. This is expected to continue over the outlook regulatory period, exacerbated by recent announcements of mine closures in the region. This perverse outcome only further undermines the development of 'junior' mines and the North West Minerals Province.

North West Phosphate would welcome changes to the application of the regulatory framework, whereby, QR has:


- greater incentive to price differentiate between access seekers. This approach would enable smaller, less profitable junior miners to scale production and better access new markets;
- an opportunity to price differentiation of access between users, based on freight (i.e. end product) differentiation. Currently all containerised freight attracts the same price, but the transported products have different markets and attract different prices. Differentiating between mining outputs, and attributing lower access prices to products sold in global markets with lower margins, would provide an economic incentive to junior mine development;
- an obligation to improve price transparency, whereby QR is required to publish its floor and ceiling prices, which will aid in price discovery and contract negotiations. Currently, junior miners suffer from information asymmetry and are thus at a distinct resource disadvantage in contract and price negotiations, which drives perverse short-term contracting behaviour to manage volume risk;
- to make a concerted effort to improve corridor operations and performance, through operational improvements (e.g. rail splitting for safety and efficiency, or double stacking of containers for improved productivity).

We note the regulatory pricing decisions of the Queensland Competition Authority will materially impact the competitiveness and thus utilisation of the Mt Isa rail corridor. Importantly however, the decisions of the Queensland Competition Authority will also significantly influence the economic viability of projects in the North West Minerals Province and thus impact on the economic development of the region.

North West Phosphate has a world class asset and has been estimated to be in the lowest cost quartile for mining operations. In contrast, its logistics solutions in Queensland have been paced in the highest cost quartile globally. As a Queensland owned business and resource, North West Phosphate looks to use Queensland rail infrastructure and port facilities. However, prevailing commercial arrangements, especially below rail pricing on the Mt Isa line, make alternative solutions, through the Northern Territory, commercially attractive.

Should you have any questions in relation to this submission please contact me via phone on 0478 301 047 or ceo@nwphos.com.

Yours sincerely


James Benjamin (Feb 1, 2024 15:38 GMT+10)
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