



18 March 2024

Professor Flavio Menezes
Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000
www.qca.org.au/submissions/

RE: Responsive submissions on the Queensland Rail 2025 Draft Access Undertaking

Dear Professor Menezes

Thank you for the opportunity to respond to matters raised by stakeholders in their initial submissions to the QCA on the Queensland Rail (QR) 2025 Draft Access Undertaking (DAU3). This responsive submission is provided jointly by Centrex, Cement Australia, North West Phosphate and Aurizon. We are users of QR's Mt Isa corridor, and this submission relates specifically to QR's DAU3 insofar as it relates to that corridor.

Initial submissions to the QCA on QR's DAU3 have already highlighted users' concerns around access outcomes on the Mt Isa corridor. These submissions reflect a number of common themes, including:

- Inefficient cost of operating and maintaining the corridor, as discussed by Aurizon¹, North West Phosphate²;
- Declining operational performance, as discussed by Aurizon³, Centrex⁴, North West Phosphate⁵;
- Standard pricing arrangements that impose high fixed charges, undermining the viability of additional volumes and encouraging end customers towards alternative transport solutions, as discussed by Aurizon⁶, Centrex⁷, North West Phosphate⁸;
- Difficulty in negotiating commercial outcomes with QR, including QR's unwillingness to apply price differentiation in order to promote rail market growth, as discussed by Aurizon⁹, Centrex¹⁰, North West Phosphate¹¹.

In order to address these concerns, we collectively support the following changes to DAU3:

¹ Aurizon Operations Submission to QCA on Queensland Rail 2025 Draft Access Undertaking, 2 February 2024, p.16-18

² North West Phosphate Submission to QCA on Queensland Rail's 2025 Draft Access Undertaking, 1 February 2024, p.1

³ Aurizon, p.18-20

⁴ Centrex Submission to QCA on Queensland Rail's Draft Access Undertaking 3, 31 January 2024, p.3

⁵ North West Phosphate, p.1

⁶ Aurizon, p.20-22

⁷ Centrex, p.1,3

⁸ North West Phosphate, p.2

⁹ Aurizon, p.22-26

¹⁰ Centrex, p.1-3

¹¹ North West Phosphate, p.2

1. Additional negotiation and pricing objectives

While QR's access undertaking is clearly established in a way that is intended to support the growth of freight on rail, there is no mechanism in AU2 (or DAU3) that can be used to hold QR to account in acting in a way that supports this objective. Mt Isa corridor users support Aurizon's recommendation¹² that DAU3 be amended to:

- Include negotiation objectives in the DAU3 preamble, providing a clear commitment by QR towards the economic benefits intended to be achieved from the access framework, including promoting competition in the rail haulage market; promoting the economically efficient investment, use and operation of the network; and to grow rail volumes including by supporting and incentivising emerging demand (eg through emerging miners), retaining volumes on rail and supporting 'road to rail' modal conversion.
- Modify Clause 3.3 to clearly provide that QR may apply price differentiation in order to grow rail volumes, and specifically providing for the application of price discrimination for different products on a multi-product train.

Including these additional negotiation and pricing objectives in DAU3 is consistent with s138(2) of the QCA Act, as providing an opportunity for users to hold QR to account on these objectives will improve the conditions for an effective negotiation. It will provide greater confidence that negotiation outcomes will be consistent with the public interest, including the public interest in having competition in markets, and with the interests of persons who may seek access to the service. The proposed additional Clause 3.3 pricing objective is fully consistent with the QCA Act pricing principles in s168A, by more explicitly providing for multi-part pricing and price discrimination when it aids efficiency. These additional objective do not, in any way, detract from the objective of recognising the legitimate business interests of QR, but rather establish a platform for a more balanced consideration of all relevant interests.

2. Transparency of floor and ceiling prices

In order to provide greater transparency around the way in which QR sets its prices, Mt Isa corridor users support Centrex' and North West Phosphate's recommendation¹³ that DAU3 be amended to require that, in addition to the price and cost related information required under s101(2)(a)-(c) of the QCA Act, QR provide Mt Isa corridor access seekers with advice on the floor and ceiling prices applicable to their services as part of an Indicative Access Proposal. The Mt Isa corridor users understand that QR maintains a current assessment of floor and ceiling prices on the corridor, and consider that this additional transparency to access seekers will not be commercially damaging to QR, but will aid the price differentiation negotiation process. Accordingly, the release of this information will be consistent with s138(2) of the QCA Act, as it will promote the interests of persons seeking access to the service, but will not detract from the objective of recognising the legitimate business interests of QR.

3. Service-specific negotiation criteria

QR's current approach to negotiations is not well aligned to the needs of its customers, particularly for multi-commodity/multi-user freighter type services which need to continually attract customers to maximise utilisation, and which compete with road freight for elements of the freight task. As

¹² Aurizon, p.26-28

¹³ Centrex, p.4; North West Phosphate p.2

highlighted by Aurizon¹⁴, this is exacerbated by aspects of the DAU3 negotiation framework that limit the operator's negotiating power for these services.

Accordingly, Mt Isa corridor users support Aurizon's recommendation¹⁵ that specific negotiation criteria should be developed to apply to multi-commodity freighter services on the Mt Isa corridor, and incorporated as a schedule to DAU3.

Including service-specific negotiation criteria as a schedule to DAU3 is consistent with s138(2) of the QCA Act, as it will improve the conditions for an effective negotiation specifically in circumstances where aspects of the DAU3 negotiation framework limit the operator's negotiating power for that type of service. Doing this through the application of negotiating criteria developed in close consultation with the relevant users (rather than using a 'reference tariff' approach) will ensure that the negotiate-arbitrate framework retains sufficient flexibility to tailor arrangements to suit the needs of specific services and freight products.

Accordingly, this recommendation will provide greater confidence that negotiation outcomes will be consistent with the public interest and with the interests of persons who may seek access to the service, without detracting in any way from the objective of recognising the legitimate business interests of QR.

4. Confirmation of QR's commitment to Mt Isa Corridor User Group

Clause 4.4 of AU2 (and DAU3) provides for QR to regularly convene a Regional Network User Group for users of the Mt Isa corridor, however this group has met only once to date. Recognising the ongoing concerns of users around declining operational performance, the Mt Isa corridor users would like QR to confirm its commitment to this initiative, and its willingness to provide support for this group to meet on a regular basis and explore opportunities to increase the efficiency and productivity of the corridor, as anticipated by Clause 4.4.

Efficient access to the Mt Isa corridor is crucial to the further economic development of the North West Minerals Province. The Mt Isa corridor users consider that the adoption of these four recommendations will provide a stronger basis for growth in this corridor, by creating a platform for more balanced access negotiations with QR.

Yours sincerely



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¹⁴ Aurizon, p.28

¹⁵ Aurizon, p.29-30