

24 September 2018

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
Brisbane Queensland 4001

By internet portal: www.qca.org.au

Dear Professor Menezes

Pacific National Submission on Queensland Rail's 2018-19 QCA Levy Proposal

Background and Summary

Pacific National welcomes the opportunity to make this submission to the Queensland Competition Authority (QCA) on Queensland Rail's 2018-19 QCA Levy Submission (the Proposal).

Pacific National is a major operator of trains on both the Queensland Rail north coast line and the Queensland Rail Mt Isa line, and as such Pacific National pays a QCA Levy component in the rail access charges it pays to Queensland Rail.

Pacific National supports the proposed Queensland Rail general approach to the allocation of QCA Levy costs between different rail systems and train types but has concerns that the amount of the levy has increased on the Queensland Rail north coast line and the Queensland Rail Mt Isa line from the levies charged in 2017-18.

Pacific National Position on the Queensland Rail QCA Levy Proposal

QCA charges an annual fee to Queensland Rail which is intended to recover QCA costs relevant to the regulation of Queensland Rail. Pacific National notes that Queensland Rail is proposing to recover approximately \$1.9 million of QCA fees in 2018-19.

These \$1.9 million of fees are made up of \$0.5 million of costs for ongoing QCA work on Queensland Rail compliance and \$1.5 million of costs for QCA work on Queensland Rail's proposed access undertaking. Pacific National notes that in a separate regulatory process QCA are currently considering whether Queensland Rail's infrastructure assets remain declared and consequently whether an access undertaking is required. Given this, Pacific National seeks that in the event that the QCA finds that Queensland Rail's infrastructure assets not remain declared then the \$1.5 million be returned to Queensland Rail customers as they will not benefit from any QCA work on Queensland Rail's proposed access undertaking.

In any event Pacific National seeks that QCA ensures that its expenditure on assessing the proposed Queensland Rail access undertaking is efficient as ultimately the QCA's costs are borne by the users of rail services.

Pacific National has several comments with the details of the Queensland Rail QCA levy proposal as outlined below.



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- Allocation of QCA Levy between Market Segments – Pacific National strongly supports the Queensland Rail position on allocating QCA costs between different systems and market segments and believes that the allocation is reasonable. (This support was recently outlined in the Pacific National submission to the QCA on the Queensland Rail 2017-18 QCA Levy¹).

In taking this position_Pacific National notes that coal trains on the West Moreton System have the benefit of a regulated tariff, whereas trains on the North Coast line and Mt Isa line do not benefit from regulated tariffs.

Pacific National believes that the allocation of QCA levy costs to the West Moreton System reflects both the benefit that users of this system have received from a regulation and the costs incurred in determining access pricing for this system.

- Level of QCA Charge – Pacific National has concerns that the QCA levy charge has increased for the year 2018-19 as shown below.

System	2017-18 Charge \$ per 000 GTK	2018-19 Charge \$ per 000 GTK	Increase \$ per 000 GTK
NCL	- 0.00394	0.04519	0.04913
Mt Isa	0.03447	0.07536	0.04089

Pacific National recognises that this QCA levy increase arises from:

- An increase in the amount to be recovered in 2018-19 as it includes the QCA costs of assessing the current Queensland Rail access undertaking proposal;
- QCA levy amounts in 2017-18 being impacted by previous over-recoveries and adjustments (for example the QCA levy for the NCL in 2017-18 was negative due to recoveries in prior years).

Pacific National believes that the Queensland Rail QCA levy should be smoothed over the life of an access undertaking to avoid the increases and decreases in the QCA levy from one year to the next.

Conclusion

Pacific National strongly supports the proposed Queensland Rail allocation of QCA Levy costs between different rail systems and train types but seeks that Queensland rail and the QCA smooth the QCA levy amounts over the term of the Queensland Rail access undertaking.

Feel free to contact me on 02 8484 8056 to discuss this Pacific National submission.

Yours faithfully



Stuart Ronan
Access and Regulation
Pacific National

¹ 12 February 2018, Pacific National Submission on Queensland Rail's 2017-18 QCA Levy Proposal