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Paul Bilyk
Queensland Competition Authority
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Dear Paul

Standard Rail Connection Agreement

Aurizon Network acknowledges the Authority's consultative approach to finalising the Standard Rail Connection Agreement. We found stakeholders' submissions useful and we agree with much of the content. The paragraphs below outline our response to these submissions.

1. Insurance

We agree with submissions that insurance should be reciprocal. We therefore agree that the requirement for the Owner to have property damage insurance and the requirement for the Owner to obtain RIM insurance as specified in Schedule 3 of the Agreement should be removed (as this latter is already covered in paragraph 17(a) of the Agreement).

The QRC maintains that insurance should expressly cover third party loss arising from rolling stock using Aurizon Network infrastructure. This is directly counter to the points we made to the Authority that such insurance would be extremely costly, even if able to be obtained at all.

2. Ownership of Connecting Infrastructure and the end of the Connection Agreement

Aurizon Network agrees with the QRC that there should be a requirement for good faith negotiation about the terms of any agreement governing the continued connection of private infrastructure at the end of the Agreement. However, we propose that a fall back should be that the Owner pays for removal of the infrastructure at the end of the term. This will ensure certainty at the time a Connection Agreement is entered into and that costs properly attributable to the Owner lie with the Owner.

3. Definition of Design

We note that submissions agree with the proposed changes.

4. Charges, Invoicing and Payment

The key issue raised in the submissions was a lack of clarity of what these charges would cover. Aurizon Network proposes that the following services need to be specified: provision of safety training, exchange of safety and interface information, and costs associated with the preparation of IRMPs specific to the connection.

5. Aurizon's Consideration and Approval of Design

While there was support for the latest draft Agreement, submissions also indicated that it is necessary to clarify that the extension is from 10 days for up to 20 days to a maximum of 30 days. We agree with these submissions.

6. Train Services Plan

All submissions rejected a requirement to provide a TSP. Given this, Aurizon Network agrees that this should be removed from the Agreement.

7. Aurizon's Rights and Obligations Regarding Connecting Infrastructure

Submitters made two comments on this aspect of the latest draft Agreement. The first, which Aurizon Network agrees with, is that the "best endeavours" obligation in the proposal should be replaced by an absolute obligation on Aurizon Network. Aurizon Network also understands that there is a level of discomfort with the potential narrowness and unclarity of "adjoining mainline" in paragraph 6.5(b) of the latest draft Agreement. We propose that this should be replaced by "branch line", together with examples of branch lines relevant at the time of approval. For connections between relevant rail infrastructure points such examples include:

- i. Blackwater West – Rail Infrastructure West of Burngrove
- ii. Blackwater East – Rail Infrastructure between Burngrove and Gracemere
- iii. Moura West – Rail Infrastructure West of Callide
- iv. Moura East – Rail Infrastructure between the Callide Junction and Byellee Fly Over
- v. NCL South – Rail Infrastructure between Gracemere and Byellee and Gladstone Ports
- vi. Goonyella South – Rail Infrastructure between Burngrove Junction and Coppabella
- vii. Goonyella Central – Rail Infrastructure between Coppabella and Jillian
- viii. Goonyella North – Rail Infrastructure between North Goonyella and Coppabella
- ix. Goonyella Far West – Rail Infrastructure between Blair Athol and Caval Ridge Junction
- x. Goonyella West – Rail Infrastructure between Caval Ridge Junction and Watonga Junction
- xi. Goonyella East – Rail Infrastructure between Jillian and the Ports of DBCT and Hay Point
- xii. GAPE – Rail Infrastructure between North Goonyella and the Newlands Junction
- xiii. Newlands West – Rail Infrastructure between the Newlands Junction and Kaili
- xiv. Newlands East – Rail Infrastructure between Kaili and the Abbott Point Coal Terminal

8. Interface Risk Assessment and Emergency Response Plan

Responses generally agreed that management responsibility should fall with the relevant infrastructure owner. The QRC proposed a greater level of reciprocity. Aurizon Network agrees that these obligations should be reciprocal but notes two points: it is essential that reinstatement of mainline operations is always the prime focus of Aurizon Network; and, the confidentiality of Aurizon Network investigation reports must be properly protected. The latter must take account of incidents which arise from trains that have no relation to the private infrastructure, of Aurizon's commercial interests and of confidentiality obligations in other Aurizon Network agreements, in particular access agreements.

9. Entry to Private Land in Case of Incident

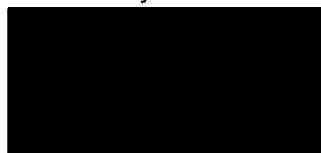
Some submitters argued that linking of entry to land in the case of emergency to an IRMP and ERP was unnecessary and should be rejected. Aurizon Network accepts the positions outlined in submissions.

10. Confidentiality

While there was general agreement that confidentiality should be protected following the expiry of the Connection Agreement, 30 years was seen as an excessively long period. Aurizon Network accepts that 30 years is a lengthy period and proposes a period of 10 years following expiry of the Connection Agreement as suitable.

If you have any questions, please do not hesitate to contact Bryan Wilson on 3019 5695.

Sincerely



Pam Bains
A/Senior Vice President Finance and Regulation
Aurizon Network Pty Ltd

11 March 2013