

27 March 2020

Mr George Passmore
Queensland Competition Authority
GPO Box 2257
Brisbane Queensland 4001

Dear Mr Passmore

Aurizon Network annual reference tariffs review

Rio Tinto welcomes the opportunity to make a submission on Aurizon Network's FY21 annual reference tariff review (Tariff Review Submission). Rio Tinto comments are confined to the capital indicator component of the tariff review.

Rio Tinto note that Aurizon Network has allocated the full value of the capital expenditure (\$20.7 million) expected to occur in the Newlands system in FY21 to the Newlands regulatory asset base for pricing purposes.

The QCA has previously stated that GAPE users should pay a zero contribution to common costs but should continue to pay their incremental costs¹. Where the capital works on the Newlands section of the GAPE system are tonnage related, they can be considered incremental costs on the basis that GAPE system traffic makes up over 60 percent of the traffic on the Newlands network. We note that the QCA chose not to allocate some Newlands related capital works to the GAPE system in the UT4 decision, as these works were considered to the state-wide capital expenditure which was allocated to Newlands on the basis of Newlands GTK². The UT4 decision also stated that it would reassess the issue in the future.

Rio Tinto requests that the Newlands FY21 capital indicator allocation be reviewed on the basis, that the expenditure is tonnage related and the Newlands system is utilised by both the GAPE system traffic and the Newlands system traffic. Rio Tinto suggest an allocation on the basis of each systems share of forecast tonnes in FY21.

Yours sincerely

Scott Rolfe

¹ Queensland Competition Authority, Consolidated draft decision, Aurizon Network 2014 draft access undertaking, Volume III – pricing & tariffs, December 2015, p104.

² Queensland Competition Authority, Final Decision, Aurizon Network 2014 draft access undertaking, Volume III – pricing & tariffs, April 2016, p123.