

Mr Charles Millstead  
Chief Executive Officer  
Queensland Competition Authority  
Via online lodgement

14 March 2024

Dear Charles

**Re: Queensland Rail's 2025 Draft Access Undertaking: Responsive Submissions**

New Hope Group (NHG) appreciates this opportunity to provide a "Responsive Submission" in regard to Queensland Rail's 2025 Draft Access Undertaking (DAU3). We have limited our comments to matters not raised in our previous submission, except where the comments or suggestions of other parties warrant further discussion.

Our comments on the issues raised by other parties are set out below:

### **1. Optimisation (Yancoal submission)**

NHG's February submission called for an affordable reference tariff in order to prevent closure of mines and a loss of utilisation of the infrastructure. We note that Yancoal (Section 4.8) has raised the question of whether optimisation of the existing asset base is required. NHG did not call for optimisation of the asset base, as we consider that this is just one of the means by which an affordable tariff could be achieved (along with the approval of more efficient building block allowances and loss capitalisation). However we do agree that QR's submission goes a long way towards demonstrating that the existing RAB ought to be optimised downwards, given QR's statements regarding the condition of the network, the extensive capex program which QR believes is required, the very large ongoing maintenance budget (despite the capex program), and the shortened useful asset life. We support Yancoal's suggestion that the consultant which reviews the capex program should consider the appropriateness of optimisation in the context of the condition of the network.

## **2. Indexation of the RAB (Aurizon Network submission)**

NHG does not support Aurizon Network's suggestion of ceasing to escalate the RAB. Escalation of the RAB maintains the real value of assets (subject to depreciation) and avoids later users of the assets receiving discounted access by stealth. Also, the level of effective discount received by later users (where there is no escalation) will vary with the rate of inflation over time, which prevents a proper assessment of the proposal in terms of equity between current and future users. NHG considers that an escalated RAB represents the best base from which equity issues can be considered and, where necessary, addressed through depreciation allowances. Our views on accelerated depreciation are contained in the February submission.

## **3. Reporting (GrainCorp and Pacific National submissions):**

GrainCorp and Pacific National have raised concerns regarding QR's proposals to reduce, rather than improve, quarterly reporting. NHG supports GrainCorp's comment (page 3 of the GrainCorp submission) that "*the rail network only benefits from collection, access and reporting of data relating to issues, deviations, performance and reliability amongst other metrics of the rail network.*" and that data regarding "*network attributes*" such as speed restrictions is critical for a number of purposes including investment decisions. Pacific National (Section 3.4) explains that advances in technology ought to allow improved data collection and analysis, with that analysis being used to drive improved performance, but note that there is no evidence of QR making meaningful improvements to its data recording, reporting and analysis.

NHG has reviewed Part 5 of the proposed undertaking in light of these comments. Part 5 as drafted (which is largely consistent with the current undertaking) appears focussed on detecting performance or compliance failures by QR, rather than on using data collection and reporting as a tool to drive improvement, in consultation with customers. In contrast to QR's reporting, we note that the Aurizon Network's Quarterly Maintenance and Renewals Report has evolved over recent years based on customer requests (via the Rail Industry Group) and now contains extensive data, not only on maintenance and renewals activities, but also on the outcome of those activities in terms of network performance. In addition, customers also have access to extensive performance related information via a customer portal. These reports form the basis of regular meetings between Aurizon Network and customers where discussions are focussed on how best to improve performance.

Section 4.4 of the QR undertaking (current and proposed) requires the convening of Regional Network User Groups which are to focus on "*analysis of data, open, impartial discussion and consensus decision making to improve the operation of the supply chain*". QR's obligations under this Clause, and in particular under Clause 4.4(c), should be sufficient to ensure that the type of

information needed to understand system performance and drive improvements is made available. However, the reality of the South-West User Group (SWUG) forum falls short of meeting these objectives. At this stage, NHG prefers to work with QR to improve the operation of the SWUG, rather than to propose a more prescriptive undertaking. One issue to be addressed is QR's resourcing. Our observation is that QR is not providing adequate resources to its data collection and analysis to meet the needs of the SWUG. NHG is supportive of QR's revenue allowances providing sufficient resources for this critical function.

#### **4. Priority of train paths which are in the MTP (GrainCorp submission)**

GrainCorp has raised an issue (page 5) regarding grain traffic being scheduled within the Daily Train Plan (DTP) rather than the Master Train Plan (MTP). If we understand the issue correctly, GrainCorp is saying that the inclusion of grain paths in the MTP was too inflexible to meet the needs of grain traffic, that the scheduling has shifted into the DTP environment, that this "*has been a reasonably good result for grain trains*" under normal operating conditions, but may not provide a good result for grain trains when the network is in a '*degraded state*'. As our understanding of the issue is limited, we prefer to comment after seeing a response from QR and/or a discussion of the point by the QCA. At this stage our only comment is that our understanding of the preserved train paths concept referred to under Section 266A of the Transport Infrastructure Act 1994 is that the "allocation" of paths referred to in that section is a reference to the contracting of the relevant paths, not to the scheduling of paths in an operating environment. That is, we do not consider that the section gives grain trains a right to infinite flexibility or priority over coal trains when trains are being scheduled and run. Nor does Section 266A afford grain trains the same level of priority which Section 266 provides to passenger services.

#### **5. Inaccurate overload detection (GrainCorp submission)**

GrainCorp (page 5) raised a concern regarding inaccurate measuring devices which can falsely indicate that wagons are overloaded. NHG agrees that a number of QR's mainline asset protection devices used to monitor train weights are not designed or certified for accurate weighing purposes, with inaccuracies leading to incorrectly declared overloads and the imposition of operating restrictions or requiring other remedial actions.

GrainCorp suggests a stronger incentive is provided for QR to provide measuring devices which are fit for purpose and accurate. NHG does not disagree with this position, however notes that:

- NHG already has sufficiently accurate weighing devices (two +/-2% overload detectors) installed at its own loading facility, and at its own cost, and as such is not in a position to support contributing costs to additional mainline devices.

- Caution should be exercised when considering the installation and maintenance of more accurate mainline weighing devices as the associated track outages can be significant, particularly in relation to ongoing calibration processes.

In regard to coal services, where weighbridges at loading facilities are more accurate and reliable than QR's mainline devices, there should be no reliance on QR's less accurate mainline detection devices in order to impose operating restrictions. That is, the undertaking or access agreements should provide that if a train is weighed at a loading facility which has an accurate device and no overloads are detected, any overloads that may be later detected by QR's less accurate mainline detection devices ought to be disregarded.

#### **6. Annual review of capex and maintenance allowances (Aurizon Network submission)**

Aurizon Network has suggested (Section 1.2.2) an annual review process for capex and maintenance allowances. The suggestion, as it applies to capex, appears consistent with NHG's February submission. For maintenance, NHG is concerned that engagement between QR and customers is not sufficiently mature to allow for an effective annual review and approval process of the type which exists in Central Queensland (through the Rail Industry Group). Nor do we consider that an annual approval process via the QCA will be efficient. At this stage we prefer an approach in which maintenance allowances are fixed, but will be reviewed if forecast volumes are not achieved, which we assume would occur if the proposed review under Clause 3.2 was triggered.

#### **7. West Moreton reference tariffs and capacity (Aurizon Coal and Bulk Submission)**

In addition to our comments on West Moreton reference tariffs and capacity as set out in our February submission and in this submission, NHG supports the comments of Aurizon Coal and Bulk on these matters (items 10-21 of the Aurizon submission), subject to our concerns regarding the feasibility of setting an annual maintenance budget (section 6 of this submission).

#### **8. Stakeholder consultation and engagement (Aurizon Network submission)**

Aurizon Network (Section 1.1) has noted that it would have been informative if QR had provided additional information on the nature of stakeholder engagement on the DAU. NHG can provide some information on this point in respect of consultation with NHG:

- Two meetings were held between QR and NHG in relation to the DAU. The first meeting occurred in or around April 2023, which was a high-level overview of QR's approach to the DAU. The second meeting was in October 2023 which involved QR informing NHG of the likely content of the DAU, mostly in terms of revenue allowances and tariffs.
- NHG's main feedback was that the proposed tariffs would be unaffordable. No changes were made to the proposal as a result of this feedback.

- No other changes were made to the DAU based on NHG's consultation.
- QR informed NHG of the proposed 'incremental' approach to amending the undertaking, which NHG supported.
- NHG provided QR with an information request document in December.
- In response, QR provided some of the requested information to NHG, particularly regarding the tariff building blocks.
- QR advised in December that much of the information requested by NHG could only be provided following execution of a confidentiality agreement. NHG requested a draft agreement from QR, which was received on 18 January 2024.
- On 25 January 2024, NHG requested amendments to QR's proposed draft confidentiality agreement, and on 29 January 2024 QR responded suggesting a meeting would be of assistance to resolve. Accordingly, NHG arranged a meeting with QR which was held on 6 February 2024.
- In that meeting NHG advised QR that their draft confidentiality agreement could not be accepted unamended and provided reasons. It was agreed that QR was going to review its position and revert to NHG. There has been no progress since that time, despite NHG following up with QR on a number of occasions.

A key impediment to consultation with QR appears to be that a reluctance to openly discuss proposals prior to receiving approval by the QR board is followed by a reluctance to alter proposals which have obtained board approval.

We remain hopeful that meaningful consultation will commence in the near term.

Thank you for considering our submission. If you or your team have any questions, I would be pleased to assist.

Yours sincerely,

Jeri Mules  
Commercial Infrastructure Specialist  
**NEW HOPE GROUP**