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Mr Lance Hockridge
Chairman
QR Network Pty Ltd
GPO Box 1429
Brisbane QLD 4001

Dear Mr Hockridge

A handwritten signature in cursive script that reads "Lance".

Final Approval

QR Network's Draft Amending Access Undertaking – Extension of Termination Date

The Queensland Competition Authority (the Authority) today approved QR Network's draft amending access undertaking (DAAU) to extend the termination date of the 2008 access undertaking from 30 June 2009 to 31 December 2009.

Background

On 23 April 2009, QR Network applied to the Authority to approve the DAAU to extend the termination date. It said this would allow sufficient time to finalise QR Network's 2009 draft access undertaking (DAU), which will replace the 2008 access undertaking.

QR Network said the DAAU left all other terms of the 2008 access undertaking unchanged, although this might have material adverse implications for QR Network. These implications included a revenue collection risk from a delay in introducing the higher tariffs proposed in the 2009 DAU, and uncertainty about the timing of the averaging period for setting the risk-free rate which will form part of the weighted average cost of capital assessment in the 2009 access undertaking.

QR Network therefore asked that the 2009 DAU reference tariffs be calculated to ensure that QR Network recovers its forecast 2009-10 revenues during the 2009-10 financial year, and that the risk-free rate averaging period be extended.

The Authority published the DAAU, as required under s.143 of the *Queensland Competition Authority Act 1997* (the QCA Act), and received three written submissions on the proposed extension.

All three submissions, from Asciano Ltd, the Queensland Resources Council (QRC) and Queensland Treasury, endorsed the change to the termination date. The QRC said the calculation of the reference tariffs and the setting of the cost of the capital needed to be treated consistently and transparently to avoid gaming.

Final Approval

The Authority has approved the DAAU to change the termination date of the 2008 access undertaking to 31 December 2009, on the basis that it will allow time to finalise outstanding issues in the 2009 DAU.

In regard to the potential adverse effects on QR Network of a delay in approval of the 2009 DAU, the Authority is currently minded to:

- (a) ensure that the tariffs in the 2009 access undertaking enable QR Network to recover a full year of the new 2009-10 revenue cap in the 2009-10 financial year; and
- (b) defer the risk-free rate averaging period from 30 June 2009 to mid-December 2009.

The Authority notes that stakeholders will have the opportunity to raise any matters related to the recovery of the 2009-10 revenue cap or the risk-free rate as part of the public consultation process on QR Network's 2009 DAU that will follow the Authority's draft decision. The Authority will consider these submissions and provide QR Network with an opportunity to respond, as part of the process of reviewing the 2009 DAU.

Yours sincerely,



Brian Parmenter
Chairperson