

19 October 2019

Mr Charles Millsteed  
Chief Executive officer  
Queensland Competition Authority  
GPO Box 2257  
Brisbane Qld 4001

**By internet portal:** [www.qca.org.au](http://www.qca.org.au)

Dear Mr Millsteed

**Pacific National Response to the Aurizon Network Submission 2017-18 Revenue Adjustment Amounts to QCA**

Pacific National welcomes the opportunity to provide comment on the Aurizon Network submission to the Queensland Competition Authority (QCA) on 2017-18 Revenue Adjustment Amounts (the Submission). Areas of concern to Pacific National are outlined below.

**Aurizon Network Proposed Treatment of Rebates**

Pacific National has previously raised concerns that Aurizon Network's treatment of rebates in its revenue cap adjustment<sup>1</sup>. Pacific National remains concerned that the rebate arrangements are commercial arrangements that Aurizon Network has with individual access holders and these arrangements should be separate from the regulatory process, yet Aurizon Network seeks to recover rebate adjustments by socialising the under recovery and over recovery of these payments through the regulatory revenue and pricing process (including the regulatory revenue adjustment process).

Both the Blackwater and Goonyella systems will be subject to a rebate adjustment with a net recovery from access holders. Pacific National believes that it is reasonable to assume that the rebate adjustments would be paid by the individual access holders with rebate agreements. However, this is not the case and the recovery of rebates is socialised across all users.

Pacific National believes that the rebate adjustment method should be reconsidered in future commercial agreements and access undertakings (including UT5 which is currently under consideration by the QCA).

Pacific National notes that the approach to rebates applied in the Submission appears consistent with UT4 but Pacific National is seeking that the QCA reconsider this approach in UT5.

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<sup>1</sup> For example

7 November 2014 "Asciano Response to the Aurizon Network Submission on 2013-14 Revenue Adjustment Amounts and Increments to the QCA",  
6 November 2015 "Asciano Response to the Aurizon Network Submission on 2014-15 Revenue Adjustment Accounts and Increments to the QCA"  
9 December 2016 "Pacific National Response to the Aurizon Network Submission 2015-16 Revenue Adjustment Amounts to QCA"  
3 November 2017 "Pacific National Response to the Aurizon Network Submission 2016-17 Revenue Adjustment Amounts to QCA"

**Reliability of Forecasting**

Improved forecasting accuracy will minimise the amount of revenue and tariff adjustment required. Pacific National recognises that improving forecasting accuracy is problematic, however differences between Aurizon Network's actual and forecast revenue indicate that there is scope for improvement in Aurizon Network's forecasting. For example Table 3 of the submission show Newlands being under-forecast by 45% on a net tonne measure. Similarly Table 6 indicates both substantial over-forecasting and substantial under-forecasting over time.

Pacific National believes that increased consultation by Aurizon Network with supply chain participants, including ports, miners and train operators, including Pacific National, should result in improved forecasting.

**Conclusion**

Pacific National is seeking that the QCA continues to seek improved transparency in Aurizon Network's forecasting approach and considers the treatment of rebates in future access undertakings, including UT5 which is currently under consideration by the QCA.

If you wish to discuss this submission further please contact me on 02 8484 8056.

Yours sincerely



Stuart Ronan  
Access and Regulation  
Pacific National