



Friday, 30 November 2012

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane 4001 QLD

By email to: rail@qca.org.au

Dear Mr Hall

Asciano Response to QR Network 2011-2012 Revenue-Cap Adjustment Application to the QCA

Asciano welcomes the opportunity to respond to the QR Network 2011-2012 revenue-cap adjustment application of September 2012. It is difficult for Asciano to provide detailed comment on the QR Network proposed revenue adjustment amounts for the 2011-2012 year given the limited level of information disclosed in the QR Network public submission. Current contractual arrangements results in much of the information underpinning the revenue-cap adjustment application being confidential. This confidentiality limits the comments that can be made on the QR Network revenue-cap adjustment application and reinforces the need for the QCA to be diligent in assessing the merits of the application.

Information Consistency

QR Network provide information in their annual revenue-cap submissions from year to year, however not all of the information provided is in a form sufficiently consistent to allow for year-on-year comparisons. Asciano is seeking that information be provided in a consistent format over time.

Reliability of Forecasting

QR Network undertakes forecasting of gross tonne kilometres, net tonne kilometres, tonnes, train paths etc for regulatory purposes. These forecasts are often not reflected in reality, and this consequently results in fluctuations in reference tariffs. These tariff fluctuations mean that within a given year users may not be paying the true cost of access and as such the allocative efficiency of the tariffs is diminished in the short term. In addition these tariff fluctuations can create problems for miners and train operators in costing, funding and planning their operations.

Asciano appreciates that forecasting is problematic, however Asciano believes that QR Network's forecasting could be improved. Asciano understands that in developing its regulatory forecasts QR Network does not consult with either individual miners or train operators. Increased consultation with miners and train operators should result in improved forecasting and hence reduced levels of year on year tariff fluctuation.

Improved forecasting will result in more predictable price paths which will increase allocative efficiency and allow miners and train operators to more accurately cost, fund and plan their operations.

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Future Pricing Impact

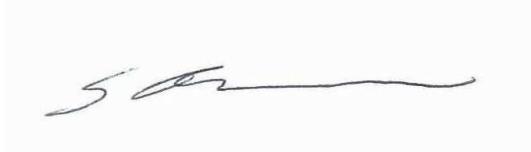
The size of the current under-recovery is likely to have future pricing impacts. Asciano is seeking that when the QCA and QR Network implement tariff increases to address this under recovery that they do so in a manner which ensures that the tariff increases are only on those tariffs which have been under-recovered, and resist any potential for socialising the price adjustments over a broader range of tariffs.

Asciano believes that tariffs should be cost reflective to ensure productive and allocative efficiency. In particular, cost reflective tariffs are needed to ensure that there are no inter-fuel or inter system cross subsidies (for example, the cost of electric infrastructure in a system should be borne only by electric trains in that system).

In addition to the issues raised above Asciano notes that page 4 of the QR Network submission indicates that “all references to Clauses are references to the Clauses in Part B, Schedule F of the 2008 Undertaking” and “defined terms used in this submission have the meaning given in the 2008 Undertaking” (emphasis added). Asciano assumes that these references are typographical errors and the wording should refer to the 2010 Undertaking.

Feel free to contact me on 02 8484 8056 to discuss this submission.

Yours faithfully

A handwritten signature in black ink, appearing to be "Stuart Ronan", written over a light grey rectangular background.

Stuart Ronan
Manager, Access and Regulation

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