

2017–18 Queensland Competition Authority Levy

Queensland Rail Access Undertaking 1

5 January 2018

The logo for Queensland Rail, featuring a stylized 'Q' and 'R' inside a square, followed by the text 'QueenslandRail'.

Table of Contents

Executive Summary.....	1
QCA Fees paid by Queensland Rail	2
QCA Fee Framework.....	2
QCA Fees methodology 2010–11 to 2017–18.....	2
QCA Fee Calculation — 2010–11 to 2014–15.....	2
QCA Fee Calculation — 2015–16 to 2017–18.....	2
QCA Fees to be recovered in 2017–18 QCA Levy	3
2017–18 QCA Fee.....	3
Under-recovered QCA Fees 2010–11 to 2016–17	3
Total QCA Fees to be recovered in the 2017–18 QCA Levy	3
Methodology for calculating the 2017–18 QCA Levy	4
Context	4
Methodology proposed for QCA Levy 2017–18	5
Current methodology for allocation of QCA Fees.....	5
Proposal to amend weightings for allocation of QCA Fees 2014–15 to 2017–18.....	6
Proposed weightings by traffic.....	9
Proposed 2017–18 QCA Levy.....	10
Attachment 1: QCA Levy 2017–18 calculations	11
Attachment 2: Proposed QCA Fee allocations 2017–18.....	12
Attachment 3: QCA Fee reasonable cost adjustment 2010–11 to 2016–17	13
Attachment 4: QCA Papers supporting consideration of 2013DAU / 2015 DAU	14

Executive Summary

This submission seeks the Queensland Competition Authority's (QCA) approval for the 2017–18 QCA Levy to be applied to Queensland Rail's access charges, consistent with clause 3.7 of the Queensland Rail Access Undertaking 1 (AU1).

The QCA last approved changes to the QCA Levy in 2013–14. Since that time there has been changes made to the QCA's methodology for setting annual charges, and the full QCA Fees associated with the development of the AU1 have yet to be recovered from Access Holders.

The total amount of QCA Fees paid by Queensland Rail to be included in the 2017–18 QCA Levy in 2017-18 is \$2.213 million. This amount includes:

- \$198,000 for the 2017–18 QCA Fee. *plus*
- an under-recovery of QCA Fees of \$2.015 million for the period 2010-11 to 2016–17.

As part of the proposal for setting the 2017–18 QCA Levy, Queensland Rail is seeking the QCA's approval to change to the weightings to be applied to the recovery of the QCA Fee to better reflect the 'beneficiary pays' principle.

Queensland Rail considers the changes are necessary to the historical cost allocation methodology to avoid non-coal traffic cross-subsidising coal traffic for the recovery of QCA's Fees which appear to be attributable wholly to the movement of coal on the West Moreton Network.

Specifically, Queensland Rail is proposing that a higher proportion of the QCA's Fees be recovered from the movement of West Moreton coal, particularly in 2014–15 and 2015–16, as a proportion of the QCA's costs can be directly attributable to issues specifically related to West Moreton coal tariffs in these years. It is also proposed that a higher proportion of the QCA's costs be allocated to West Moreton coal on an ongoing basis, with a higher level of the QCA's ongoing functions associated with monitoring ongoing compliance with AU1 (and associated costs) directly related to this system.

As the QCA has commenced a second undertaking process, Queensland Rail does not propose to smooth the recovery of QCA Fees over future years, but is proposing to recover all costs in 2017–18. The proposed 2017–18 QCA Levy by Train Service type is set out in Table 1.

Table 1: Proposed QCA Levy 2017–18

TRAIN SERVICE	PROPOSED 2017-18 QCA LEVY
West Moreton System Coal (\$/net tonne)	\$0.31825
Freight & Minerals — Mount Isa (\$/'000 gtk)	\$0.03447
Freight & Minerals — North Coast & West Moreton (\$/'000 gtk)	-\$0.00394
Passenger (\$/track km)	\$0.00019

QCA Fees paid by Queensland Rail

QCA Fee Framework

Section 3 of the *Queensland Competition Authority Regulation 2007* (the Regulation) entitles the QCA to charge fees for providing a service or performing a function set out in Schedule 1 of the Regulation provided the amount charged:

- (a) is considered to be reasonable by the QCA; and
- (b) is not more than the reasonable cost of providing the service or performing the function.

The QCA performs functions which are within the scope of Schedule 1 of the Regulation. These services include the development or amendment of an access undertaking, disputes relating to an access undertaking, arbitrations and monitoring compliance with an access undertaking.

The fees to be paid to the QCA for general regulatory services by a regulated entity that is the subject of the QCA's fee charging regime are calculated by the QCA based on its estimate of the actual cost of performing the functions in respect of that particular entity over the coming 12 months.¹

QCA Fees methodology 2010–11 to 2017–18

QCA Fee Calculation — 2010–11 to 2014–15

For the five financial years, 2010–11 to 2014–15, the annual QCA Fee charged to Queensland Rail was calculated based upon the QCA's estimate of its annualised actual cost of performing functions for Queensland Rail for that five year period.

At the end of the five year period the QCA undertook a reconciliation of the costs levied through the QCA Fee against its actual costs. The difference (under or over) was to be determined at the end of this period and either recovered from Queensland Rail, or refunded to Queensland Rail.

The QCA determined an under-recovery of its costs at the end of 2014–15 for the five years period of \$547,073. This amount was included in a QCA Fee adjustment paid by Queensland Rail.

QCA Fee Calculation — 2015–16 to 2017–18

From 1 July 2015, the QCA changed its five year annualised approach, and now estimates the QCA Fee prior to commencement of each financial year.

The QCA Fee for a given financial year is now based on 90 per cent of the QCA's estimated annual cost of undertaking its functions for the regulated entity. After the end of the financial year, the QCA undertakes a reconciliation of the levied costs against its actual expenditure incurred for services listed in the Regulation, with any difference (under or over) to be reconciled with the regulated entities.

¹ QCA Fee Framework 2015-16, 1

QCA Fees to be recovered in 2017–18 QCA Levy

2017–18 QCA Fee

The 2017–18 QCA Fee has been estimated by the QCA as \$198,000. Queensland Rail is seeking to recover this amount in the 2017–18 QCA Levy.

Under-recovered QCA Fees 2010–11 to 2016–17

The QCA has not approved an amendment to the QCA Levy since 2013–14.² Queensland Rail has been collecting the QCA Levy from Access Holders at the rate approved by the QCA in 2013–14, escalated by the Consumer Price Index.

However, there is now an accumulated under-recovery of QCA Fees as at 30 June 2017, which Queensland Rail is also seeking to recover in 2017–18. The under-recovery has occurred due to:

- (a) the additional QCA Fee for the 2010–11 to 2014–15 period, to true-up the under-recovery of QCA costs;
- (b) the increased QCA Fees during the QCA's consideration of the 2013 Draft Access Undertaking and 2015 Draft Access Undertaking.

The QCA Fees paid by Queensland Rail, by year and Queensland Rail's recovery of these costs through the QCA Levy are shown in Table 2.

For 2017-18, Queensland Rail is proposed to 'true-up' an accumulated under-recovery of QCA Fees of \$2.015 million for the period 2010–11 to 2016–17.

Table 2: QCA Fees versus QCA Levy recovered — 2010–11 to 2016–17

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
QCA reasonable costs	\$368,462	\$534,562	\$763,748	\$670,627	\$1,284,673	\$2,454,632	\$487,034	\$6,563,738
QCA Levy Received	\$128,325	\$644,178	\$865,610	\$579,828	\$836,626	\$760,452	\$732,886	\$4,547,904
Over (under) recovery	(\$240,137)	\$109,616	\$101,862	\$90,799	(\$448,047)	(\$1,694,180)	\$245,852	(\$2,015,834)

Source: Queensland Rail

Total QCA Fees to be recovered in the 2017–18 QCA Levy

The total amount of QCA Fees to be recovered in 2017–18 is \$2.213 million, which includes the \$198,000 2017–18 QCA Fee and \$2.015 million under-recovery of access charges between 2010–11 to 2016–17.

² Queensland Rail had an approved access undertaking 2008AU which expired on 30 June 2015. In April 2015, Queensland Rail lodged a draft amending access undertaking (DAAU) with the QCA seeking to extend the 2008AU's term to 30 June 2016. However, due to QCA considerations relating to the AU1 approval process, the QCA decided not to approve the DAAU. Without an approved access undertaking, there was no mechanism to seek the QCA's approval for revised levies for the period 1 July 2015 to 11 October 2016.

Methodology for calculating the 2017–18 QCA Levy

Context

Clause 3.7 of the Queensland Rail's Access Undertaking 1 (AU1) states that:

An Access Charge for a Train Service may include a QCA Levy component to be collected for the QCA by Queensland Rail. This component will, where applicable, be determined from year to year based on the QCA Levy levied by the QCA to Queensland Rail and allocated amongst Train Service types in a manner approved by the QCA.

The QCA's Fee Framework 2015-16 states that all fees levied in respect of general regulatory services will be eligible for pass through to customers in prices where ever the QCA has responsibility for these pass throughs.³

The pass-through of regulatory fees is consistent with the broader 'beneficiaries pays' principle. The principle that beneficiaries of government regulation should pay for that regulation was among the findings of the 2002 Productivity Commission *Report Cost Recovery by Commonwealth Government Agencies*, which preceded the introduction of the QCA Fee in 2003. The report found that where possible, cost recovery arrangements should apply to specific activities or products noting:

*"The 'beneficiary pays' principle has been widely cited as a major rationale for developing and implementing cost recovery. It is based on the notion that those that benefit from the provision of a particular activity or product should pay for it. This has both economic and equity dimensions. It encourages those who benefit from the activity or product to recognise that there are resource costs involved."*⁴

*"Regulatory activities for which cost recovery is appropriate are generally those that have a direct link to a particular group of identifiable users or beneficiaries (industry, consumers or others), such as product assessments, licensing and monitoring."*⁵

*"In most cases it is simpler and more cost effective to charge the producer of the regulated product through either a direct fee-for-service, or an industry levy. Firms can then pass on some or all of this charge to purchasers, down the production chain to final consumers."*⁶

Consistent with the above, Queensland Rail has sought to identify which Train Services attracted the greatest QCA's costs during AU1's approval process, and have allocated costs on that basis. Queensland Rail has not been provided with the QCA's actual cost allocations and so has based the QCA Levy allocations on an estimate of the QCA's activities.

³ QCA Fee Framework 2015-16, p 2

⁴ Productivity Commission, *Cost Recovery by Government Agencies*, August 2001, Part 1 p. 15

⁵ Productivity Commission, *Cost Recovery by Government Agencies*, August 2001, Part 1 p. 157

⁶ Productivity Commission, *Cost Recovery by Government Agencies*, August 2001, Part 1 p. 173

Methodology proposed for QCA Levy 2017–18

Current methodology for allocation of QCA Fees

The methodology for the allocation of QCA Fees between Train Service types was approved by the QCA in 2011–12. The 2011-12 methodology simplified the prior approach to allocating costs by adopting a weighted gross tonne kilometres (gtps) methodology, but generally reflected that cost allocations that has been previously applied.⁷

The approved weightings for allocation of the QCA Fees are set out in Table 3 and the resulting allocation of costs to system in Table 4.

Table 3: GTK weightings for recovery of the QCA Fee by Train Service type 2010–11 to 2013–14

TRAIN SERVICE TYPE	WEIGHTING
West Moreton Coal	3.00
Freight & Minerals	1.00
Long Distance Passenger	1.00

Note:

1. The weighting of three applied to West Moreton Coal largely addressed the shorter distance travelled by each Train Service, with the average service generating lower gtps per path than a service on the North Coast or Mount Isa systems.

Table 4: Percentage recovery of QCA Fee by Train Service type 2010–11 to 2013–14

	2010–11	2011–12	2012–13	2013–14
Western Moreton Coal	32.8%	34.5%	34.4%	33.5%
Freight & Minerals — Mount Isa	25.5%	31.3%	29.0%	27.4%
Freight & Minerals — NCL & West Moreton	38.3%	30.7%	33.5%	36.1%
Passenger	3.4%	3.4%	3.2%	3.0%
Total	100.0%	100.0%	100.0%	100.0%

The effect of this historic allocations is that Freight & Mineral Train Services on the North Coast Line (NCL) and West Moreton Networks make a larger contribution to the recovery of the QCA Fees than West Moreton Coal and Freight & Minerals — Mount Isa.

For the reasons set out in section 3.2.2, Queensland Rail does not consider that the historic approach to the allocation of the QCA Fees to different Train Services be reflective of the allocation of the reasonable costs incurred by the QCA by Train Service type.

⁷ In 2010–11, Queensland Rail had proposed to increase the allocation of costs to coal traffic to 60 percent however, the QCA did not support this approach as it considered that the majority of its work in that period would be related to the approval of an undertaking that would apply to all tariff and was specifically applicable to coal traffic.

Proposal to amend weightings for allocation of QCA Fees 2014–15 to 2017–18

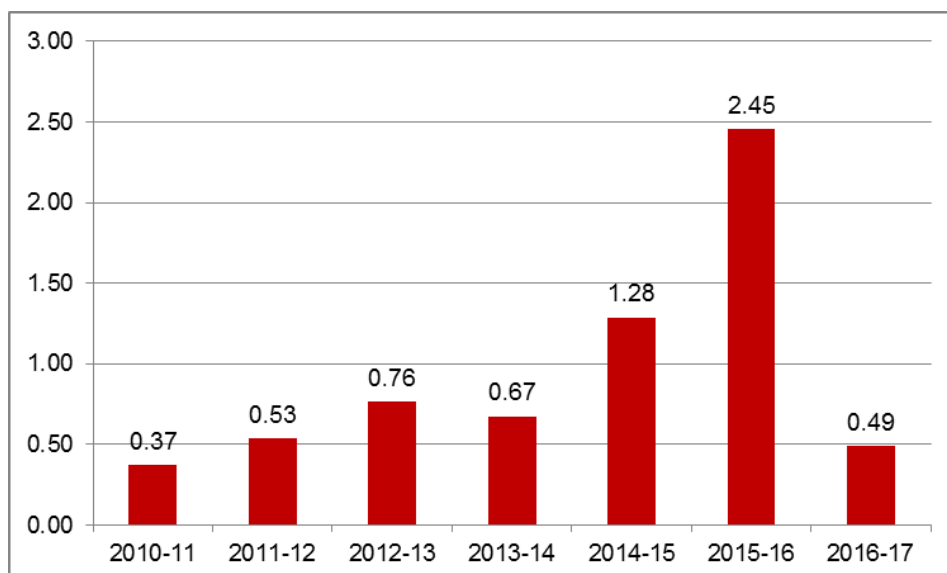
In March 2012, Queensland Rail lodged a draft access undertaking (the 2012 DAU) which sought to replace the undertaking that had been developed when Queensland Rail had been a part of the integrated QR National Limited, which including what is now Aurizon Network.

Queensland Rail submitted replacement DAUs in February and June of 2013 and 2015. The QCA approved AU1 on 11 October 2016. In approving AU1, the QCA considered a range of issues including:

- the arrangements for setting reference tariffs for coal traffic on the West Moreton/Metropolitan Networks
- the process for the negotiation of access (including allocation of capacity), including a dispute resolution process
- pricing rules, including definitions of floor and ceiling prices, limits on price differentiation and the insertion of renewal provisions
- operating requirements associated with the provision of access to the network, including consideration of network management principles and the operating requirements manual.
- quarterly and annual reporting requirements, to improve the transparency of information available to Access Seekers and Holders
- a new standard access agreements, which included a tripartite agreement, so that end users could hold access rights.

The additional costs incurred by the QCA during its consideration of AU1 can be seen in Chart 1.

Chart 1: QCA reasonable costs 2010–11 to 2016–17 (\$ million)



Allocation to West Moreton Coal

Queensland Rail considers that the QCA's assessment of issues associated with coal reference tariffs for the West Moreton/ Metropolitan Network was one of the most significant drivers of the costs underpinning the QCA Fee for the 2014–15 and 2015–16.

Significant sections of the QCA's Draft and Final Decisions on AU1 addressed matters affecting coal traffics including:

- the West Moreton and Metropolitan Networks' Regulatory Asset Base
- maintenance, operational and capital expenditure for the West Moreton and Metropolitan Networks, including allocation of costs to reference tariffs
- treatment of the adjustment charge (West Moreton and Metropolitan Networks)
- other coal traffic matters.

Coal traffics were also major beneficiaries of the QCA's review. Amongst other things, the QCA's Final Decision required Queensland Rail to pay an adjustment charge of \$34 million (including interest) to coal carrying traffic on the West Moreton/Metropolitan Networks.

In addition to benefiting from matters specifically relating to the West Moreton Network, coal traffics also benefited from the general, non-coal specific provisions of the access undertaking that apply to all traffics such as the negotiation process, the Network Management Principles, the Standard Access Agreement and new reporting requirements.

While Queensland Rail does not have the information to definitively estimate the quantum of the QCA's Fees that are directly attributable to West Moreton coal traffic, Queensland Rail notes that all of the 16 papers commissioned by the QCA between May 2014 and June 2016 supported the QCA's consideration of coal services on the West Moreton Network (Attachment 4). Similarly, many of the submissions made to the QCA for its consideration dealt with issues related to the West Moreton Coal tariff.

Queensland Rail is proposing that the percentage of the QCA Fee to be recovered from the West Moreton system coal carrying tariff be increased to around 65% for 2014–15 and 2015–16 compared to the QCA Levy to the average 34% in 2010–11 to 2013–14.

For 2016–17 and 2017–18, Queensland Rail is proposing that West Moreton Coal be allocated around 46–48% of the QCA Fees. While Queensland Rail does not have information about the allocation of the QCA's costs between the functions it performs for Queensland Rail, activities such as assessment of endorsed variation events (for reference tariffs) and the review of capital expenditure for the West Moreton Regulated Asset Base are wholly attributable to West Moreton Coal.

Queensland Rail considers it reasonable that a higher percentage of the QCA's ongoing costs also be allocated to West Moreton Coal.

Allocation to Mount Isa Freight and Minerals

Queensland Rail Freight and Minerals traffics on the Mount Isa Network receive the benefits of regulation from AU1 through negotiation process, pricing rules, operating requirements associated with the provision of access to the network, including consideration of network management principles and the operating requirements manual, performance reporting and the development of a standard access agreement.

AU1 also considered some specific issues for traffic types on the Mount Isa Line such as access renewal rights for coal-carrying and other bulk-mineral carrying train services dealt with issues to avoid asset stranding for end-customers with sunk investment in mining and other activities. These issues are more particular to the Mount Isa Line than the highly contested general freight services on the North Coast Line.

Given this, Queensland Rail proposes to a slightly higher weighting for the Mount Isa Line gtps than those on the North Coast Line.

Allocation to North Coast Line and West Moreton Freight and Minerals

Queensland Rail Freight and Minerals traffics on the North Coast Line and West Moreton system receive the benefits of regulation from AU1 through negotiation process, pricing rules, operating requirements associated with the provision of access to the network, including consideration of network management principles and the operating requirements manual, performance reporting and the development of a standard access agreement.

However, unlike coal on the West Moreton Network and the movement of bulk commodities on the Mount Isa Line, most of the freight moved on the North Coast Line is in direct competition with road transport. Queensland Rail's access charges on the North Coast Line are limited by the market price that rail can charge relative to road transport. This also limits the capacity of train operators to pass through and recover the costs of the QCA Levy from end customers.

Queensland Rail does not propose to change the weight applied to the North Coast Line and proposes that around 15% to 22% of the QCA Fees be recovered from North Coast Line traffic, compared to the 30% to 38% under the current allocations.

Allocation to Long Distance Passenger

Queensland Rail has not proposed a change to the allocation of QCA Fees to long distance passenger services, although notes that the primary emphasis of AU1 is on the provision of freight services.

Allocation to other Train Services

Queensland Rail does not propose to allocate the recovery of QCA Fees to other Train Services such as movement of grain on the South West, West and Central West Networks and the movement of general freight on the Central West Network.

These Train Services are heavily contestable with road, with limited ability to pass through the costs. The traffic volumes are also very low, seasonal and cannot be reliably forecast from year to year. Many of these services operated on an ad hoc basis.

Proposed weightings by traffic

Taking into consideration the issues above, Queensland Rail proposes the following weights, and resulting percentages be applied to the recovery of the QCA Fees by Train Service types for the period 2014–15 to 2017–18.

Table 5: Proposed weightings for recovery of the QCA Fee by Train Service type

Train Service type	Weighting	
	2014-15 — 2015-16	2016-17 — 2017-18
West Moreton Coal	14	6
Freight & Minerals — Mount Isa	1.5	1.5
Freight & Minerals — North Coast Line & West Moreton	1.0	1.0
Long Distance Passenger	1.0	1.0

Table 6: Percentage recovery of QCA Fee by Train Service type 2014–15 to 2017–18

	2014–15	2015–16	2016–17	2017–18
Western Moreton Coal	63.8%	65.6%	48.3%	45.7%
Freight & Minerals — Mount Isa	19.2%	19.0%	27.4%	29.9%
Freight & Minerals — NCL & West Moreton	15.2%	14.0%	22.3%	22.4%
Long distance passenger	1.7%	1.3%	2.0%	2.0%
Total	100.0%	100.0%	100.0%	100.0%

Proposed 2017–18 QCA Levy

The proposed 2017–18 QCA Levy by Train Service is set out in Table 7. Attachments 1 to 3 set out the calculations for allocation the QCA Levy, including the allocation of costs to systems based on the revised allocations for 2014–15 to 2017–18

Table 7: Proposed QCA Levy 2017–18

TRAIN SERVICE	PROPOSED 2017-18 QCA LEVY
West Moreton System Coal (\$/net tonne)	\$0.31825
Freight & Minerals — Mount Isa (\$/’000 gtk)	\$0.03447
Freight & Minerals — North Coast & West Moreton (\$/’000 gtk)	-\$0.00394
Passenger (\$/track km)	\$0.00019

As the QCA has commenced a second undertaking process, Queensland Rail does not propose to smooth the recovery of QCA Fees over future years, but is proposing to recover all costs in 2017–18. Recovery in 2017–18 avoids the under-recovery of costs into future years, and better balances the recovery of costs from the users most likely to be the beneficiaries of the QCA’s considerations of the AU1 process.

Queensland Rail notes that the significant increase in the QCA Levy for the West Moreton System Coal in 2017–18 due to the higher allocation of costs than under the previous methodology. Queensland Rail notes that this cost impost should be for a single year and that other systems do not experience a price shock. For the North Coast Line, the 2017–18 QCA Levy is -\$0.004, taking into account the level of recovery in previous years.

Attachment 1: QCA Levy 2017–18 calculations

VOLUME FORECASTS*

Traffic Type	Net Tonnes	000 Gtks	Tkm
West Moreton System Coal	6,426,880		
Freight & Minerals - Mt Isa		5,599,136	
Freight & Minerals - NCL & West Moreton		6,283,437	
Passenger			1,614,763

* Gtks and tkm forecasts only include the following areas:

System	Geographical Area	Areas
North Coast Line	Nambour to Cairns (excl. Callemondah to Rocklands)	5,7,8
Mt Isa Line	Stuart to Mt Isa - Flynn to Phosphate Hill	9
West Moreton System	Rosewood to Toowoomba - Toowoomba to Miles	2,3

QCA FEES

QCA Fee 2017/18 (excluding GST)	\$ 198,000	QCA Costs 2010/11 - 2016/17 (excl GST)	\$ 6,563,738
	\$ -	Less QCA Levy Received 2010/11 - 2016/17	\$ 4,547,904
Total Standard Fees (excluding GST)	\$ 198,000	Total Adjustments to be Applied	\$ 2,015,834

QCA Fee Allocator	Percentage	QCA Fee Base Amount	Amount
West Moreton System Coal	45.7%	West Moreton System Coal	\$ 90,429
Freight & Minerals - Mt Isa	29.9%	Freight & Minerals - Mt Isa	\$ 59,234
Freight & Minerals - NCL & West Moreton	22.4%	Freight & Minerals - NCL & West Moreton	\$ 44,316
Passenger	2.0%	Passenger	\$ 4,020
Total	100.0%	Total	\$ 198,000
2008/09 and 2009/10 Adjustments			
West Moreton System Coal			
Freight & Minerals - Mt Isa			
Freight & Minerals - NCL & West Moreton			
Passenger			
Total			
QCA Reasonable Costs Adjustments 2010/11 to 2016/17			
West Moreton System Coal	\$ 1,954,898	West Moreton System Coal	\$ 2,045,327
Freight & Minerals - Mt Isa	\$ 133,742	Freight & Minerals - Mt Isa	\$ 192,976
Freight & Minerals - NCL & West Moreton	-\$ 69,093	Freight & Minerals - NCL & West Moreton	-\$ 24,777
Passenger	-\$ 3,712	Passenger	\$ 308
Total	\$ 2,015,834	Total	\$ 2,213,834
Denominator			
West Moreton System Coal	6,426,880		
Freight & Minerals - Mt Isa	5,599,136		
Freight & Minerals - NCL & West Moreton	6,283,437		
Passenger	1,614,763		
Standard Levies			
West Moreton System Coal	\$ 0.014	per net tonne	
Freight & Minerals - Mt Isa	\$ 0.011	per 000 gtks	
Freight & Minerals - NCL & West Moreton	\$ 0.007	per 000 gtks	
Passenger	\$ 0.002	per tkm	
Final Levies (with Adjustments)			
West Moreton System Coal	\$ 0.318	per net tonne	
Freight & Minerals - Mt Isa	\$ 0.034	per 000 gtks	
Freight & Minerals - NCL & West Moreton	-\$ 0.004	per 000 gtks	
Passenger	\$ 0.000	per tkm	

Attachment 2: Proposed QCA Fee allocations 2017–18

ALLOCATION METHODOLOGY - 2017-18

	000 Gtks*		Weighting		Weighted 000 Gtks	Percentage
West Moreton System Coal	2,136,958	X	6.0	=	12,821,748	45.7%
Freight & Minerals - Mount Isa	5,599,136	X	1.5	=	8,398,705	29.9%
Freight & Minerals - NCL & West M	6,283,437	X	1.0	=	6,283,437	22.4%
Passenger	570,015	X	1.0	=	570,015	2.0%
Total					28,073,905	

* Coal net tonnes and Passenger tkms have been restated in 000 gtks.

ALLOCATION METHODOLOGY - 2016-17

	000 Gtks		Weighting		Weighted 000 Gtks	Percentage
West Moreton System Coal	2,207,516	X	6.0	=	13,245,097	48.3%
Freight & Minerals - Mount Isa	5,010,404	X	1.5	=	7,515,606	27.4%
Freight & Minerals - NCL & West M	6,121,931	X	1.0	=	6,121,931	22.3%
Passenger	548,626	X	1.0	=	548,626	2.0%
Total					27,431,259	

ALLOCATION METHODOLOGY - 2015-16

	000 Gtks		Weighting		Weighted 000 Gtks	Percentage
West Moreton System Coal	2,218,212	X	14.0	=	31,054,972	65.6%
Freight & Minerals - Mount Isa	6,002,679	X	1.5	=	9,004,019	19.0%
Freight & Minerals - NCL & West M	6,651,663	X	1.0	=	6,651,663	14.0%
Passenger	637,864	X	1.0	=	637,864	1.3%
Total					47,348,518	

ALLOCATION METHODOLOGY - 2014-15

	000 Gtks		Weighting		Weighted 000 Gtks	Percentage
West Moreton System Coal	2,121,134	X	14.0	=	29,695,878	63.8%
Freight & Minerals - Mount Isa	5,970,711	X	1.5	=	8,956,066	19.2%
Freight & Minerals - NCL & West M	7,085,202	X	1.0	=	7,085,202	15.2%
Passenger	800,531	X	1.0	=	800,531	1.7%
Total					46,537,677	

Allocation Percentages applied prior to 2014-15 are unchanged from previous QCA approvals

Attachment 3: QCA Fee reasonable cost adjustment 2010–11 to 2016–17

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$	\$	\$	\$	\$	\$	\$	\$
QCA reasonable costs	\$368,462	\$534,562	\$763,748	\$670,627	\$1,284,673	\$2,454,632	\$487,034	\$6,563,738
QCA Levy Received	\$128,325	\$644,178	\$865,610	\$579,828	\$836,626	\$760,452	\$732,886	\$4,547,904
Over (under) recovery	-\$240,137	\$109,616	\$101,862	-\$90,799	-\$448,047	-\$1,694,180	\$245,852	-\$2,015,834

Allocation Percentage

	As per Previous Approved Submissions				Revised Weightings		
Western System Coal	32.8%	34.5%	34.4%	33.5%	64.4%	66.0%	52.6%
Freight & Minerals - Mt Isa	25.5%	31.3%	29.0%	27.4%	19.4%	19.1%	25.6%
Freight & Minerals - NCL & West Moreton	38.3%	30.7%	33.5%	36.1%	15.4%	14.1%	20.8%
Passenger	3.4%	3.4%	3.2%	3.0%	0.9%	0.7%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

QCA REASONABLE COSTS ALLOCATED

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Western System Coal	\$120,808	\$184,398	\$262,623	\$224,727	\$826,867	\$1,620,863	\$256,294	\$3,496,581
Freight & Minerals - Mt Isa	\$93,855	\$167,580	\$221,060	\$183,679	\$249,377	\$469,950	\$124,653	\$1,510,153
Freight & Minerals - NCL & West Moreton	\$141,284	\$164,190	\$255,635	\$242,097	\$197,284	\$347,173	\$101,537	\$1,449,199
Passenger	\$12,515	\$18,394	\$24,430	\$20,125	\$11,145	\$16,646	\$4,550	\$107,805
Total	\$368,462	\$534,562	\$763,748	\$670,627	\$1,284,673	\$2,454,632	\$487,034	\$6,563,738

ACTUAL LEVY COLLECTED

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Western System Coal	\$50,567	\$205,158	\$273,413	\$211,148	\$262,288	\$240,796	\$259,152	\$1,502,522
Freight & Minerals - Mt Isa	\$34,636	\$202,210	\$276,351	\$163,053	\$267,940	\$234,906	\$200,790	\$1,379,886
Freight & Minerals - NCL & West Moreton	\$38,800	\$215,133	\$289,280	\$187,647	\$283,016	\$259,259	\$248,278	\$1,521,412
Passenger	\$4,322	\$21,676	\$26,566	\$17,980	\$23,382	\$25,491	\$24,667	\$144,084
Total	\$128,325	\$644,178	\$865,610	\$579,828	\$836,626	\$760,452	\$732,886	\$4,547,904

TOTAL DIFFERENCE

Western System Coal	\$1,994,059
Freight & Minerals - Mt Isa	\$130,267
Freight & Minerals - NCL & West Moreton	-\$72,213
Passenger	-\$36,279
Total	\$2,015,834

Prior Year's Adjustment

\$2,213,834

Attachment 4: QCA Papers supporting consideration of 2013DAU / 2015 DAU

May 2014 — October 2016

DATE	PAPER	INDUSTRY
May 2014	B&H Review of the Queensland Rail (QR) West Moreton System Maintenance Costs, Capital Costs (Capex), Operations Costs, Depreciated Optimised Replacement Cost (DORC) for the Queensland Competition Authority.	Coal
June 2014	QCA Comments Paper: Queensland Rail's Western System Coal Tariffs	Coal
August 2014	Incenta Economics Queensland Rail's debt margin for the 2013 DAU	Coal
September 2014	B&H Supplementary Report - Review of the Queensland Rail (QR) West Moreton System Depreciated Optimised Replacement Cost (DORC) Using the Timeline of Expenditure for the Queensland Competition Authority	Coal
May 2015	QCA Released A preliminary view: Regulatory economics assessment of the proposed Western System asset valuation approaches Professor Flavio Menezes	Coal
May 2015	Queensland Rail's 2015 DAU – Request For Comments on West Moreton Network regarding reference tariff matters The topic for this paper was the Adjustment Amount.	Coal
QCA Draft Decision Papers (October 2015)		
September 2015	B&H Review of Queensland Rail's DAU 2015 B&H	Coal
Undated	The economic impact of QR's proposal not to include an adjustment to refund or recoup differences in tariffs: Stage 1 Report Professor Flavio Menezes	Coal
Undated	A Regulatory economics assessment of the proposed Western System asset valuation approaches Professor Flavio Menezes	Coal
January 2016	Queensland Rail's 2015 DAU – Request For Comment – Following Submissions On Draft Decision – 19 Jan 2016 Topics: Metro train path constraints; Allocation of fixed/common costs tariff; Adjustment amount; West Moreton Network capacity and volumes; Take or Pay; Metro tariff; Renewals; Standard Access Agreement.	Coal

DATE	PAPER	INDUSTRY
February 2016	Queensland Rail's 2015 DAU – Request for comment – Addendum Topic Adjustment amount for Metro	Coal
QCA Final Decision Papers (June 2016)		
April 2016	Western System asset valuation approaches” and “The economic impact of QR’s proposal not to include an adjustment to refund or recoup differences in tariffs: Stage 1 Report.” Professor Flavio Menezes	Coal
April 2016	Response to Stakeholder comments on comments on “A Regulatory economics assessment of the proposed Western System asset valuation approaches” and “The economic impact of QR’s proposal not to include an adjustment to refund or recoup differences in tariffs: Stage 1 Report.” Professor Flavio Menezes.	Coal
May 2016	An independent review of reports by Professor Menezes A report prepared by Professor Stephen P. King	Coal
May 2016	Incenta Economic Consulting Memorandum Benchmark BBB+ debt risk premium for 20 days to April, 2016	Coal
May 2016	B&H Supplementary Report Master Relating to Submissions by Stakeholders In Response to the QCA’s Draft Decision Of the Queensland Rail DAU 2015 Including Matters in Parts: Maintenance and Capex Estimates (Part 1), Asset Valuation (Part 2), Network Capacity (Part 3), Categorisation of Maintenance Costs (Part 4)	Coal