

12 February 2018

Professor Roy Green  
Chair  
Queensland Competition Authority  
Level 27  
145 Ann Street  
Brisbane Qld 4001

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

Dear Professor Green

## **Pacific National Submission on Queensland Rail's 2017-18 QCA Levy Proposal**

### **Background and Summary**

Pacific National welcomes the opportunity to make this submission to the Queensland Competition Authority (QCA) on Queensland Rail's 2017-18 QCA Levy Submission (the Proposal).

Pacific National is a major operator of trains on both the Queensland Rail north coast line and the Queensland Rail Mt Isa line, and as such Pacific National pays a QCA Levy component in the rail access charges it pays to Queensland Rail.

Overall Pacific National has concerns regarding the recovery of the \$2 million under recovery of QCA levy in one year but strongly supports the proposed Queensland Rail allocation of QCA Levy costs between different rail systems and train types.

### **Queensland Rail's QCA Levy Proposal**

QCA charges an annual fee to Queensland Rail which is intended to recover QCA costs relevant to the regulation of Queensland Rail. The methodology for calculating these fees appears to have resulted in an under recovery of QCA costs between 2010-11 and 2017-18.

Pacific National notes that Queensland Rail is proposing to recover approximately \$2.2 million of QCA fees in 2017-18. This amount consists of:

- approximately \$200,000 for the 2017-18 QCA fee charged to Queensland Rail; and
- approximately \$2 million for the under recovery of QCA fees for the period 2010-11 to 2016-17.

In addition Queensland Rail is proposing to amend the allocations to be applied to the QCA fee in order to avoid coal traffic being subsidised by non-coal traffic. That is, a higher proportion of the QCA fee is proposed to be allocated to the access charges for the West Moreton Coal system.

Queensland Rail is not proposing to smooth the recovery of the QCA fees over several years but is proposing to recover all costs in 2017-18, as a new access undertaking is expected to be submitted by Queensland Rail later in 2018.



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## **Pacific National Position on the Queensland Rail QCA Levy Proposal**

Pacific National has several concerns with the Queensland Rail QCA levy proposal as outlined below.

### *QCA Levy Methodology and the Size of Under Recovery Adjustment*

Pacific National is concerned that the QCA levy methodology has permitted the under recovery of access to increase to approximately \$2 million. Pacific National has no fundamental concerns with over-recovery and under-recovery adjustments but these adjustments should be made at regular intervals (for example annually) in order to prevent an accumulation of under recoveries or over recoveries to a level where recovery leads to potential price shock.

Pacific National seeks that going forward both the QCA and Queensland Rail seek to implement a QCA levy methodology which does not allow the accumulation of such under-recoveries or over-recoveries in the future. Pacific National believes that an annual QCA levy process based on either one year of actual costs or one year of forecast costs should limit the accumulation of under-recoveries or over-recoveries.

Such a methodology could be incorporated into the Queensland Rail draft Access Undertaking expected to be submitted to the QCA in 2018.

### *Timing of Under Recovery Adjustment*

Queensland Rail is proposing to recover approximately \$2.2 million in a single year of QCA levies; while these levies have effectively been the result of a seven year accumulation of under recoveries.

Pacific National believes that seeking to recover this amount in one year may result in a level of price shock. Pacific National believes that recovery over 2 to 3 years is preferable. In taking this position Pacific National recognises that the current Queensland rail Access Undertaking is in place until June 2020 and so recovery of the under recovery amount of \$2 million over 2017-18, 2018-19 and 2019-20 could be done within the time frame of the current undertaking.

Pacific National recognises that the QCA levy amount for the years in 2017-18, 2018-19 and 2019-20 is likely to be higher due to QCA work on the new access undertaking but Pacific National believes that smoothing the \$2 million under recovery over these years is preferable to a one-off recovery in 2017-18. By smoothing the under recovery over three years access users are provided with more opportunity to budget for the QCA levy and manage the QCA levy charge with end users and other parties.

### *Allocation of QCA Levy between Market Segments*

The Queensland Rail Proposal (page 5) notes that the historic approach used to allocate the QCA Levy to train services was unlikely to reflect the reasonable costs incurred by the QCA by these train service types.

Pacific National strongly supports this Queensland Rail position. Pacific National notes that from 2010 the West Moreton System has had the benefit of a regulated tariff and a regulated access agreement, whereas from 2010 to 2016 trains on the North Coast line and Mt Isa line had neither regulated tariffs nor a regulated access agreement, and from 2016 onwards only have a regulated access agreement.

Pacific National believes that the allocation of QCA levy costs to the West Moreton System reflects both the benefit that users of the System have received from a regulation and the costs incurred in determining access pricing for this system.

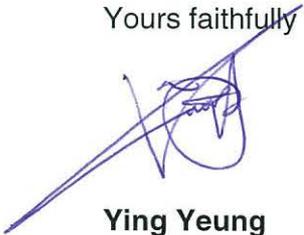
Overall Pacific National strongly supports Queensland Rail's proposed allocation of the QCA Levy between different systems and train services and believes that the allocation is reasonable.

### **Conclusion**

Overall Pacific National has concerns regarding the recovery of the \$2 million under recovery of QCA levy in one year but strongly supports the proposed Queensland Rail allocation of QCA Levy costs between different rail systems and train types.

Feel free to contact either myself on 07 3002 3726 or Stuart Ronan on 02 8484 8056 to discuss this Pacific National submission.

Yours faithfully



**Ying Yeung**  
Pacific National

