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25 September 2012

Mr. E.J. Hall
Chief Executive - Queensland Competition Authority
Via Email: rail@qca.org.au

Dear Mr Hall

QR National Draft Amendment Access Undertaking

We refer to QCA's request for industry comment on the matters discussed in draft decision relating to QR National Draft Amendment Access Undertaking. As a significant industry participant - via our contractor subsidiaries (Abigroup and Baulderstone) as well as our Resources Infrastructure business - we offer the following comments.

We don't think there is much dispute that, given a level playing field, the energy efficiencies created by electrification more than compensate for the cost of infrastructure. Additional tangible benefits are derived via increased reliability, lower whole of life costs and decreased carbon footprint, which re-enforce electrification as a sound policy choice. The above factors must undoubtedly been critical in Government's support for the significant investment in the electrified network by Queensland Rail, as well as additional significant investment by QR National in the recent years.

However, in order to create the level playing field, it is important to ensure that the regulation is structured to encourage maximum utilization of the electrified system as the benefits can only be derived once critical mass is achieved and maintained. On this score, the regulatory framework has clearly been lacking.

We believe that the measures proposed by QRN in the Draft Amendment Access Undertaking correct the current deficiency in regulatory structure and will serve to encourage users to effectively utilize the integrated network, harnessing the full benefits of electrification. The alternative – status quo – will likely lead to underinvestment in the Blackwater system, continuing upward pressure on the AT5 charge and may ultimately lead to stranding of a very valuable asset.

Furthermore, the Goonyella system has become a hybrid (diesel/electric) system with the introduction of GAP tonnes, creating the incentive for operators to increase utilisation of diesel to provide flexibility across APCT, DBCT and HPCT. Thus AT5 is forecast to increase without industry commitment to significant utilisation of electric paths, ultimately degenerating in a similar manner to what has unfolded in Blackwater, and leading to significant capacity reduction across the network

In summary, we believe that the Draft Amendment Access Undertaking provided a reasonable framework to address these issues and suggest QCA to re-consider its position.

Yours faithfully

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Len Chersky
Executive Director – Resources Infrastructure
Lend Lease Corporation Limited