



25 September 2012

Mr John Hall

Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

By Email: To: rail@qca.org.au

Dear Mr Hall,

QCA Draft Decision QR Network's Electric Traction Services Draft Amending Access Undertaking

Vale Australia Pty Ltd (**Vale**) welcomes the opportunity to provide further submissions to the Queensland Competition Authority (**QCA**) in respect of the draft decision of the QCA on the Electric Access Draft Amending Access Undertaking (**DAAU**) submitted by QR Network Pty Ltd (**QR Network**). Vale supports the QCA's draft decision to not approve the proposed DAAU based on the reasons the QCA has outlined in its draft decision paper and has set out below and some additional matters that Vale believes it is desirable to clarify.

Capitalised terms in this letter have the meaning given in the 2010 Access Undertaking (**Undertaking**) unless otherwise defined.

Vale has been an active participant in industry discussions regarding this matter. We note that the QRC will be submitting an industry submission, from these discussions, to the QCA. Vale takes this opportunity to endorse the QRC's submission to the QCA.

Vale supports the QCA's approach and reasons outlined in its draft decision to not approve the DAAU. Vale agrees that:

- QR Network has not provided a convincing case for the total cost of ownership model that it has presented.
- QR Network has not clearly proven that Goonyella users received any advantage from the Blackwater system, and therefore, should not socialise the electric assets between the two coal networks.
- Any change in pricing should be cost reflective to ensure effective competition is maintained in the above rail operations and the industries supporting this operation, such as locomotive manufacturing.

As part of the QCA's analysis, it has identified some concerns with the Coal Rail Infrastructure Master Plan (**CRIMP**) process and has questioned the value of this process in future undertakings. Vale has previously expressed concerns about the CRIMP process, in a submission to the QCA dated 8 April 2011, but would be concerned about the removal of the CRIMP process from future undertakings as it does see value in the sharing of master planning information with stakeholders. Vale believes one of the key issues with the current failure of the CRIMP process is the lack of information provided to stakeholders from QR Network. The dilemma that stakeholders have had during the CRIMP process in the past was to approve

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expansions with little information or have no expansions commenced and then be subject to time pressures to pursue expansions at a later date. The risk of delaying these rail expansions would then have a significant influence on the certainty of the availability of rail capacity and the associated infrastructure such as a port expansion.

This lack of information was generally perpetuated further after the approval as it was difficult to ascertain from QR Network where the expansion process was within the QR Network internal approval process as there were limited updates on the progress of these approved projects. This lack of clarity on the development and approvals of the expansions contributed to the uncertainty around the CRIMP process. Producers were being asked to approve many of these projects that still required more internal approval stages within QR Network.

As an example, Vale notes that in the 2010 CRIMP process QR Network sought and was granted approval for \$50M in Pre Feasibility Studies on the Goonyella Network. As of the date of this submission Vale is yet to receive further information on the progress of this project and any benefits that Vale, as a stakeholder, has gained from this approval.

Vale also notes that the annual/quarterly CRIMP updates that were previously being used to communicate information on future network Expansions appear to have now ceased. Vale notes that under section 11.2.1(e)(i) of the Undertaking, QR Network has a requirement to provide "prior to 1 July each Year", a "program setting out the consultations that are intended to occur through the Coal Rail Infrastructure Master Planning Forum over the forthcoming Year". Vale believes QR Network has failed to meet this obligation this year as it has not received any program on the CRIMP program for this forthcoming year.

CONCLUDING REMARKS

Vale supports the QCA's decision to not approve QR Network's proposed Electric Traction Services DAAU as it clearly does not see how this proposal would improve the effective competition in the above rail market. Vale is also concerned that the QR Network proposal moves away from the current cost reflective pricing approach.

A further discussion that has been raised during this consultation process is the effectiveness of the CRIMP process and whether it should be removed from future undertakings. Vale would prefer to see this formal master planning process continue as it believes this process is important to advise all stakeholders of the likely requirements to meet future expansions. In Vale's view one of the major failings in the past with this process has been the lack of timely information provided by QR Network to stakeholders. Vale believes QR Network needs to provide better and timely information to stakeholders during the process and clearly when it is seeking support for an investment proposal. Stakeholders are reliant on this information when making decisions as QR Network, as the Rail Manager, is considered the expert in developing the Central Queensland Coal Network.

For further information regarding this advice please contact myself on (07) 3136 0911.

Yours sincerely,



Anneliese Mattos
Acting General Manager Logistics
Vale Australia Pty Ltd