26 July 2024

Queensland Rail 2025 Draft Access Undertaking

Response to QCA Draft Decision

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1. Overview

Aurizon welcomes the opportunity to provide a submission to the Queensland Competition Authority (**QCA**) in response to its draft decision on the Queensland Rail (**QR**) 2025 Draft Access Undertaking (**DAU3**).

Aurizon is Australia's largest rail operator, with its operations extending across the country, including the large scale bulk haulage of coal and iron ore, integrated supply chain services for other bulk products and the recent introduction of inter-city containerised freight services. Aurizon operates across most of QR's rail systems, and the ability to efficiently negotiate 'fit-for-purpose' access to QR's network is critical to Aurizon's ability to offer attractive rail haulage services to its customers. We consider that the development of DAU3 provides an important opportunity for targeted modifications to QR's access framework to improve access opportunities for freight rail services.

In its draft decision, the QCA has highlighted the large number of unresolved issues between QR and its stakeholders, and the need for genuine consultation and engagement on these issues to reach resolution. Aurizon believes that the QCA needs to take a more proactive role to support and facilitate this engagement. While it remains important that the engagement occur primarily between QR and its customer base (including access holders and rail operators), there are steps that the QCA can take to promote this, including QR providing the QCA with a structured stakeholder engagement plan, the use of joint stakeholder roundtable meetings (with the QCA as an observer) in addition to 1:1 meetings, and for QR to progressively report to the QCA on its progress and results from the consultation process.

In relation to specific issues covered in DAU3 access framework, Aurizon would like to highlight the following issues:

1. Harmonisation – while we acknowledge that access regulation is imposed in order to constrain a RIM's opportunity to exert market power, there is a clear public interest and public benefit in this being implemented in a way that promotes a cohesive national rail network, and reduces barriers to improved rail productivity, increased freight on rail, and ultimately increased demand for access to the rail network. As a result, Aurizon remains of the view that harmonisation is a legitimate objective for DAU3 and low-cost opportunities that improve the consistency of how access is negotiated and managed across the Australian rail network should be pursued. The specific issues that we consider should be addressed relate to consistent train path management mechanisms, consistent performance reporting and an objective for RIMs to align network possessions where possible.

2. Promoting freight on rail – we welcome QR's commitment to freight services, as QR plays a critical role in ensuring that rail based supply chains are an attractive option for freight customers. Consistent with research undertaken by the rail industry, we consider that in promoting freight on rail, the key strategies that its access charges are set at a level that supports rail in competing with road. However, we are concerned that the DAU3 provisions do not always support these strategies.

3. Interstate standard gauge service – accepting the QCA's view that these services are likely not declared, Aurizon requests that QR commit to a process for negotiating and managing access to the dual gauge link, with the simplest way to achieve this being inclusion in DAU3.

4. Train path management – Aurizon acknowledges and appreciates the QCA's support for the introduction of improved tools for train path management and optimisation (including the circumstances in which QR can reschedule paths and resume underutilised paths) as a way of promoting network utilisation. We consider that this will be most effectively achieved where these tools are introduced in conjunction with increased transparency around network performance and data on path utilisation to allow an access seeker to better understand the pathing opportunities available if permissible path rescheduling were to occur.

5. Network planning and control – Aurizon urges QR to undertake a collaborative review of its network management principles in order to address concern about the quality and reliability of service offered to freight services. Specific issues that we believe should be addressed include:

    a. Retaining the current dispute processes around planned possessions (with the addition of strict timeframes to be followed), recognising that they have proved to be highly effective in incentivising the resolution of concerns around planned possessions and their impact on freight services;

    b. Enhanced requirement to liaise with adjoining rail infrastructure managers (**RIMs**) with the objective of aligning possessions;

    c. Reviewing the Network Control Principles to improve their clarity and to ensure that train control decisions do not disproportionately favour passenger services over freight (beyond QR's passenger priority requirements); and

    d. Review of the information transparency around train control decisions to provide confidence that controllers will exercise their discretion consistently, record an accurate delay cause for deviations against the daily train plan, and monitor the impact of a deviation on any service that is delayed.

6. Performance reporting – in its draft decision, the QCA did not respond to Aurizon's requested modification to QR's quarterly reporting. Beyond the desire for improved consistency in performance reporting across the Australian rail network, Aurizon considers that the DAU3 performance indicators do not always present the most useful information, and that there is a benefit in adjusting QR's performance reports to present information that provides more value to customers and stakeholders.

In relation to West Moreton reference tariffs, the QCA has highlighted a range of concerns with QR's proposed reference tariff for coal haulage on the West Moreton and Metropolitan systems, and has urged QR to engage further with users and above rail operators to gain greater consensus on the key elements underpinning the tariffs.

We believe that it is essential for a structured process to be developed for engagement between QR and its stakeholders. As the predominant rail operator on the West Moreton system, Aurizon's involvement in this process is important to ensure the operational implications of different options are properly understood. Aurizon looks forward to participating in this engagement and contributing where possible to the resolution of the outstanding elements of the West Moreton tariff approach.

2. Process for resolution of DAU3

The QCA has highlighted the large number of unresolved issues between QR and its stakeholders, and the need for genuine consultation and engagement on these issues to reach resolution. Since the release of the draft decision, Aurizon has sought discussions with QR as well as advice on how it intends to structure an engagement program, both for the purpose of responding to the draft decision (recognising the QCA's encouragement for stakeholders to engage with each other to present, wherever possible, agreed positions) and for the QCA's flagged 'collaborative submissions' process. While we have not yet met with QR, it has indicated an interest in engaging after it has responded to the QCA's draft decision.

Aurizon has engaged with other rail operators (through the Rail Operators Group (**ROG**)) and our customers in the development of this response to the QCA's draft decision, including the preparation of proposed drafting amendments to DAU3. While there has been no opportunity to discuss these positions directly with QR prior to lodging this submission, Aurizon would welcome the chance to do so and has provided a copy of the proposed amendments to QR for its consideration.

Aurizon believes that the QCA needs to take a more proactive role to support and facilitate effective engagement. While it remains important that the engagement occur primarily between QR and its customer base (including access holders and rail operators), there are steps that the QCA can take to promote this. Further, in its final decision on DAU3, it will be important that the QCA clearly understands the extent to which engagement has occurred, as well as how effective this has been in addressing stakeholder concerns. This will help to inform the QCA's consideration of issues that remain unresolved at that point in time.

Mechanisms that have proved effective in other regulatory processes, and which we believe should be used in the further development of DAU3, include:

- QR to provide the QCA with a structured stakeholder engagement plan, which identifies the issues to be addressed, the stakeholders to be involved, the engagement processes to be used (eg 1-on-1 meetings, joint stakeholder meetings) and the desired outcomes from each consultation step;
- joint stakeholder roundtable meetings, with the QCA in attendance as an observer. We consider that holding joint stakeholder meetings is particularly useful in order to provide transparency of stakeholder views and the extent of commonality in their positions, as well as to promote the opportunity to reach resolution on issues. There are numerous examples of where this has usefully occurred, including as part of the ACCC's review of ARTC's Interstate Access undertaking, and for IPART's review of NSW Rail Access Undertaking; and
- provision of ongoing updates to QCA including current progress against the structured engagement plan and preliminary outcomes from consultation to date.

3. Access Framework

3.1 DAU3 objectives

3.1.1 Harmonisation with other networks

Aurizon is disappointed in the narrow approach taken by both QR and the QCA in the development and review of DAU3, dismissing consideration of issues other than constraining QR's opportunity to exert market power as being relevant for DAU3.

The rail industry (including QR), in partnership with Governments, has done extensive work to understand the constraints on rail industry productivity, and the initiatives that are required to enable rail to be more competitive against road freight and to allow rail to fully play its part in the operation of efficient national supply chains. Fundamentally this requires that, instead of considering each RIM's network in isolation, we take the approach that we have a single Australian rail network, managed by multiple RIMs.

While we acknowledge that access regulation is imposed for the purpose of constraining a RIM's opportunity to exert market power in negotiations with access seekers and rail operators, once regulation is imposed the nature of access undertakings is that they cover a broad range of matters in relation to how RIMs negotiate and manage access to their component of the Australian rail network. The major Australian rail freight operators provide services across multiple jurisdictions, utilising rail infrastructure controlled by a range of RIM's, often within a single rail journey. Where RIMs take different approaches in how they negotiate and manage access to their component of the Australian rail network, this imposes additional costs on rail freight operators. While each individual RIM's approach may, in isolation, be considered a reasonable way to address market power, this does not mean this approach is reasonable in the context of our overall Australian rail network.

Where access regulation is imposed in order to constrain a RIM's opportunity to exert market power, there is a clear public interest and public benefit in this being implemented in a way that promotes a cohesive national rail network, and reduces barriers to improved rail productivity, increased freight on rail, and ultimately increased demand for access to the rail network.

Aurizon acknowledges that there are current national processes to promote interoperability and harmonisation across RIMs, such as those being led by the National Transport Commission (**NTC**) focused on interoperability initiatives in relation to signalling and train control systems and rollingstock accreditation. While industry has highlighted the benefits in improved harmonisation of economic regulation frameworks,[1] there is no current plan for any agency to progress this.

But there is a window of opportunity for Australia's RIMs and economic regulators to achieve improved harmonisation in the way in which access to Australia's rail network is negotiated and managed, through improved harmonisation in elements of the way in which economic regulation is applied in the various jurisdictional frameworks. In addition to the QCA's review of QR's DAU3, reviews are also currently underway in relation to:

- ARTC's Interstate Access Undertaking (currently under review by the ACCC);
- the NSW Rail Access Undertaking (with the NSW Government considering its response to IPART's review as part of its current development of a NSW Freight Strategy);
- the Victorian Rail Access Guidelines (being progressed through the Victorian Department of Transport); and
- standard documents (eg standing offers and standard access agreements) which are being developed under recent amendments to the WA Rail Access Regime.

In requesting that QR and the QCA treat improved harmonisation as an objective for DAU3, we are not asking for a wholesale review of the QCA legislative framework or of QR's access undertaking structure. But there is plenty of low hanging fruit, with low-cost opportunities for improved harmonised access arrangements across jurisdictions. The low-cost opportunities that we have identified for QR's DAU3 are:

- consistent tools for train schedule management, which have regard to the impacts of adjoining networks (supported by QCA on basis that it will promote network utilisation and discussed in s.3.3);

[1] Australian Railway Association (ARA) and Freight on Rail Group (FORG) (2023); The Future of Freight Summary Report; October 2023

- nationally aligned KPIs (which the QCA did not respond to, discussed in s.3.5).

Our concern is – if not now then when? Given the absence of a specific Government agenda to harmonise economic regulatory frameworks, it could be many years before wholesale harmonisation can occur. In the meantime, the rail industry will lose the opportunity for the benefits that can be achieved from incremental improvements in harmonisation in the way in which access to the Australian rail network is negotiated and managed.

Aurizon considers that pursuing low-cost harmonisation opportunities as an objective for DAU3 is consistent with the QCA Act criteria as it is consistent with the interests of rail operators and access holders and is in the public interest (s 138(d) and (e) of the QCA Act). Such initiatives will not be detrimental to QR's interests as they are consistent with QR's shareholders expectations, particularly where the cost of doing so is low.

Aurizon understands that improving harmonisation in the way in which access is negotiated and managed, and particularly using the current window of opportunity with multiple reviews underway of access undertakings and economic regulatory arrangements, is strongly supported by other rail operators, as confirmed in the ROG's submission to the QCA.

Aurizon requests that:

- QR and the QCA recognise that harmonisation is a legitimate objective that should be pursued where the cost of doing so is low, rather than simply being dismissed as not a relevant objective for DAU3**;**
- QR and the QCA reconsider low-cost opportunities to amend DAU3 to improve harmonisation in the way in which access to Australia's rail network is negotiated and managed, as discussed in this submission;
- the QCA liaise with other regulators – including the ACCC in relation to ARTC's IAU and IPART in relation to the NSW RAU - to consider opportunities to take a consistent approach on issues in jurisdictional access framework reviews

3.1.2 Promoting freight on rail

We welcome QR's commitment to freight services, as QR plays a critical role in ensuring that rail based supply chains are an attractive option for freight customers, particularly for contestable freight where rail competes with road based supply chains. Consistent with the research undertaken for the rail industry (including QR)[2], in order to promote rail as the mode of choice, the key strategies that QR should pursue are:

- to maximise the reliability of freight services - reliability is known to be the key service quality factor that drives freight customers' choice of mode, with other critical service quality factors being transit time and service frequency; and
- to ensure its rail access charges are set at a level that allows rail based supply chains to effectively compete with road – with rail freight prices usually needing to be lower than road in order to compensate for longer transit times and lower service frequency.

However, we are concerned that QR's actions do not always align with these strategies, and in some instances the DAU3 provisions inhibit QR's ability to do so.

Again, we are disappointed in the narrow approach that the QCA has taken to its review of DAU3, taking the view that QR's natural incentive to maximise freight volumes will ensure that it acts in a way that promotes freight on rail. The QCA has not had regard to how QR's other factors may undermine its desire

[2] Australian Railway Association (ARA) and Freight on Rail Group (FORG) (2023); The Future of Freight Summary Report; October 2023; p.21

to pursue increased freight on rail. For example, QR's objective to maximise the service quality for its vertically integrated passenger business (including beyond that required by passenger priority legislation) directly reduces the service quality offered to freight services. Considering opportunities to provide access in a way that better promotes the use of the rail network for freight services is clearly aligned with the public interest and will help to promote the efficient utilisation of the network, consistent with the QCA Act objectives.

Aurizon has identified a number of areas where DAU3 amendments could help to promote additional freight on rail (including instances where the current access undertaking provisions undermine the goal of increasing freight on rail), which we believe should be reconsidered by QR and the QCA, including

- operational processes that currently undermine the reliability of freight services (discussed in s.3.4)
- pricing and negotiation practices that do not support rail ability to strongly compete with road (discussed in s.3.2).

We consider that pursuing initiatives that will better promote freight on rail is consistent with the QCA Act criteria as it is consistent with QR's (and its shareholders') stated objectives as well as the interests of rail operators and access holders and the public interest (s 138(d) and (e) of the QCA Act).

Aurizon understands that targeted amendments to DAU3 to better promote additional freight on rail are also strongly supported by other rail operators, as confirmed in the ROG's submission to the QCA.

Aurizon requests that:

- QR and the QCA recognise that better promoting freight on rail is a legitimate objective that should be pursued for DAU3; and
- QR and the QCA reconsider opportunities to amend DAU3 provisions to better promote freight on rail, as discussed in this submission.

3.1.3 Interstate standard gauge services

Aurizon acknowledges the view of QR and QCA that interstate services using the dual gauge link from Salisbury Junction to the Port of Brisbane are likely not declared. Notwithstanding this, we believe that there is value in providing a clearly established process by which QR will negotiate access to this part of the network. This reflects that QR's 30km dual gauge link is the only component of the defined interstate network for which there is no defined access negotiation framework, and access to this link is essential to reach the only open access freight terminal within Brisbane, which is located at the Port of Brisbane.

Given QR's (and its shareholder's) stated desire to promote additional freight on the rail network, we urge QR to provide a commitment to how access will be managed for standard gauge freight services. This will provide valuable confidence not only to Aurizon, but also to our customers and the broader freight sector. The simplest way to achieve this is for QR to commit to the inclusion of these services in DAU3.

Aurizon understands that other rail operators also support a commitment from QR as to the process by which QR will negotiate and manage access to the dual gauge link through its inclusion in the scope of DAU3, as confirmed in the ROG's submission to the QCA.

Aurizon requests that QR offer a commitment to customers around the process by which QR will negotiate and manage access for standard gauge services using the dual gauge link, with the simplest way to achieve this being to commit to the inclusion of these services in DAU3.

3.2 Enhanced application of price differentiation

In our February submission to the QCA on DAU3, Aurizon highlighted concerns with QR's inflexible 'take it or leave it' approach to access proposals, supported by examples from our experiences on the Mt Isa line. We had sought amendments to DAU3 to strengthen an access seeker's ability to effectively negotiate with QR to achieve increased access charge differentiation including:

- for multi-product services to better grow rail volumes and support emerging demand; and
- based on time of day or day of week to reflect different market value of premium/non-premium paths.

We had also sought a new schedule to DAU3 to include service specific negotiation criteria for Mt Isa freighter service, covering price differentiation and price structure issues, noting that:

- QR's standard approaches impose high cost and risk on operators and are inconsistent with encouraging increased freight on rail; and
- some DAU3 provisions inhibit the negotiation of arrangements that better support increased freight on rail.

In its draft decision, the QCA:

- supported in principle the concept of differentiating between premium and non-premium paths, noting that this concept may require amendment to QR's contracting approach and as a result may require some further time to develop and implement;
- otherwise took the view that DAU3 does not need to be amended to provide more opportunity for price discrimination, nor to require that QR price discriminate in additional circumstances, as it considers that QR has a natural incentive to negotiate access at prices above the floor and to differentiate prices to reflect willingness to pay. Specifically in relation to supporting emerging demand, the QCA did not support further price differentiation for this purpose, considering that measures to encourage freight on rail that result in subsidised access prices are better considered in context of transport policy.

Aurizon considers that, in responding to our proposals in relation to multi-product services, both QR and the QCA appear to have misinterpreted our concerns and recommendations about QR's price levels and structure. While we have raised concerns with QR's application of two-part tariffs, take or pay and relinquishment fees, we are not arguing against these structures in principle – rather that the way in which QR applies these structures imposes excessive cost and risk on rail operators and discourages additional use of the network.

Aurizon agrees with the economic rationale for the general price structures used by QR, including that two-part tariffs provide a mechanism that allows an infrastructure owner to recover its fixed costs without discouraging marginal demand, by setting a fixed price that does not vary with usage and a variable price more aligned with variable cost. We also accept that take or pay and relinquishment fees are an appropriate way of reflecting the opportunity cost to an infrastructure owner of committing capacity. However, Aurizon believes that QR's application of these price structures on the Mt Isa line does not achieve the intended economic benefits, and in particular overstates the opportunity cost of capacity and imposes high costs on variable usage:

- the variable charge is well in excess of variable cost, resulting in a significant component of fixed cost recovery through the gtk based variable charge. This high variable charge reduces rail's ability to compete with road, particularly for backload freight, where the variable cost of carrying backload freight on a truck is limited to the cost of loading and unloading the freight;
- the fixed charge is applied on a per path basis, creating a very strong disincentive to add an additional service, especially if there is risk around the demand for that service, as is the case for multi-user services where it is necessary to build demand from multiple customers to fully utilise a train's capacity. This high cost per path applies nothwithstanding that the incremental cost to QR for an additional service is very low;

- at contract renewal, QR reprices the two part tariff by applying a target $/000gtk to the expected train volumes – that is, the calculation methodology is akin to applying single part tariff. This approach undermines the efficiency benefits of applying a two part tariff during the contract term, as all usage that continues beyond the contract term needs to be able to fully pay the underlying single part tariff; and
- the take or pay and relinquishment fees significantly exceeds the actual opportunity cost of capacity on a line characterised by significant spare capacity and long term declining use.

Further, while we have raised concerns that QR's prices on the Mt Isa line are too high, we are not looking for QR to establish access prices outside its pricing principles and the established floor/ceiling limits.

We also note that, in relation to the Mt Isa line:

- in recent weeks, the Queensland Government has hosted a supply chain forum to better understand impediments to increased freight on the Mt Isa line (both from road to rail mode shift and new project development), where the consistent message from stakeholders was that the greatest barrier is the high rail supply chain cost driven by high access charges; and
- the Queensland Government has commissioned a report on opportunities to alleviate these barriers, which we anticipate will canvass issues such as Government investment to promote more efficient rail operations, and targeted freight subsidies to promote road to rail conversion and new project development.

This is happening notwithstanding that the access charges applied by QR are well in excess of the floor price, and that it is within QR's ability under its access undertaking to commercially negotiate prices that are targeted to promote road to rail freight conversion and new project development. QR's existing rights to price discriminate mean that this need not affect access charges for existing freight (particularly for bulk freight), and given that this price discrimination would be targeted towards attracting new freight, should not reduce QR's current revenue base or undermine its ability to continue to maintain the line. While the QCA suggests that we should rely on QR's natural incentive to negotiate access at prices above the floor and to differentiate prices to reflect willingness to pay, the current evidence from pricing outcomes on the Mt Isa line demonstrates that there are counter-incentives at play that make QR unwilling to vary from its standard pricing approaches in order to promote additional freight on rail.

Aurizon considers that the QCA needs to more closely examine what is inhibiting QR from following its 'natural incentive' to negotiate access within the floor and ceiling limits to promote additional freight on rail, and to consider what mechanisms can be included in DAU3 to alleviate this. In some cases, as we described in our February submission, the terms of the access undertaking itself may be inhibiting these negotiations.[3] Aurizon remains of the view that the inclusion of service specific negotiation criteria for the Mt Isa freighter services, as an appendix to DAU3, would provide a flexible, targeted mechanism to address this issue. However, we accept that there are other approaches that may be equally or more effective.

We consider that reviewing the DAU3 mechanisms to address constraints on QR following its 'natural incentive' to negotiate access within the floor and ceiling limits to promote additional freight on rail is consistent with QR's (and its shareholders') stated objectives as well as the interests of rail operators and access holders and the public interest (s 138(d) and (e) of the QCA Act).

[3] Aurizon (2024,; Queensland Rail 2025 Draft Access Undertaking – Aurizon Submission to QCA, February 2024, p.28

Aurizon requests that the QCA:

- examine what factors inhibit QR from following its 'natural incentive' to negotiate access within the floor and ceiling limits to promote additional freight on rail; and
- consider what mechanisms can be included in DAU3 to address these factors in a flexible and targeted manner.

3.3 Train path management

3.3.1 Tools for effective train path management

In our February 2024 submission to the QCA, Aurizon highlighted the criticality of RIMs having effective tools to manage and optimise pathing on their networks. We suggested a range of amendments to DAU3 in order to enhance QR's ability to manage and optimise schedules to maximise the utilisation of the network without need for inefficient capacity expansions. QCA has expressed support for a number of these proposed improvements to train path management provisions including:

- train service descriptions to be specified in a way that allows some flexibility for train scheduling;
- providing an ability for QR to reschedule train paths as a response to poor reliability performance; and
- a varied path resumption trigger and process to strengthen QRs ability to address network underutilisation and to create a more consistent approach to this issue across the Australian rail network.

QCA has also expressed support for Aurizon's proposal to place an existing access holder 'first in the queue' to renegotiate continued access to its paths, noting that the path re-ordering provisions will still apply to ensure that QR can allocate a path to its highest value use. We consider that providing this additional confidence to access holders at contract expiry is a reasonable trade-off for providing QR with strengthened ability to manage poor reliability or cancellation performance during the contract term.

The QCA's support for these initiatives reflects its view that improved opportunities for schedule optimisation may promote network utilisation consistent with the objective of economically efficient operation under Part 5 of the QCA Act (s. 138(s)(a)) and is in the interest of QR, rail operators and access holders and is in the public interest (s 138(2)(b), (d), (e) and (h)).

In response to the QCA's request that stakeholders consider the specific drafting amendments that would be required to implement these initiatives Aurizon has collaborated with other rail operators to develop suggested drafting changes. Suggested drafting amendments will be provided as part of the ROG submission to the QCA.

3.3.2 Performance data on network utilisation

As highlighted in our February 2024 submission, transparency of information on the performance of all operators against their scheduled path is critical for access seekers to be able to understand the opportunities for path rescheduling and resumption that may be available given the enhanced tools available to QR (discussed above), and the extent to which this may be used to create the opportunity for them to secure a new or varied path.

While QR's access undertaking already provides for QR to give access seekers capacity information including the MTP, the DTP and train control diagrams showing performance against DTP, the timeframes and form in which this information will be provided is unclear.

When considering this issue, the QCA has suggested that this issue could be considered by system user groups, with specific system performance information to be agreed within the group. Aurizon is not convinced that this is the best mechanism for providing this information for the following reasons:

- providing specific information on the extent to which specific paths are utilised is unlikely to be supported in a system user group forum where multiple operators and customers are present. In this environment, an aggregated presentation of information is typically favoured so individual performance isn't interrogated. While it may be useful to report on a 'path utilisation' indicator to the user group showing the extent to which scheduled paths are used (and which may indicate if there are significant instances of underutilisation), this cannot replace the provision of specific information on the extent to which specific paths are consistently utilised in order to allow access seekers to assess the opportunity for path rescheduling or resumption;
- we also note that QR's reporting to system user groups is agreed on a voluntary basis, and there is no certainty around the type and format of information that QR will agree to report to those groups; and
- in any case, the system user groups are limited to current access holders and operators, and interested access seekers may not be given access to this information.

Aurizon considers that reporting to system user groups does not replace the need for a mechanism for interested parties (which may include current access holders and operators as well as new parties) to gain access to data on the performance of all operators against their scheduled train path. While QR's access undertaking provides for this information to be given to an access seeker, we believe that there would be benefit in clarifying this obligation, in order to ensure that the information is provided in an efficient format, and over a suitable timeframe, for analysis.

We consider that providing for improved transparency of information on the performance of all operators against their scheduled path will increase the accountability on QR to utilise its tools for effective path management in order to facilitate additional access and improve network utilisation consistent with the objective of economically efficient operation under Part 5 of the QCA Act (s.138(s)(a)), is in the interest of QR, rail operators and access holders and is in the public interest (s.138(2)(b), (d), (e) and (h)).

Aurizon requests that the QCA reconsider its view that information on network utilisation can be effectively disseminated through system user groups, and that QR and the QCA reconsider Aurizon's proposal for DAU3 to directly include a process for an access seeker to register its interest in acquiring a new or varied train path if it were able to be made available, in which case QR would provide the access seeker with capacity information (as defined in Schedule A Cl 2) in an appropriate format and for a sufficient time period to allow the access seeker to assess opportunities for path resumption or rescheduling.

3.4 Network scheduling and control

3.4.1 Train planning

Right to dispute planned possessions

In its DAU3 proposal, QR has sought to remove the requirement in Schedule F Cl 2.4 that a planned possession must be delayed until any dispute relating to that planned possession has been resolved.

Notwithstanding concerns from access holders and operators about this proposal, in its draft decision the QCA has proposed to accept QR's position, on the basis that the requirement to delay a planned possession until a dispute is resolved could lead to inefficiencies and disruption if the possession is disputed just before its start. QCA considers that the standard dispute resolution mechanism is sufficient to hold QR to account in applying planned possessions consistent with its obligations to access holders and operators. The QCA also highlighted the importance of the reporting mechanisms in providing transparency around the effectiveness of QR's possession planning and use.

Aurizon is very concerned about the removal of the requirement that a planned possession be delayed until a dispute is resolved.

Aurizon fully understands the need for QR to take possessions in order to maintain and renew the network. But effective possession planning that minimises adverse impacts on freight services is critical to the reliability performance of freight, which in turn is the key service quality driver for freight customer decisions on mode share.

The adverse impact of possessions on freight services has reached a critical level given the ongoing significant closures associated with the construction of Cross River Rail. While we accept that possessions for projects such as these are unavoidable, the ongoing Cross River Rail possessions, on top of other possessions required for maintenance of the QR network, are severely impacting the reliability performance of freight services operating to and from Brisbane. Freight volumes are being lost as a result of freight customers transferring their business to road in order to achieve more reliable performance.

The current framework includes the ability for an access holder to dispute that a planned possession is consistent with QR's obligations under its access agreement (including compliance with the Train Planning Principles in Schedule F) and requires that a planned possession be delayed until any dispute is resolved. This provides a strong incentive on QR to effectively consult with operators and access holders around the timing and effect of planned possessions, and to ensure any concerns are addressed before the planned possession is scheduled to commence.

The absence of any disputes on planned possessions is not an indicator that this right is not required by access seekers and operators, but rather is an indicator that this right is highly effective in ensuring that QR takes action to resolve concerns as they arise.

As a rule, notwithstanding that there are formal dispute resolution processes available through the access undertaking, Aurizon will attempt to resolve issues without recourse to this formal process. This reflects that formal dispute resolution involves a structured process, not only imposing higher costs and longer timeframes but also creating a more confrontational environment for addressing problems. Concerns around the timing of planned possessions can be, and are, escalated to QR's senior management for resolution without triggering the formal dispute processes. However, all parties know that the formal dispute resolution process is available as a backstop if the concern is unable to be addressed informally. The removal of this backstop will reduce the incentive on QR to address concerns that are raised through these informal processes.

We note that the QCA has accepted QR's proposed removal of this right on the basis that the requirement to delay a planned possession until a dispute is resolved could lead to inefficiencies and disruption if the possession is disputed just before its start. Aurizon is not aware of any instance where this has occurred, and QR has not identified any instances where the use of cl.2.4 has delayed a planned possession.

Nevertheless, Aurizon accepts that there is a risk that a dispute resolution process could cause a delay in a planned possession. To address this risk, QR's current access undertaking already provides that a possession can only be delayed as a result of a bona fide dispute, and that the dispute must be commenced within 30 days of the possession being notified to operators and access holders. Beyond this, additional time limits could be specified to apply to disputes relating to planned possessions, to ensure that this process enables disputes to be successfully resolved well in advance of the planned possession being scheduled to occur.

Aurizon also notes the QCA's comments about the importance of the reporting mechanisms in providing transparency around effectiveness of possession planning and use and agrees that transparency around the impact of QR's possessions on scheduled train services is critical. We have discussed this issue further in s.3.5 on performance reporting.

We consider that retaining an effective backstop dispute resolution process on planned possessions will better promote freight on rail by supporting the reliability of freight services and the confidence of freight customers that legitimate concerns will be addressed in possession planning. This initiative is consistent with QR's (and its shareholders') stated objectives as well as the interests of rail operators and access holders and the public interest (s 138(d) and (e) of the QCA Act).

Aurizon understands that the retention of the AU2 requirement that planned possessions be delayed until any bona fide disputes are resolved, but with additional time limits to ensure disputes are quickly addressed, is strongly supported by all other rail operators, as confirmed in the ROG's submission to the QCA. Aurizon has collaborated with other rail operators to develop suggested drafting to achieve this outcome, which will be provided as part of the ROG submission.

Aurizon requests that the QCA reject QR's proposal to remove the requirement that a planned possession be delayed until any dispute is resolved, but to specify additional time limits for dispute resolution in relation to planned possessions, to ensure there is the dispute is quickly resolved well in advance of the planned possession being scheduled to occur.

Train Planning Principles

In our February 2024 submission to the QCA on DAU3, Aurizon had sought a review of the Schedule F Train Planning Principles, in consultation with access holders and operators (acting collectively) to ensure that they reflect an efficient process that meets the needs of all parties, including if applicable varied processes in different systems.

While in its draft decision the QCA has supported a faster process for including new and varied paths in the MTP (particularly where they do not impact other parties), the QCA notes (pg 55) that in general the Network Management Principles (NMP) in Schedule F appropriately balance the need to provide access holders with certainty about the scheduling of train services with the need to provide sufficient flexibility for QR to address network constraints and to be responsive to requests of customers.

Having regard to the importance of effective possession planning to the reliability of freight services, as discussed above, Aurizon considers that the Train Planning Principles should include an obligation on QR to liaise with adjoining RIMs with the objective of aligning possessions where possible. This reflects that where possessions are not aligned across routes, the impact on freight services is multiplied. While we accept that it is not reasonable to place an obligation on QR to ensure that possessions are aligned, including an obligation to liaise with other RIMs to align where possible will promote confidence in the ongoing reliability of freight paths.

It is worth noting that when the Central Queensland Coal Network was separated from the QR network, with only a short track section along the North Coast Line becoming part of the Aurizon Network rail network, both entities committed to an Interface Deed. The purpose of this deed was to recognise the importance of maintaining interoperability across the networks, and not to allow inconsistencies to emerge as a result of separate infrastructure management responsibilities. The scope of the deed includes an obligation to consult and agree before making changes to the processes for scheduling paths, timing closures and changing system rules. There was clear recognition of how important this coordination is to through-running services on the North Coast Line. Aurizon and the ROG have limited suggested amendments in Schedule F to an obligation on QR to liaise with adjoining network managers with the objective of aligning possessions to the extent reasonably possible to minimise the impact of possessions.

Aurizon also remains of the view that the NMP could be amended to more accurately reflect current processes including through amendments to address the following points:

- the inclusion of the Supply Chain Calendar (SCC) in the Train Planning Principles as part of the MTP and DTP process;
- the role of operators in the planning and scheduling process. Schedule F uses the terminology Access Holder and Customer. This reflects the typical access agreement structure where an operator holds the access rights and obligations for and on behalf of a customer. Under the tripartite agreement used for West Moreton coal and some bulk services, the customer is the also the access holder, and the operator is just the operator. If a literal application of the current drafting were adhered to QR could refuse to provide information to Aurizon, notwithstanding its status as an operator, because it is neither customer nor access holder. This would not reflect the role we play.
- removal of cl.2.2(h) which has been in the NMP since the first undertaking and reflects the Blackwater and Goonyella User Group forums that used to be held as part of the scheduling of the weekly train plan for those systems in the Central Queensland Coal Network.

In response to the QCA's request that stakeholders consider specific drafting amendments that would be required to implement recommended initiatives, Aurizon has collaborated with other rail operators to develop suggested drafting changes to the Train Planning Principles in Schedule F. These amendments will be provided as part of the ROG submission.

Aurizon requests that:

- the QCA reject QR's proposal to remove the requirement that a planned possession be delayed until any dispute is resolved, but to specify additional time limits for such disputes to ensure they are quickly resolved well in advance of the planned possession being scheduled to occur;
- QR collaborate with operators and access holders to review the Train Planning Principles to update them with current processes.

3.4.2 Network control

In February submissions to the QCA, rail operators had highlighted a number of concerns around the guidance provided in DAU3 around the management of trains on the network (which is governed by the Network Control Principles in Schedule F Cl 3). While Aurizon had specifically sought removal of QR's ability to deviate from the traffic management matrix to avoid potential congestion, we also requested that QR undertake broader review of the Network Control Principles (in conjunction with operators) to improve the clarity of guidance provided to controllers. Other operators had similarly sought review of the Network Control Principles in Schedule F.

In its draft decision, the QCA took the view that removing QR's ability to deviate from the traffic management matrix to avoid potential congestion may adversely affect QR's ability to effectively manage issues as they arise, and that there is sufficient transparency on network control decisions as DAU3 provides for operators to be given real time network control information in the actual running of services against DTP and there is KPI reporting on operational performance.

Aurizon is concerned that, in forming these views, the QCA may not fully appreciate the ambiguity in the Network Control Principles which leads to inconsistent treatment of freight services in day of operations, the limited transparency currently provided to freight operators around network control decisions, and the negative impact of the current approaches on freight service reliability – which is the key service quality metric driving freight mode choice.

To be clear - Aurizon's intent is not to prevent QR's network control from addressing issues and constraints as they arise, but rather to provide greater clarity around QR's approach to network control with the effect of improving the consistency of network control decisions. In this section, we provide greater explanation of the concerns that Aurizon has with the current Network Control Principles, which we consider are best addressed through a collaborative review involving QR, rail operators and access holders.

Clarity on network control guidance

Schedule F Cl 3(f)-(h) establishes a traffic management decision making matrix that essentially provides that train services will be managed to best meet their "on time" objective and that a late train will only to be prioritised over an on-time train where the on-time train will still meet its "on time" objective. However, there are then a range of principles specified in paragraph (i) for managing deviations from DTP that mean that actual operations may vary from this matrix.

Aurizon accepts the need for network controllers to have reasonable discretion to manage operations on the network to deal with issues that arise. However, Aurizon's concern is that the way in which these principles are drafted creates unnecessary 'greyness' around how QR will manage trains on the network. For example:

- The principles allow QR to give a train service priority over other train services if reasonably necessary:
    - due to, or to avoid, an accident, emergency or incident relating to any part of the Network (Cl 3(i)(i)(A);
    - to remedy, or to mitigate or avoid, any emergency possession or urgent possession on any part of the network being prevented or otherwise materially adversely affected (Cl 3(i)(i)C)), with a similar provision in Cl 3(i)(iv) in relation to planned possessions; and
    - to ensure the safe operation of any part of the Network (Cl 3(i)(i)(D)).

  While we support QR's need to manage these issues on its network, it is unclear how providing priority for one train service over another will impact these outcomes. If there are known reasons why a train control priority decision may impact these outcomes, eg if the purpose is to allow QR to be able to prioritise work trains essential to enable a possession to proceed, it would be better for this to be clearly and simply stated, or examples given to illustrate QR's intent.
- The principles allow QR to preference a train service running late due to a below rail delay (i.e. when the train is 'healthy' as defined in other rail networks), if network control believes that this is consistent with the critical objectives of the train services in question and that it will result in less aggregated consequential delays to other train services than otherwise would be the case. However, the circumstances in which this would be applied are unclear as the decision-making matrix otherwise provides that a late train will only be given priority over other trains where the other trains will still meet their 'on-time' objective, in which case there should be no aggregated consequential delays to those other train services. In Aurizon's view, a late running healthy train should be advanced where possible, provided that other healthy services can still meet their 'on-time' objective. Where two trains are running late, a healthy train should be preferenced over an unhealthy train.
- Schedule F Clause 3(i)(ii)(C) provides (subject to 3(i)(i)) passenger services may be given priority over other services if the network controller reasonably believes this is necessary to avoid an 'On Time' or 'Ahead' passenger service that is operating, is scheduled to operate, or will be scheduled to operate in the Metropolitan System during any peak period from becoming a 'Late' passenger Train Service. The rationale for QR having an ability to delay freight trains in order to avoid delays to passenger trains that are not even scheduled in the DTP is unclear and unreasonable.
- The usual priority ascribed to different types of trains could be more clearly described, as occurs under the NSW operations protocol, eg passenger, livestock, freight, worktrains.

When reviewed in comparison to the train management guidelines applied in other jurisdictions, Aurizon considers that QR's Network Control Principles are more ambiguous, and as a result provide less confidence to freight operators around the way in which QR will manage their trains on the network. This ambiguity also makes it difficult to identify whether QR is or is not acting in compliance with its guidelines.

Extension of legislated passenger priority obligations

Passenger priority is a well-known part of operations on shared passenger / freight rail networks. Freight operators understand that passenger services are subsidised by government and RIMs are obliged to

deliver commuter and long-distance passenger services according to a published timetable. RIMs are also obliged to maintain adequate pathing to deliver passenger services.

The issues raised by Aurizon, and other operators and access holders, is whether QR's Network Control Principles go further than required by its passenger priority obligations.

In terms of network control, QR's legislated passenger priority obligation in section 265 of the *Transport Infrastructure Act* (TIA) states:

> (1) A railway manager must endeavour to bring a passenger service that is delayed back to its scheduled running time.
>
> (2) In complying with subsection (1), a railway manager must not distinguish between different types of regularly scheduled passenger services.
>
> (3) Subsection (2) does not limit the matters that the railway manager may consider as relevant when complying with subsection (1).

Section 265 obliges a railway manager to *endeavour to* bring a *delayed* passenger train service back to its scheduled running time. Importantly, Section 265 does not:

1. provide that a railway manager must anticipate possible passenger service delays, and act to prevent them occurring (including by delaying an on-time freight service); or
2. place an absolute obligation, or even *reasonable* endeavours obligation, on a railway manager to bring a delayed passenger service back to its scheduled running time (including by delaying an on-time freight service).

Arguably, even a reasonable endeavours obligation would take into consideration the impact on a freight service. Is it reasonable to delay an on-time freight service to bring a delayed passenger train back on schedule? How much time recovery for the passenger service is necessary to warrant freight service delays? How much delay to a freight service is reasonable? If a freight service is prevented from entering the Metropolitan System (i.e. held at Rosewood or Fisherman Islands) to allow a passenger service to return to schedule, and that results in the freight service being held until the passenger peak lockout period ceases, i.e. ~3-5 hours, would that be reasonable? The knock-on impact of this delay may include lost crew time and cancellation of subsequent services because the consist isn't where it was meant to be.

However, QR's Network Control Principles extend its rights to prioritise passenger services in circumstances that go well beyond the requirements of section 265, by providing that:

- a passenger service may be given priority over any other train service (including an on-time freight service), to:
  - bring a late passenger service on-time (or closer to on-time),
  - to avoid further delays to a late passenger service, or
  - to avoid an on-time passenger service subsequently becoming late (Schedule F Cl 3(i)(ii);

  with this entitlement not only applying to avoid delays to scheduled passenger train services, but also to passenger train services that are not yet scheduled in the DTP (Clause 3(i)(ii)(C)); and
- to provide priority to a train service to prevent anticipated congestion on any part of the network (Schedule F Cl 3(i)(i)(B). While this does not specifically refer to the Metropolitan System, given the intensity of train movements in that area, it can be anticipated that this is where controllers will be most likely to take action to avoid anticipated congestion.

This unfettered right to delay freight services (including where they are on-time) to preference late running passenger services or to avoid future congestion on the passenger network is unique to QR. Other RIMs usually apply train control decision rules which may allow the passenger train to be given priority, but

subject to limitations on the extent to which the freight service may be delayed.[4] For example, ARTC and the NSW RIMs apply specified delay limits to a healthy train being held back, while in Victoria there is an obligation to not impose unreasonable delays to on-time freight services.

QR's approach significantly increases the risk of material delay to freight services, including those that are operating on-time. Knowing that the most important driver of freight mode choice is reliability, QR's application of network control decisions that prioritise passenger services beyond the legislated passenger priority requirement and without consideration of the knock-on impact to freight simply undermines freight operators' ability to compete with road transport. For West Moreton coal services, the required improvements in network reliability to support higher planned throughput could be at risk of being undermined by passenger related delays in the Metropolitan System.

To freight operators, it appears that QR has chosen to extend its legislative passenger priority obligations in a way that advantages its own commercial provision of passenger services. To date, this choice has been supported by the QCA who has previously approved access undertakings that allow QR to prioritise its own passenger services beyond the requirements of the passenger priority obligations established in the TIA.

Application of peak blockout periods in Metropolitan System

Related to the application of passenger priority, QR applies peak blockout periods for freight services operating in the Metropolitan System. Again, this is a common feature for freight services operating through metropolitan passenger networks, and freight operators understand the need for freight blockouts to ensure high frequency peak passenger timetables can be maintained. However, Aurizon considers that there is a need for greater transparency and discipline around the blockout periods applied.

A footnote to QR's Network Control Principles states that a *peak period*" is (a) from 6:00am to 9:00am, (b) from 3:30pm to 6:30pm, on Business Days or as otherwise notified by QR (acting reasonably) from time to time. In 2015, QR described its scheduling and network control practices as limiting the peak blockout period to these defined timeframes, with the effect that it would not permit any freight train to enter the Metropolitan System unless it was able to complete its journey outside the nominated peak periods.[5] Specifically in response to a question raised by New Hope, QR advised that there was no requirement to extend the length of the peak periods to include the time required for passenger fleet mobilisation, and that the fleet mobilisation did not prevent the scheduling of coal trains through the Metropolitan System.[6]

However, since that time, QR has informally extended these peak blockout periods to include time for passenger fleet mobilisation prior to the morning peak. For coal services travelling between Rosewood and Fisherman Islands QR will not schedule services during the following periods every Monday-Friday:

- Morning Peak at Fisherman Is – 3:45am-8:45am (5 hrs)
- Evening Peak at Fisherman Is – 2:45pm-5:45pm (3 hrs)
- Morning Peak at Rosewood – 4:00am-7:30am (3.5 hrs)
- Evening Peak at Rosewood – 3:27pm-5:12pm (2.25 hrs)

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[4] See ARTC Interstate Access Undertaking, Schedule 4 Network Management Principles; RailCorp Operations Protocol, Section 6 Train Decision Factors; Arc Infrastructure Train Management Guidelines, Table 1 – General Principles for Train Management; V Line Operating Handbook, Clause 10 Train Control Services, paragraph (e); Melbourne Metropolitan Railway Network Train Operating Protocol Cl 6.4.

[5] Queensland Rail (2015), 2015 DAU Submission – Volume 2, Appendix 5; Queensland Rail (2015), Response to QCA Draft Decision on 2015 DAU, Annexure 1 – Assessment of Metropolitan Network Impact.

[6] Queensland Rail (2015), 2015 DAU Submission – Volume 2, Appendix 5, page 9 of 33

That amounts to 8 hours of West Moreton coal exclusion from the Metropolitan System Monday to Friday, compared to 6 hours specified in Sch F.

Similarly, Aurizon has been advised that the standard gauge containerised freight services are unable to be scheduled to enter the Metropolitan System at Salisbury Junction between 4.30am and 9am (4.5 hours) Monday-Friday.

While QR allows some leeway for late running trains in the day of operations environment, in Aurizon's experience, there is variability around the peak cutoff limit applied by QR's network control in these circumstances.

The length of QR's peak blockout periods has a significant impact on freight operators. Most freight services operating over QR's network start or finish their journey within the Brisbane metropolitan area. For coal, the extended blockout period reduces network capacity, reduces rollingstock utilisation and increases costs to customers. For containerised freight services which operate over long distances using paths that need to be co-ordinated across multiple networks, blockouts limit the opportunity to piece together an attractive path that achieves the morning freight availability sought by customers. Further, if a service is delayed and misses the morning peak cutoff, it may need to wait up to 5 hours before the network is re-opened to freight services.

The degree to which QR needs to extend the morning peak periods to allow for passenger fleet positioning is unclear, given that these movements can be operated more flexibly than peak passenger services, and QR has previously allowed coal and freight services to be scheduled and to operate while the passenger fleet is being mobilised.

It appears that there is increasing pressure being put on QR's provision of passenger services in the Metropolitan System and consequently, less flexibility (and capacity) available for freight services. The proposed introduction of 50 cent tickets and timetable changes once Cross River Rail is commissioned and ETCS used by passenger services, will arguably reduce freight flexibility even further.

Aurizon considers that it would be highly beneficial for the NMP in Schedule F to specify the peak blockout periods applied in the Metropolitan System. This would improve transparency around QR's application of peak period blockouts, as well as ensure that there is a robust review and consultation process prior to any changes to these blockout periods being made in the future.

Information transparency and train control decisions

In its draft decision the QCA has observed that an important consideration in assessing the appropriateness of network controller discretion is that QR has no incentive to favour any freight access holder over another. In addition, the QCA has drawn comfort from the transparency of train control decisions through the provision of real time network control information.

To clarify the concern of freight operators; it is not that QR will prioritise one freight operator over another (which it does not have an apparent incentive to do), but that it disproportionately favours passenger services over freight. This isn't a concern quarantined to QR as the RIM of a metropolitan rail network. It applies to all such rail networks where commuter passenger services are publicly funded and widely scrutinized as part of the government's 'service offering' to constituents.

As regards QR's provision of network control information, Aurizon has access to real time running information against the DTP for the Metropolitan Network and the North Coast line, but not the West Moreton, or any other parts of the QR network located in 'dark territory'. Aurizon can also download information relating to how a scheduled service performs against its path in the DTP and QR also reports at an aggregated level on performance to path.

This information is useful and can be used to analyse performance of a service over time. However, its usefulness would be greatly enhanced with the inclusion of delay and cancellation cause justification, which is often not available, and where it is provided, can be unreliable and of little value.

We have detailed below some of our concerns with the delay codes currently used by QR, and we believe that QR's obligation in cl.3(e)(iii), to provide information about the type of train services operated on the same network (including coal, freight, passenger, and livestock), should be amended to address its purpose – namely to assist access holders to hold QR to account in providing a reasonable service quality in the day of operation.

In the context of cl.3(e), this information provision obligation is primarily to guard against a vertically integrated network provider preferencing its own operator. The drafting suggests that the information about different types of train services should illuminate reasons for train control decisions that impact an access holder's services, so that there is transparency of the application of discretion to deviate from the DTP.

Aurizon suggests that rather than reporting on the types of different train services it would be more beneficial for QR to provide information to demonstrate that train controllers:

- exercise discretion consistently (i.e. that there is a clear understanding between controllers about when they may exercise discretion),
- record an accurate delay cause for deviations (i.e. different operators use the same delay codes when they exercise discretion in the same scenario), and
- monitor the impact of a deviation on any service that is delayed as a result (i.e. as discussed above, there should be consideration given, at the time a decision is made to deviate from the DTP, on the likely impact on the service that is being pulled aside, delayed etc. There should not be an open-ended ability for QR to exercise discretion in favour of passenger services without also considering the likely impact on the non-passenger service.

While we are not aware of all of the delay codes within QR's systems, from reviewing the reports that Aurizon receive showing top causes of delays across different systems, there appears to be significant potential for overlap and inconsistency in terms of how delays could be attributed to codes. This can be seen from reviewing reporting Aurizon has received relating to the performance of our freight services across the North Coast line, Mt Isa line and West Moreton systems:

- Operator train crew related delays may be identified to any of the following codes:
    - 433 Wait train crew availability
    - 430 Train crew change
    - 431 Meal
    - 340 Wait train crew due to operational variation
    - 795C Train crew incident – rostering
    - 434 Comfort stop
    - 795A Train crew incident – performance
    - 436 Train crew decisions/actions/communications
    - 432 Crew change ends

  The way in which QR allocates delays to each of these codes is unclear – as an operator we do not try to differentiate crew related delays for all of these reasons.
- Passenger service impacts on freight services are allocated amongst the following codes:
    - 785 Passengers – general - operator
    - 314 Crossing activity with passenger services
    - 763L Self propelled passenger units – other

It's also unclear whether delays associated with passenger service priority are attributed to other codes, for instance:

- Aurizon's West Moreton reporting shows no passenger related delays to coal services, but a high level of '471 operator stowing activity' delays at Fisherman Islands, which we expect are in part due to coal trains being held awaiting a path through the Metropolitan System.
- these reports also show high regularity of delays within the Metropolitan System attributed to '310 Crossing delays' but does not attribute these to passenger services.
- There also seem to a number of delay codes that relate to late entry onto the QR network (eg late entry from non-QR, late departure from origin facility, wait loading or connecting train, queuing at load/unload facilities).

Notwithstanding the apparent broad range of delay codes that are applied, there are delay causes that QR is unable to report on – for example, where a train has been delayed in order to avoid potential congestion.

In Aurizon's experience as both a network manager and operator, delay attribution is likely to be more consistent where there is a smaller number of readily delineated delay codes in place. We believe there would be significant benefit in QR collaborating with rail operators and access holders to undertake a review of the delay codes used in order to simplify the code structure and ensure that information important to freight customers is being collected.

Aurizon is pleased that QR has recently commenced a process of reviewing its reporting to the South West User Group (SWUG) and the North Coast Line User Group. As part of the SWUG review Aurizon and producers have asked for a review of the delay codes used in the Metropolitan System, and QR has agreed to this.

Conclusion

We consider that revising the Network Control Principles will better promote freight on rail by supporting the reliability of freight services, and is consistent with the objective of economically efficient operation under Part 5 of the QCA Act (s. 138(s)(a)) and is in the interest of QR, rail operators and access holders and is in the public interest (s 138(2)(b), (d), (e) and (h)).

Reviewing the Network Control Principles to improve transparency and consistency around QR's implementation of train control is broadly supported by rail operators. In response to the QCA's request that stakeholders consider the specific drafting amendments that would be required to implement recommended initiatives, Aurizon has collaborated with other rail operators to develop suggested drafting changes to the Network Control Principles in Schedule F, which will be provided as part of the ROG submission.

Aurizon requests that QR collaborate with operators and access holders in order to:

- Review the Network Control Principles contained in Schedule F to improve their clarity and alignment with current practice and align the scope to QR's legislated passenger priority obligations; and
- Review and simplify the delay code structure used to attribute and classify delays in order to improve consistency and transparency of network control decisions.

These matters should be further progressed as part of the development of Collaborative Submissions.

3.5 Performance reporting

In our February 2024 submission to the QCA on DAU3, Aurizon had proposed amendment to the suite of KPIs that QR reports against in its quarterly reports. In doing so, Aurizon highlighted the considerable benefit that can be provided from improved harmonisation of the performance metrics used across the

Australian rail network, and requested the use of a consistent suite of core performance indicators by all RIMs. This proposal was supported by the ROG, which includes representation from the major rail operators providing freight services across the Australian rail network.

In its responsive submission, QR highlighted the extent of performance information that it provides and that it does not consider it reasonable for it to be required to provide additional performance reporting. The QCA's draft decision noted that the QCA does not consider it appropriate to require QR to amend elements of DAU3 primarily to achieve improved harmonisation across the Australian rail network, but otherwise did not respond in any way to Aurizon's requested changes to QR's quarterly reporting.

Aurizon recognises and appreciates the extent of performance information that is reported by QR, through a variety of forums. However, beyond the desire for improved consistency in performance reporting across the Australian rail network, Aurizon considers that the DAU3 performance indicators (some of which have remained unchanged since the first access undertaking in 2001) do not always present the most useful information, and that there is value to the Queensland rail industry from adjusting QR's performance reports to present information in a way that provides more value to customers and stakeholders. Further, collection of the type of information that we are seeking reflects good industry practice, and we consider it likely that in many cases this information is already collected by QR. Hence, we anticipate that amending QR's performance reporting as sought is unlikely to impose unreasonable costs on QR. However, if amending a performance indicator as sought would involve high costs, this would be a valid reason to modify that indicator.

3.5.1 Aggregate system performance KPIs

Reliability indicators

QR currently reports the following reliability KPIs in accordance with Cl.5.1.2(a)(ii):

A. the number and percentage of Train Services that reached their destination within the Allotted Time Threshold;

B. the number and percentage of Train Services that did not reach their destination within the Allotted Time Threshold:

    1. due solely to the acts or omissions of Queensland Rail in its capacity as the Railway Manager;
    2. due solely to delays attributed to an Access Holder or a Nominated Rolling Stock Operator; and
    3. due to any other reason; and

C. the total number of Train Services.

Our concern with the resulting performance information is the usefulness of the categorisation by cause under item B. The KPI definition requires that the categorisation only occurs in relation to services that do not arrive within their time threshold, due *solely* to above or below rail causes. Otherwise, they are categorised as being late for 'any other reason'. In many cases, the services operating on QR's network run long distances of up to 2000km, and it is usually the case that there will be a myriad of causes of delays throughout their journey. It is unlikely that there will be a *sole* cause for a delayed service. This can be seen from QR's quarterly performance reports. In QR's most recent report (FY24 Q3):

- across all reported systems and train types, QR reported a total number of 6,571 train services (note, this will double count those services that operate across multiple systems)
- Of these services, 4,505 reached their destination within their allotted time threshold, with 2,066 services arriving late;
- QR reported that:
    - one of these services was late solely due to the acts of QR as railway manager;

- 17 of these services were late solely due to delays attributed to an access holder or operator;
- the remaining 2,048 services were late for other reasons – representing over 99% of late services.

Aurizon does not consider that this categorisation of cause for late running services provides any useful information whatsoever. Essentially, what we want to understand from the reliability indicators is whether late arrivals (beyond threshold) are due to the rail operator running late, or because of rail network issues (whether or not these are QR caused).

As a result, we reviewed other RIM performance reports to identify if there was an alternative form of categorisation that provided more useful information on the factors contributing to delayed arrival times. This has been reflected in our recommended categorisation, modelled on the reliability KPIs reported by ARTC, and which include:

A. the number and percentage of train services for which the operator is running on time (within the agreed time threshold). These services are called 'healthy' services by other RIMs, and we have also applied that terminology for convenience. We consider this indicator provides more useful information on the extent to which poor on-time performance is due to operator issues, noting that on ARTC's network, the % of services that operated in a healthy manner in FY24 Q3 ranged from only 50% to over 85%, depending on the corridor;

B. of those 'healthy services', the number and percentage that reach their destination on time. This provides information on the reliability of the network to perform as expected;

C. for 'unhealthy services', the number and percentage that do not deteriorate further, which supplements the information in B in relation to the reliability of the network. Notably, B and C focus on general network reliability and do not distinguish between QR and other cause (such as force majeure), as this is addressed in later delay reporting.

We have not sought any change to QR's reporting of the number and percentage of train services that reached their destination within the allotted time threshold or of the total number of train services.

Network availability indicators

QR currently reports the following KPIs relating to network availability:

A. in accordance with Cl.5.1.2(a)(iv), the number and percentage of Train Services scheduled in the DTPs relating to the subject Quarter that were cancelled in each of the following circumstances:
    1. where that cancellation can be solely attributed directly to Queensland Rail in its capacity as the Railway Manager;
    2. where that cancellation can be solely attributed directly to an Access Holder or a Nominated Rolling Stock Operator; and
    3. where that cancellation occurred for any other reason;

B. in accordance with Cl.5.1.2(a)(x), the number of Regular Planned Possessions and the number of Ad Hoc Planned Possessions for the subject Quarter, and the number and percentage for each of those types of Possession that:
    1. started within 15 minutes of the scheduled time and finished within 15 minutes of the scheduled time;
    2. started between 15 minutes and two hours later than the scheduled time;
    3. finished between 15 minutes and two hours earlier than the scheduled time;
    4. finished between 15 minutes and two hours later than the scheduled time;
    5. started more than two hours later than the scheduled time;

6. finished more than two hours earlier than the scheduled time;
7. finished more than two hours later than the scheduled time;

(although during AU2, QR has not reported this information in relation to Ad Hoc Planned Possessions, with this data unable produced under its systems);

C. in accordance with Cl.5.1.2(a)(xi), the number of Urgent Possessions and the number of Emergency Possessions for the subject Quarter, the average duration for each of those types of Possession, and the number of Train Services that were cancelled or rescheduled as a result of each of those types of Possession (although during AU2, QR has not reported on the number of Train Services cancelled or rescheduled as a result of those types of possessions).

We consider the information on train cancellations reported by QR to be useful and provides a good model for information that we have sought from other RIMs. However, we consider that there is value in clarifying what is meant by a 'cancellation'. From Aurizon's perspective, a train is cancelled when the service does not operate – a rescheduling of that service is not considered to be a cancellation. We assume that this is the way that QR has identified cancellations, but it is not clear from the DAU3 drafting.

In relation to QR's network possessions, DAU3 requires detailed information by type of possession showing QR's actual performance to plan. However, Aurizon considers that the most important information to be the impact of QR's possessions on train services – if QR is late completing a possession, but there were no train services impacted, then we don't consider this to be a material issue. Further, if QR is able to successfully align its possessions, then the number of possession hours may not have a strong correlation with the impact on train services. Accordingly, Aurizon considers that there is more value in a simpler reporting of possession performance as follows:

A. Number and percentage of train services cancelled or rescheduled for the purpose of network possession. This provides information on the extent to which QR's network possessions impact the reliable operation of train services on the network. Reporting of this information is already required under AU2 for Urgent and Emergency Possessions and we would expect this information to be readily available from QR's information systems.
B. Percentage of maintenance work (hours) delivered in planned possessions. This provides a simpler presentation of QR's performance in maintenance planning and execution, and we consider could be used as a replacement for the information currently required under Cl.5.1.2(a)(x) and (xi), some of which QR is unable to provide. Again, we would expect that this information would be readily available from QR's information systems.

Transit time/delay indicators

QR currently reports the following KPIs relating to network transit times and delays:

A. the average Above Rail Delay, Below Rail Delay and Unallocated Delay, in minutes, per 100 train kilometres for the aggregate of the Train Services that operated in the subject Quarter.

We consider this information to be useful but would provide greater value if the delays were reported in minutes per transit hour. This reflects that different components of the network can have very different expected transit times, depending on the extent of network congestion and the typically scheduled crossing delays. Expressing delays in minutes per transit hour provides a clearer understanding of the impact of each category of delay on the ability for the train service to operate on time.

However, in addition to the currently reported delay information, we consider that it would be very useful for QR to report information on expected and actual transit times over the network as follows:

A. Average scheduled speed (in km/hour). Changes in average scheduled speed provide valuable information on whether network capability is improving or degrading over time. Factors that could cause a reduction in average scheduled speed could, for example, relate to the physical condition of

the network (which may cause an increase in permanent speed restrictions or an increased allowance for temporary speed restrictions) or could be the result of increased numbers of train services resulting in additional network congestion and increased crossing delays; and

B. Number and percentage of services which transit the network no slower than their scheduled transit time, within agreed tolerance. This complements the average scheduled speed measure and providing information on actual train transit times compared to schedule. We note that this indicator provides similar information to that captured under the reliability indicators discussed above and consider that reporting against this indicator is a lower priority if the information is not readily able to be collected from QR's information systems.

Conclusion

We consider that amendments to QR's quarterly performance reports will result in more useful and relevant information being presented by QR and will improve the consistency of performance metrics used across the Australian rail network.

Revising the content of QR's quarterly performance reports is consistent with the QCA Act criteria as the improved quality of reported information, and the improved consistency across the Australian rail network is consistent with the interests of rail operators and access holders and the public interest (s 138(d) and (e) of the QCA Act). Such amendments will not be detrimental to QR's interests where the information is able to be captured by QR's information systems.

Further, the proposed amendments to QR's quarterly performance reports is broadly supported by rail operators. In response to the QCA's request that stakeholders consider the specific drafting amendments that would be required to implement preferred initiatives, Aurizon has collaborated with rail operators to develop suggested drafting changes, which will be incorporated in the ROG submission.

Aurizon requests that QR and the QCA reconsiders the proposed amendments to QR's quarterly reports in order to provide more useful information on network performance and to better align with reporting provided elsewhere on the Australian rail network.

3.6 Insurance

In our February 2024 submission to the QCA, operators highlighted a number of concerns around the insurance provisions in QR's SAA. We suggested a range of amendments to the SAA in order to improve the workability of these provisions. The QCA has expressed support for a number of these proposed improvements, including:

- amendments to drafting around operator's required insurances, in order to improve workability;
- reconsideration of the coverage and deductible levels.

In relation to the required level of public liability coverage and deductible levels, Aurizon proposes that:

- the required public liability coverage be reduced from $350m to $250m. QR has highlighted the risks associated with operating through the Brisbane metropolitan area as a key rationale for requiring coverage significantly higher than the $150m required by Aurizon Network. However, $250m reflects the standard limit applied by other RIMs operating in dense metropolitan areas, including Transport for NSW / Sydney Trains and ARTC. We consider that setting the limit at $250m will continue to appropriately accommodate the risks associated with QR's network, while having better regard for contemporary insurance market conditions;

- removal of a specified maximum deductible, as this should be considered on a case-by-case basis having regard to the risk appetite and financial capacity of the access holder.

In response to the QCA's request that stakeholders consider the specific drafting amendments that would be required to implement these initiatives, suggested drafting changes agreed to by members of the ROG are included in the ROG submission.

Aurizon requests that QR and the QCA adopt the SAA drafting amendments proposed in the ROG submission to implement more workable and appropriate insurance provisions.

4. West Moreton reference tariffs

The QCA has highlighted a range of concerns with QR's proposed reference tariff for coal haulage on the West Moreton and Metropolitan systems. Its draft decision is that the tariff is not appropriate to approve, and to resolve almost every element of the proposal, the QCA has suggested that QR engage further with users and above rail operators.

Aurizon looks forward to participating in this engagement and contributing to the resolution of the outstanding elements of the West Moreton tariff approach. Consistent with our views in section 2, we believe that it is essential for a structured process to be developed for engagement between QR and its stakeholders. As the only rail operator on the West Moreton system, Aurizon's involvement in this process is important to ensure the operational implications of different options are properly understood.

Given the number of issues that remain to be considered, and the limited time remaining for agreement to be reached by the parties, we encourage the QCA to play a more active role leading into the collaborative submissions in September 2024. As suggested in the draft decision, targeted position papers or discussion papers may be of assistance where the issues are particularly complex. Broad, public stakeholder forums, convened by the QCA, are also considered a valuable and efficient way to draw out positions, raise and exchange ideas with a view to achieving alignment.

The issues that we raised in section 2 of this submission are particularly relevant to progressing the development of the West Moreton reference tariffs, including in particular:

- gaining confidence in QR's assessment of West Moreton capacity and the operating assumptions required for the reliable transport of 9.6mtpa;
- what are the best mechanisms to accommodate the uncertainty around future demand;
- what is the best asset renewal and maintenance strategy, given the intent to reliably achieve 9.6mtpa throughput but also recognising the uncertainty around this demand;
- what are the expected efficient asset renewal and maintenance costs for this strategy;
- based on all of the above, what are the appropriate West Moreton reference tariffs.