



20 September 2011

Queensland Competition Authority  
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Dear Sir/Madam

**NQBP Submission to QR Network's December 2011 Electric Traction (AT5) Draft Amending Access Undertaking**  
**Reference: CM/019/00008**

I refer to the QCA's Draft Decision dated July 2012 in relation to the Electric Traction Draft Amending Access Undertaking, and the Authority's request for further submissions.

NQBP is a port authority responsible for the ports of Hay Point, Abbot Point, Mackay and Weipa. It has in the past been a significant developer of multi user port infrastructure for the coal mining sector and its pricing frameworks have been heavily influenced by the approach and decisions of the QCA.

Whilst NQBP is not intending to comment on the detail of QR Network's submission, it proposes to comment on a few of the principles considered in the undertaking, particularly the need to adequately protect an infrastructure provider from stranding risk, unless adequate compensation has been provided in the pricing framework.

*Stranding asset risk without adequate compensation for infrastructure providers*

NQBP notes the Authority's statement that "*The Authority does not intend to strand assets that have been included in the regulated asset base through the processes in the current and previous access undertakings.*"

NQBP's understanding is that the investment in the electric assets was made after a process of consultation and written support from the proposed customers for the service. Service pricing was then set to recover the investment cost over time, without significant compensation for potential stranding risk.

NQBP supports the QCA's stance to avoid infrastructure pricing which may result in stranding of previously approved investments. NQBP notes however that market based pricing can rapidly result in a service becoming stranded as the fixed infrastructure cost is sought to be applied across an ever decreasing number of contributing users. This may result in increased costs which cannot be borne by the remaining users and these users are forced to abandon that form of infrastructure.

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In layman's terms once it's cheaper to operate one form of service (e.g. diesel rather than electric) it's a slippery slope where all other users may seek to rapidly adopt the new approach. In these circumstances it is unclear what protection the QCA can provide to the infrastructure investor for its stranded asset investment.

Right for long haul diesel trains to access Goonyella system

NQBP supports the right of users which cannot economically support an electric solution for its entire rail system (e.g. potential Galilee mines) to be able to access the existing electrified Goonyella rail system to transit to either Dudgeon Point or Abbot Point. Appropriate pricing for such access is understood to form part of the draft access undertaking.

Cross-subsidisation between rail networks

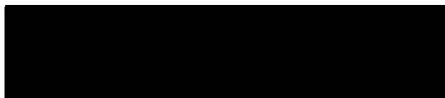
Whilst NQBP recognises that there are increasing linkages between different rail networks, NQBP does not as a principle support broad cross-subsidisation between rail networks such as arbitrarily combining both the Blackwater and Goonyella networks. It is acknowledged that common sector pricing may be appropriate for those portions of the network servicing common services across both networks.

Degradation of higher grade system capacity by introduction of alternative services

NQBP is sympathetic to the plight of an infrastructure provider whose level of infrastructure has been installed after consultation with, and with the endorsement of industry, and this level of service is subsequently not utilised by all users. NQBP notes that to the extent that diesel trains use rail infrastructure capable of accommodating electric trains, there is a reduced slot capacity available for electric train consists. This issue would come to a critical point when additional infrastructure is required. A relevant question is expected to be whether it is viable to install additional infrastructure which is solely for the use of diesel trains, or is it the case that due to the system interdependencies any new infrastructure must be built to accommodate both diesel and electric trains.

NQBP does not seek to offer a solution, but recognises the issue posed.

Yours sincerely



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