

23rd July 2024

Professor Flavio Menezes
Chair
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000
www.qca.org.au/submissions/

RE: Response to the Queensland Rail 2025 Draft Access Undertaking

Dear Professor Menezes,

MMG makes the following submission on the QCA's draft decision on the Queensland Rail (**QR**) 2025 Draft Access Undertaking (**2025 DAU**) published on 6 June 2024.¹

MMG owns the Dugald River Zinc and Lead mine located approximately 65 Km north west of Cloncurry. MMG rails its product to the Port of Townsville via QR's Mt Isa Line (the **Mt Isa Line**) from the Cloncurry rail facility. MMG is one of the top three containerised transporters using the Mt Isa Line, railing 2.5 trains a week. This letter concerns the proposed 2025 DAU specifically to the extent it relates to the Mt Isa Line.

MMG appreciates that the QCA has already received several initial submissions on the 2025 DAU, pursuant to which a number of common concerns have been raised by users of the Mt Isa Line, including:

- the inefficient cost of operating and maintaining the Mt Isa Line;²
- declining operational performance of QR in respect of the Mt Isa Line;³ and
- the lack of transparency from QR in respect of its management of the Mt Isa Line.⁴

MMG agrees with these concerns, and also suffers some of the same issues on the Mt Isa Line raised in those submission that adversely impact our business every week. MMG is concerned that certain changes to the 2025 DAU requested by submissions on the 2025 DAU aimed at alleviating some of these issues have not been recommended by the QCA in its draft decision. These matters require further consideration by the QCA for the reasons detailed below.

1 Underinvestment in the Mt Isa Line and poor service quality

¹ Queensland Competition Authority, *Queensland Rail 2025 Draft Access Undertaking Draft Decision*, 6 June 2024.

² Aurizon Operations Submission to QCA on Queensland Rail 2025 Draft Access Undertaking, 2 February 2024, pp. 16-18

³ North West Phosphate Submission to QCA on Queensland Rail's 2025 Draft Access Undertaking, 1 February 2024, p. 1; and Centrex Submission to QCA on Queensland Rail's Draft Access Undertaking 3, 31 January 2024, p. 3

⁴ Aurizon Network Submission to QCA on Queensland Rail's 2025 Draft Access Undertaking, 2 February 2024, pp. 3-7.

MMG's fundamental requirement for transport of its product is reliability and it is willing to pay a fair price for a reliable service.

As it currently stands, MMG (together with the other Users of the Mt Isa Line) pay considerable 'take or pay' access charges for use of the Mt Isa Line without true avenue for negotiation of the terms of the service or the price.

MMG obtains access through Aurizon Operations bundled with above rail rights. Accordingly, MMG supports the submissions by Aurizon Coal and Bulk regarding the non-negotiable approach to access terms offered by QR.⁵

Further, MMG supports the submissions by Aurizon Coal and Bulk that QR's approach to negotiations hinders the attraction of more Users to the Mount Isa Line. It is clear that more Users on the line would increase QR's revenue, and if QR appropriately allocates that additional revenue, should result in improvements to and better maintenance of the line which would improve the quality of the service available to Users on the line.

MMG hopes that the QCA has given appropriate consideration to these matters in respect of the Mt Isa Line specifically, in making its decisions that:

- (a) it is not appropriate to require amendments to the pricing rules to provide for greater price differentiation between access holders;⁶ and
- (b) it is not appropriate to amend the 2023 DAU to require QR to further differentiate access charges for junior miners, as part of negotiations with access holders.

Given the importance of the Mount Isa Line to the strategy for developing the North West Minerals Province it is appropriate to consider in detail how the 2025 DAU should foster increase in rail volumes and demand for rail transport on the Mt Isa Line. Not only would this benefit the North West Minerals Province economically, but it would lower the burden on the road infrastructure of the North West corridor as well as improve public safety by getting more trucks off the road.

The access charges payable to use the Mt Isa Line are currently more than the cost of hauling the same goods via road. Every effort should be being made to bring the costs of rail into line with road transport. This requires consideration of the cost of using the Mt Isa Line on a holistic basis, taking into account not only the charges payable to access the line, but also issues with the line that have an adverse economic impact on its Users (for example, the need to procure road transport on an expedited and unplanned basis during frequent and regular unscheduled downtime). This should not be dismissed by the QCA as an area that could not be assisted by access regulation.

Further, some of the changes to the 2025 DAU that QCA propose to approve will result in more onerous obligations on access holders and seekers like Aurizon which, because of QR's reluctance to negotiate access terms with those access holders and seekers, as well as of the lack of negotiation power Users have when negotiating above rail access rights with access holders, will result in even higher access charges for Users. MMG hopes that the QCA has taken into consideration the flow-on effect material amendments to the DAU are likely to have on Users of the Mt Isa Line.

⁵ QCA, p. 47.

⁶ QCA, p. 47

The preference for rail to transport minerals to Townsville is further eroded by the poor quality of the service. Under the current DAU, QR has run the Mount Isa Line at a relatively high cost to Users,⁷ while providing a poor quality of service to Users. The 2025 DAU does not incentivise QR to do anything differently.

Notably, MMG has experienced the following issues while using the Mt Isa Line:

- (a) uptime of the service is comparatively low, with the Mt Isa Line inaccessible for up to four weeks each year over the Christmas period due to rain and flooding. This results in MMG having to resort to road freight, causing MMG to incur additional costs in doing so, as well as undermining the purpose of the Mt Isa Line (i.e., to allow for the transport of product via rail instead of road). This has occurred every wet season for many years and yet no effort has been taken to mitigate the impact of the known seasonal weather events;
- (b) maintenance of the line is lacking, with QR seemingly doing just enough to maintain the core operation of the Mt Isa Line without any consideration to long term improvement or fixing recurring issues with the line (such as the annual downtime referred to above); and
- (c) there are onerous load restrictions imposed on Users of the Mt Isa Line on account of the poorly adapted infrastructure that the Mt Isa Line utilises (i.e., low height tunnels restricting what can be carried, such as diesel and double stacked containers). MMG notes it has been working with QR through Aurizon for nearly two years to double stack containers (one with a profile of 1 x 1.85m and another with a profile of 1 x 1.5 height) from Townsville to Cloncurry to allow for the transport of diesel and other commodities used by the mine via rail instead of road haulage, and that this is still pending approval by QR. If approved, this would significantly reduce the number of trucks required to be operated by MMG (i.e., hundreds of less trucks), aiding in the goal to reduce the amount of road haulage.

The culmination of these issues, together with the expensive access charges, results in a generally poor user experience that is not only frustrating, but compounds to create an inefficient supply chain for MMG which impacts the operations of the Dugald River mine. MMG is concerned that the 2025 DAU, in its current form, does not do anything to address these prevailing historical issues with the Mt Isa Line.

2 Lack of transparency on price and funding allocation

Greater transparency around the way in which QR sets its prices is needed. MMG supports the recommendation made by Centrex and North West Phosphate and in the Mt Isa Users responsive submission that QR provide Mt Isa Line access seekers with advice on the floor and ceiling prices applicable to their services as part of an Indicative Access Proposal.⁸

MMG understands that QR already maintains current assessment of floor and ceiling prices on the Mt Isa Line, and the additional transparency afforded by the disclosure of this

⁷ Aurizon Operations, p. 13.

⁸ Centrex, p. 4; North West Phosphate p. 2.

information to access seekers will assist the negotiation process without being commercially disadvantageous to QR, consistent with s138(2) of the QCA Act.

The QCA does not seem to have properly considered this, and has certainly not provided any reasoning for dismissing this, before accepting that QR's proposed negotiation framework was appropriate.⁹

MMG notes that QR will be obliged to provide information about its maintenance costs, operating expenditure and capital investment for each regional network in its Annual Report. While MMG appreciates this information, what would be more helpful to Users is to know how QR allocates that funding it receives from Users to maintenance and improvement of the Mount Isa Line in advance and for QR to engage with Users on improving reliability on the line. QR should also provide information about the utilisation, number of other customers using the line and other performance metrics of the line to assist Users to make decisions about the likely cost of their future rail usage.

3 Lack of engagement by QR

MMG notes that the QCA favourably considers further engagement by QR at the respective regional user groups. MMG supports this too. However, the historic lack of engagement by QR with the regional groups, and their lack of engagement through this draft DAU process, suggests this will not occur.

MMG agrees with the submission made by the Mount Isa Users that it would like to see the Mt Isa Line User Group convene more often.¹⁰ To date, MMG is not aware that the Mt Isa Line User Group has ever convened despite the group charter being prepared and circulated by QR over a year ago. Regular meetings of Mt Isa Line User Group would be a great opportunity to facilitate open and honest correspondence between Users of the Mt Isa Line and QR to proactively address the ongoing issues with the Mt Isa Line. MMG would like to see a stronger commitment from QR to this initiative by agreeing to meet with the Mt Isa Line User Group on a bi-monthly or quarterly basis moving forward.

MMG is eager to provide its input to, and cooperate with, QR on how to improve the Mt Isa Line for the mutual benefit of QR and its Users, and think this initiative would also greatly assist in alleviating some of the concerns held by MMG in respect of transparency raised in the above submissions.

4 Conclusion

MMG appreciate that QR is faced with some unique issues in running the Mt Isa Line, noting that is operated at a considerable net loss for QR, is underutilised, and is located in a remote and difficult geographical location.

Despite this, MMG considers that investment in the Mt Isa Line is necessary to ensure the line meets the needs of its current and future Users and to support the growth, success and viability of the North West Minerals Province.

⁹ QCA, p. 26.

¹⁰ Mount Isa Users Responsive Submission to Queensland Rail on Queensland Rail 2025 Draft Access Undertaking, 14 March 2024, p. 3.

The Mt Isa Line service has been a source of significant frustration for MMG historically. If the 2025 DAU is accepted in its current form, it appears likely it will remain so for the foreseeable future as well.

To this end, MMG submits that the issues raised in this letter should have been given more consideration by the QCA. MMG hopes that the QCA considers in detail the submissions made by the Users of the Mt Isa Line in forming its final decision.

Thank you for your consideration.

Yours sincerely



[Tyson Kersley \(Jul 23, 2024 17:25 GMT+10\)](#)

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Letter to QCA re QR July 2024

Final Audit Report

2024-07-23

Created:	2024-07-23
By:	Linda Patching (Linda.Patching@MMG.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAInvtJClwyeO5wPQUKBwCw623U0rSTjGP

"Letter to QCA re QR July 2024" History

-  Document created by Linda Patching (Linda.Patching@MMG.com)
2024-07-23 - 7:15:56 AM GMT
-  Document emailed to Tyson Kersley (Tyson.Kersley@MMG.com) for signature
2024-07-23 - 7:16:30 AM GMT
-  Email viewed by Tyson Kersley (Tyson.Kersley@MMG.com)
2024-07-23 - 7:25:16 AM GMT
-  Document e-signed by Tyson Kersley (Tyson.Kersley@MMG.com)
Signature Date: 2024-07-23 - 7:25:28 AM GMT - Time Source: server
-  Agreement completed.
2024-07-23 - 7:25:28 AM GMT