

The Queensland Competition Authority ensures that monopoly businesses operating in Queensland, particularly in the provision of key infrastructure, do not abuse their market power through unfair pricing or restrictive access arrangements.

We regulate third party access to essential infrastructure that cannot be economically duplicated, including the below-rail (track) infrastructure operated by Aurizon Network in central Queensland.

We ensure that third-party train operators can access Aurizon Network's track. This provides customers such as coal miners with options about the haulage of their product.

The process for gaining access to the rail network is governed by Aurizon Network's access undertaking, which we approve every four years.

The access undertaking sets out the general terms and conditions for negotiating access for coal train services. It includes:

- framework for access negotiations
- ringfencing arrangements

- use of network capacity
- pricing principles (reference tariffs) and the mechanism for varying those tariffs
- reporting requirements.

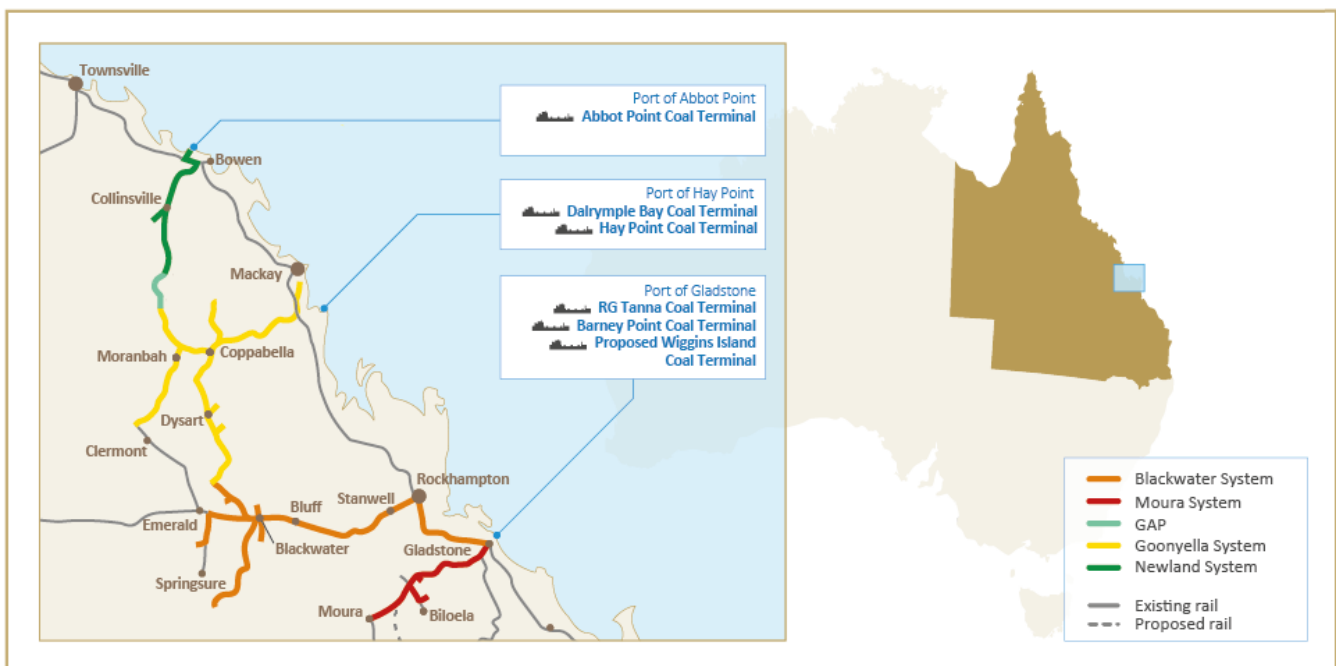
What is the 2014 DAU?

Aurizon Network's current access undertaking is set to expire on 30 June 2015.

On 11 August 2014, Aurizon Network voluntarily submitted a draft access undertaking (the 2014 DAU) for our approval. The 2014 DAU replaces Aurizon Network's 2013 Draft Access Undertaking (2013 DAU) proposal.

Aurizon Network said that the 2014 DAU seeks to address concerns raised by stakeholders in response to its earlier proposal and reflect the outcomes of its ongoing engagement with industry.

Under section 136 of the QCA Act, we must either approve or refuse to approve a voluntary DAU given to us.



Review of Aurizon Network's 2014 DAU

Draft Decision

On 30 September 2014, we published our draft decision indicating that, at this stage, we cannot approve Aurizon Network's 2014 draft access undertaking (2014 DAU) as it relates to the proposed maximum allowable revenue (MAR) for the 2014 DAU period.

Our draft decision is that the MAR for the 2014 DAU should be \$3.88 billion, which is:

- 19 per cent lower than the \$4.78 billion MAR proposed in the 2013 DAU by Aurizon Network
- 17 per cent lower than Aurizon Network's revised 2014 DAU

Our draft decision of \$3.88 billion is 14 per cent higher, in real terms, than the approved MAR for UT3.

The draft decision explains our reasons for not approving Aurizon Network's submitted MAR for the 2014 DAU, and the manner in which we consider it appropriate that the 2014 DAU should be amended in respect of the MAR to resolve the issues identified by stakeholders and the QCA.

The draft decision can be downloaded from our website www.qca.org.au/2014-DAU

How do we decide?

We commenced an investigation to decide whether to approve or refuse to approve Aurizon Network's 2014 DAU.

We are assessing the 2014 DAU in the context of the statutory access regime in the QCA Act and, in particular, the statutory criteria to which we must have regard in section 138(2) of the QCA Act.

In making our assessment we will weigh the arguments and information put forward by Aurizon Network supporting its proposal, stakeholders' comments and submissions, as well as our own analysis.

In doing so we have sought to give all stakeholders the opportunity to convince us of the merits of their positions and arguments in a transparent way.

We have published Aurizon Network's proposal and supporting documentation and called for submissions.

We have also published on our website:

- extensive comments on Aurizon Network's 2013 DAU
- documents from our cost of capital forum
- our consultants' reports on maintenance, operating costs, volume forecasts and WACC.

For the purposes of the 2014 DAU investigation, we consider it appropriate to sequence our consideration of the 2014 DAU.

Accordingly, it is our intention to release two draft decisions on the submitted 2014 DAU:

- first, on the Maximum Allowable Revenue (MAR) aspects of the 2014 DAU, released on 30 September 2014
- second, the remainder of the 2014 DAU by the end of 2014.

Task	Indicative Dates
Investigation starts	11 August 2014
Draft decision on MAR	30 September 2014
Submissions due	3 October 2014
Submissions on MAR decision due	12 December 2014
Draft decision on policy	Mid-December 2014
Submissions on policy decision due	February 2015
Final decision	May 2015
Final approval	By 30 June 2015

Our final decision will consolidate these two draft decisions in light of the submissions we receive.

Importantly, the MAR aspects remain unchanged from the 2013 DAU. Accordingly, this draft decision draws upon the previous work we have done in relation to the 2013 DAU, as well as the stakeholder submissions we have received before the publication of this draft decision.

Review of Aurizon Network's 2014 DAU

We consider it is appropriate to release our draft decision on the MAR for the 2014 DAU now so interested parties can direct their submissions at the methodology we have adopted and the analysis we have undertaken.

We consider a draft decision now enhances the quality of the public consultation process and the ultimate quality of our final decision.

We remain committed to finalising the UT4 arrangements by June 2015. Meeting this timeframe will, in part, depend on the timeliness of Aurizon Network's and stakeholders' responses to our draft decisions and the scope and complexity of issues raised through the ongoing consultation and submission phases.

Have your say

Throughout our investigation we are seeking public involvement, through written submissions.

There is a consultation period after the release of each draft decision. We will consider all submissions made to us in making our final decision.

We recognise that stakeholders have already provided extensive and detailed comments on Aurizon Network's previous proposal.

Send your submission on the MAR draft decision by emailing aurizon@qca.org.au by **12 December 2014**.

How to make your submission more effective

We have already undertaken extensive consultation of the MAR issues in the context of the 2013 DAU. Our draft decision benefits from that previous work.

We will take into account all new submissions as well as material previously submitted by stakeholders on the withdrawn 2013 DAU, to the extent that we consider it remains relevant.

Any submissions on the 2014 DAU relating to the MAR that we receive between the date of the publication of this draft decision and the initial date we set for submissions of 3 October 2014 will be considered in conjunction with submissions we receive on this draft decision and will not be disadvantaged in any way. This draft decision is subject to amendment in light of the submissions we will receive.

For more information and to subscribe to our alerts, log onto: www.qca.org.au/Rail