

Queensland Rail 2025 draft access undertaking

Decision

March 2025

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Decision

Our decision is to refuse to approve Queensland Rail's draft access undertaking submitted on 10 November 2023 (the 2025 DAU). In accordance with section 136(5) of the *Queensland Competition Authority Act 1997* (the QCA Act), this document:

- explains why we consider it is not appropriate to approve the 2025 DAU, having regard to the factors in section 138(2)
- sets out the way in which we consider it is appropriate to amend the DAU.

For all matters except West Moreton coal access terms, this decision represents our final view, as set out in chapters 1 to 7. However, we have made significant revisions to our positions on aspects of West Moreton pricing and related terms from views previously expressed in the draft decision and the December 2024 discussion paper, so are providing a further opportunity for stakeholders to comment on those matters (see chapter 8 and Appendices B to E).

Non-tariff matters

We consider that various parts of the 2025 DAU are appropriate to approve including:

- the scope and application of the 2025 DAU (Part 1)
- the negotiation provisions (Part 2)
- the pricing rules (Part 3)
- the dispute resolution provisions (Part 6).

However, we consider it appropriate to require a number of amendments to provisions in the 2025 DAU, including amendments to:

- several aspects of the standard access agreement (SAA) (Schedule H)
- Queensland Rail's obligations to respond to requests for changes to the master train plan (MTP) and to notify parties of updates to scheduled train services in the network management principles (Part 4 and Schedule F)
- the quarterly performance reporting obligations so they are more informative for end users (Part 5)
- the definitions to clarify that any planned possession that may adversely affect the operation of train services is to be scheduled into the MTP (Part 7).

In respect of non-tariff matters, we consider that the 2025 DAU, with our proposed amendments, suitably balances relative risks and responsibilities between Queensland Rail and the users of its service, and is appropriate to approve having regard to the matters set out section 138(2) of the QCA Act.

West Moreton access terms

We consider the West Moreton reference tariff proposed in the 2025 DAU is not appropriate to approve primarily as it is based on outdated volume forecasts – neither the forecast demand nor the necessary capacity is likely to eventuate.

We have said repeatedly that it would be best if Queensland Rail and its customers agreed on access terms for West Moreton, including costs, service standards and mechanisms for developing a reasoned and prudent strategy for managing the system. Given the gap between the parties and

the level of uncertainty surrounding key matters, including capacity and demand, our December discussion paper indicated that we were inclined to not set a reference tariff.

However, there has more recently been greater clarity on demand. Moreover, all relevant parties who commented on the discussion paper said they wanted us to set a reference tariff. We have therefore determined that \$38.29 per thousand gross tonne kilometres ('000 gtk) is a reference tariff that would recover Queensland Rail's efficient costs and that we would be prepared to approve.

While we have consulted extensively on this matter, including giving long extensions to times for collaboration, we are providing one final opportunity for stakeholders to comment specifically on the West Moreton access terms.¹ Submissions are due on Monday 14 April 2025. We intend to publish a final decision on West Moreton access terms in May 2025.

This summary should not be relied on as a substitute for the detailed analysis in the main body of this document, including the matters addressed in the appendices.

¹ Please note that stakeholder submissions on matters other than those directly pertaining to the West Moreton pricing and related terms (as set out in chapter 8 and Appendices B to E) will not be considered.

1 Our investigation

1.1 Background

Queensland Rail owns and operates a 6,600 kilometre rail network, including the commuter lines in south-east Queensland, and the West Moreton, Mount Isa and North Coast systems (Figure 1). Queensland Rail provides access to declared services for the purposes of Queensland's third-party access regime established under Part 5 of the QCA Act. Appendix A provides an outline of this access regime and Queensland Rail's declared services.

Figure 1: Queensland Rail's network



Source: Queensland Rail.

Queensland Rail's 2020 access undertaking (AU2) came into effect on 1 July 2020 and sets out the terms and conditions under which Queensland Rail provides access to the declared service on its rail infrastructure. It also outlines the process required for an access seeker to negotiate access to the services, and the way disputes in relation to access are to be resolved. AU2 will expire on 30 June 2025.²

On 10 November 2023, Queensland Rail submitted the 2025 DAU to us for approval in accordance with section 136 of the QCA Act. It is intended that the new undertaking will take effect immediately after AU2 expires, as the 2025 access undertaking (AU3).

1.2 Queensland Rail's 2025 DAU

An access undertaking for a service means a written undertaking that sets out details of the terms on which an owner or operator of the service undertakes to provide access to the service.³

Queensland Rail's 2025 DAU sets out the proposed terms and conditions under which Queensland Rail will provide access to the services covered by the undertaking during its term. The term of the DAU commences on the DAU's approval date until its expiry on 30 June 2030, unless an earlier terminating date arises.

An overview of the arrangements proposed in the 2025 DAU is outlined in Figure 2. Queensland Rail's proposed regulatory arrangements largely reflect the current regulatory arrangements, set out in the 2020 undertaking.

In this regard, Queensland Rail submitted that it was only seeking changes from the 2020 undertaking on an exceptions basis, where it considered improvements could be made. Queensland Rail said the 2020 undertaking provisions had been tried and tested and it had proposed only minor changes to provide business certainty to its customers.⁴

As part of these arrangements, Queensland Rail has proposed that a reference tariff continue to apply to coal handling services on the West Moreton Route service.⁵

² Unless an earlier terminating date is triggered under AU2.

³ QCA Act, Sch. 2.

⁴ Queensland Rail, sub. 1, p. 3.

⁵ The West Moreton Route service means the use of the West Moreton system and the Metropolitan system (see Appendix A for further explanation of the parts (or route services) of the Queensland Rail service that have been declared under s. 84(1)(b) of the QCA Act).

Figure 2: Overview of the proposed arrangements included in the 2025 DAU

Application of the undertaking
<p>Part 1 defines the duration and scope of the access undertaking, the non-discriminatory treatment of access seekers and access holders, as well as outlining Queensland Rail's obligations for extending the network where an access seeker is willing to fund an extension.</p> <p>Part 6 outlines transitional arrangements for matters undertaken as part of the previous regulatory period.</p>
Framework for negotiating access
<p>Part 2 sets out the framework for negotiating access rights. To support the negotiation process:</p> <ul style="list-style-type: none">• Schedule A outlines obligations for Queensland Rail to provide preliminary and capacity information• Schedule B specifies information to be provided by access seekers as part of an access application• Schedule I identifies principles of negotiation if an access seeker or access holder wants to build a rail connection to its private infrastructure. <p>Part 6 outlines a dispute resolution mechanism to address instances where disputes between the parties arise.</p>
Standard access agreement
<p>Schedule H provides a standard access agreement to facilitate the negotiation of access that sets out the standard terms and conditions of access to Queensland Rail's network.</p>
Operating and reporting requirements
<p>Part 4 establishes the operating requirements that govern how Queensland Rail is to deliver train service entitlements. The operating requirements and expectations are further detailed in:</p> <ul style="list-style-type: none">• Schedule F outlines the network management principles• Schedule G outlines operating requirements manual. <p>Part 5 sets out Queensland Rail's reporting responsibilities throughout the regulatory period.</p>
Pricing rules for negotiating access
<p>Part 3 prescribes pricing rules that are to apply in negotiating access charges.</p> <p>Schedule J outlines how annual regulatory fees are to be allocated between train services.</p>
Reference tariffs for the Metropolitan and West Moreton systems
<p>Schedule D reports the reference tariffs that are to apply to those train services that accord with the description of a reference train service in the Metropolitan and West Moreton systems.</p> <p>Schedule E outlines the process for rolling-forward the regulatory asset base (including the process for approving capital expenditure) throughout the regulatory period for the purpose of calculating the relevant reference tariffs.</p>

1.3 Our regulatory task

Submissions

In accordance with section 136 of the QCA Act, we are required to consider the 2025 DAU and either approve, or refuse to approve, it.⁶ As part of our assessment, we must publish the 2025 DAU and consider relevant submissions on it (ss. 138(3)(c) and (d)).

On 13 November 2023, we published the 2025 DAU, a notice of investigation (that invited interested parties to make submissions by 2 February 2024),^{7,8} and a Statement of Regulatory

⁶ If we refuse to approve the 2025 DAU, we must provide a written notice stating the reasons for the refusal and the way in which we consider it is appropriate to amend the 2025 DAU (s. 136(5)). In this circumstance, notification would occur when we release the final decision on the 2025 DAU.

⁷ Section 146 of the QCA Act provides for us to issue a notice of investigation to commence an investigation for deciding whether to approve the DAU. A notice of investigation states our intention to conduct the investigation and invites interested parties to make written submissions on the proposed DAU.

⁸ On 23 November 2023, we published a list of topics to assist stakeholders in preparing their submissions.

Intent.⁹ In response to our initial invitation for comment, we received submissions on the 2025 DAU from the following parties:

- Aurizon Coal and Bulk
- Aurizon Network Pty Ltd
- Centrex Limited
- GrainCorp Operations Limited
- New Hope Group
- Pacific National
- Phosphate International Ltd t/a North West Phosphate
- Qube Logistics
- Yancoal Australia Limited.

On 22 February 2024, we provided stakeholders, including Queensland Rail, a further three weeks to comment on the new matters raised in the submissions received. In response to our follow-up invitation, we received further submissions from the following parties:

- Glencore
- Mount Isa Line Users
- New Hope Group
- Pacific National
- Queensland Rail
- Rail Operator Group
- Yancoal.

On 6 June 2024, we published our draft decision and asked for comments by 23 July 2024. We received submissions from:

- Aurizon Coal and Bulk
- MMG
- New Hope
- Pacific National
- Queensland Rail
- Rail Operator Group
- Yancoal.

We also provided an opportunity for collaborative submissions, which were due by 8 November 2024 (extended from 24 September 2024). We received further comments from:

- Graincorp
- New Hope
- Queensland Rail
- Rail Operator Group
- Yancoal.

On 20 December, we published a discussion paper and asked for comments. Submissions were due by 7 February 2025 (extended from 28 January 2025). We received comments from:

- Aurizon Coal and Bulk
- New Hope
- Queensland Rail

⁹ The Statement of Regulatory Intent outlines our intended approach to managing information-gathering processes, stakeholder consultation and assessment timeframes throughout our investigation.

- Rail Operators Group
- Yancoal.

Appendix G lists the submissions we received on the 2025 DAU and provides the submission numbers used in footnotes.

Factors affecting approval

Section 138 of the QCA Act outlines the factors affecting the approval of a DAU. In particular, we may approve the 2025 DAU only if we consider it appropriate to do so having regard to each of the matters set out in section 138(2) of the QCA Act (Box 1).

Box 1: Section 138(2) of the QCA Act

The authority may approve a DAU only if it considers it appropriate to do so having regard to each of the following:

- the object of this part;
- the legitimate business interests of the owner or operator of the service;
- if the owner and operator of the service are different entities – the legitimate business interests of the operator of the service are protected;
- the public interest, including the public interest in having competition in markets (whether or not in Australia);
- the interests of persons who may seek access to the service, including whether adequate provision has been made for compensation if the rights of users of the service are adversely affected;
- the effect of excluding existing assets for pricing purposes;
- the pricing principles mentioned in section 168A;
- any other issues the authority considers relevant.

The 'object of this part' as referred to in section 138(2)(a) is set out in section 69E:

The object of this part is to promote the economically efficient operation of, use of and investment in, significant infrastructure by which services are provided, with the effect of promoting effective competition in upstream and downstream markets.

The pricing principles set out under section 168A are:

The pricing principles in relation to the price of access to a service are that the price should:

- generate expected revenue for the service that is at least enough to meet the efficient costs of providing access to the service and include a return on investment commensurate with the regulatory and commercial risks involved; and
- allow for multi-part pricing and price discrimination when it aids efficiency; and
- not allow a related access provider to set terms and conditions that discriminate in favour of the downstream operations of the access provider or a related body corporate of the access provider, except to the extent the cost of providing access to other operators is higher; and
- provide incentives to reduce costs or otherwise improve productivity.

This decision outlines our assessment of the 2025 DAU, having regard to the matters in section 138(2) of the QCA Act and to all stakeholders' submissions that were received within the consultation periods.

In assessing the 2025 DAU, we have considered all aspects of the undertaking afresh and had regard to the section 138(2) factors in every aspect of this decision. In some cases, the assessment of whether it is appropriate to approve the 2025 DAU, having regard to the factors affecting approval, gives rise to competing considerations. In such cases, we weighed up the competing considerations as appropriate.

Human rights considerations

The following human rights may be relevant to our decision for the purposes of the *Human Rights Act 2019* (HR Act), pursuant to section 58(1)(b) of the HR Act:

- rights potentially related to climate change (right to life, equality and non-discrimination and right of children to protection of their best interests)
- the right to freedom of movement (for passengers in Queensland).

Our decision is unlikely to limit any of the rights mentioned above, particularly as:

- for rights potentially related to climate change – these rights are unlikely to be limited by a decision concerning approval of an access undertaking, as any such decision would likely not have a material effect on the volume of coal exported and consumed overseas, which primarily depend on market factors such as demand and price
- for the right of freedom of movement – the effect of the final decision is likely to be positive or neutral.

This decision is therefore compatible with human rights under section 8(a) of the HR Act.

1.4 Agreed outcomes and future DAUs

As outlined in Appendix A, the access regime in Queensland is based on a negotiate-arbitrate framework, which envisages that, in the first instance, access to a declared service should be procured on the basis of terms and conditions that are commercially agreed between the access seeker and the provider of the declared service.¹⁰

Consistent with the negotiate-arbitrate framework, we place weight on agreed outcomes and consider it highly beneficial for parties to engage with each other, to the extent possible, to explore salient issues and potential areas of consensus in relation to the 2025 DAU.

In respect of all aspects of the access undertaking, we still, in accordance with our statutory role, undertake an independent review to confirm that they comply with the criteria in section 138(2) of the QCA Act, including the interests of potential entrants and the public.

As part of our efforts to promote agreed outcomes, we have repeatedly emphasised our desire for consultation and consensus, including in our decision on Queensland Rail's 2020 DAU and in our communication about the 2025 DAU. Such approaches have been demonstrated to deliver superior outcomes for Aurizon Network and Dalrymple Bay Infrastructure (DBI) and their respective customers, and we see no reason why similar outcomes cannot be achieved by Queensland Rail and its customers if there is focused consultation on the matters where their views differ.

¹⁰ QCA, *Access disputes under the QCA Act*, summary guide, June 2019, p. 1.

Queensland Rail wrote to us on 1 September 2022, saying it was committed to operating under an access undertaking for the 2025 regulatory period and to consulting with stakeholders in preparing a DAU. We were disappointed that when Queensland Rail lodged its DAU in November 2023, it did not include a single proposed change or provision that was explained as relating to feedback from stakeholders during the intervening 14 months.

Stakeholders have raised several new matters during our investigation, which would have better been identified and addressed by Queensland Rail during the consultation before the DAU was lodged. We are concerned that Queensland Rail seems to have treated the regulatory process as a two-way discussion with us rather than a commercial engagement with its customers. We consider that better regulatory outcomes will be achieved if the undertaking terms are negotiated between Queensland Rail and its customers, with us there to settle differences where the parties are unable to agree.

This decision is focused on the 2025 DAU and getting a new undertaking in place. However, once the 2025 undertaking takes effect, we will be open to ideas from Queensland Rail and other stakeholders on how to improve consultation and consensus for any future Queensland Rail undertakings.

2 Preamble, application and scope

The preamble of the 2025 DAU is an introductory section that provides background and high-level context for the undertaking.

Part 1 of the 2025 DAU outlines the application and scope of the undertaking. It includes provisions relating to:

- consistency and fairness in the treatment of users¹¹
- requirements in negotiating, developing and funding network extensions in circumstances where an access seeker notifies Queensland Rail that it is willing to fund an extension¹²
- master planning and extension coordination, applicable to situations where Queensland Rail receives a request to prepare a 'system master plan' relating to its proposed expansion projects.¹³

Part 6 of the 2025 DAU includes various administrative provisions, including transitional provisions that set out how matters undertaken or established under AU2 will continue during the AU3 regulatory period.¹⁴

Part 7 of the 2025 DAU provides definitions of terms¹⁵ and outlines rules for interpreting the undertaking.¹⁶

Overview of the decision

Our decision is that it is appropriate to approve the preamble, scope (Part 1) and transitional provisions (in Part 6) of the 2025 DAU. We have addressed definitions of terms in Part 7 of the 2025 DAU where those terms relate to individual sections of the 2025 DAU.

Preamble, application and scope – summary

Proposal	Clause	QCA decision
Preamble		
Queensland Rail did not propose any changes to the preamble of the 2020 access undertaking. ¹⁷	n/a	It is appropriate to approve Queensland Rail's proposed preamble to the 2025 DAU.
Stakeholders supported amendments to further incentivise a road to rail modal shift. ¹⁸		It is not necessary to require amendments to the preamble to include a commitment by Queensland Rail support road to rail conversion and grow rail volumes. See section 2.1.

¹¹ 2025 DAU, cl. 1.3.

¹² 2025 DAU, cl. 1.4.

¹³ 2025 DAU, cl. 1.5.

¹⁴ 2025 DAU, cl. 6.5. These transitional arrangements include rules relating to matters and access applications established under AU2, reporting periods and approval dates.

¹⁵ 2025 DAU, cl. 7.1.

¹⁶ 2025 DAU, cl. 7.2.

¹⁷ Queensland Rail, sub. 1.

¹⁸ Aurizon Coal and Bulk, sub. 2, pp. 26-27; Mount Isa Line Users, sub. 17, p. 2; Rail Operators Group, sub. 15, pp. 1-4; Pacific National, sub. 13, pp. 2, 3-6.

Scope

Queensland Rail's proposed scope of the 2025 DAU is substantially consistent with the scope that was approved as part of its 2020 access undertaking.

Stakeholders supported amendments to:

- include provisions in the 2025 DAU about interstate services using the dual gauge link between Acacia Ridge and the Port of Brisbane¹⁹
- require greater consistency and harmonisation with other rail infrastructure managers.²⁰

Part 1

It is appropriate to approve Queensland Rail's proposed scope of the 2025 DAU. It is not appropriate to require amendments to the scope of the 2025 DAU to:

- include the provision of interstate services using the Acacia Ridge – Port of Brisbane dual gauge link
- require Queensland Rail to commit to greater consistency and harmonisation with other rail infrastructure managers.

See section 2.2.

Other matters

Queensland Rail proposed maintaining transitional provisions.²¹

cl. 6.5

It is appropriate to approve Queensland Rail's proposed transitional arrangements. See section 2.3.

2.1 Preamble

The preamble provides high-level context for Queensland Rail's 2025 DAU. Queensland Rail did not propose any changes to the preamble of the 2020 access undertaking.

We do not consider that it is appropriate to require any amendments to the preamble. Importantly, the high-level context provided by Queensland Rail is factually correct. Moreover, we do not consider that making minor amendments to the preamble will affect the operation of the 2025 DAU.

2.1.1 Incentivising a road to rail modal shift

In their submissions, stakeholders raised issues broadly concerning the extent to which the 2025 DAU incentivised a modal shift of freight from road transport to rail transport.

We do not consider it is necessary for the preamble to include a commitment by Queensland Rail to support road to rail conversion and grow rail volumes.

Aurizon Coal and Bulk considered that the preamble should include a clear commitment by Queensland Rail to:

- promote competition in the rail haulage market
- promote the economically efficient investment, use and operation of the network
- grow rail volumes including by supporting and incentivising emerging demand, retaining volumes on rail and supporting 'road to rail' modal conversion.²²

¹⁹ Aurizon Coal and Bulk, sub. 2, pp. 30-33; Rail Operators Group, sub. 15, p. 12.

²⁰ Aurizon Coal and Bulk, sub. 2, pp. 10-12; GrainCorp, sub. 4, p. 3; Pacific National, sub. 7, pp. 14-15; Rail Operators Group, sub. 15, pp. 11-12; Qube, sub. 8, pp. 2-5.

²¹ Queensland Rail, sub. 1, cl. 6.5.

²² Aurizon Coal and Bulk, sub. 2, p. 26; Mount Isa Line Users (sub. 17, p. 2) supported Aurizon Coal and Bulk's submission.

MMG considered that every effort should be made to bring the costs of rail into line with road transport.²³

The Mount Isa Line Users submitted that there was no mechanism in the 2025 DAU that could be used to hold Queensland Rail to account in acting in a way that supported this objective.²⁴ The Rail Operators Group considered that the 2025 DAU should provide stronger obligations on Queensland Rail to offer access arrangements that effectively encouraged a modal shift of freight from road to rail. The Rail Operators Group considered that there must be a strong price incentive to offset the unreliability of the North Coast line and Mount Isa line.²⁵

Pacific National considered that Queensland Rail had not sufficiently justified its 2025 DAU having regard to the matters in section 138(2) of the QCA Act, primarily because it provided neither incentives to encourage modal shift from road to rail nor support to grow competition with road transport.²⁶ Aurizon Coal and Bulk submitted that in some instances the 2025 DAU provisions inhibited Queensland Rail's ability to maximise the reliability of freight services and ensure its rail access charges were set at a level that allowed rail-based supply chains to effectively compete with road.²⁷ Pacific National and the Rail Operators Group also submitted that additional mechanisms should be incorporated into the 2025 DAU to encourage a modal shift of freight from road to rail. The Rail Operators Group considered this would promote the economically efficient operation and use of the network.²⁸

Queensland Rail said that the assumption of a misalignment between Queensland Rail's objective of being a champion of rail freight and its commercial positions was unfounded. Queensland Rail submitted that it inherently pursued growth and sustainability, discrediting any perceived conflict between these objectives.²⁹

We consider it is appropriate for the overarching regulatory framework to restrict Queensland Rail from exercising market power to the extent that it prevents or hinders access seekers from accessing Queensland Rail's network on reasonable terms and conditions. This includes enabling access seekers to obtain access to Queensland Rail's network, where they are willing to pay access charges that recover the efficient costs incurred in providing that access (and where sufficient capacity is available). We consider constraining market power in this manner promotes the economically efficient use and operation of Queensland Rail's network and appropriately balances the legitimate business interests of Queensland Rail and access seekers.

In making this decision, we have outlined those regulatory arrangements that we consider are required as part of an approved access undertaking for the AU3 regulatory period (within Queensland Rail's overarching regulatory framework) to provide for this. This includes considering whether the proposed regulatory arrangements may inhibit Queensland Rail's ability to service potential new users, or provide Queensland Rail with an ability and incentive to exercise market power in negotiating inefficiently high access charges to access the declared services.

²³ MMG, sub. 18, p. 2.

²⁴ Mount Isa Line Users, sub. 17, p. 2.

²⁵ Rail Operators Group, sub. 15, pp. 1, 4. Additionally, MMG (sub. 18, p. 3) submitted that Queensland Rail, in operating the Mount Isa line, had provided a poor quality of service to users, while charging a relatively high cost. MMG submitted that it had experienced a comparatively low uptime of the service due to rain and flooding. It also found the maintenance program was lacking and onerous load restrictions were imposed on account of the poorly adapted infrastructure.

²⁶ Pacific National, sub. 13, pp. 2, 3-6.

²⁷ Aurizon Coal and Bulk, sub. 24, pp. 7-8.

²⁸ Pacific National, sub. 7, p. 9; Rail Operators Group, sub. 15, p. 3.

²⁹ Queensland Rail, sub. 14, p. 43.

As such, we do not consider it is necessary to require amendments to the preamble to include a commitment by Queensland Rail to support road to rail conversion. In any case, we do not consider that amending the preamble in this manner would affect the operation of the undertaking.

Further amendments to the 2025 DAU

We set out in the relevant chapters of this decision whether it is appropriate to require further amendments to the 2025 DAU to encourage more freight from road to rail.

In making this decision, we have had regard to the statutory criteria, including whether further amendments would promote the economically efficient operation and use of Queensland Rail's network and are in the public interest (ss. 138(2)(a) and (d) of the QCA Act).

The Rail Operators Group and Aurizon Coal and Bulk considered that moving more freight by rail would serve the public interest, including through improvements to road safety, less congestion on the roads and environmental benefits.³⁰ Pacific National considered that the 2025 DAU did not meet the public interest objective of shifting traffic from road to rail.³¹ Pacific National considered the preamble should be expanded to acknowledge the positive benefits rail freight provides relative to road.³²

Queensland Rail submitted that while safety and environmental benefits associated with moving more freight by rail were crucial, a balance with economic viability was imperative.³³

We consider that it is important to have regard to any positive externalities associated with increasing rail haulage in assessing whether it is appropriate to approve the 2025 DAU. This is recognised by approving regulatory arrangements that prevent Queensland Rail from exercising market power to the extent that it prevents or hinders access seekers from accessing Queensland Rail's network on reasonable terms and conditions.

We do not consider it is appropriate to require Queensland Rail to include in the 2025 DAU further commitments or support for particular customers or industry groups (including through subsidised access charges) beyond this. Requiring such initiatives may not promote the economically efficient operation and use of the network,³⁴ and may have adverse implications for growing rail freight volumes efficiently over the long run. In particular:

- pricing policies that do not enable Queensland Rail to generate expected revenue for the service that is at least enough to meet the efficient costs of providing access to its network³⁵ may reduce incentives to invest in the network and have adverse consequences for parties seeking to access the rail infrastructure³⁶
- favourable terms and conditions to particular customers or industry groups to promote one mode of freight transport over another may distort competitive outcomes in related markets. These distortions would be inconsistent with the object of Part 5 and the pricing principles and

³⁰ Rail Operators Group, sub. 15, pp. 3-4; sub. 22, p. 3; Aurizon Coal and Bulk, sub. 24, pp. 7-8.

³¹ Pacific National, sub. 13, p. 5. Pacific National (sub. 7, p. 4) also considered that pricing of the North Coast line should prioritise growth of rail freight, reflecting the positive economic externalities rail provides compared to road freight and the reduced costs to government and communities in terms of accidents, congestion and emissions. Centrex (sub. 10, p. 3) submitted that the aspect of community service was currently not being adequately considered in relation to Queensland's mineral wealth.

³² Pacific National, sub. 7, p. 29.

³³ Queensland Rail, sub. 14, pp. 43-44.

³⁴ The Rail Operators Group (sub. 22, p. 3) considered that incorporating additional mechanisms into the 2025 DAU to encourage modal shift of freight from road to rail would promote the economically efficient operation and use of the network.

³⁵ Including a return on investment commensurate with the regulatory and commercial risks involved.

³⁶ We do not consider that this will promote economically efficient investment in Queensland Rail's network. Neither does it appropriately balance the legitimate business interests of Queensland Rail and access seekers.

would not appropriately balance Queensland Rail's legitimate business interests with the interests of access seekers, access holders and train operators.

In this regard, Queensland Rail submitted that pricing structures must ultimately consider factors like maintenance costs, infrastructure development and financial sustainability.³⁷

We consider that measures to directly assist industry or to encourage more freight from road to rail are better considered and provided through means other than access regulation, within the context of wider transport policy and industry assistance objectives.

Summary 2.1

It is appropriate to approve Queensland Rail's proposed preamble to the 2025 DAU.

It is not necessary to require amendments to the preamble to include a commitment by Queensland Rail support road to rail conversion and grow rail volumes.

2.2 Scope of the 2025 DAU

Queensland Rail's proposed scope of the 2025 DAU is substantially consistent with the scope that was approved as part of its 2020 access undertaking.³⁸

Queensland Rail considered that, similar to the 2020 undertaking, a five-year term – 1 July 2025 to 30 June 2030 – was appropriate. In defining the terminating date, the 2025 DAU also removes a reference from AU2 to a circumstance in which the Minister had not declared Queensland Rail's services.³⁹ Stakeholders did not express any concerns regarding the proposed duration of the 2025 DAU.

We consider that a five-year term appropriately balances the benefits of providing certainty to stakeholders about the terms and conditions of access for a reasonable period of time and flexibility to deal with changing circumstances. In addition, removing the reference to a circumstance involving no ministerial declaration is appropriate as this contingency is no longer relevant following the Minister's declaration of Queensland Rail's below-rail services in 2020.

We did not receive any stakeholder submissions in relation to Queensland Rail's proposed provisions relating to the scope of the 2025 DAU, other than where stakeholders were essentially seeking to expand the scope and effect of the DAU to address certain concerns (discussed in sections 2.2.1 and 2.2.2).

³⁷ Queensland Rail submitted that in considering the issues around rail access pricing, there was a tension between the objective to enable rail operators to effectively compete with road while also setting a charge that enabled sufficient ongoing maintenance and renewal of the rail infrastructure.

³⁸ New Hope (sub. 5, p. 28) and Yancoal (sub. 9, p. 24) submitted that definition of 'network' needed to refer to infrastructure the use of which formed part of the declared service. We consider that the definition of 'network' does refer to infrastructure the use of which forms part of the declared service, consistent with the definition of 'network' in the 2020 access undertaking.

³⁹ 2025 DAU, cl. 7.1, 'Terminating Date'.

2.2.1 Dual gauge track from Acacia Ridge to the Port of Brisbane

Some stakeholders raised concerns about the status of interstate (standard gauge) services that use Queensland Rail's dual gauge link between Acacia Ridge and the Port of Brisbane and submitted that these services should be included within the scope of the 2025 DAU.⁴⁰

The Rail Operators Group and Aurizon Coal and Bulk submitted that this corridor had critical commercial and economic significance because of the containerised rail freight services it provided.⁴¹ The Rail Operators Group and Aurizon Coal and Bulk also raised concerns about dealing with Queensland Rail regarding dual gauge access to this corridor.⁴²

Queensland Rail responded that the Metropolitan system was not a declared service and should not be within the scope of the 2025 DAU.⁴³ Moreover, Queensland Rail submitted that we could not require an amendment to include the dual gauge corridor in the 2025 DAU, as the QCA Act did not require Queensland Rail to provide an access undertaking for services that were not subject to declaration.⁴⁴

We acknowledge the issues raised by stakeholders and Queensland Rail concerning the status of interstate services that use Queensland Rail's dual gauge link between Acacia Ridge and the Port of Brisbane and whether these services should be included within the scope of the 2025 DAU.

Six route services are covered under the Queensland Treasurer's June 2020 decision to declare services pursuant to section 84 of the QCA Act. The Metropolitan system is not a declared route service in and of itself. However, this system is declared in circumstances where its use 'is referred to as *part* of the relevant [declared] service' (emphasis added).⁴⁵ As a result, we consider that use of the Metropolitan system for traffic that is not related to a relevant declared service, such as trains travelling to or from Acacia Ridge via the Australian Rail Track Corporation (ARTC) interstate line, likely does not constitute use of a relevant declared service.

With respect to traffic that runs only on the Metropolitan system, each declared route service comprises a primary system and at least one secondary system. Our view is that use of a declared service must entail use of a primary system, but not necessarily a secondary system. We consider that the Metropolitan system is a secondary system for most of the declared route services, noting that it is described 'as part of the relevant service'.

Based on these considerations and the submissions received, our view is that interstate services using the dual gauge link between Acacia Ridge and the Port of Brisbane are not a declared service under the Treasurer's declaration of 2020.

The Rail Operator Group and Aurizon Coal and Bulk accepted that the provision of this service was currently not declared. However, the Rail Operator Group and Aurizon Coal and Bulk requested that Queensland Rail commit to a process for negotiating and managing access to the dual gauge link –

⁴⁰ Aurizon Coal and Bulk, sub. 2, pp. 30-33; Rail Operators Group, sub. 15, p. 12.

⁴¹ The Rail Operators Group noted that the corridor connects the national standard gauge rail network with Brisbane's only open access container rail terminal. It also provides a narrow gauge rail network link between Queensland's largest container rail terminal at Acacia Ridge and the state's largest container port and provides narrow gauge rail access to export coal and grain terminals (sub. 15, p. 10).

⁴² Rail Operators Group, sub. 15, p. 11; Aurizon Coal and Bulk, sub. 2, pp. 32-33.

⁴³ Queensland Rail submitted that its services were declared by reference to defined routes, each of which traversed a combination of network systems, and that the Metropolitan system was not declared, except insofar as it was used in combination with another rail system, in accordance with the definitions contained in the Minister's declaration of Queensland Rail's services.

⁴⁴ Queensland Rail, sub. 13, pp. 53-54.

⁴⁵ Queensland Government, Gazette (Extraordinary), vol. 384, no. 31, 1 June 2020, p. 216, para 3(c).

both parties considered that the simplest way to achieve this would be for these services to be included within the scope of the 2025 DAU.⁴⁶

However, we cannot require that the provision of non-declared services be included within the scope of the 2025 DAU. Any changes to the declared services sought by an interested party would need to be separately addressed in accordance with the declaration process in Part 5 of the QCA Act.⁴⁷

2.2.2 Harmonisation with other rail networks

We do not consider that it is appropriate to amend the scope of the 2025 DAU to require Queensland Rail commit to greater consistency and harmonisation with other rail infrastructure managers.

A number of stakeholders called for amendments to the 2025 DAU to provide for greater consistency in network standards and operating requirements across rail networks.⁴⁸ Pacific National submitted that the 2025 DAU should include a requirement for Queensland Rail to use best endeavours to align processes and systems with other jurisdictions.⁴⁹ Aurizon Coal and Bulk considered that Queensland Rail should pursue increased consistency in access negotiation frameworks, the standard contracting terms for access and applied access management methods, wherever possible.⁵⁰ Qube and the Rail Operators Group also considered that the 2025 DAU should commit to measurable actions to deliver government policy and strategy objectives.⁵¹

Queensland Rail's access regime provides for access seekers to obtain access to Queensland Rail's network on reasonable terms and conditions. Within this regulatory framework, an approved access undertaking should facilitate the negotiation of access on reasonable terms and conditions.

We have assessed whether it is appropriate to approve the terms and conditions proposed by Queensland Rail in its 2025 DAU.

We do not consider it is appropriate to require Queensland Rail to amend the processes or arrangements in the 2025 DAU primarily to achieve improved alignment with those arrangements applied in other jurisdictions. From the information available, we do not consider that amending arrangements in the 2025 DAU to align with those applied in another jurisdiction would provide for improvements to the provision of access to Queensland Rail's network. In assessing whether the arrangements in the 2025 DAU are appropriate to approve, we have considered the specific characteristics of Queensland Rail's network and its customers.

Moreover, we do not consider that our 2025 DAU investigation is the right forum to attempt to establish consistent processes and standards across jurisdictions. Amongst other things, this would require engagement between all the relevant parties (across jurisdictions) to identify and consider opportunities for reform. We understand there are working groups and organisations that have

⁴⁶ Rail Operator Group, sub. 22, pp. 3-4; sub. 28, pp. 20-21; Aurizon Coal and Bulk, sub. 24, pp. 3, 8.

⁴⁷ Under this process, any person may apply to us for a recommendation to the relevant Minister that a service provided by a facility be declared for third party access under the Queensland access regime.

⁴⁸ Aurizon Coal and Bulk, sub. 2, pp. 10-12; sub. 24, pp. 5-7; GrainCorp, sub. 4, p. 3; Pacific National, sub. 7, pp. 14-15; Rail Operators Group, sub. 15, pp. 11-12 and sub. 22, p. 3.

⁴⁹ Pacific National, sub. 7, pp. 13-14.

⁵⁰ Aurizon Coal and Bulk, sub. 2, p. 3. The Rail Operators Group (sub. 15, p. 11) also considered that the complexity of an interstate train path moving across multiple networks was clearly demonstrated by requirements to comply with different access agreements, rolling-stock standards, network rules, operating conditions and pricing principles.

⁵¹ Qube, sub. 8, pp. 2-5; Rail Operator Group, sub. 15, p. 2, 11. In this regard, Qube submitted that improvements to the national freight network, including streamlined regulation and improved interoperability across networks, were identified as key deliverables in the National Freight and Supply Chain Strategy and the National Rail Action Plan.

been established to do just this.⁵² Queensland Rail considered that it would be counterproductive to attempt to achieve national consistency based on submissions from individual operators, cutting across ongoing industry-wide initiatives to achieve a national rail market.⁵³

The Rail Operator Group submitted that network fragmentation nationally and poor harmonisation of operating rules, standards, processes and regulation between jurisdictions continued to cause operating constraints and inefficiencies.⁵⁴ In this regard, Aurizon Coal and Bulk submitted that the major Australian rail freight operators provided services across multiple jurisdictions, using rail infrastructure controlled by a range of rail infrastructure managers. Aurizon Coal and Bulk considered that where rail infrastructure managers took different approaches to negotiating and managing access to their services, this imposed additional costs on rail freight operators.⁵⁵

Pacific National submitted that a transition to harmonised safeworking, licencing and rolling-stock conditions, amongst others, would aid the efficiency of rail freight, reduce operational complexity and support future opportunities for investment.⁵⁶ Aurizon Coal and Bulk and the Rail Operator Group also considered that there was benefit from improved harmonisation of the performance metrics used by Australia's freight rail networks.⁵⁷ In particular, Aurizon Coal and Bulk considered that, amongst other things, greater harmonisation reduced barriers to improving productivity and increasing freight on rail.⁵⁸

As such, Aurizon Coal and Bulk and the Rail Operator Group submitted that harmonisation was a legitimate objective for the 2025 DAU.⁵⁹ The Rail Operators Group submitted that it would welcome a commitment by Queensland Rail to update users regularly on its actions and engagement with forums related to interoperability and harmonisation.⁶⁰

We acknowledge that greater operational harmonisation between rail infrastructure managers may reduce complexity and have benefits for rail operators and end users. However, it is not clear that amending specific arrangements in the 2025 DAU to better align with those applied in another jurisdiction will necessarily realise these benefits. As yet, no nationally consistent approach has been agreed to, or adopted, by rail infrastructure managers with respect to these operational or reporting arrangements. Queensland Rail considered that benefits arising from more consistent and harmonised performance reporting would only arise if all other rail infrastructure managers adopted the same measures.⁶¹

Aurizon Coal and Bulk noted that while there were current national processes to promote interoperability and harmonisation across rail infrastructure managers, there was no plan for any agency to progress this. Aurizon Coal and Bulk and Rail Operators Group considered that there was an opportunity for Australia's economic regulators to improve harmonisation in the way in which regulation was applied in the various jurisdictional frameworks. In particular, Aurizon Coal and Bulk submitted that there were low-cost opportunities for improved harmonised access arrangements

⁵² For example, Queensland Rail (sub. 14, p. 6) submitted that the Australian Railway Association's strategy for national interoperability was the responsibility of an expanded interoperability working group including operators, rail infrastructure managers and relevant supply chain members. In addition, the National Transport Commission is tasked with delivering the [National Rail Action Plan](#) to harmonise standards, technology and operations for enhanced competitiveness and sustainability of Australia's rail system.

⁵³ Queensland Rail, sub. 14, pp. 5-6.

⁵⁴ Rail Operators Group, sub. 22, p. 3.

⁵⁵ Aurizon Coal and Bulk, sub. 24, pp. 5-7.

⁵⁶ Pacific National, sub. 7, p. 14.

⁵⁷ Aurizon Coal and Bulk, sub. 2, p. 40; Rail Operators Group, sub. 15, p. 14.

⁵⁸ Aurizon Coal and Bulk, sub. 24, pp. 5-7.

⁵⁹ Rail Operators Group, sub. 22, p. 3; Aurizon Coal and Bulk, sub. 24, p. 3.

⁶⁰ Rail Operators Group, sub. 28, p. 6.

⁶¹ Queensland Rail, sub. 14, pp. 5-8.

across jurisdictions, including consistent performance reporting and an objective for rail infrastructure managers to align network possessions where possible.⁶²

Making amendments to the 2025 DAU does not prevent alternative regulatory arrangements being considered and applied in other jurisdictions in future, given that each jurisdiction will individually determine those arrangements. Therefore, an attempt to individually align regulatory arrangements with other jurisdictions does not guarantee consistency between jurisdictions over time.

While we do not consider that requiring amendments to the 2025 DAU is an effective way to achieve and guarantee greater operational harmonisation with other rail infrastructure managers, we encourage Queensland Rail to work toward this objective in consultation with industry. Queensland Rail submitted that it supported the Australian Railway Association (ARA) priorities, including moving towards a national rail market and national interoperability, and that it was participating in the initiatives supporting ARA's Rail Freight Strategy 2023-2025.⁶³ We recognise that both Queensland Rail and Aurizon Coal and Bulk supported the case for a more harmonised approach to rail access regulation within Australia.⁶⁴

We have set out in the relevant chapters of this decision whether it is appropriate to require specific amendments to Queensland Rail's proposed 2025 DAU to facilitate improvements to productivity. In the event that future harmonisation efforts are hampered by Queensland Rail's access undertaking, the undertaking can be amended.

Summary 2.2

It is appropriate to approve Queensland Rail's proposed application and scope of the 2025 DAU (Part 1 of the 2025 DAU).

It is not appropriate to require amendments to the scope of the 2025 DAU to:

- include the provision of interstate services using the Acacia Ridge - Port of Brisbane dual gauge link
- require Queensland Rail commit to greater consistency and harmonisation with other rail infrastructure managers.

2.3 Other administrative matters

The 2025 DAU establishes transitional provisions (cl. 6.5), which provide for matters that have begun or have been settled under AU2 to be considered under the AU2 regulatory arrangements or continue to apply once the AU3 regulatory period begins.

Queensland Rail's proposed transitional arrangements in the 2025 DAU reflect those approved as part of its 2020 access undertaking.

These transitional provisions provide for processes and agreements that are completed under the regulatory framework to continue following the expiry of the 2020 access undertaking, giving regulatory certainty to access seekers and access holders. Such certainty promotes the efficient use

⁶² Aurizon Coal and Bulk, sub. 24, pp. 3, 5-7; Rail Operators Group, sub. 22, p. 3.

⁶³ Queensland Rail, sub. 14, pp. 5-6.

⁶⁴ Aurizon Coal and Bulk, sub. 2, pp. 10-11; Queensland Rail, sub. 14, p. 5.

of Queensland Rail's network and appropriately balances the legitimate business interests of Queensland Rail, access seekers and access holders.

We did not receive any stakeholder submissions in relation to Queensland Rail's proposed transitional arrangements.

The definitions of key terms in Part 7 of the 2025 DAU are, to the extent relevant, discussed in other sections of this decision, where those terms relate to individual sections of Queensland Rail's 2025 DAU.

Summary 2.3

It is appropriate to approve Queensland Rail's proposed transitional arrangements (cl. 6.5 of the 2025 DAU).

3 Negotiation framework

Queensland Rail’s 2025 DAU provides that the terms of access to the declared infrastructure be negotiated between Queensland Rail and access seekers. The 2025 DAU also establishes a dispute resolution mechanism, which applies to disputes arising under the undertaking or in relation to the negotiation of access terms.⁶⁵

Overview of the decision

Our decision is that it is appropriate to approve Queensland Rail’s proposed negotiation framework.⁶⁶

Negotiation framework (Part 2 and Part 6) – summary

Proposal	Clause	OCA decision
Negotiation process		
Queensland Rail proposed terms and conditions for the negotiation process. ⁶⁷	Part 2	It is appropriate to approve Queensland Rail’s proposed negotiation process. See section 3.2.
Stakeholders supported amendments to the ‘queueing mechanism’ that place an access holder at the start of the queue where it notifies Queensland Rail that it wishes to renew its access entitlement.	cl. 2.9	It is not appropriate to require amendments to the process for prioritising access applications ⁶⁸ that provide for an access holder to be placed at the start of the queue mechanism. See section 3.3.
Dispute resolution process		
Queensland Rail proposed a dispute resolution mechanism unchanged from the mechanism contained in its 2020 AU. ⁶⁹	cls. 6.1, 6.2	It is appropriate to approve Queensland Rail’s proposed dispute resolution mechanism. See section 3.4.

3.1 Overview of the negotiation framework

Part 2 of the 2025 DAU sets out the framework for negotiating access rights. It outlines key steps to be undertaken as part of the negotiation process (see Figure 3) and the information parties may be required to provide to as part of this process.⁷⁰

⁶⁵ Disputes about rights or obligations under agreements are to be dealt with in accordance with the provisions in those agreements, rather than the dispute resolution mechanism in the 2025 DAU (2025 DAU, cl. 6.1.2(c)).

⁶⁶ However, we identified minor typological errors in the drafting of cls. 2.9.2 and 2.9.4(d), and a minor referencing error in cl. 2.9.1(c).

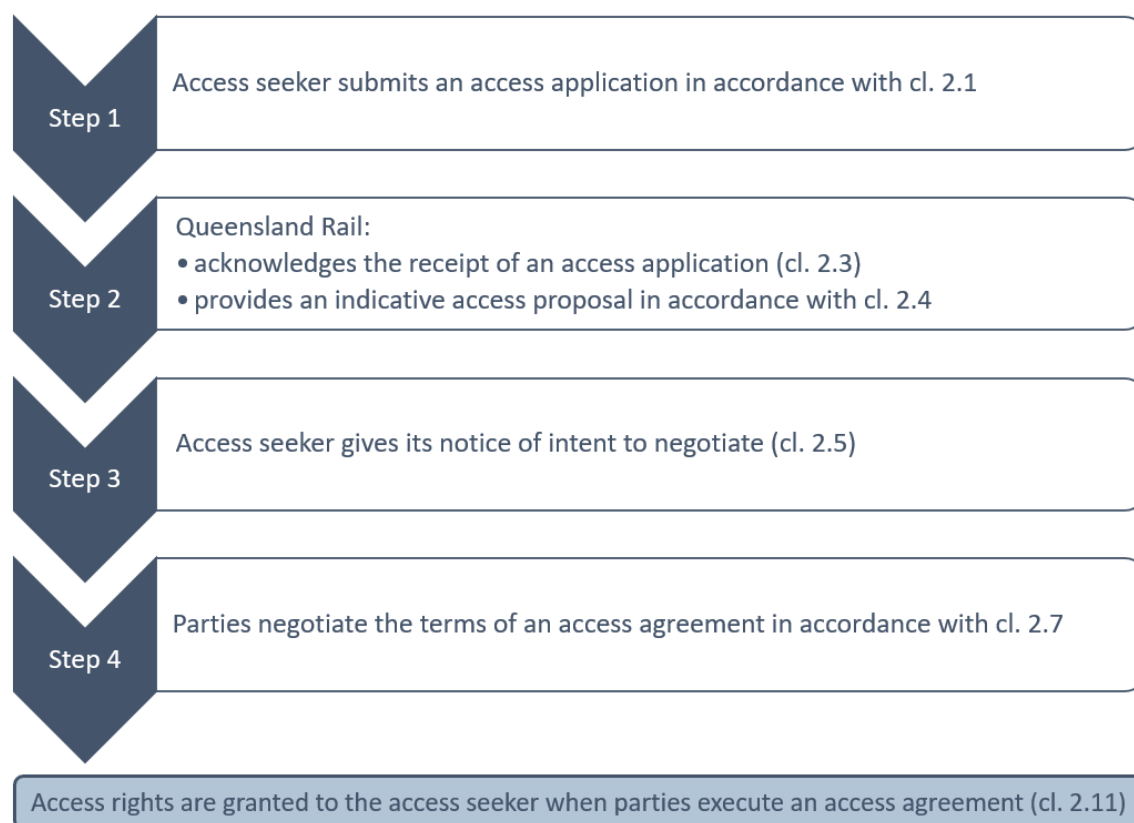
⁶⁷ Queensland Rail, sub. 1, part 2.

⁶⁸ Queensland Rail, sub. 1, cl. 2.9.

⁶⁹ Queensland Rail, sub. 1, cls. 6.1 and 6.2.

⁷⁰ These steps include Queensland Rail’s obligations to provide preliminary and capacity information (in conjunction with Schedule A of the 2025 DAU) and access seekers’ obligations to provide certain information in access applications (in conjunction with Schedule B of the 2025 DAU).

Figure 3: Key steps in the negotiation process



The negotiation framework also outlines principles and procedures for:

- the disclosure and use of confidential information during negotiations⁷¹
- dealing with multiple access seekers that are seeking access rights relating to the same traffic task⁷²
- determining how access applications will be prioritised if there are multiple access applications from access seekers competing for limited available capacity⁷³
- the treatment of an access application for renewing existing access rights.⁷⁴

Part 6 of the 2025 DAU outlines a dispute resolution mechanism, which applies a staged approach to resolving disputes (see Figure 4).⁷⁵

⁷¹ 2025 DAU, cl. 2.2.

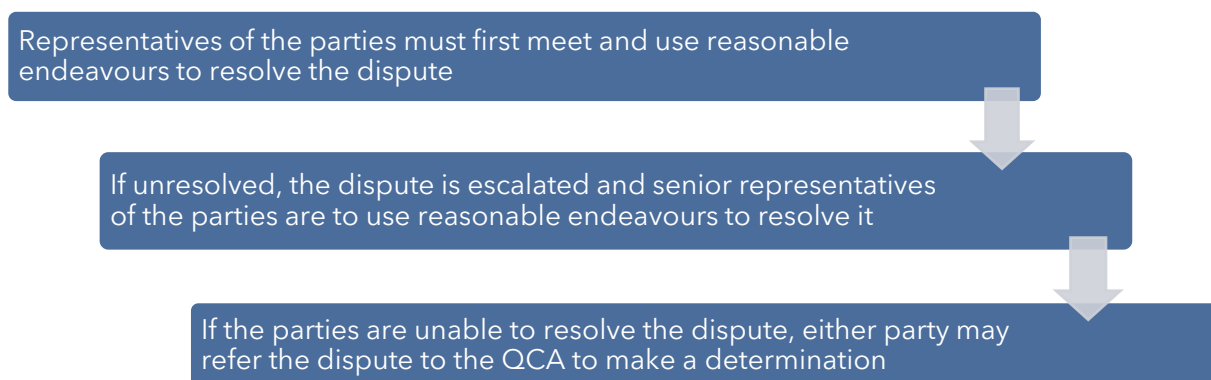
⁷² 2025 DAU, cl. 2.6.

⁷³ 2025 DAU, cl. 2.9.

⁷⁴ 2025 DAU, cl. 2.10.

⁷⁵ 2025 DAU, cl. 6.1. The SAA contains a separate dispute resolutions mechanism that applies where disputes arise in relation to an access agreement (see chapter 4).

Figure 4: Staged approach to resolving disputes in the 2025 DAU



Source: 2025 DAU, cls. 6.1.3 and 6.1.4.

Part 6 also sets out our obligations and procedures for making a determination in relation to a dispute.⁷⁶ Under the 2025 DAU, Queensland Rail is bound by any determination we make to resolve a dispute.⁷⁷

3.2 Facilitating the negotiation of access terms

We consider that Queensland Rail’s proposed negotiation framework in the 2025 DAU adequately facilitates access seekers’ and Queensland Rail’s negotiation of the terms and conditions for access to Queensland Rail’s network.

The negotiation framework provides access seekers with clear guidance on what is required to apply for access, and a level of certainty about the timeframes associated with negotiating access. In this regard, the framework clearly outlines the steps of the negotiation process, the timeframes associated with each of these steps, and the obligations for parties in negotiating access.⁷⁸ For instance, the framework specifies the information that parties are required to provide throughout the negotiation process.

Furthermore, we consider that Queensland Rail’s proposed negotiation framework provides for Queensland Rail and access seekers to enter negotiations from an appropriately informed position. The framework establishes the arrangements for parties to exchange information required to assess the access rights sought and, ultimately, negotiate the terms of access.⁷⁹ Amongst other things, the 2025 DAU specifies:

- preliminary and capacity information Queensland Rail is to provide access seekers (as outlined in Schedule A of the 2025 DAU)⁸⁰
- information that access seekers should provide as part of an access application (as outlined in Schedule B of the 2025 DAU)⁸¹

⁷⁶ 2025 DAU, cl. 6.1.4 and cl. 6.2.

⁷⁷ 2025 DAU, cl. 6.1.4(b).

⁷⁸ Aurizon Coal and Bulk considered that the relevant clauses could be presented more sequentially, in line with the negotiation process (see sub. 2, pp. 51-52). We do not consider that rearranging the order in which the relevant clauses are presented is necessary, or beneficial to access seekers.

⁷⁹ Additionally, the 2025 DAU (cl. 2.2) establishes obligations for parties in relation to the treatment of confidential information to support the provision of commercially sensitive information throughout the negotiation process.

⁸⁰ 2025 DAU, cl. 2.1.

⁸¹ 2025 DAU, cl. 7.1 and Sch. B.

- information to be provided by Queensland Rail as part of an indicative access proposal, relating to the relevant operating characteristics, estimated access charges and associated costs and asset values⁸²
- Queensland Rail's obligations to provide information that is reasonably required by the access seeker during negotiations, consistent with its obligations for negotiating access under the QCA Act.⁸³

Aurizon Coal and Bulk considered that Queensland Rail's standard response timeframes were not compatible with the market demand for these services. Aurizon Coal and Bulk submitted that many of its haulage opportunities required a rapid response, with timeframes for tender preparation measured in weeks.⁸⁴ It considered the following amendments would improve the timeliness of information provided to access seekers:

- no requirement for an access application for timetabled MTP services to include advice on specific train schedules, which would allow an indicative access proposal to be provided based on the assumption that the path will be scheduled using existing available capacity⁸⁵
- shorter indicative access proposal response times where it was assumed that the path will be scheduled using existing available capacity, given Queensland Rail would not be required to undertake capacity analysis at this stage of the process.⁸⁶

Separately, Aurizon Coal and Bulk also considered that the 2025 DAU should be amended to not require access seekers to finalise the operating plan before developing the interface risk management plan.⁸⁷ Aurizon Coal and Bulk considered that finalising the operating plan while the interface risk management plan was being developed better reflected the iterative process involved.⁸⁸

In response, Queensland Rail considered that it was fair and reasonable to require an access seeker to provide a complete access application to allow Queensland Rail to complete its assessment of available capacity. Queensland Rail submitted that the availability of capacity was a key element of an indicative access proposal and was important in determining if a future access agreement would be feasible and able to be implemented by the access seeker's target start-up date.⁸⁹

We consider that Queensland Rail's proposed negotiation framework provides for parties to be appropriately informed at each stage of the negotiation process. The benefits of a clear framework are that:

- negotiating parties can decide whether to progress to the next stage of negotiations
- the correct information can be used in finalising access terms and policy documents.

We consider that this is in the legitimate interests of Queensland Rail and access seekers.

Nonetheless, we acknowledge the importance of the timely provision of information for access seekers. Importantly, the negotiation framework provides for Queensland Rail to be responsive to the requests and timeframes of specific access seekers, where this is possible. Queensland Rail submitted that an indicative access proposal could be qualified with various assumptions where required, with the intent that those assumptions be resolved during the negotiation period should

⁸² 2025 DAU, cl. 2.4.2.

⁸³ 2025 DAU, cl. 2.7.2 (a).

⁸⁴ Aurizon Coal and Bulk, sub. 2, p. 34. Furthermore, Aurizon Coal and Bulk considered that uncertainty around the specific scheduled paths to be applied means that information on access pricing is often not available prior to the requirement for it to propose rail haulage commercial terms to customers.

⁸⁵ In these circumstances, the specific path would need to be confirmed through the negotiation period.

⁸⁶ Aurizon Coal and Bulk, sub. 2, pp. 4, 34.

⁸⁷ 2025 DAU, cl. 2.7.2 (a)(iii)(B).

⁸⁸ Aurizon Coal and Bulk, sub. 2, p. 51.

⁸⁹ Queensland Rail, sub. 14, pp. 30-31.

the operator wish to progress on this basis. Queensland Rail submitted that it had provided preliminary information to access seekers on numerous occasions.⁹⁰

The 2025 DAU also provides for Queensland Rail to cease negotiations in certain circumstances, which we consider appropriately balances the legitimate interests of Queensland Rail and access seekers.⁹¹ Queensland Rail may cease negotiations with an access seeker where:

- an access seeker fails to comply with provisions of the undertaking
- an access seeker has concurrent requests for access that Queensland Rail reasonably believes to be duplicate requests for access
- an access seeker does not satisfy prudential requirements
- Queensland Rail considers an access seeker has no reasonable likelihood of using the requested access rights or complying with an access agreement
- Queensland Rail considers the proposed access rights sought may adversely affect the safety of passenger train services.⁹²

We note that Queensland Rail's proposed negotiation process is, except for proposed amendments to the queuing mechanism, unchanged from the framework in its 2020 AU.

Queensland Rail submitted that no disputes had been lodged in relation to the negotiation process. This indicated to Queensland Rail that the majority of access seekers were reasonably satisfied with the information and process that Queensland Rail provided.⁹³ Pacific National did not consider that the fact there had not been any disputes lodged meant that access seekers were satisfied with Queensland Rail's performance and processes⁹⁴ – but did not oppose our draft decision on this matter.⁹⁵

Supporting negotiations and constraining Queensland Rail's market power

We do not consider that amendments to the negotiation framework in the 2025 DAU are required to further support negotiations between Queensland Rail and access seekers.

Aurizon Coal and Bulk considered that the 2020 access undertaking had not been effective in supporting genuine negotiations for access – with Queensland Rail continuing to exercise market power in its access negotiations for services where no reference tariffs applied.⁹⁶ In support of this, Aurizon Coal and Bulk, Glencore and Centrex submitted that the costs of operating and maintaining the Mount Isa line were comparably higher than other rail corridors for transporting containerised products and had increased significantly in recent years.⁹⁷ Moreover, stakeholders submitted there had been a decline in operational performance. For instance, Aurizon Coal and Bulk submitted that

⁹⁰ Queensland Rail, sub. 14, pp. 30-31.

⁹¹ Aurizon Coal and Bulk (sub. 2, p. 52) questioned whether a clause that explicitly provided for Queensland Rail to cease negotiation if it believed the proposed operation might adversely affect a passenger service was necessary. Aurizon Coal and Bulk considered that should Queensland Rail assess the risk of an operation to be above the level it was willing to accept and identified no adequate controls as part of a standard interface risk assessment, the effect would be the same. While it may be argued that the 2025 DAU already provides for Queensland Rail to cease negotiations in these circumstances, we consider that it is reasonable and provides regulatory certainty, if Queensland Rail clearly specifies those circumstances where it may cease negotiations with an access seeker.

⁹² 2025 DAU, cl. 2.8.

⁹³ Queensland Rail, sub. 14, p. 29.

⁹⁴ Pacific National considered that another interpretation of the lack of formal disputes was that access seekers first used escalations and influence to resolve issues, rather than opting for official dispute mechanisms. Pacific National submitted that the formal dispute process was often the last alternative used by access seekers, noting it could be a costly process as it required organisations to obtain external legal advice for any disputes.

⁹⁵ Pacific National, sub. 20, pp. 15-16.

⁹⁶ Aurizon Coal and Bulk, sub. 2, pp. 12-13.

⁹⁷ Aurizon Coal and Bulk, sub. 2, pp. 16-18; Centrex, sub. 10, pp. 3-4; Glencore, sub. 11, pp. 3-5.

corridor velocity⁹⁸ and availability⁹⁹ had declined.¹⁰⁰ The Rail Operators Group also submitted that its members observed there had been a deterioration in transit times.¹⁰¹

Pacific National considered that access charges on the North Coast line were not commensurate with the condition of the lines nor the performance levels required to operate an effective rail freight market.¹⁰²

In response, Queensland Rail considered that the cost comparisons presented by stakeholders did not account for characteristics such as geographical location, traffic density and the types of containerised freight being transported. Furthermore, the cost information did not account for inflation or the effects of changing volumes on the network. In relation to operational performance, Queensland Rail submitted that the largest portion of transit time delays and train cancellations over the past five quarters were due to above-rail rather than below-rail causes. Queensland Rail also submitted that there had been a negligible change in the total distance of temporary speed restrictions over the last five years.¹⁰³

We consider that Queensland Rail has an incentive to attract, and negotiate access with, access seekers that are willing to pay access charges that recover at least the incremental costs incurred by Queensland Rail in providing access to its network. Any revenue generated from a customer above this level will contribute to the recovery of the substantial fixed costs associated with operating and investing in the network.

For those systems that do not have a reference tariff, overall we do not consider that Queensland Rail is able to generate expected revenue for the provision of access that is in excess of the efficient costs it incurs in providing access to access holders.¹⁰⁴ The Department of Transport and Main Roads provides transport service contract payments to support Queensland Rail's provision of rail infrastructure for the majority of its systems as they are not financially viable based solely on access revenue.¹⁰⁵ While access revenues on the Mount Isa line largely cover incremental operating costs, it does not generate sufficient access revenues to cover the total economic cost of providing the service.¹⁰⁶

Where this is the case, we consider that Queensland Rail has an incentive to reduce inefficiencies on the network, given it may not be able to pass on all of the costs it incurs to access holders when negotiating the terms of access. For instance, Queensland Rail submitted that access charges on the Mount Isa line had not increased in real terms for several years.¹⁰⁷ Queensland Rail submitted that even where costs had increased (for instance, due to rising materials prices and labour shortages) there had been no transfer of cost increases to users on the Mount Isa line.¹⁰⁸

⁹⁸ Aurizon Coal and Bulk submitted that in recent years there had been an increase in the distance of the Mount Isa line that was subject to speed restrictions and sectional run times.

⁹⁹ Aurizon Coal and Bulk submitted that Queensland Rail had restricted access to the corridor for 4 weeks a year in a recent access agreement renewal (reducing the provision of pathing from 52 weeks to 48 weeks per annum).

¹⁰⁰ Aurizon Coal and Bulk, sub. 2, pp. 18-19.

¹⁰¹ Rail Operators Group, sub. 15, p. 4.

¹⁰² Pacific National, sub. 13, p. 5.

¹⁰³ Queensland Rail, sub. 14, pp. 19-20, 23.

¹⁰⁴ Including a return on investment commensurate with the regulatory and commercial risks involved.

¹⁰⁵ Queensland Rail, sub. 14, p. 16. In 2022-23, Queensland Rail reported \$190 million in total access revenue, against operating expenses of over \$409 million for its regional network.

¹⁰⁶ Queensland Rail, sub. 14, pp. 17-18. The return on assets is calculated on an asset value of up to \$331 million (as at 30 June 2023) as compared to an economic value of more than \$1.4 billion as estimated by Queensland Rail using a DORC methodology. While we have not conducted a valuation of the Mount Isa line, we note it is approximately 3 times as long as the West Moreton system, which has a regulatory asset base of more than \$500 million (see section B.5 of this decision). The Mount Isa line is rated at a 20-tonne axle load, while the West Moreton axle load is 15.75 tonnes.

¹⁰⁷ Queensland Rail submitted that standard access charges for bulk mineral concentrates and intermodal freight on the Mount Isa line had only increased by CPI since FY18, except for in July 2019, where intermodal access charges were reduced by 5.2% in real terms.

¹⁰⁸ Queensland Rail, sub. 14, pp. 20, 22.

Moreover, the 2025 DAU provides for access seekers to refer a dispute that arises in negotiating the terms of access to us to make a determination. As outlined in section 3.4, Queensland Rail's proposed dispute resolution mechanism provides for disputes to be resolved in a fair and timely manner.¹⁰⁹

Centrex and North West Phosphate considered that Queensland Rail should be required to publish floor and ceiling prices to improve transparency and aid the price differentiation process.¹¹⁰ North West Phosphate submitted that junior miners currently suffered from information asymmetry and were thus at a distinct resource disadvantage in contract and price negotiations. Glencore also considered that Queensland Rail should be obliged to publish details of how it had calculated the efficient incremental cost of providing its service, as well as the ceiling price.¹¹¹ MMG submitted that the additional transparency afforded by the disclosure of this information to access seekers would assist the negotiation process.¹¹²

We consider that Queensland Rail's proposed negotiation framework provides for Queensland Rail and access seekers to enter negotiations from an appropriately informed position. Queensland Rail is to provide an initial estimate of the access charges at this stage of the negotiation process, including the methodology for calculating access charges. As part of an indicative access proposal, Queensland Rail is also to outline:

- the cost of providing the access, including the capital, operating and maintenance costs (consistent with s. 101(2)(b) of the QCA Act)
- asset value including the valuation methodology (consistent with s. 101(2)(c) of the QCA Act).¹¹³

Together, these information requirements provide for all access seekers to know how the access charges are calculated and whether the estimated access charges are within the floor and ceiling revenue limit as prescribed (cls. 3.2.2-3.2.3). Therefore, we do not consider that the additional disclosure of the floor or ceiling prices will necessarily assist the negotiation process.

Summary 3.1

It is appropriate to approve Queensland Rail's proposed negotiation process (Part 2 of the 2025 DAU).

¹⁰⁹ Glencore (sub. 11, pp. 3-5) submitted that there was currently no opportunity to challenge Queensland Rail's assumed WACC for non-reference services. Glencore also considered that Queensland Rail had sought to recover costs for capital projects where Glencore doubted the efficiency of undertaking those projects or they had not actually been developed. We consider that access seekers are able to challenge such matters as part of negotiating the level of access charges and have the ability to refer a dispute to us to make a determination where such matters cannot be resolved.

¹¹⁰ Centrex, sub. 10, p. 4; North West Phosphate, sub. 6, p. 2. Mount Isa Line Users (sub. 17, p. 2) and MMG (sub. 18, pp. 3-4) supported Centrex's and North West Phosphate's submissions on these matters.

¹¹¹ Glencore, sub. 11, pp. 4-5. Glencore submitted that past attempts to use the legislative rights to information under the QCA Act have failed to produce any material additional transparency.

¹¹² MMG, sub. 18, pp. 3-4.

¹¹³ Where a reference tariff does not apply (2025 DAU, cl. 2.4.2 (d), (e)).

3.3 Arrangements for prioritising access applications

Queensland Rail's proposed negotiation process includes the following arrangements for prioritising the negotiation of access applications:

- a queuing mechanism that establishes how access applications are to be prioritised where it is not possible for Queensland Rail to fulfil requests for access rights from multiple access seekers¹¹⁴
- provisions that prioritise access holders looking to renew access rights over new access seekers, when negotiating access.

Queensland Rail proposed changes to the queuing mechanism provisions that it considered simplified the drafting but retained the principles outlined in the 2020 access undertaking.¹¹⁵

We consider that Queensland Rail's proposed queuing mechanism provides a consistent, non-discriminatory and transparent framework for prioritising access applications where capacity constraints exist.

The principles and procedures for establishing a queue remain consistent with those outlined in Queensland Rail's 2020 access undertaking. Queensland Rail should:

- identify whether an access application is to be placed in a queue
- notify the access seeker that its application is a queued access application and identify its position in the queue
- establish the order of the queue based on the date that Queensland Rail receives the applications.¹¹⁶

The 2025 DAU provides for Queensland Rail to change the order of the queue in certain circumstances.¹¹⁷

The 2025 DAU queuing mechanism does not apply to access holders who are seeking to renew access rights that are about to expire.¹¹⁸ Instead, access holders who are renewing access rights will be given priority over a new access seeker in negotiating an access agreement, where they are competing for the same access rights.¹¹⁹

Aurizon Coal and Bulk and Pacific National considered that the proposed queuing mechanism may affect the ability of existing access holders to renegotiate contracted paths in order to maintain the continuity of their business. Aurizon Coal and Bulk submitted that the queuing mechanism may give an access seeker priority over an access holder looking to renew its access entitlement, simply because of the order that the applications are received.¹²⁰

¹¹⁴ 2025 DAU, cl. 2.9.

¹¹⁵ Queensland Rail, sub. 1, p. 60. Queensland Rail proposed simplified drafting for the queuing mechanism to make clear that where there were multiple applications for the same traffic task, those applications would be regarded as a single access application for the purpose of the queue (see 2025 DAU, cl. 2.9.2). Queensland Rail would assign the same position in any applicable queue where the customer had not yet nominated an alternate access seeker.

¹¹⁶ 2025 DAU, cl. 2.9.3 (a), (b).

¹¹⁷ 2025 DAU, cl. 2.9.4(b). These circumstances include where the parties end the negotiation of access rights, in accordance with the 2025 DAU; the change is required for compliance with the 2025 DAU; Queensland Rail prioritises an application from a coal-carrying train services (using West Moreton) for an access agreement of at least 10 years ahead of an application seeking a term less than 10 years; and Queensland Rail prioritises an application from other train services based on the present value of contribution to common costs.

¹¹⁸ 2025 DAU, cl. 2.9.1(c).

¹¹⁹ 2025 DAU, cl. 2.10.

¹²⁰ Aurizon Coal and Bulk, sub. 2, p. 35; Pacific National, sub. 13, p. 7. The Rail Operators Group (sub. 28, p. 14) also submitted that the 2025 DAU queuing framework may have unintended consequences for existing rail operators or access holders, in terms of the ability to renegotiate for currently contracted paths – the formulaic 'order of application' queuing process may force Queensland Rail to allocate that path to the access seeker, rather than allowing the existing access holder continuity of service.

Aurizon Coal and Bulk, the Rail Operators Group and Pacific National all considered that to address this, the 2025 DAU should also provide for Queensland Rail to place an access holder at the start of the queue, where an access holder provides notification that it wishes to renew its access entitlement within 120 days of its access agreement expiring.¹²¹ Aurizon Coal and Bulk considered that this approach:

- provides for Queensland Rail to continue to have the right to re-order the queue
- provides additional confidence to access holders around their ability to negotiate for renewal of their access rights
- does not detract from Queensland Rail's legitimate business interests in renegotiating access charges in accordance with an approved access undertaking, or in preferencing allocation of the capacity to a different access seeker who places a higher value on the capacity.¹²²

The Rail Operators Group considered that this would provide stronger certainty for existing access holder around business continuity beyond the term of the access agreement.¹²³ Pacific National submitted that rail operators needed a level of certainty so they could invest with confidence and provide some assurance to end customers about continuity of service.¹²⁴

Queensland Rail submitted that it was prepared to consider the request for a preferential queuing position, subject to stakeholders considering a minimum contracting term for that position to apply.¹²⁵ Queensland Rail stated that there had been an increasing trend towards short-term contracts for general freight, providing no certainty for Queensland Rail to facilitate efficient management of the network. Moreover, Queensland Rail considered that an automatic preferential queuing position created a disincentive for access holders to enter into long-term contracts.¹²⁶

The Rail Operators Group submitted that it did not consider it reasonable to link the 'first in queue' provision to long-term access agreements, given the take-or-pay and relinquishment fee risks linked to long-term contracts.¹²⁷

Access holders and access seekers are best placed to manage their contractual positions. We consider that the renewal provisions outlined in the 2025 DAU provide sufficient certainty, by applying a non-discriminatory, transparent and balanced approach for users to manage contractual positions over time. As such, we consider that Queensland Rail's proposed renewal arrangements promote the efficient use of the network (s. 138(2)(a)).

Furthermore, we consider that additional provisions that place an access holder at the start of a queue to negotiate available capacity may not incentivise users to effectively manage their contractual positions over the long run. This may have implications for the efficient operation of, and investment in, the declared service.

As such, we consider that Queensland Rail's proposed renewal provisions in the 2025 DAU appropriately balance the legitimate business interests of Queensland Rail, access holders and access seekers.

¹²¹ Aurizon Coal and Bulk, sub. 2, pp. 4, 35-36; Pacific National, sub. 13, p. 7; sub. 20, p. 5; Rail Operators Group, sub. 22, p. 11. The Rail Operators Group (sub. 22, p. 11) also submitted preliminary drafting amendments to the 2025 DAU that it considered would address stakeholder concerns.

¹²² Aurizon Coal and Bulk, sub. 2, pp. 4, 35-36.

¹²³ Rail Operators Group (sub. 22, p. 11) considered this to be reasonable where Queensland Rail had greater rights to remove or reschedule paths that were not being reliably utilised.

¹²⁴ Pacific National; sub. 20, p. 5.

¹²⁵ The Rail Operators Group (sub. 28, p. 14) submitted that Queensland Rail did not support amendments to renewal rights and was only prepared to consider them for long-term access agreements, suggesting 10 years as the minimum term for renewal rights for coal producers.

¹²⁶ Queensland Rail, sub. 27, p. 57.

¹²⁷ Rail Operators Group, sub. 28, p. 14.

New Hope and Yancoal considered that existing users in the West Moreton system should have stronger renewal rights than those proposed in the 2025 DAU.¹²⁸ However they said in submissions on our discussion paper that they were prepared to accept not having renewal rights. We discuss this matter in Appendix B (section B.4.4) as part of our consideration of appropriate access terms for the West Moreton system.

Summary 3.2

It is not appropriate to require amendments to the process for prioritising access applications (cl. 2.9 of the 2025 DAU) that provide for an access holder to be placed at the start of the queuing mechanism.

3.4 Dispute resolution mechanism

While the 2025 DAU facilitates negotiation between access seekers and Queensland Rail, disputes between the parties may still arise. An effective dispute resolution mechanism is an important element of the negotiation framework.

We consider that Queensland Rail's proposed dispute resolution mechanism in the 2025 DAU promotes successful negotiations and makes parties accountable for their conduct under the access undertaking.

The mechanism outlines procedures for a dispute to be raised and then resolved between the parties. Where a dispute remains unresolved, the relevant parties may refer that dispute to us for a determination, providing for the dispute to be resolved in a timely manner.¹²⁹ When disputes are resolved in a fair and timely way, parties can be confident that negotiations will proceed in a meaningful manner in accordance with the intent, obligations and processes of the undertaking.

Queensland Rail's proposed dispute resolution mechanism provides certainty as to the binding nature of our determinations, including orders as to the payment of costs.¹³⁰ This will increase stakeholder confidence that disputes will be resolved in a fair and timely manner. This is in the interests of all potential disputing parties and will promote the efficient use of the declared service (ss. 138(2)(a), (b), (e) and (h)).

We note that Queensland Rail's proposed dispute resolution mechanism is unchanged from the mechanism in its 2020 AU.

Pacific National considered that the following amendments to Queensland Rail's proposed dispute resolution mechanism would facilitate a more efficient and less costly dispute resolution process:

- reducing the timeframes for dispute escalation
- including a mediation or conciliation step prior to a dispute being referred to us for a determination

¹²⁸ New Hope, sub. 5, p. 26; Yancoal sub. 9, p. 21; sub. 23, p. 9.

¹²⁹ A dispute may also be referred directly to us if a party fails to comply with the requirements to use reasonable endeavours to resolve the dispute according to the resolution by escalation procedures in cl. 6.1.3.

¹³⁰ The 2025 DAU requires that before a QCA determination commences, all parties agree in a legally binding way to be bound by the determination.

- setting an expectation around the timing around our determination on a dispute, such as outlining a timeframe for making a determination.¹³¹

We consider Queensland Rail's proposed timeframes applying to each stage of the dispute resolution process¹³² provide parties with sufficient opportunity to attempt to resolve a dispute in a timely manner, before being able to refer that dispute to us for a determination. A reduction in these timeframes may limit opportunities for parties to resolve the dispute before it is escalated or referred to us for a determination.

Queensland Rail's proposed dispute resolution mechanism provides sufficient opportunity for parties to resolve a dispute. Parties are to use reasonable endeavours to resolve a dispute as it is escalated to senior representatives. The ability to then refer that dispute to us for a determination provides further incentive for parties to resolve a dispute.

Within the dispute resolution process, it is always open for the parties to voluntarily engage in mediation. However, requiring that an additional step of mediation be included in the dispute resolution mechanism may simply increase the costs and timeframes associated with resolving a dispute.

We also do not consider it appropriate to restrict our decision-making process to resolve a dispute. While we seek to resolve disputes in a timely manner, restricting our decision-making process may have implications for our ability to effectively resolve a dispute and for our obligations to provide natural justice – which is not in the interests of the relevant parties.

Summary 3.3

It is appropriate to approve Queensland Rail's proposed dispute resolution mechanism (cls. 6.1 and 6.2 of the 2025 DAU).

¹³¹ Pacific National, sub. 7, pp. 19-21.

¹³² In accordance with cl. 6.1.3 of the 2025 DAU, following a dispute notice, the relevant parties have 5 days to meet and use reasonable endeavours to resolve the dispute before the matter is escalated to senior representatives of the parties. The senior representatives then have 10 days to use reasonable endeavours to resolve the dispute before the matter is escalated to each party's chief executive officer. If the matter is not resolved within 10 days from the date it is referred to each party's chief executive officer, the parties may refer that dispute to us for a determination.

4 Standard access agreement

An access agreement is an agreement between Queensland Rail and an access holder regarding access to Queensland Rail’s network. Part 2 of the 2025 DAU sets out the provisions for developing and executing an access agreement. Schedule H of the 2025 DAU provides a standard access agreement (the proposed SAA) that contains the standard terms and conditions on which Queensland Rail proposes to provide access to its declared networks for all access seekers.¹³³

Overview of the decision

We consider it is appropriate for Queensland Rail to make some amendments to the proposed SAA. The way in which we consider it is appropriate to amend the proposed SAA is outlined in Appendix F.

Standard access agreement - summary

Proposal	SAA clause	OCA decision
Insurance provisions		
Queensland Rail proposed amending the responsibility for holding insurances covering an operator’s associates, agents and other third parties to require that the third party, rather than the operator, maintain required insurances.	cl. 16.1	It is appropriate to require additional amendments to the proposed SAA to provide greater clarity on the responsibility of operators’ third parties to maintain required insurances. See section 4.3.
Stakeholders supported amendments in the following areas: <ul style="list-style-type: none"> claim limitations indemnification requirements coverage and deductible levels insurer eligibility standards requirements for coverage reductions notification of insurance claims. 	cls. 13.2, 16.1, 16.3, 16.4 and 16.9	It is appropriate to require amendment of these provisions to improve their workability and clarity, or to reflect the parties’ consensually balanced risks. See section 4.3.
Stakeholders supported specifically recognising captive insurance companies as an eligible insurer.	cl. 16.3	It is not appropriate to require an amendment to specifically provide for the use of captive insurance companies. See section 4.3.
Assignment of Queensland Rail’s rights		
Queensland Rail proposed providing for assignment of its rights under an access agreement in circumstances where it would cease to have a right to operate all or part of the network.	cl. 22.1	It is appropriate to require additional amendments that provide greater procedural certainty and balance parties’ interests regarding assignment of

¹³³ References to clauses and schedules in this chapter are to the proposed SAA in Schedule H of the 2025 DAU, unless otherwise specified.

Proposal	SAA clause	QCA decision
		Queensland Rail's rights. See section 4.4.
Network utilisation and performance		
Stakeholders supported amending requirements for train path rescheduling, path resumption and individual performance indicators to enable improved network utilisation and reporting.	cls. 21.2, 21.3 and Sch. 5, cl. 1	It is not appropriate, at this time, to require amendments to the proposed SAA to incorporate further mechanisms that seek to facilitate improvements in network utilisation and performance. See section 4.5.
Dispute resolution process		
Stakeholders supported amending the dispute resolution process in the proposed SAA to align with the escalation timeframes and processes in the 2025 DAU.	cl. 19.2	It is appropriate to require an amendment of the proposed SAA to reduce the timeframe provided for Chief Executive Officer (CEO) resolution of disputes under an access agreement. See section 4.6.

4.1 Introduction

An SAA represents an indicative contractual agreement between Queensland Rail and each access holder. Therefore, it should, before parties negotiate and finalise terms, offer a reasonable or broadly acceptable allocation of responsibilities, obligations and risks.¹³⁴ Access agreements must be consistent with the terms of the SAA, unless the parties agree otherwise.¹³⁵

In our draft decision on the proposed SAA, we identified a broad range of areas where amendments to the provisions of the proposed SAA may be appropriate, and we encouraged all parties to discuss these issues and, where possible, reach consensus on them. As noted in our draft decision, amendments settled through negotiation are preferable, as stakeholders are best placed to manage and allocate risks among themselves. As such, we are inclined to support consensus positions as being consistent with section 138(2) of the QCA Act, with our focus being on whether stakeholders not privy to the negotiations are being disadvantaged.¹³⁶

In response to our request for collaborative submissions on our draft decision, we received submissions reflecting consensus between Queensland Rail and users on various issues related to the proposed SAA. Specifically, parties identified consensus positions on particular insurance terms, the dispute resolution process and assignment of Queensland Rail's rights in the proposed SAA. In addition, the submissions outlined a number of unresolved issues where the parties advised that they were yet to reach consensus but were continuing or intend to engage with each other.

¹³⁴ As noted in our draft decision and discussion paper, we consider it appropriate to place weight on whether the proposed SAA appropriately allocates existing responsibilities and obligations between the rail operator and the end user; and whether the risk that each party bears is justifiable and appropriate.

¹³⁵ 2025 DAU, cl. 2.11.2(a).

¹³⁶ We must also consider the effect of these positions on all stakeholders, including train operators, future access seekers and non-coal traffics, who are not necessarily represented by the parties that developed the consensus positions. Our broader considerations also include the public interest. Accordingly, while the existence of stakeholder-consensus positions is persuasive, it is not decisive.

As outlined in our discussion paper, after giving further consideration to these matters, including areas of consensus and non-consensus, and having regard to the criteria in section 138(2) of the QCA Act, we have:

- identified drafting amendments that we consider would improve the workability and clarity of
 - the insurance provisions in the proposed SAA
 - the assignment of Queensland Rail’s rights under an access agreement
 - the dispute resolution framework in the proposed SAA
- identified areas that are best addressed through negotiations between Queensland Rail and individual access holders
- noted that the mechanisms to improve overall network utilisation and performance are best placed in an access undertaking, rather than being specified in individual access agreements.

4.2 Overview of the proposed SAA

Access agreements form the contractual basis (between Queensland Rail and an access seeker) for the granting and use of access rights to Queensland Rail’s network. Notably, access agreements:

- contain the agreed terms and conditions of access to the network
- set out the respective rights and obligations of each party
- underpin the access rights and operation of train services on the network
- typically include areas such as access and operational rights, payment obligations, risk and indemnities, liabilities, insurance matters, disputes and assignments.

The proposed SAA is consistent with the SAA approved as part of AU2, with the exception of two changes involving:

- the responsibility for insurance coverage of operators’ associates and other insured parties
- the circumstances in which Queensland Rail may assign its rights to another party.

In general, we consider that the proposed SAA establishes a reasonably balanced framework for the provision of access to Queensland Rail’s network. However, we consider that certain amendments are appropriate, as outlined below.¹³⁷

4.3 Insurance provisions

The insurance provisions in the proposed SAA establish a predictable and transparent framework regarding insurance matters, including:

- operators’ and access holders’ respective obligations to maintain and comply with relevant insurances
- insurer eligibility standards
- essential terms and conditions
- disclosure requirements
- claims notification requirements.¹³⁸

¹³⁷ We consider that amendments that we have identified to particular provisions should include any other consequential amendments that may be necessary to give effect to the proposed amendment.

¹³⁸ Clause 16.

The insurance provisions proposed by Queensland Rail are consistent with those outlined in the SAA approved for the AU2 regulatory period, with the exception of a change to the responsibility for coverage of operators' associates.

In general, we consider that the insurance provisions proposed by Queensland Rail appropriately balance the allocation of insurance-related responsibilities and risks between Queensland Rail and users. However, we consider that amendments to certain insurance provisions in Queensland Rail's proposed SAA are appropriate to improve the workability of these provisions (see **Table 1**).

Table 1: Stakeholder submissions and QCA position – insurance

Stakeholder submission	QCA position
<p>Queensland Rail proposed requiring operators to ensure that their associates, agents, consultants, contractors and their subcontractors take out their own insurances (compliant with cl. 16), rather than requiring operators to maintain insurances covering these parties.¹³⁹</p> <p>Stakeholders generally did not oppose this proposal in principle.¹⁴⁰ However, several stakeholders expressed concern that the proposal, as currently drafted, was:</p> <ul style="list-style-type: none"> • unduly burdensome and unfeasible¹⁴¹ • uneconomic and inefficient for operators to fulfill¹⁴² • vague in regard to certain terminology¹⁴³ • excessive in scope.¹⁴⁴ 	<p>We consider it important that insurances adequately cover an operator's associates, agents, consultants, contractors and their subcontractors – as this helps to avoid critical gaps in coverage against public liability and other injury or damage claims. Appropriate allocation of responsibility for maintaining this coverage also supports operational efficiency objectives, as it allocates insurance risk to the parties best placed to manage this risk.</p> <p>However, we consider that the drafting of cl. 16.1(b) of the proposed SAA may impose impracticable requirements on operators as it is not evident that they have, or can acquire, requisite knowledge of third parties' insurance risk profiles to obtain suitable coverage.</p> <p>Queensland Rail and the Rail Operators Group collaboratively proposed amended drafting for cl. 16.1(b) that requires operators to use their best endeavours to engage third parties on terms that require those parties to hold insurance policies of the same type and value that the operator must hold.¹⁴⁵ Yancoal and New Hope also supported these proposed amendments.¹⁴⁶</p>

¹³⁹ Queensland Rail, sub. 1, p. 66. Clause 16.1 sets out the operator's obligation to obtain and maintain insurance, including a requirement for public liability and other insurance that covers the operator and each of its agents, consultants, contractors and their subcontractors.

¹⁴⁰ Aurizon Coal and Bulk, sub. 2, p. 52; New Hope, sub. 5, pp. 29-30 and sub. 19, p. 11, Yancoal, sub. 9, p. 30.

¹⁴¹ Pacific National, sub. 7, pp. 24-25 and sub. 20, p. 6. Pacific National suggested that it was beyond the logical remit of a rail operator to judge whether the relevant insurances were 'sufficient to protect the interests' of the insured party, as required under the proposal.

¹⁴² New Hope, sub. 5, pp. 29-30; Yancoal, sub. 9, p. 30. These parties suggested that there might be efficiencies in requiring sub-parties to obtain separate cover only to the extent that they were not covered by the operator's insurance.

¹⁴³ Pacific National, sub. 7, pp. 24-25 and sub. 20, p. 6 (regarding the term 'ensure'); Yancoal, sub. 9, p. 30 (regarding the term 'sufficient insurance').

¹⁴⁴ New Hope, sub. 5, pp. 29-30; Yancoal, sub. 9, p. 30. New Hope and Yancoal each submitted that the proposed amendments appeared to extend beyond the stated rationale and included other insurances referred to in cl. 16, rather than just the insurances identified in cl. 16(a)(iv) and (vi). Both parties suggested revisions to the proposed amendment to address these concerns.

¹⁴⁵ Queensland Rail, sub. 27, Att. 2; Rail Operators Group, sub. 28, p. 23.

¹⁴⁶ Yancoal, sub. 29, p. 9; New Hope, sub. 26, p. 7.

Stakeholder submission	QCA position
	<p>We consider that these amendments improve the workability of this provision and are in users' interests, by allowing operators more flexibility as to whether they cover third parties under their insurance policy or require those parties to have their own insurance in place. It is appropriate to require amendments to cl. 16.1(b) that oblige the operator to use its best endeavours to engage third parties on terms that require those parties to hold insurance policies of the same type and value that the operator must hold.</p>
<p>Clause 13.2(a) of Queensland Rail's proposed SAA bars claims¹⁴⁷ between parties unless notice and full details of the claim are provided within the prescribed one-year period.</p> <p>Pacific National considered that such a provision could be construed as requiring indication of a quantum or final amount that might not be determinable within one year from the occurrence and suggested eliminating the requirement to provide full details of a claim.¹⁴⁸</p>	<p>We consider that timely provision of information relating to the details of a claim is consistent with providing for contentious matters to be expeditiously brought forward for formal resolution. Expeditious resolution of claims is in the interests of all parties.</p> <p>To remove any ambiguity associated with the drafting of this provision, we consider it is appropriate to require that cl. 13.2(a) of the proposed SAA be amended to clarify that only information 'to the extent known' be required to be provided by the parties.¹⁴⁹ Queensland Rail and the Rail Operators Group each confirmed in their collaborative submissions that they support this amendment, and we consider the parties' consensus on this issue to be aligned with users' interests in improving procedural certainty regarding the claims process.¹⁵⁰</p>
<p>Clause 16.9(b) of Queensland Rail's proposed SAA provides for payment, in specified circumstances, of insurance monies to Queensland Rail 'commensurate with the amount to be paid out by Queensland Rail in relation to the damage'.</p> <p>Pacific National proposed amending cl.16.9(b) to clarify the requirement of access holders and operators to pay insurance monies to Queensland Rail upon settlement of an insurance claim covering damage to the network.¹⁵¹</p>	<p>Access holders' and operators' insurance coverage for network damage is limited to the insured's legal liability for causing or contributing to the damage and is subject to the loss adjustment process. Recognising these constraints, we consider that access holders and operators are not positioned to agree on behalf of their insurers to an amount on which Queensland Rail settles a damage claim until the claim is finalised.¹⁵²</p> <p>To remove any ambiguity associated with the drafting of this provision, we consider it is</p>

¹⁴⁷ As defined in cl. 28.1 of the proposed SAA.

¹⁴⁸ Pacific National, sub. 7, p. 24.

¹⁴⁹ The following stakeholders supported amending the provision in this manner: Pacific National, sub. 20, pp. 5-6; Rail Operators Group, sub. 22, p. 14; New Hope, sub. 19, p. 11.

¹⁵⁰ Queensland Rail, sub. 27, Att. 2; Rail Operators Group, sub. 28, p. 22.

¹⁵¹ Pacific National, sub. 20, pp. 9-10.

¹⁵² Pacific National submitted (sub. 20, p. 10) that '[t]he insurance of the Access Holders and Operators that cover damage to the Network is limited to covering the insured's legal liability for causing or contributing to such damage and is otherwise subject to the loss adjustment process.'

Stakeholder submission	QCA position
	appropriate to remove reference to 'commensurate with the amount to be paid out by Queensland Rail in relation to the damage' in cl. 6.9(b).

A number of stakeholders submitted that further amendments to the insurance provisions in the proposed SAA were appropriate. These amendments included:

- amending the coverage and deductible levels of insurances in clause 16.1(a)¹⁵³
- amending the eligibility standards for access holders' and operators' insurers in clause 16.3¹⁵⁴
- amending the terms for exclusions, endorsements or alterations that reduce cover levels in clause 16.4(b)¹⁵⁵
- providing greater specificity regarding access holders' and operators' obligations to apprise Queensland Rail of insurance claims under their insurances in clause 16.9(a).¹⁵⁶

In considering whether amending these provisions appropriately balances the legitimate business interests of Queensland Rail, access seekers and access holders, we note that these amendments reflect consensus positions reached by Queensland Rail and a number of stakeholders.¹⁵⁷

While applying these amendments to the proposed SAA may increase Queensland Rail's exposure to risk, we recognise that the amendments may be in the interest of access seekers.

As such, we would be minded to approve an SAA that is amended in this manner, given that Queensland Rail is best placed to assess its exposure to risk with respect to these matters and outline the terms of access that it determines are acceptable.¹⁵⁸

¹⁵³ Aurizon Coal and Bulk, sub. 2, p. 52; Pacific National, sub. 7, pp. 24-25 and sub. 20, pp. 6-7; Rail Operators Group, sub. 22, pp. 12-13. Queensland Rail's and the Rail Operators Group's collaborative submissions (sub. 27, Att. 2 and pp. 44-45; sub. 28, pp. 22-23) identified consensus positions and proposed drafting amendments. These proposed amendments involved removing (1) the words 'without limitation' in cls. 16.1(a)(ii) and 16.1(a)(iv)(B); (2) the obligation for carrier liability insurance in cl. 16.1(a)(v); and (3) the requirement for a maximum deductible for public liability insurance in cl. 16.1(a)(iv)(D).

¹⁵⁴ Queensland Rail's and the Rail Operators Group's collaborative submissions (sub. 27, Att. 2 and pp. 45-46; sub. 28, pp. 23-24) identified consensus positions and proposed drafting amendments. These proposed amendments involved replacing the requirement for insurers to hold an insurance financial strength rating of 'A' or better from Standard & Poor's (or a similar agency), with a requirement that the insurer is a corporation under the Corporations Act and licensed to conduct insurance business in Australia, or otherwise reasonably acceptable to Queensland Rail.

¹⁵⁵ Queensland Rail and the Rail Operators Group (sub. 27, Att. 2 and p. 46; sub. 28, p. 24) identified a consensus position and proposed drafting to replace the requirement for access holders and operators to obtain Queensland Rail's consent for exclusions, endorsements or alterations that adversely amend the insurance cover provided with a requirement preventing reductions of cover below the levels prescribed in cl. 16.

¹⁵⁶ Queensland Rail (sub. 27, Att. 2 and p. 47) and the Rail Operators Group (sub. 28, p. 24) collaboratively proposed amended drafting for cl. 16.9(a) to limit access holders' and operators' requirement to notify and inform Queensland Rail to the extent that the claims affect, relate to or are in connection with the access agreement or any right, liability or real or other property of Queensland Rail, or otherwise affect the ability to claim under the relevant policy of insurances. New Hope and Yancoal (sub. 26, p. 7; sub. 29, p. 9) were also supportive of this proposed amendment.

¹⁵⁷ The Rail Operators Group (sub. 33, p. 5) submitted that operators and Queensland Rail had not yet agreed on whether the current public liability coverage limit in cl. 16.1(a)(iv)(B) should be reduced from \$350 million to \$250 million and that we should support a joint review of this limit, to be undertaken no later than within 6 months of the commencement of AU3. We do not consider it appropriate to require this timeframe at this time. We consider that, to the extent that the public liability coverage limit constitutes a material factor affecting access to the network, Queensland Rail would be incentivised to reduce this limit in alignment with its assessment of associated risks. We also note that parties can seek to negotiate with Queensland Rail other (lower) limits that are consistent with their interests.

¹⁵⁸ The Rail Operators Group supported the amendments that we identified as appropriate concerning the insurance provisions in the proposed SAA (sub. 33, p. 4). New Hope (sub. 31, p. 10) and Yancoal (sub. 34, p. 11) supported these amendments concerning cls. 16.1, 16.3 and 16.4(b).

In addition, New Hope submitted that amendments should be made to other SAA provisions where it had recently experienced difficulties in negotiating modifications with Queensland Rail.¹⁵⁹ We consider that the provisions which New Hope has proposed to amend provide a reasonably balanced and appropriate framework for administering network access. In addition, the proposed amendments generally have implications for the parties' risk or cost profiles, which may vary among users, and consequently the amendments are best addressed either consensually or on an individually negotiated basis. We do not consider that it is appropriate to require these proposed amendments at this time.

Captive insurance companies

In addition to the proposed amendments to the insurance provisions outlined above, some stakeholders considered that the proposed SAA should specifically provide for the use of captive insurance companies.¹⁶⁰ A captive insurance company is a wholly owned subsidiary insurer formed to provide risk mitigation services for its parent company or related entities. We consider that this proposed amendment may increase Queensland Rail's exposure to risk. Notably, allowance of a specific category of insurers based on their form or corporate structure, rather than their insurance capability, may enable parties that are not suitably qualified to undertake the role. Queensland Rail did not support the proposed amendment, noting that it was unnecessary in an SAA to prescribe the form of insurer that Queensland Rail was to accept and that the matter was best left for negotiation on a case-by-case basis.¹⁶¹

Under the 2025 DAU, Queensland Rail is to negotiate access agreements that are consistent with the terms of the SAA, unless the parties agree otherwise.¹⁶² Therefore, in the absence of consensus amongst the parties, we do not consider it appropriate to require amendments to Queensland Rail's proposed SAA that simply act to alter how risk is allocated amongst the parties. We consider the negotiating parties are best placed to negotiate alternative terms on a case-by-case basis, so that access charges are able to appropriately reflect any negotiated changes to the allocation of risk.

Moreover, we acknowledge Queensland Rail's submission that the consensually proposed amendment to insurer standards in clause 16.3, as discussed above, may facilitate engaging captive insurance companies who meet those standards. We do not consider it appropriate to require amendment to the proposed SAA to specifically provide for the use of captive insurance companies.

¹⁵⁹ New Hope, sub. 26, pp. 9-11, and sub. 31, p. 10. These proposed amendments involved cls. 7.3(a)(vii) (Compliance); 8.7(a)(ii) (Alterations to Train Services), 13.6 (Claims in respect of non-provision of access), 14.1 and 14.2 (Right of suspension), 17.3 (Review of Security) and 28.1 ('Force Majeure Event' and 'Repeated Breach' definitions).

¹⁶⁰ Aurizon Coal and Bulk, sub. 2, p. 52; Rail Operators Group, sub. 28, pp. 23-24.

¹⁶¹ Queensland Rail, sub. 27, pp. 59-60.

¹⁶² 2025 DAU, cl. 2.11.2(a).

Summary 4.1

It is not appropriate to approve Queensland Rail's proposed SAA (Schedule H of the 2025 DAU).

It is appropriate for Queensland Rail to amend the insurance provisions in the SAA to improve their workability and clarity to reflect the parties' consensually balanced risks.

The way in which we consider it is appropriate to amend the proposed SAA is outlined in Appendix F.

4.4 Assignment of Queensland Rail's rights

Queensland Rail's proposed SAA provides in clause 22.1(a) for the assignment of its rights under an access agreement in circumstances where Queensland Rail ceases, or no longer expects, to have a right to operate all or part of the network.¹⁶³

We acknowledge the importance of enabling Queensland Rail to assign its rights under an access agreement to another party in appropriate circumstances, including where it ceases to have a right to operate all or part of the network.

In general, we consider that the proposed SAA appropriately balances flexibility for parties to transfer their rights and obligations to third parties, while bringing procedural certainty to the assignment process. In particular, the proposed SAA goes some way to establishing a transparent and circumscribed framework under which parties may assign all or part of their respective rights and obligations under an access agreement to a third party.

Queensland Rail's ability to assign its rights under the proposed SAA should be predictable, transparent and reasonably balanced with users' legitimate interests in maintaining operational continuity. In circumstances where Queensland Rail will cease to have a right to operate all or part of the network, we consider that procedural certainty and operational continuity related to assignment of rights should be supported, among other things, by:

- clarifying the circumstances in which Queensland Rail can assign its rights, including avoidance of speculative thresholds, such as situations where Queensland Rail's loss of its operational rights is merely expected or not confirmed
- limiting the assignment to the relevant part(s) of the network that Queensland Rail will no longer operate
- providing assurances regarding the assignee's suitability to fulfill its obligations.

New Hope and Yancoal submitted that they did not have concerns with Queensland Rail's rationale for assignment in circumstances where it ceased to have a right to operate the network. However, they considered that Queensland Rail's assignment rights in clause 22.1(a) were ambiguous or overly broad and would permit assignments in certain inappropriate circumstances – such as where the parts of the network for which operatorship had changed were irrelevant to the access rights

¹⁶³ Queensland Rail, sub. 1, pp. 66-67.

under the agreement, or where it was uncertain or merely expected that operatorship would change.¹⁶⁴

Following concerns expressed by some users and further engagement, Queensland Rail, the Rail Operators Group, New Hope, and Yancoal provided collaborative submissions proposing, with suggested drafting, an amended provision that provided for:¹⁶⁵

- assignments where Queensland Rail ‘will no longer have’ operational rights
- limiting assignments to the part of the network for which Queensland Rail will no longer provide access
- a 21-day notice period allowing users to seek information regarding the assignee’s performance capability
- Queensland Rail to make its best endeavours to secure the assignee’s cooperation to provide requested information and to negotiate an interface agreement.

We acknowledge the parties’ broad consensus on this issue. We also consider that the proposed amendments to clause 22.1(a) provide procedural certainty regarding the parties’ rights and responsibilities, including by clarifying the circumstances in which Queensland Rail can assign its rights and limiting the assignment to relevant parts of the network. It also protects parties’ interests in maintaining operational continuity through requirements regarding the assignee’s performance expertise and capability, and covenant obligations. As such, we are minded to approve the proposed amendments to this provision to reflect parties’ consensus position on these matters.¹⁶⁶

Additionally, we consider it important that assignees are required to have the relevant accreditations. This requirement supports the parties’ interests in ensuring that assignees are suitably qualified to fulfill their role.

New Hope and Yancoal were also concerned about Queensland Rail’s proposal to omit references to the QCA Act and access undertaking that were included in the assignment provision in AU2.¹⁶⁷ An assignee is providing a declared service under the QCA Act, and consequently we consider it is appropriate to include references to the QCA Act in this provision.¹⁶⁸

Regarding references in clause 22(1)(b) to ‘access undertaking’, we consider it appropriate that these be omitted. It is unlikely that an assignee can be required to comply with Queensland Rail’s access undertaking. Queensland Rail also expressed concerns in this regard.¹⁶⁹ Moreover, the QCA Act provides for access seekers to obtain access to the declared service on reasonable terms and conditions.¹⁷⁰

¹⁶⁴ New Hope, sub. 5, pp. 30–31 and sub. 19, p. 12; Yancoal, sub. 9, pp. 30–31. New Hope and Yancoal also proposed that in situations where the change in operator concerned only part of the network, the assignee should be required to coordinate train path scheduling with Queensland Rail (New Hope, sub. 19, p. 12, and sub. 31, p. 10; Yancoal, sub. 34, p. 12). We do not consider it appropriate to require this amendment on the basis that coordination issues may be dealt with at the time of assignment when the actual circumstances of the assignment are known. We also note that s. 101(1) of the QCA Act requires access providers, in access agreement negotiations, to make all reasonable efforts to try to satisfy the reasonable requirements of the access seeker.

¹⁶⁵ Queensland Rail, sub. 27, p. 60; Rail Operators Group, sub. 28, pp. 26, 60–61; New Hope Group, sub. 26, pp. 8–9; Yancoal, sub. 29, pp. 10–11,

¹⁶⁶ The Rail Operators Group supported the amendments that we identified as appropriate concerning the assignment provisions in the proposed SAA (sub. 33, p. 4).

¹⁶⁷ New Hope, sub. 26, pp. 8–9; Yancoal, sub. 29, pp. 10–11 and sub. 29, pp. 10–11. See cl. 22.1(a), SAA, Sch. H, AU2 (cl. 22.1(b) of the proposed SAA, 2025 DAU).

¹⁶⁸ Clause 22.1(b).

¹⁶⁹ Queensland Rail, sub. 32, p. 38.

¹⁷⁰ For example, s. 101(1) of the QCA Act requires that, during access agreement negotiations, access providers must make all reasonable efforts to try to satisfy the reasonable requirements of the access seeker.

Summary 4.2

It is appropriate for Queensland Rail to amend the proposed SAA to provide additional procedural certainty and to balance parties' interests regarding Queensland Rail's assignment of its rights under an access agreement.

The way in which we consider it is appropriate to amend the proposed SAA is outlined in Appendix F.

4.5 Network utilisation and performance

Queensland Rail is responsible for scheduling and managing train paths on the network. This is reinforced by the proposed SAA, which outlines that Queensland Rail has exclusive responsibility for network control and may issue network control directions to the operator (and the operator's associates) – subject to the network management principles.¹⁷¹

Our view is that the overarching principles and processes that outline how Queensland Rail must schedule and manage train services on the network are best placed in an access undertaking, rather than being specified in individual access agreements. Where Queensland Rail amends how it implements network control changes over time, there is a need for consistency across different access agreements and for the benefits of refinements made to these processes to be realised across the network. Moreover, we consider that incorporating these principles and processes in an access undertaking increases transparency for access holders.

The network management principles (Schedule F of the 2025 DAU) govern the way in which Queensland Rail must schedule and manage train services on the network (see chapter 6 of this decision).

4.5.1 Mechanisms to provide for improved network utilisation

We consider there may be opportunities to provide Queensland Rail with more flexibility in train operations with respect to train path rescheduling and path resumption. However, as outlined below, we do not consider it appropriate to require amendment to these provisions in the proposed SAA.

With respect to path rescheduling, greater flexibility in certain circumstances may support schedule optimisation and efficient network utilisation.¹⁷² However, we consider that the potential benefits of providing Queensland Rail with further flexibility need to be appropriately balanced with providing certainty to access holders about the scheduling of train services.

Aurizon Coal and Bulk submitted that there was generally limited accountability for rail operators to run to schedule. Moreover, Aurizon Coal and Bulk considered that the scheduling of a new train path might be constrained by an existing train schedule, even where the existing access holder did not reliably operate services to that schedule. To support schedule optimisation and improve

¹⁷¹ SAA, cl. 7.2; 2025 DAU, cl. 4.1 and Sch. F.

¹⁷² For instance, the 2025 DAU does not outline principles for train path rescheduling in situations where an access holder has consistently poor reliability performance.

network utilisation, Aurizon Coal and Bulk considered that the proposed SAA should be amended to enable:

- Queensland Rail to reschedule train paths where an operator had consistently poor reliability performance and require the operator to use its best endeavours to negotiate variances to entry and exit times that facilitated the varied schedule
- train service levels to be specified in a way that allows some flexibility for train scheduling in accordance with the train service level, rather than fixed network entry or exit times.¹⁷³

We consider that this proposed amendment to the regulatory framework would be better implemented in an approved access undertaking, rather than in the SAA, noting as outlined above that it is unclear as to what extent efficiency improvements would be realised in practice if current access holders were not subject to those arrangements. The Rail Operators Group supported our position that principles and processes that outline how Queensland Rail is to schedule and manage services are best placed in an access undertaking, rather than in individual access agreements.¹⁷⁴

We received collaborative submissions on train path rescheduling from Queensland Rail, the Rail Operators Group, New Hope and Yancoal.¹⁷⁵ We understand that consensus has not yet been reached on this issue and that outstanding points include those identified in the Rail Operators Group's November 2024 collaborative submission.¹⁷⁶ Queensland Rail submitted that it agreed that it would be appropriate to amend the treatment of train path scheduling. The Rail Operators Group also said that there had been no further engagement between operators and Queensland Rail on this issue following the collaborative submission phase, but that the Rail Operators Group would be pleased to re-engage with Queensland Rail before the 2025 DAU was finalised.¹⁷⁷

We encourage stakeholders to continue to discuss and, where possible, reach consensus on incorporating additional mechanisms as part of the network management principles in an approved undertaking to provide for improved network utilisation.¹⁷⁸ We note that such mechanisms may have implications for access rights already negotiated by current access holders.

With respect to path resumption, the proposed SAA sets out the circumstances in which Queensland Rail may reduce an access holder's access rights to address the access holder's underutilisation of its scheduled train paths.¹⁷⁹ Path resumption provides a means of reallocating train paths to meet commercial needs and avoid operational inefficiencies associated with network underutilisation.

Aurizon Coal and Bulk suggested amendments to the path resumption requirements in the proposed SAA on the basis that these amendments would strengthen Queensland Rail's ability to address network underutilisation. Amongst other things, Aurizon Coal and Bulk proposed to amend the path resumption triggers and to remove access holders' entitlement to contest resumptions that met the underutilisation threshold.¹⁸⁰

¹⁷³ Aurizon Coal and Bulk, sub. 2, pp. 47-48. The Rail Operators Group (sub. 22, pp. 7-8, 10-11) supported Aurizon Coal and Bulk's submission on these matters and proposed amendments to the proposed SAA to reflect them.

¹⁷⁴ Rail Operators Group, sub. 33, p. 4.

¹⁷⁵ Queensland Rail, sub. 27, Att. 2; Rail Operators Group, sub. 28, p. 25; New Hope, sub. 26, p. 8; Yancoal, sub. 29, p. 9.

¹⁷⁶ Rail Operators Group, sub. 28, p. 25 and sub. 33, p. 4.

¹⁷⁷ Rail Operators Group, sub. 33, p. 4.

¹⁷⁸ The Rail Operators Group submitted that we should provide specific drafting amendments (sub. 33, p. 4); however, we consider that this would be premature at this time given the outstanding points to be considered and addressed by the parties.

¹⁷⁹ Clause 21.1.

¹⁸⁰ Aurizon Coal and Bulk, sub. 2, pp. 48-50. The Rail Operators Group (sub. 22, pp. 8-10 and sub. 28, pp. 25-26) supported Aurizon Coal and Bulk's submission on these matters and proposed amendments to the proposed SAA to reflect them.

We consider there may be merit in improving Queensland Rail's ability to effectively address path hoarding, as strengthening Queensland Rail's ability to address network underutilisation provides for the efficient operation of the network.

We understand from collaborative submissions that consensus is yet to be reached on this issue but that Queensland Rail concurs that it would be appropriate to modify utilisation thresholds and to add new resumption triggers.¹⁸¹ The Rail Operators Group also said that there had been no further engagement between operators and Queensland Rail on this issue following the collaborative submission phase, but that the Rail Operators Group would be pleased to re-engage with Queensland Rail before the 2025 DAU was finalised.¹⁸²

Although we welcome the parties' collaboration on this issue, again, we consider that amendments to Queensland Rail's rights and principles that govern the way it is to schedule and manage train services on the network are best placed in an access undertaking. It is unclear to what extent efficiency improvements would be realised in practice if current access holders were not subject to those arrangements. As noted above, the Rail Operators Group supported placing principles and processes that outline how Queensland Rail is to schedule and manage services in an access undertaking, rather than in individual access agreements.¹⁸³

Queensland Rail's regulatory framework includes charging arrangements that may disincentivise path hoarding, such as take-or-pay and relinquishment fees. We encourage stakeholders to discuss and, where possible, reach consensus on incorporating additional mechanisms to further address the risk of path hoarding in an approved undertaking (or as part of a review of current contractual arrangements). We note that amending path resumption requirements for access holders may require revisions to current contractual arrangements between Queensland Rail and access holders. The Rail Operators Group identified some associated transitional considerations.¹⁸⁴ We consider that issues involving transition to, or integration of network management amendments with the undertaking, are best addressed after specific amendments have been determined.

4.5.2 Responding to a request for ad hoc train services

The regulatory framework provides for access holders to request, and Queensland Rail to schedule, ad hoc train services to support network utilisation. Ad hoc train services are services that are additional to the number of services provided for in the access agreement and that are agreed to by Queensland Rail.¹⁸⁵

While the proposed SAA provides for access holders to request ad hoc train services, Queensland Rail is not obliged to schedule an ad hoc train service in the daily train plan (DTP). This reflects that requested ad hoc services may not be able to be scheduled without implications for other, already scheduled, train services. The regulatory framework does not specify timeframes for Queensland Rail to respond to requests for ad hoc services.

Pacific National considered that the proposed SAA should be amended to specify timeframes for Queensland Rail to respond to an access holder's request for ad hoc train services on the basis that this would reduce variability in response times and improve certainty and efficiency for operators.¹⁸⁶

¹⁸¹ Queensland Rail, sub. 27, Att. 2; Rail Operators Group, sub. 28, pp. 25-26; New Hope, sub. 26, p. 8; Yancoal, sub. 29, p. 10.

¹⁸² Rail Operators Group, sub. 33, p. 4.

¹⁸³ Rail Operators Group, sub. 33, p. 4.

¹⁸⁴ Rail Operators Group, sub. 33, pp. 4-5.

¹⁸⁵ Clause 28.1.

¹⁸⁶ Pacific National, sub. 7, pp. 23-24 and sub. 20, p. 5. New Hope (sub. 19, p. 11) supported a short, specified response time for ad hoc service requests.

We consider that it is in the interest of all parties to enhance the timeliness, predictability and certainty in pathing request outcomes.

However, we are concerned that imposing restrictive timeframes for Queensland Rail to respond to an ad hoc train service request may be unnecessary and merely serve to limit Queensland Rail's ability to provide these services. There may be good reasons for variability in response timeframes, whereas there are no restrictions on when an access holder is able to request an ad hoc train service. We consider restrictions may have implications for efficient utilisation of the network.

We do not consider that the flexibility afforded to Queensland Rail to manage and schedule train paths on the network should be unnecessarily reduced. We consider that Queensland Rail is incentivised to schedule additional ad hoc train services on the network, where possible, as additional freight train services contribute to the recovery of the fixed costs of operating the network.

We encourage stakeholders to discuss and consider the extent that amendments to improve the timeliness in responding to requests for ad hoc train services would have implications for Queensland Rail in managing and scheduling train paths on the network.

4.5.3 Individual performance indicators

Under the proposed SAA, Queensland Rail must provide monthly reports to an access holder, documenting Queensland Rail's performance with respect to the performance indicators outlined in the access agreement.¹⁸⁷

Aurizon Coal and Bulk and the Rail Operators Group considered that the list of performance indicators in the proposed SAA should be replaced with indicators that were consistent with reporting on aggregate system performance. Specifically, Aurizon Coal and Bulk submitted that the list of indicators in the proposed SAA did not provide the most useful information for assessing performance under an access agreement for regularly scheduled train services.¹⁸⁸

The Rail Operators Group submitted that clear, accountable obligations on rail infrastructure managers and objective key performance indicators supported market outcomes and modal shift. In the Rail Operators Group's view, individual operators lacked the commercial leverage to require Queensland Rail to include performance obligations in individual access agreements.¹⁸⁹

The Rail Operators Group's collaborative submission indicated that the parties had not yet adequately addressed this issue but that they agreed that there was opportunity for additional engagement.¹⁹⁰

In the absence of an appropriate consensus position on this issue, we do not consider it appropriate to require amendment of the performance level indicators in the proposed SAA.

Effective reporting and performance indicators will place accountability on Queensland Rail's performance and provide for greater levels of transparency for access holders. However, any benefits that may be obtained from reporting and compliance monitoring need to be balanced with

¹⁸⁷ Clause 6.7(a).

¹⁸⁸ Aurizon Coal and Bulk, sub. 2, pp. 44-45. Aurizon Coal and Bulk also considered that information similar to the aggregate system performance indicators but specific to each train service specified in an individual access agreement would improve consistency in assessing performance and enable an operator to understand the performance of its train service, relative to that of the entire system.

¹⁸⁹ Rail Operators Group, sub. 15, pp. 5-6. The Rail Operators Group also submitted that although it is beyond the scope of our current process, adopting a consistent suite of key performance indicators across all rail infrastructure managers concerning adjacent networks would support standardisation of one aspect of access, provide a useful source of comparative data and assist in identifying constraints and areas for investment.

¹⁹⁰ Rail Operators Group, sub. 28, pp. 2, 26-27.

the associated costs imposed on Queensland Rail. The extent to which end users value additional performance information may vary, especially because network and customer characteristics for each system vary significantly.

Regarding the suggestion that individual rail operators lack the commercial leverage to require Queensland Rail to include performance obligations in individual access agreements, we consider that this concern is mitigated by the proposed SAA's specific allowance for parties who are unable to reach agreement on additional performance levels to seek resolution of the dispute under the SAA's dispute resolution process.¹⁹¹

We consider that the proposed SAA provides adequate flexibility, in the interests of all parties, to agree on additional performance indicators beyond the performance indicators outlined in Schedule 5 of the SAA.¹⁹² As such, we do not consider it appropriate to require specific performance indicators be included in the proposed SAA at this time.

Summary 4.3

It is not appropriate to require amendments to the proposed SAA to incorporate further mechanisms that seek to facilitate improvements in network utilisation and performance.

4.6 Consistent dispute resolution processes

The proposed SAA includes a procedural framework for resolving disputes, complaints or questions that arise between the parties in relation to their access agreement,¹⁹³ including a process and timeframes for escalating those disputes for resolution.¹⁹⁴ A fair, timely and effective dispute resolution regime under the proposed SAA supports all parties' interests by establishing procedural certainty to resolve contentious matters.

The dispute resolution process under the proposed SAA is distinct from the dispute resolution process under the 2025 DAU, which applies to disputes between Queensland Rail and an access seeker regarding the undertaking, an access request or the negotiation of an access agreement.¹⁹⁵ Queensland Rail has not proposed to change the dispute resolution framework in the proposed SAA from the one approved in the 2020 undertaking SAA. Pacific National proposed that the dispute resolution escalation process in the proposed SAA should mirror the escalation timeframes and processes in the 2025 DAU. Pacific National suggested that this amendment would improve clarity and understanding of requirements.¹⁹⁶

¹⁹¹ Clause 6.7(e).

¹⁹² Clause 6.7 allows for parties, upon request, to negotiate in good faith for agreement on additional performance levels and an associated reporting regime within 12 months (or as otherwise agreed) after the SAA's commencement date.

¹⁹³ Clause 19.

¹⁹⁴ Clause 19.2.

¹⁹⁵ 2025 DAU, cl. 6.1.

¹⁹⁶ Pacific National, sub. 7, p. 26 and sub. 20, p. 10. New Hope (sub. 19, p. 11) supported aligning dispute resolution timeframes between the SAA and undertaking and suggested that the 20-business-day timeframe in cl. 19.2(d) be reduced to 10 business days.

Some similarities exist between the dispute resolution processes and timeframes under the proposed SAA and the 2025 DAU.¹⁹⁷ There are also some notable differences between the two processes, such as provision for expert resolution under the proposed SAA¹⁹⁸ and for referrals to the QCA under the 2025 DAU.¹⁹⁹ We consider that these procedural differences are reasonably justified, including on the basis that:

- the different legal and commercial contexts in which disputes occur under an access agreement versus an undertaking mean that identical processes are not necessarily equally effective in both contexts²⁰⁰
- given our dispute resolution role, not every type of dispute is suitable for referral to us for resolution.²⁰¹ Notably, the QCA Act precludes notification of access disputes to us if an access agreement is in place between the parties to the dispute.²⁰²

Queensland Rail and the Rail Operators Group indicated in their respective collaborative submissions that they reached consensus on the timeframes for resolution in the proposed SAA and DAU. Specifically, they agreed to reduce the timeframe for CEO resolution in clauses 19.2(c) and (d) from 20 days to 10 days, which corresponds to the timeframe in the 2025 DAU.²⁰³ Noting the parties' consensus on this issue, we consider that this timeframe is reasonable and supports the timely escalation and resolution of disputes. We consider that it is appropriate to require amendment of the timeframe in clauses 19.2(c) and (d) so that CEO resolution is 10 days.²⁰⁴

Summary 4.4

It is appropriate for Queensland Rail to amend the proposed SAA to reduce the timeframe provided for CEO resolution of a dispute under an access agreement.

The way in which we consider it is appropriate to amend the proposed SAA is outlined in Appendix F.

¹⁹⁷ For example, both processes involve escalation from parties' representatives to senior management within identical timeframes and both processes provide for recourse to the courts.

¹⁹⁸ Clause 19.3.

¹⁹⁹ 2025 DAU, cl. 6.1.4.

²⁰⁰ For instance, we consider that expert resolution involving specialised technical or rail expertise can be particularly well-suited to addressing disputes between access holders and Queensland Rail that can involve more technical or operational concerns than those faced by a party seeking to acquire access.

²⁰¹ For additional information, see QCA, [Access disputes under the QCA Act](#), summary guide, 2019, pp. iv, 2.

²⁰² QCA Act, s. 112(1)(b).

²⁰³ 2025 DAU, cl. 6.1.3(c).

²⁰⁴ The Rail Operators Group (sub. 33, p. 4), New Hope (sub. 31, p. 10) and Yancoal (sub. 34, p. 11) supported the amendments that we identified as appropriate concerning the dispute resolution provisions in the proposed SAA.

5 Pricing rules

Queensland Rail proposed that charges for access to the declared service be determined in accordance with the pricing rules outlined in Part 3 of the 2025 DAU.

Overview of the decision

Our decision is that it is appropriate to approve Queensland Rail's proposed pricing rules.

Pricing rules (Part 3) – summary

Proposal	Clause	QCA decision
Pricing rules		
Queensland Rail proposed pricing rules unchanged from those in the 2020 undertaking.	Part 3	It is appropriate to approve Queensland Rail's proposed pricing rules. See section 5.2.
Stakeholders supported amendments enabling greater price differentiation between access holders. ²⁰⁵	cl. 3.3	It is not appropriate, at this time, to require amendments to the pricing rules to provide for greater price differentiation. See section 5.3.
Stakeholders supported including service-specific criteria for the Mount Isa line. ²⁰⁶	n/a	It is not appropriate to require amendments obliging Queensland Rail to develop service-specific criteria for the Mount Isa line. See section 5.4.

5.1 Overview of pricing rules in the 2025 DAU

The pricing rules specify that for those train services that accord with the description of a reference train service (i.e. coal trains using the West Moreton route service), the relevant reference tariff applies. We have separately assessed Queensland Rail's proposed West Moreton reference tariffs (see chapter 8).

For all other train services, the 2025 DAU prescribes pricing rules that apply in negotiating access charges (see Figure 5).²⁰⁷

²⁰⁵ Aurizon Coal and Bulk, sub. 2, pp. 27-28; Glencore, sub. 11, p. 3; Centrex, sub. 10, pp. 2-3; North West Phosphate, sub. 6, p. 2.

²⁰⁶ Aurizon Coal and Bulk, sub. 2, p. 29; Mount Isa Line Users, sub. 17, pp. 2-3.

²⁰⁷ The rules will apply in the order listed in Figure 5, to address any conflicts that may arise between the pricing rules (2025 DAU, cl. 3.5).

Figure 5: Pricing rules prescribed in the 2025 DAU



The pricing rules also outline that:

- Queensland Rail or an access seeker may require reasonable and balanced rate review provisions in an access agreement to enable access charges to be adjusted to account for changes over time²⁰⁸
- access charges may include a QCA levy component to account for our annual regulatory fees, which is to be allocated between train services in accordance with Schedule J of the 2025 DAU.²⁰⁹

5.2 Guiding the negotiation of access charges

We consider that the pricing rules establish appropriate bounds to guide the negotiation of access charges.

The pricing rules require that negotiated access charges be set such that expected revenue from that access seeker does not:

- exceed a ceiling revenue limit – the standalone cost of providing access to any train service (or group of train services)
- fall below the floor revenue limit – the incremental cost of providing access to any train service (or group of train services).

These pricing limits result in access charges (and transport service payments) for each part of the network being at least sufficient to meet the incremental cost of providing access and establish an upper bound for price negotiations that reflects the efficient costs of providing access.²¹⁰

Furthermore, within these bounds, the pricing limits provide flexibility to differentiate access charges, to reflect the differing characteristics of the various markets that use Queensland Rail's network. However, Queensland Rail's proposed pricing rules apply restrictions on the extent to which it can differentiate access charges between users. In particular, Queensland Rail must not

²⁰⁸ 2025 DAU, cl. 3.6.

²⁰⁹ 2025 DAU, cl. 3.7.

²¹⁰ The formula for calculating the ceiling revenue limit is consistent with a building block approach, whereby the revenue a firm is allowed to earn reflects the estimated efficient costs of providing the relevant service, including an appropriate return on investment.

differentiate between users where the characteristics of the train service are alike and the access seekers are competing in the same end market.^{211,212}

We consider that together, the pricing limits and price differentiation rules provide an appropriate balance between:

- promoting the efficient use of the declared service
- limiting the risk of distorting competition in dependent markets for the service.²¹³

Some stakeholders submitted that enabling further price differentiation amongst users was appropriate. We consider those submissions below.

The pricing rules also provide for Queensland Rail to generate expected revenue from access charges and transport service contract payments (if applicable) that is at least enough to meet the efficient costs of providing access.²¹⁴ We consider this promotes efficient operation of, and investment, in the declared service (s. 138(2)(a)). Furthermore, these arrangements are consistent with the pricing principles in section 168A of the QCA Act (s. 138(2)(g)).

In certain circumstances where capacity is insufficient to meet the requests of all access seekers, the ceiling revenue limit for a train service may be revised to reflect an access seeker's willingness to pay. Enabling access charges to reflect access seekers' willingness to pay promotes both the efficient use of, and investment in, the network, especially in circumstances where available capacity is constrained. We consider that these arrangements appropriately balance the legitimate interests of Queensland Rail and users of the network (ss. 138(2)(b), (e) and (h)).

We note that the pricing rules proposed in the 2025 DAU are the same as the pricing rules applied in the 2020 undertaking.

Summary 5.1

It is appropriate to approve Queensland Rail's proposed pricing rules (Part 3 of the 2025 DAU).

5.3 Greater price differentiation

We do not consider it necessary to require amendments to the pricing rules to include a commitment by Queensland Rail to provide for greater price differentiation between access holders.

A number of stakeholders considered that the regulatory arrangements needed to provide for more opportunities to price-differentiate between users.

²¹¹ 2025 DAU, cl. 3.3(d).

²¹² The 2025 DAU provides for us to direct Queensland Rail to offer an access holder an access charge that is charged to another access holder whose train service characteristics are alike and are competing in the same end market (2025 DAU, cl. 3.9).

²¹³ Queensland Rail is not vertically integrated into above-rail freight operations.

²¹⁴ Including a return on investment commensurate with the regulatory and commercial risks involved (2025 DAU, cl. 3.1.1). The pricing rules also enable Queensland Rail to require reasonable rate review provisions in negotiated access agreements to adjust access charges to reflect changes over time (see 2025 DAU, cl. 3.6); and to charge users a levy to recover the annual fees it pays to us (2025 DAU, cl. 3.7).

Aurizon Coal and Bulk submitted that Queensland Rail adopted a rigid approach to the specification of access proposals and was unwilling to negotiate around these proposals, instead applying a 'take it or leave it' approach to the access terms offered.²¹⁵ Moreover, Aurizon Coal and Bulk considered that Queensland Rail used its regulatory obligation to not unfairly discriminate between access seekers and access holders as a shield against attempts to negotiate greater price differentiation and achieve more flexible access terms.²¹⁶ Glencore also submitted that in its experience prices were provided on a take it or leave it basis.²¹⁷

Aurizon Coal and Bulk submitted that Queensland Rail's inflexible and high-cost access arrangements significantly hindered Aurizon Coal and Bulk's ability to respond to opportunities to attract freight from road on the Mount Isa line.²¹⁸ Aurizon Coal and Bulk considered it important that the 2025 DAU did not enable Queensland Rail to simply set access charges on a 'take it or leave it' basis, further entrenching Queensland Rail's ability to impose pricing outcomes and limit effective negotiation with access seekers.²¹⁹

We consider that pricing flexibility promotes the efficient use of rail infrastructure, in that it enables Queensland Rail to adjust prices in response to competition from alternative modes of transport and expand the demand for its service by targeting customers that are more price-sensitive.

Queensland Rail's pricing rules provide scope for Queensland Rail to differentiate access charges, to reflect the differing characteristics of the various markets that utilise the network.

We also consider that Queensland Rail has an incentive to increase the revenue it recovers from access charges. Queensland Rail is not vertically integrated into above-rail freight operations. As such, within the bounds of the pricing rules, we consider that Queensland Rail has an incentive to:

- negotiate access to the declared service at a price above the price floor, where there is available capacity
- differentiate prices to reflect the willingness to pay of different users that are competing in different end markets.

The benefits associated with further price differentiation need to be balanced with the objective of having negotiated access charges that:

- enable Queensland Rail to generate expected revenue that is at least enough to meet the efficient cost of providing access to its network²²⁰
- do not discriminate between access holders to the extent that has implications for competition in downstream markets.

The 2025 DAU does not allow Queensland Rail to differentiate between users where the characteristics of the train service are alike, and the access seekers are competing in the same end market.

We have considered stakeholders' submissions calling for specific amendments to the 2025 DAU to provide for additional price differentiation in the negotiation of access charges. For the reasons

²¹⁵ Aurizon Coal and Bulk was concerned that such an approach imposed commercial risks on access holders regardless of their ability to manage these risks with customers, with Queensland Rail accepting limited accountability in providing access.

²¹⁶ Aurizon Coal and Bulk, sub. 2, pp. 12, 23. MMG (sub. 18, p. 2) supported the submissions by Aurizon Coal and Bulk regarding the non-negotiable approach to access terms offered by Queensland Rail.

²¹⁷ Glencore, sub. 11, p. 3.

²¹⁸ Aurizon Coal and Bulk, sub. 2, pp. 12-13. MMG (sub. 18, p. 2) submitted it was appropriate to consider how the 2025 DAU should foster increase in rail volumes and demand for rail transport on the Mount Isa line, given its importance to the strategy for developing the North West Minerals Province.

²¹⁹ Aurizon Coal and Bulk, sub. 2, p. 28.

²²⁰ We consider that this appropriately balances the legitimate business interests of Queensland Rail, access holders and access seekers, as well as promotes the economically efficient investment in the network.

outlined in sections 5.3.1 to 5.3.4, we do not consider that it is appropriate to require amendments to the pricing rules to provide for greater price differentiation between access holders.

5.3.1 Differentiation for multi-product trains

We do not consider it is appropriate to amend the 2025 DAU to require Queensland Rail to differentiate access charges for different products on multi-product trains, as part of negotiations with access holders.

Aurizon Coal and Bulk considered that the pricing rules should clearly permit differentiation for different products on multi-product trains to grow rail volumes, through supporting and incentivising emerging demand.²²¹ It said this increased sophistication in applying access charges would likely be necessary to enable operators to compete effectively for mode contestable freight. Aurizon Coal and Bulk considered that the current regulatory arrangement created sufficient flexibility to allow this form of price differentiation, but Queensland Rail's risk aversion meant it was unwilling to apply this pricing flexibility.²²²

Queensland Rail considered that such an approach could lead to sub-optimal outcomes for both Queensland Rail and access seekers. Amongst other things, Queensland Rail considered that multi-commodity pricing significantly increased the complexity of negotiations and contract agreements, which might lead to prolonged negotiation processes, encourage disputes and hinder market efficiency. Queensland Rail also said the practical implementation of differentiation within multi-commodity services posed administrative burdens and challenges in accurately managing, tracking, reporting and billing different commodities.²²³

We consider price differentiation may promote the efficient use of rail infrastructure. However, in practice, differentiating access charges between products on a multi-product train based on their differing market characteristics to achieve more efficient outcomes can be challenging.

For Queensland Rail to efficiently price-differentiate between different products, it requires sufficient information on the customers' willingness to pay for the various products being carried on a multi-product train. In this regard, HoustonKemp (in a report commissioned by Queensland Rail) said Queensland Rail:

- had limited knowledge of its end customers and the goods that were carried within each container
- did not have oversight of the contents of containers that were carried on its network, which meant it would not be able to verify the charge that should be applied to each train.²²⁴

Adding to these complexities, a customer's willingness to pay will continue to change to reflect market conditions related to the respective products. Glencore considered it was 'very dangerous' to provide a different pricing outcome for different anticipated values of products where pricing for minerals can be quite cyclical and vary significantly during an undertaking term.²²⁵

We consider that solutions for these matters need further consideration from the affected parties before such an access pricing approach can be implemented in practice for a multi-product train.

²²¹ Aurizon Coal and Bulk, sub. 2, pp. 26-27. Mount Isa Line Users (sub. 17, p. 2) supported Aurizon Coal and Bulk's submission.

²²² Aurizon Coal and Bulk, sub. 2, pp. 26-27.

²²³ Queensland Rail, sub. 14, pp. 47-48.

²²⁴ Queensland Rail, sub. 14, pp. 109-110.

²²⁵ Glencore, sub. 11, p. 7.

5.3.2 Differentiation for premium pathways

Aurizon Coal and Bulk submitted that the pricing rules should also clearly permit differentiation to reflect the different market value of non-premium paths compared to premium paths within a given market.

In response, Queensland Rail considered that this approach was worth further consideration, as in theory it could promote allocative efficiency. That is because:

- train paths and priority would be allocated to customers who valued them the most
- it potentially allowed Queensland Rail to recover additional revenue, through price differentiation.²²⁶

We do not consider it is appropriate, at this time, to require amendments to Queensland Rail's 2025 DAU to clearly permit price differentiation between premium and non-premium pathways. From the information available, it is not clear how such an approach would be effectively implemented within the current regulatory regime to realise improvements in allocative efficiency.

While certain stakeholders may support adopting this pricing approach, implementing price differentiation to reflect the different market value of non-premium paths is likely to require revisions to current contractual arrangements between Queensland Rail and access holders. For instance, Queensland Rail may need to renegotiate access charges to reflect the extent to which the relevant train services are considered to be either premium or non-premium.

In this regard, Queensland Rail submitted that it would need to evaluate how such an approach affected contractual relationships governing access and service. Queensland Rail acknowledged that such a change would represent a significant and material change to how it operated its network and could have a material effect on other stakeholders.²²⁷

Stakeholders did not reach consensus on how an approach that differentiates pricing between premium and non-premium pathways would be implemented in practice. Pacific National submitted that it was premature to attempt to classify premium versus non-premium paths. Pacific National considered that it would be prudent for Queensland Rail to first develop an action plan, in consultation with stakeholders, to clearly identify what might be considered current and/or future premium paths.²²⁸

We encourage stakeholders to continue to consider and discuss how price differentiation to reflect premium and non-premium pathways may be effectively implemented in practice to realise efficiency gains.

5.3.3 Price differentiation to support emerging demand

We do not consider it is appropriate to amend the 2025 DAU to require Queensland Rail to further differentiate access charges for junior miners as part of negotiations with access holders.

Aurizon Coal and Bulk considered that the pricing rules should further clarify the circumstances in which Queensland Rail may apply price differentiation in order to achieve the following negotiation objectives:

- promoting the economically efficient investment in, and use and operation of, the network

²²⁶ Queensland Rail, sub. 14, p. 54.

²²⁷ Queensland Rail, sub. 14, pp. 54-55.

²²⁸ Pacific National, sub. 20, pp. 4-5, 12-13.

- growing rail volumes including by supporting and incentivising emerging demand, retaining volumes on rail and supporting 'road to rail' modal conversion.²²⁹

Glencore considered that to assist in increasing rail volumes, thereby driving greater economies of scale in the medium term,²³⁰ the price ceiling could be set at the lower of:

- the cost at which road transport would be economic
- the stand-alone efficient cost
- the cost that is a 10% margin above the floor price.²³¹

Centrex considered that there were valid reasons to consider price differentiation for junior mining companies or for those with a lower commodity value requiring bulk and economies of scale in order for them to be competitive. Centrex considered that imposing higher fees acted as a deterrent to innovation, especially for mines that heavily relied on rail transport due to geographic location.²³²

We consider that Queensland Rail has an incentive to increase the revenue it recovers from access charges. As outlined by Centrex, if access charges at the ceiling exceed customers' willingness to pay, it is in the interests of all parties to negotiate access charges below the ceiling.²³³

However, where access charges are set below the price floor, Queensland Rail does not recover the efficient costs associated with providing that train service access to its network. Implementing pricing policies as part of the regulatory framework to provide for such outcomes may reduce incentives to invest in the network²³⁴ or require other train services to cross-subsidise the provision of access.

Furthermore, policies to enable price differentiation for junior miners have the potential to result in price discrimination between customers that compete in the same end market, which may affect competition in these markets. Aurizon Coal and Bulk considered it was critical that the limits on price differentiation continued to be applied in a way that protected the environment for competition.²³⁵

Further changes to the regulatory arrangements would also be needed to provide for Queensland Rail to revisit access charges as the circumstances of the firm changed.

For these reasons, we consider that measures to encourage more freight from road to rail, which result in subsidised access prices, are better considered and provided through means other than access regulation, within the context of wider transport policy and industry assistance objectives.

Aurizon Coal and Bulk submitted that it was not looking for Queensland Rail to establish access prices outside its pricing rules. However, it considered that further examination was required into what was inhibiting Queensland Rail from following its 'natural incentive' to negotiate access within the floor and ceiling limits to promote additional freight on rail.²³⁶

We consider that the regulatory framework is sufficient to enable access seekers to negotiate reasonable terms and conditions for access to Queensland Rail's network. Amongst other things,

²²⁹ Aurizon Coal and Bulk, sub. 2, pp. 27-28.

²³⁰ Glencore (sub. 11, p. 2) considered that Queensland Rail's unwillingness to price rail access in a manner that made it viable for end users to invest in greenfield projects and expansions of operations using the line had now reached the point of creating challenges for the ongoing sustainability of the Mount Isa line.

²³¹ Glencore, sub. 11, pp. 5-6.

²³² Centrex, sub. 10, pp. 2-3. North West Phosphate (sub. 6, p. 2) considered that further price differentiation would enable smaller, less profitable junior miners to scale production and better access new markets.

²³³ Centrex, sub. 10, p. 2.

²³⁴ We do not consider that this will promote economically efficient investment in Queensland Rail's network; nor do we consider this appropriately balances the legitimate business interests of Queensland Rail and access seekers.

²³⁵ Aurizon Coal and Bulk, sub. 2, p. 27.

²³⁶ Aurizon Coal and Bulk, sub. 24, pp. 10-11.

the regulatory framework provides for Queensland Rail to negotiate access prices within the floor and ceiling limits and establishes an effective dispute resolution mechanism to resolve any disputes between the parties that may arise. No evidence has been provided to suggest that Queensland Rail is exercising market power within this framework to negotiate unreasonable access charges.

5.3.4 Other pricing arrangements

We do not consider it is appropriate to require amendments to the 2025 DAU to require Queensland Rail to offer alternative pricing arrangements besides a two-part tariff with take-or-pay and relinquishment fee obligations as part of negotiations with access holders.

Stakeholders submitted that features of Queensland Rail's standard access proposals may deter use of the Mount Isa line by smaller miners. For instance:

- North West Phosphate and Centrex submitted that access charges with a high proportion of fixed charges and take-or-pay obligations introduced significant risk (particularly to smaller mining operations in a start-up situation²³⁷), which undermined new project developments and incentivised short-term contracts²³⁸
- Aurizon Coal and Bulk considered that long-term contracts with high path relinquishment fees presented a high risk for freighter services where demand was variable and uncertain (and not underpinned by long-term take-or-pay contracts).²³⁹

While these pricing arrangements may allocate the risk of contracted volumes not materialising to access holders, we consider that those access holders are best placed to manage such risk. They are in the best position to forecast the volumes that they require. Furthermore, they are also able to manage these risks by entering into short-term contractual arrangements.

We consider that these pricing arrangements are consistent with promoting the efficient use of the network by access holders. For instance, take-or-pay and relinquishment fee obligations incentivise access holders to only contract capacity that they require. Queensland Rail considered that without effective take-or-pay agreements, less commercially viable traffics could consume substantial capacity at the commercial expense of Queensland Rail.²⁴⁰

This is particularly important where network capacity is constrained. Aurizon Coal and Bulk questioned the need for the level of take-or-pay obligations, submitting that it seemed there was more than sufficient capacity available for all users on the Mount Isa line.²⁴¹ However, Queensland Rail submitted that as traffic grew on the Mount Isa line, take-or-pay would become vital for efficient path utilisation.²⁴²

We also consider that access pricing arrangements that include a two-part tariff with take-or-pay and relinquishment fee obligations promote efficient investment in, and operation and use of, the

²³⁷ Centrex considered that these types of operations can encounter irregular production issues, which in turn introduces a risk of filling regular train services.

²³⁸ Centrex, sub. 10, p. 4; North West Phosphate, sub. 6, p. 1. Aurizon Coal and Bulk (sub. 2, p. 21) also considered that the materiality of take-or-pay obligation exceeds the opportunity costs to Queensland Rail of providing the service, given there is no capacity constraint on the Mount Isa line and the associated avoidable costs of services not operating are low.

²³⁹ Aurizon Coal and Bulk, sub. 2, p. 22. Aurizon Coal and Bulk also considered that while the standard relinquishment fee can be reasonable and efficient in circumstances to provide an access provider with certainty that it is able to recover investments required to provide a service, these circumstances do not apply on the Mount Isa line. MMG (sub. 18, p. 2) supported the submissions by Aurizon Coal and Bulk that Queensland Rail's approach to negotiations hindered the attraction of more users to the Mount Isa line.

²⁴⁰ Queensland Rail, sub. 14, p. 39.

²⁴¹ Aurizon Coal and Bulk, sub. 2, p. 21. Glencore (sub. 11, p. 5) also considered that given the Mount Isa line was underutilised, there was no purpose in ensuring access seekers paid a fixed take-or-pay charge for the purposes of 'reserving' capacity'.

²⁴² Queensland Rail, sub. 14, pp. 39-40.

network. These arrangements establish a clear incentive for access seekers and access holders to only enter into contracts for capacity they need, providing a more accurate signal to Queensland Rail as to how much capacity needs to be delivered on its network. This enables Queensland Rail to plan and undertake maintenance and capital activities to efficiently deliver the required capacity.

Moreover, the current pricing arrangements provide certainty that Queensland Rail is able to recover the associated fixed costs from those access seekers and access holders. A significant proportion of the costs incurred by Queensland Rail to provide access are fixed.²⁴³

Aurizon Coal and Bulk submitted that it agreed with the economic rationale for the general price structures used by Queensland Rail but considered applying these structures imposed excessive cost and risk on rail operators and discouraged additional use of the network. In particular, Aurizon Coal and Bulk considered Queensland Rail's application of these price structures on the Mount Isa line overstated the opportunity cost of capacity and imposed high costs on variable usage. Aurizon Coal and Bulk submitted that the current evidence from pricing outcomes on the Mount Isa line demonstrated there were counter-incentives at play that made Queensland Rail unwilling to vary from its standard pricing approaches to promote additional freight on rail.²⁴⁴

The 2025 DAU provides for access seekers and Queensland Rail to negotiate the terms of access, including the pricing terms that are to apply. This enables access seekers and Queensland Rail to negotiate alternative approaches for allocating risk between the parties. However, where negotiated arrangements allocate certain risks to Queensland Rail, it is appropriate that Queensland Rail be compensated for any risk it is exposed to. That is, we consider it is reasonable for the level of access charges to be commensurate with the commercial risks involved in providing access.

To the extent that applying these pricing arrangements results in unreasonable outcomes for access seekers, the 2025 DAU provides an effective dispute resolution mechanism to resolve any disputes between the parties that may arise. No evidence has been provided to suggest that Queensland Rail is exercising market power within this framework to negotiate unreasonable pricing arrangements.

Overall, we consider that specific commercial initiatives, rather than changes to the regulatory framework, provide a more targeted option for limiting the extent that Queensland Rail's standard access proposals may deter use of the Mount Isa line by smaller miners. Queensland Rail submitted that it had introduced multiple commercial initiatives for its Mount Isa line customers during the AU2 regulatory period, including:

- providing a variable charge only (for a limited period) for new operations on the Mount Isa line where the short-term demand or train profile was uncertain, with a view to transfer services to a traditional fixed and variable charge when the operation stabilised
- special pricing arrangements for trial shipments of new products (e.g. rock phosphate) so that end customers could test the products in end markets
- an upfront discount for intermodal logistics on the Mount Isa line
- developing take-or-pay provisions to proportionally recognise credits from secondary agreements, to reduce some of the downside financial risk in contracting additional paths as businesses grew.²⁴⁵

²⁴³ Queensland Rail (sub. 14, p. 39) also considered it was only fair that parties entering into capacity contracts committed to using that capacity, given Queensland Rail invested in the network to reflect future contracted capacity.

²⁴⁴ Aurizon Coal and Bulk, sub. 24, pp. 9-10.

²⁴⁵ Queensland Rail, sub. 14, p. 34.

Summary 5.2

It is not appropriate, at this time, to require amendments to the pricing rules to provide for greater price differentiation between access holders.

5.4 Service-specific criteria for the Mount Isa line

Aurizon Coal and Bulk considered that the 2025 DAU should be amended to include service-specific negotiation criteria for multi-commodity freighter services on the Mount Isa line.²⁴⁶ The elements that Aurizon Coal and Bulk considered should be addressed by specific negotiation criteria for the Mount Isa line are outlined in **Table 2**.

Aurizon Coal and Bulk considered that these negotiation criteria would provide greater structure around access negotiations, particularly for junior miners or other road contestable freight, where demand was more uncertain. Aurizon Coal and Bulk considered that this would also facilitate a fast and efficient contract renegotiation process at term expiry.²⁴⁷

Mount Isa Line Users supported Aurizon Coal and Bulk's submission that specific negotiation criteria should be developed to apply to multi-commodity freighter services on the Mt Isa line. Mount Isa Line Users considered that Queensland Rail's current approach to negotiations was not well aligned to the needs of its customers, particularly for multi-user freighter type services, which needed to continually attract customers to maximise utilisation.²⁴⁸

As outlined in **Table 2**, we do not consider it appropriate to require amendments to the 2025 DAU to oblige Queensland Rail to develop service-specific criteria for the Mount Isa line.

Table 2: Consideration of matters proposed to be addressed by specific criteria for the Mount Isa line

Matter raised by Aurizon Coal and Bulk ²⁴⁹	QCA position
Negotiation criteria should set out circumstances in which the access price differentiation will be applied to aid efficiency, including varying the standard access price to provide incentives for emerging demand or freight that is highly contestable with road.	For the reasons outlined in section 5.3.3, we do not consider it is appropriate to require Queensland Rail to further differentiate access charges for emerging demand, as part of negotiations with access holders.
The definition of products that may be carried on train services should be specified broadly to promote an operator's ability to run an efficient train service and attract additional products to its train, and to facilitate price differentiation for different products on those trains where relevant.	For the reasons outlined in section 5.3.1, we do not consider it is appropriate to amend the 2025 DAU to require Queensland Rail to differentiate access charges for different products on multi-product trains, as part of negotiations with access holders.

²⁴⁶ Aurizon Coal and Bulk, sub. 2, pp. 28-30.

²⁴⁷ Aurizon Coal and Bulk, sub. 2, p. 29.

²⁴⁸ Mount Isa Line Users, sub. 17, pp. 2-3.

²⁴⁹ Aurizon Coal and Bulk, sub. 2, p. 29.

Matter raised by Aurizon Coal and Bulk²⁴⁹**QCA position**

Negotiation criteria should address price structure, including the weighting between fixed and variable charges, and consider applying multi-part tariffs where this will aid efficiency.

Take-or-pay and relinquishment fee arrangements should be set to promote efficiency, having regard to issues such as the incremental investment required to provide the required capacity (if any), the level of corridor utilisation, amount of required capacity, and the ability to impose take-or-pay commitments to freight customers.

Negotiation criteria should address quality of rail access service, potentially including performance-based KPIs, to ensure that service quality was maintained.

For the reasons outlined in section 5.3.4, we do not consider it is appropriate to amend the 2025 DAU to require Queensland Rail to offer alternative pricing arrangements besides a two-part tariff, with take-or-pay and relinquishment fee obligations, as part of negotiations with access holders.

Chapter 7 outlines the reporting obligations that we consider should be incorporated in the 2025 undertaking to provide interested parties with adequate information on how efficiently Queensland Rail has been performing.

Summary 5.3

It is not appropriate to require amendments to the 2025 DAU to oblige Queensland Rail to develop service-specific criteria for the Mount Isa line.

6 Operating requirements

Queensland Rail’s 2025 DAU outlines operational requirements for Queensland Rail in providing below-rail services to access holders, as well as obligations for train operators to use the network.

Part 4 of the 2025 DAU establishes the operating requirements that govern how Queensland Rail delivers train service entitlements. These include:

- **network management principles**, which outline how Queensland Rail will, amongst other things, coordinate maintenance and other track restrictions, and schedule and manage train services on the network (Schedule F of the 2025 DAU)
- **an operating requirements manual**, which prescribes rules and procedures for operating trains on the network and addressing matters such as safety and emergency responses (Schedule G of the 2025 DAU).

The proposed operating requirements also include a commitment from Queensland Rail to convene and support regional network user groups – to facilitate discussion and consensus amongst stakeholders, with an aim to promote productivity and operational improvements.²⁵⁰

Overview of the decision

We consider it is appropriate for Queensland Rail to make certain amendments to the operating requirements in the 2025 DAU. The way in which we consider it is appropriate to amend the 2025 DAU is outlined in Appendix F.

Operating requirements (Part 4) – summary

Queensland Rail proposal	Clause	QCA decision
Network management principles		
<p>Queensland Rail proposed network management principles that are unchanged from the network management principles approved as part of the 2020 AU, with the exception of not including an obligation for Queensland Rail to delay any planned possession subject to a dispute raised by an access holder until the dispute is resolved.</p> <p>Stakeholders supported amendments to the network management principles to, amongst other things, provide for</p> <ul style="list-style-type: none">• Queensland Rail to be more responsive to requests for changes to scheduled train services	<p>cls. 4.1, 4.2 and Sch. F</p>	<p>It is appropriate to amend the 2025 DAU to:</p> <ul style="list-style-type: none">• make clear that Queensland Rail is to respond to an access holder’s request for changes to contracted paths in an MTP as soon as reasonably possible and provide the access holder with reasons for any decision to decline an access holder’s request for changes to contracted paths in an MTP• oblige Queensland Rail to notify nominated rolling stock operators of proposed updates to the MTP or DTP• require Queensland Rail to publish the applicable passenger peak periods in the Metropolitan system. <p>See section 6.1.</p>

²⁵⁰ 2025 DAU, cl. 4.4.

Queensland Rail proposal	Clause	QCA decision
<ul style="list-style-type: none"> clearer and more transparent guidance on how network controllers are to make their decisions. <p>Stakeholders did not support removing an obligation to delay any planned possession subject to a dispute raised until the dispute is resolved.</p>		
Operating requirements manual		
Queensland Rail's proposed operating requirements manual is substantially consistent with the operating requirements manual that was approved as part of its 2020 access undertaking.	cl. 4.3 and Sch. G	It is appropriate to approve Queensland Rail's proposed operating requirements manual. See section 6.2.
User groups		
Queensland Rail proposed obligations to convene regional network user groups, subject to the support of the respective access holders and operators. This is consistent with Queensland Rail's obligations approved as part of its 2020 access undertaking.	cl. 4.4	It is appropriate to approve Queensland Rail's proposed obligations to provide for productivity and operational improvements. See section 6.3.

6.1 Network management principles

In general, we consider that Queensland Rail's proposed network management principles appropriately balance the need to provide access holders with certainty about the scheduling of train services with the need to provide sufficient flexibility for Queensland Rail to address network constraints and to be responsive to requests of customers.

The proposed network management principles are unchanged from the principles contained in the 2020 AU, with the exception of proposed amendments to Queensland Rail's obligations following a dispute on a planned possession.

The network management principles in the 2025 DAU establish a predictable and transparent process that outlines how Queensland Rail is to schedule train services and undertake maintenance activities on its network. As part of this process, Queensland Rail is to first develop and publish:

- an MTP, which details the scheduled times as advised by Queensland Rail for all train services and any regular planned possessions where scheduled times are unchanged from week to week²⁵¹

²⁵¹ Queensland Rail may modify an MTP or schedule an ad hoc possession but is to notify all affected parties of any modifications to an MTP.

- a supply chain calendar (SCC), which lists upcoming regular and ad hoc planned possessions, urgent possessions (to the extent known) and special events on the network.²⁵²

Queensland Rail is to then develop the daily train plan (DTP)²⁵³ to provide the actual expected schedule on the day of operation, which is derived from the MTP and SCC.²⁵⁴

The network management principles also provide flexibility for Queensland Rail to manage scheduling of trains services to address network constraints as they arise, and to be responsive to requests of customers. In this regard, Queensland Rail may modify an MTP or schedule an ad hoc possession but must notify all affected parties at least three months before the start of a modification.²⁵⁵ The MTP may also be changed in response to a request from an access holder, where an access holder gives Queensland Rail notice to consider and implement the requested change. Notice must be given no less than:

- six months prior to a change relating to a passenger service
- three months prior to a change relating to a non-passenger service.²⁵⁶

Yancoal submitted that it is concerned that the MTP does not reflect the full extent of constraints being faced by users of the West Moreton system.²⁵⁷ The MTP outlines a forward-looking plan for scheduled train services and planned possessions. It is the case that certain constraints may occur that affect the extent that the services scheduled in the MTP can be achieved.²⁵⁸

Importantly, Queensland Rail may then only schedule a DTP in variation to a MTP in certain circumstances, including:

- to accommodate operational constraints (including urgent and emergency possessions) and special events, as defined in Part 7 of the 2025 DAU
- to accommodate requests from access holders to change the schedule of its train services or run an ad hoc train service
- where all affected access holders agree to the modification.²⁵⁹

The 2025 DAU requires Queensland Rail to use reasonable endeavours to minimise any material adverse effects on train services caused from scheduling an ad hoc planned possession, or any modification or variation to an MTP.²⁶⁰

Aurizon Coal and Bulk considered that the train planning principles should include an obligation that Queensland Rail liaise with adjoining rail infrastructure managers with the objective of aligning possessions where possible.²⁶¹ Aurizon Coal and Bulk submitted that where possessions were not

²⁵² 2025 DAU, Sch. F, cl. 2.1(a).

²⁵³ The DTP details the scheduled times for all train services and regular and ad hoc planned possessions, urgent possessions and emergency possessions for a particular day on a specified part of the network (2025 DAU, Part 7).

²⁵⁴ Aurizon Coal and Bulk (sub. 2, pp. 37-38) submitted that in practice the process for scheduling train services in the West Moreton line involves Queensland Rail developing a western corridor alignment calendar and a forecast plan.²⁵⁴ While additional deliverables may assist with Queensland Rail's task to efficiently schedule train services and maintenance activities in certain systems, we do not consider it is necessary to require additional obligations be included in the 2025 DAU.

²⁵⁵ 2025 DAU, Sch. F, cl. 2.1(d).

²⁵⁶ 2025 DAU, Sch. F, cl. 2.1(e),(f).

²⁵⁷ Yancoal, sub. 34, p. 11.

²⁵⁸ We do not consider that the purpose of the MTP is to assess whether Queensland Rail is able to deliver contracted capacity at a particular point in time.

²⁵⁹ 2025 DAU, Sch. F, cl. 2.2(e)-(h).

²⁶⁰ 2025 DAU, Sch. F, cl. 2.3(a).

²⁶¹ Aurizon Coal and Bulk considered that while it was not reasonable to place an obligation on Queensland Rail to ensure possessions were aligned with adjoining rail infrastructure managers, an obligation to liaise with them to align where possible promotes confidence in the reliability of freight paths. The Rail Operators Group (sub. 22, p. 21; sub. 28, p. 17) submitted drafting amendments to give effect to this change – including a clause in the network management principles to require Queensland Rail to liaise with adjoining rail network managers with the objective of aligning possessions where reasonably possible.

aligned across routes, the impact on freight services was multiplied.²⁶² We do not consider that it is necessary to require that such an obligation be included in the 2025 DAU. We consider that minimising any material adverse effects on train services is an appropriate objective for Queensland Rail to manage changes to train service scheduling in the interests of access holders.

We encourage Queensland Rail to work with rail operators to address any issues around rail interoperability, as they arise. We consider that this is in the legitimate business interests of both Queensland Rail and access holders.

6.1.1 Requesting changes to scheduled train services

The 2025 DAU requires an access holder to make any request to change the schedule of its train services or run an ad hoc train service at least two business days prior to the day of operation and prior to the DTP being scheduled.²⁶³

Certain stakeholders suggested amendments to the network management principles that they considered would enable Queensland Rail to be more responsive to the requests of customers (see **Table 3**). For the reasons outlined in **Table 3**, we consider it is appropriate to amend the 2025 DAU to provide for Queensland Rail to be more responsive to requests from operators to change the MTP.

Table 3: Consideration of suggested amendments to the network management principles

Stakeholder submission	QCA position
<p>Aurizon Coal and Bulk and Pacific National both considered that a requirement to give 3 months' notice to Queensland Rail for requesting a change to the MTP was too long, particularly where a request had no impact on any other service. To facilitate more responsive outcomes for end customers, Pacific National submitted that it would be reasonable to reduce the MTP modification timeframe to one month for requests that would not impact other operators.²⁶⁴</p>	<p>Changes to scheduling can have implications for end users' logistics and can impose material costs on those users. The 2025 DAU requires Queensland Rail to provide affected parties with 3 months' notice of any modifications to an MTP.²⁶⁵</p> <p>Our draft decision considered it appropriate to reduce the notification timeframes associated with modifying the MTP where a request to modify an MTP does not impact other access holders.</p> <p>However, Queensland Rail submitted that the MTP was finalised in its planning systems three months before the day of operation and converted into an indicative DTP.²⁶⁶</p> <p>We do not consider it practical to provide for an access holder to request changes to an MTP,</p>

²⁶² Aurizon Coal and Bulk, sub. 24, pp. 14-15.

²⁶³ 2025 DAU, Sch. F, cl. 2.2(j).

²⁶⁴ Aurizon Coal and Bulk, sub. 2, pp. 36-37; Pacific National, sub. 7, p. 21 and sub. 20, p. 13. New Hope (sub. 19, p. 12) supported a 1-month timeframe for modifying the MTP where it did not impact other access holders.

²⁶⁵ Planned possession are part of a long-term planning schedule. The requirement to give three months' notice was introduced as part of AU1 in response to concerns from certain access holders that the 20-day notice period proposed by Queensland Rail was insufficient.

²⁶⁶ Queensland Rail, sub. 27, p. 60. The Rail Operators Group still considered that improvements could be made to the network management principles to incorporate changes to contracted paths prior to their inclusion in the MTP, to recognise contractual obligations before inclusion in the DTP. It said these changes would give rail operators greater visibility and more certainty around provision of train paths than simply applying for them in the DTP. We consider that such certainty can be provided to access holders by applying for changes to the DTP for that period of time prior to the day of operation.

where that MTP has already been converted to an indicative DTP.²⁶⁷

In any case, the 2025 DAU provides for an access holder to request a short-term change to the scheduled train service times outlined in the indicative DTP (up to 2 days prior to the day of operation or until the DTP is scheduled), where another access holder's train service entitlements are not affected.²⁶⁸ We consider this provides access holders with sufficient flexibility in respect of their train services. Therefore, we do not consider it is appropriate to require amendments to the 2025 DAU to provide reduced notification timeframes for an access holder to request a modification the MTP.

Aurizon Coal and Bulk submitted that in practice Queensland Rail appeared to adopt a process whereby it revised the MTP periodically and only on fixed dates.²⁶⁹ Aurizon Coal and Bulk considered that if such a process was adopted by Queensland Rail, then:

- a process for incorporating new or changed contracted paths in the MTP in between review periods should be included in the network management principles²⁷⁰
- there should be no need for notification and consultation processes with other access holders and other parties unless their services or activities were affected by the new or changed path.²⁷¹

The 2025 DAU does not prescribe a process whereby Queensland Rail is to periodically revise the MTP on set dates.

However, where this approach is applied in practice, it has the potential to unnecessarily prolong the timeframes associated with responding to stakeholder requests. As such, we consider it is appropriate to amend the network management principles to make clear that Queensland Rail is to respond to an access holder's request, as soon as reasonably possible. Where Queensland Rail does not agree to the access holder's requested changes or considers that insufficient notice of the requested changes was provided, we also consider it appropriate for Queensland Rail to provide the access holder with reasons for its decision to decline the requested changes.

Pacific National considered that the requirement for access holders to request an ad hoc service at least two business days in advance could impact a rail operator's ability to flexibly deliver for customers. Pacific National suggested that time

We consider that providing access holders with opportunities to request short-term path variations or ad hoc paths needs to be balanced with any potential implications for other end users

²⁶⁷ As such, reducing notification timeframes to request modifications to the MTP would also require amending the timeframes associated with converting the MTP into the DTP, providing access holders with the DTP no more than one-month in advance of the day of operation.

²⁶⁸ 2025 DAU, Sch. F, cl. 2.2(e).

²⁶⁹ As an example, Aurizon Coal and Bulk submitted that MTP revisions may be set in some systems to align with summer and winter timetable dates.

²⁷⁰ The Rail Operators Group (sub. 15, pp. 2, 7-8) supported amending the 2025 DAU to include a mechanism for more quickly including new and varied paths in the MTP, particularly where these did not impact any other parties. New Hope (sub. 19, p. 12) also supported including a process to incorporate changes to contracted paths in between public revisions of the MTP.

²⁷¹ Aurizon Coal and Bulk, sub. 2, pp. 36-37. The Rail Operators Group (sub. 15, pp. 7-8) also considered that it was reasonable to reduce the MTP modification timeframe to one month or consider whether there was even a need for notification and consultation with other access holders and parties unless their services were affected by the new or changed path.

Stakeholder submission

frames be capped at a maximum of 24 hours for Queensland Rail to respond to rail operator requests for short-term path variations or an ad hoc path.²⁷²

The Rail Operators Group considered that Queensland Rail should accept path requests with 2 days' notice, rather than 2 business days. The Rail Operators Group submitted that this:

- is a lesser obligation than arrangements with other rail networks which accept path applications *up to and including the proposed day of operation*
- is reflective of the 24/7 nature of rail freight operations, the logistics industry more broadly and Queensland Rail operations.²⁷³

Pacific National submitted that the network management principles should be amended to recognise maximum corridor lengths that trains could run to.²⁷⁶ Pacific National considered that once a track assessment had been made and suitability for longer trains had been confirmed, requests to run longer trains could be addressed in the daily train plan – this would allow rail operators to be more responsive for customers, as well as aligning with processes on other networks.²⁷⁷

GrainCorp considered that the inflexibility of the MTP was at odds with the inherent daily variability needs of grain trains.²⁷⁸ GrainCorp submitted that

QCA position

that may be affected by those changes to the scheduling.

The 2025 DAU provides for a DTP to be scheduled in variation to a MTP by Queensland Rail at least two business days prior to the day of operation, and prior to the DTP being scheduled.²⁷⁴

However, the 2025 DAU provides for Queensland Rail to be sufficiently responsive to requests for path variations or ad hoc paths at short notice. Relevantly, the 2025 DAU provides for Queensland Rail to make modifications to a DTP after it has been scheduled, at the request of an access holder – provided the change does not affect another access holder's train service entitlement.²⁷⁵

As such, we consider that it is unnecessary to require amendments to the 2025 DAU in this respect.

Amending the network management principles to recognise maximum corridor lengths may affect how Queensland Rail would be able to schedule new train services and possessions on its network. This may have implications for Queensland Rail's ability to, amongst other things, respond to requests from access holders to amend their scheduled paths, and schedule maintenance activities on its network.

While we do not require the 2025 DAU to be amended to address this issue, we encourage stakeholders to discuss opportunities for operating longer trains on a case-by-case basis, as required. We note that an access holder's ability to run longer trains may require significant infrastructure investment to address physical infrastructure restrictions and safety requirements.

We consider that the network management principles appropriately balance the need to provide access holders with certainty, with

²⁷² Pacific National, sub. 7, pp. 21-22.

²⁷³ Rail Operators Group, sub. 28, pp. 4, 17, 30.

²⁷⁴ 2025 DAU, Sch. F, cl. 2.2(e).

²⁷⁵ 2025 DAU, Sch. F, cl. 2.2(j).

²⁷⁶ When a network corridor is confirmed as having the capacity to run to that longer train length, that length train would be available to any path or service on that track. Requests to run longer trains would be addressed in the DTP.

²⁷⁷ Pacific National, sub. 7, p. 22 and sub. 20, pp. 13-15.

²⁷⁸ GrainCorp (sub. 4, p. 5) submitted that grain trains must operate at different times of the day due to the geographically variable origins across the grain supply chain, combined with the impacts of network limitations like summer heat restrictions during peak grain export demand. GrainCorp considered (sub. 25, pp. 2-3) that grain trains are naturally unable to reliably meet rigid MTP times and pathing for coal trains continues to take priority and precedence over preserved pathing for grain trains.

Stakeholder submission

Queensland Rail and train operators were instead applying the principles of preserved pathing, making a number of non-coal paths available per week and scheduling grain traffic within the DTP (rather than the MTP).

GrainCorp considered that these arrangements failed to protect grain users at times when only a portion of the network capacity was available, as coal trains were programmed in the MTP and Queensland Rail prioritised trains scheduled in the MTP.²⁷⁹

GrainCorp submitted that when it approached Queensland Rail for MTP pathing, to make use of this higher priority through peak periods and track work, the process was very slow, with the requests taking months to process. GrainCorp considered this is untenable time for a seasonal commodity like grain.²⁸⁰

QCA position

providing sufficient flexibility for Queensland Rail to be responsive to requests of certain customers. Moreover, the 2025 DAU recognises preserved train path obligations where these have been established.

Providing additional flexibility to grain users in the 2025 DAU at times of congestion on the network may impact the certainty and flexibility provided to other access holders, including coal users.

While preserved pathing arrangements have the potential to provide grain users with greater certainty and flexibility, such arrangements are established under the *Transport Infrastructure Act 1994* (TIA).²⁸¹

Moreover, we consider our decision will provide for Queensland Rail to be more responsive to requests from operators of seasonal commodities. As outlined above, we consider it is appropriate to amend the network management principles in the 2025 DAU to make clear that Queensland Rail is to respond to an access holder's request, as soon as reasonably possible.

6.1.2 Network control

Network control facilitates the safe running of train services, and the commencement and completion of possessions, as scheduled in the DTPs. To execute this task, the network control principles provide network control officers with some discretion to give a train service priority over other train services if it is reasonably necessary to do so:

- due to, or to avoid, an accident, emergency or incident
- to remedy, mitigate or avoid congestion on the network
- to remedy, mitigate or avoid emergency and urgent possessions
- to ensure the safe operation of any part of the network.²⁸²

In relation to network controllers' ability to give priority to a train service to address congestion on the network, Aurizon Coal and Bulk considered it was unclear in what circumstances Queensland Rail used this provision to vary from the network management principles (and how effective it had been in addressing potential congestion).²⁸³ Aurizon Coal and Bulk said this provision gave

²⁷⁹ GrainCorp, sub. 4, p. 5.

²⁸⁰ GrainCorp, sub. 25, pp. 2-3.

²⁸¹ See section 266A.

²⁸² 2025 DAU, Sch. F, cl. 3(i)(i).

²⁸³ Aurizon Coal and Bulk (sub. 24, p. 16) submitted that it would be better for the purpose of a train control priority decision to be clearly and simply stated, or for examples to be given to illustrate Queensland Rail's intent.

Queensland Rail broad discretion, which it could use as an excuse for decisions that contravened other criteria.²⁸⁴ Aurizon Coal and Bulk considered that such ambiguity:

- provided less confidence to freight operators around the way in which Queensland Rail would manage their trains on the network
- made it difficult to identify whether Queensland Rail was acting in compliance with its guidelines.²⁸⁵

More broadly, Aurizon Coal and Bulk and the Rail Operators Group considered that the 2025 DAU did not always provide transparent guidance on how network controllers were expected to make their decisions.²⁸⁶ Aurizon Coal and Bulk submitted that Queensland Rail's network control principles were more ambiguous than those applied in other jurisdictions.²⁸⁷

The Rail Operators Group considered that the arrangements outlined in the 2025 DAU were tilted too far in favour of providing Queensland Rail with discretion, without imposing any punitive consequences for the impact of deviations from schedules. The Rail Operators Group submitted that there were times when disruptions had significant impacts, and it was critical that Queensland Rail's train planning and control framework managed these risks appropriately.²⁸⁸

The Rail Operators Group considered that enhancing Queensland Rail's train control decision matrix would set consistent and objective rules, as well as give the train controllers and rail operators certainty over their operations.²⁸⁹ The Rail Operators Group submitted amendments to the 2025 DAU that it considered appropriately limited Queensland Rail's discretion to deviate from the DTP without unduly fettering network controllers' ability to manage a safe and smooth-running network.²⁹⁰

The train control principles outlined in the 2025 DAU rightly prescribe balanced and transparent decision-making rules and principles that network controllers are to apply to facilitate the safe and efficient running of train services. However, we consider it necessary that train control principles also provide network train controllers with sufficient discretion to exercise judgement in performing this task. Prescribing additional rules or removing the ability of network controllers to exercise discretion may limit the effectiveness of network control to address network constraints as they arise.

We consider that providing network controllers with the ability to give priority to a train service in circumstances that remedy, mitigate or avoid congestion on the network is reasonable. This will help to avoid, or reduce, delays to the running of train services, which is in the interests of access holders. Importantly, in performing the task of network control, we do not consider that Queensland Rail has an incentive to favour any particular freight access holder over another.²⁹¹

Prioritising passenger services

Aurizon Coal and Bulk submitted that freight operators were concerned that Queensland Rail disproportionately favoured passenger services over freight, not that it would prioritise one freight

²⁸⁴ Aurizon Coal and Bulk, sub. 2, p. 39. For instance, Aurizon Coal and Bulk submitted that the range of principles for managing deviations from daily train path mean that actual operations might vary from the traffic management decision making matrix as outlined in the network management principles.

²⁸⁵ Aurizon Bulk and Coal, sub. 24, p. 16.

²⁸⁶ Aurizon Coal and Bulk, sub. 2, p. 39; Rail Operators Group, sub. 15, pp. 8-9.

²⁸⁷ Aurizon Bulk and Coal, sub. 24, p. 16. Additionally, both Aurizon Coal and Bulk (sub. 24, p. 16) and the Rail Operators Group (sub. 22, pp. 23-26) considered that the train control matrix should be clearer that a train service running late due to a below-rail delay should be given preference over train services that were running late for operational reasons.

²⁸⁸ Rail Operators Group, sub. 22, pp. 6.

²⁸⁹ Rail Operators Group, sub. 15, pp. 8-9.

²⁹⁰ Rail Operators Group, sub. 22, pp. 23-28.

²⁹¹ Queensland Rail is not vertically integrated with above-rail freight operations and therefore cannot favour a related party.

operator over another.²⁹² Aurizon Coal and Bulk considered that other rail infrastructure managers were usually subject to limitations on the extent to which the freight service might be delayed in applying train control decision rules that allowed the prioritisation of passenger trains.²⁹³

The Rail Operators Group submitted that it was not evident how much consideration Queensland Rail was giving freight rail services in managing deviations from the DTP.²⁹⁴ Pacific National also considered that the 2025 DAU should establish a priority matrix that set out passenger and freight services at different times of the day and on weekends.²⁹⁵

Processes for allocating capacity to passenger services and for passenger priority obligations are prescribed by the TIA.²⁹⁶ The legislation includes an obligation for the railway manager to:

- bring delayed passenger train services back to their scheduled running time²⁹⁷
- allocate rail capacity that is available, or will become available, to meet the requirements for regularly scheduled passenger train services, as set out by the director-general of the Department of Transport and Main Roads (DTMR).²⁹⁸

Queensland Rail submitted that all of its passenger train services used either preserved train paths or train paths that were the subject of the passenger train service requirements of the DTMR's director-general. Queensland Rail considered that it was not responsible for identifying passenger service requirements, nor for the effects of the preserved train path obligations.²⁹⁹

Aurizon Coal and Bulk and the Rail Operators Groups submitted that Queensland Rail's network control principles extended its rights to prioritise passenger services in circumstances that went well beyond the requirements outlined in the legislation.³⁰⁰ Aurizon Coal and Bulk considered that this approach significantly increased the risk of material delay to freight services, which undermined freight operators' ability to compete with road transport where an important driver of freight mode choice was reliability.³⁰¹

The 2025 DAU provides for a passenger service to be given priority over any other train service where the network control officer believes it necessary to:

- bring a late passenger service back to being on-time, or closer to being on-time
- prevent further delays to a late passenger service, or
- avoid an on-time passenger service that operates in the Metropolitan system during any peak period from becoming late.³⁰²

We encourage stakeholders to continue to consider and discuss potential improvements to the train control principles to provide further clarity for access holders as to how Queensland Rail will

²⁹² In this regard, Aurizon Coal and Bulk (sub. 24, pp. 7-8) submitted that we had not had regard to how Queensland Rail's objective to maximise the service quality for its passenger business directly reduced the service quality offered to freight services.

²⁹³ Aurizon Coal and Bulk, sub. 24, p. 17-19.

²⁹⁴ The Rail Operators Group (sub. 15, pp. 8-9) considered that rail operators were significantly impacted by Queensland Rail's operating choices to prioritise passenger operations in pathing decisions.

²⁹⁵ Pacific National, sub. 7, p. 13.

²⁹⁶ Queensland Rail, sub. 14, p. 51.

²⁹⁷ Transport Infrastructure Act, s. 265.

²⁹⁸ Transport Infrastructure Act, s. 266A.

²⁹⁹ Queensland Rail, sub. 14, pp. 51-53.

³⁰⁰ Aurizon Coal and Bulk, sub. 24, pp. 16-18; Rail Operators Group, sub. 33, p. 2.

³⁰¹ In particular, Aurizon Coal and Bulk (sub. 24, pp. 16-18) submitted that the arrangements provide Queensland Rail with an unfettered right to delay freight services, including where they were on-time, to preference late-running passenger services or to avoid future congestion on the passenger network. The Rail Operators Group (sub. 22, pp. 19-20) submitted amendments to the 2025 DAU that it considered provided greater certainty and reliability to freight services and ensured that passenger prioritisation did not exceed the legislative obligations,

³⁰² 2025 DAU, Sch. F, cl. 3(ii).

prioritise train services.³⁰³ However, we consider that prescribing further rules in the 2025 DAU network control principles³⁰⁴ could adversely affect Queensland Rail's ability to efficiently manage its legislative obligations. Enabling network controllers to give priority to avoid an on-time passenger service from becoming late provides for Queensland Rail to efficiently manage train services on its network to prevent or limit delays to passenger services consistent with the TIA. The 2025 DAU gives Queensland Rail the ability to prioritise passenger services only in these specific circumstances for passenger services operating in the Metropolitan system during peak periods.

Furthermore, in managing its legislative obligations, we consider that Queensland Rail is incentivised to efficiently manage both passenger and freight train services to maximise freight rail volumes operating on its network. Freight train services contribute to recovering the fixed costs of operating the network. To the extent that reliability of the service is a key driver for freight customers, poor reliability will have consequences for Queensland Rail's ability to maximise the revenue recovered from access holders.

Transparency of train control decisions

Overall, we consider that the broad discretion provided to Queensland Rail to manage its network, including its ability to prioritise a train service to remedy, mitigate or avoid congestion on the network, is reasonable. However, where such discretion is provided, we consider that outcomes of decisions made by network control need to be sufficiently transparent for access holders to hold Queensland Rail to account for way it operates its network.

The 2025 DAU requires Queensland Rail to provide an access holder with real-time network control information that indicates actual running of the access holder's train services against the relevant DTP.³⁰⁵ Moreover, Queensland Rail is required to report various measures relating to the operational management of the network. We have outlined amendments to Queensland Rail's reporting obligations in the 2025 DAU that we consider appropriate to provide for access holders to better understand Queensland Rail's performance in operating its network, including providing further transparency about the reliability of scheduled services (see chapter 7).

Causes of delays

Aurizon Coal and Bulk considered that the usefulness of real time running information and performance information would be greatly enhanced by including delay and cancellation cause justification. In this regard, Aurizon Coal and Bulk considered there would be significant benefit in Queensland Rail collaborating with users to review the delay codes in order to collect more simplified and useful information for freight customers.³⁰⁶ Aurizon Coal and Bulk said Queensland Rail had recently agreed to review the delay codes used in the Metropolitan system, as part of a review of reporting to the South West User Group.³⁰⁷

³⁰³ Aurizon Coal and Bulk (sub. 17, p. 15) considered that its concerns regarding the ambiguity of Queensland Rail's train control provisions are best addressed through a collaborative review involving Queensland Rail, rail operators and access holders. The Rail Operators Group (sub. 28, pp. 19-20; sub. 33, p. 3) asked that Queensland Rail commit to a joint review of the traffic management arrangements, to be completed within the first 6 months of the AU3 regulatory period (noting that any amendments to existing arrangements may require a DAAU to be submitted for QCA approval).

³⁰⁴ Such as restricting Queensland Rail's ability to delay on-time freight trains in applying its train control principles.

³⁰⁵ 2025 DAU, Sch. F, cl. 3(e). The 2025 DAU (Sch. F, cl. 3(iii)) also includes an obligation for Queensland Rail to report on the types of different train services operating on the same network to assist access holders to determine whether network control principles are applied consistently between access holders. Aurizon Coal and Bulk (sub. 24, p. 20) considered that this obligation is primarily to guard against a vertically integrated network provider preferencing its own operator, which does not apply to Queensland Rail.

³⁰⁶ Aurizon Coal and Bulk considered that there appears to be significant potential for overlap and inconsistency in terms of how delays could be attributed to a number of specific delay codes.

³⁰⁷ Aurizon Coal and Bulk, sub. 24, pp. 19-21.

We encourage stakeholders to collaborate to improve information transparency around train control decisions. We consider that regional user groups are best placed to consider and implement (as required) any such improvements across the network.

Scheduled paths

The Rail Operators Group also considered that transparent information on the performance of all operators against their scheduled paths was critical for access seekers to be able to understand the opportunities for path rescheduling and resumption that might be available. Furthermore, the Rail Operators Group considered that providing such information would increase Queensland Rail's accountability for using its tools for effective path management to facilitate additional access and improve network utilisation. As such, the Rail Operators Group submitted that an obligation under the 2025 DAU to provide this information would ensure that the information was provided in an efficient format, and over a suitable timeframe, for analysis.³⁰⁸

We consider it is Queensland Rail's responsibility to manage the operation of the network – including to identify where opportunities for path rescheduling and resumption exist to maximise freight rail volumes on the network. As outlined in chapter 4, we encourage stakeholders to continue to discuss and consider incorporating additional mechanisms in an approved undertaking to provide Queensland Rail with more flexibility in train path rescheduling. Where further transparency supports implementing those mechanisms, this may assist in realising network utilisation improvements. However, given the extent that end users may value this additional performance information may vary, we consider that regional user groups are better placed to weigh up the benefits and costs associated with further reporting obligations.

Passenger peak periods

Separately, we also consider Queensland Rail should be more transparent about the applicable passenger peak periods in the Metropolitan system – given the discretion provided to Queensland Rail to prioritise passenger train services that operate during this time to avoid delays to those services.

Passenger peak periods may vary from time to time to allow Queensland Rail to better manage the operation of its network. Aurizon Coal and Bulk submitted that Queensland Rail had informally extended peak periods to those outlined in the network control principles to include time for passenger fleet mobilisation before the morning peak.³⁰⁹ Aurizon Coal and Bulk considered that it would be highly beneficial for the network management principles to specify the applicable peak periods in the Metropolitan system.³¹⁰

Queensland Rail submitted that passenger peak periods vary by location within the system.³¹¹

To provide for more transparency, we consider that the passenger peak periods should be published on Queensland Rail's website. This will provide access holders with transparency around the applicable passenger peak periods, while allowing the timing of these periods (and location specific differences) to be communicated and updated without requiring Queensland Rail to submit changes to an approved undertaking for our approval.

³⁰⁸ Rail Operators Group, sub. 15, pp. 4-5.

³⁰⁹ Aurizon Coal and Bulk noted that there is variability around the passenger peak periods applied by network control.

³¹⁰ Aurizon Coal and Bulk, sub. 24, pp. 18-19. Aurizon Coal and Bulk considered that the length of Queensland Rail's peak periods had a significant impact on freight operators – reducing network capacity and rollingstock utilisation and increasing costs to customers.

³¹¹ Queensland Rail, sub. 32, p. 37.

Notifying rolling stock operators of updates to the MTP or DTP

Queensland Rail reached consensus with the Rail Operators Group on proposed amendments to the network management principles that oblige Queensland Rail to notify nominated rolling stock operators of proposed updates to the MTP or DTP.³¹² The 2025 DAU only included obligations for Queensland Rail to notify access holders of such changes. The Rail Operators Group considered that these proposed amendments provide greater recognition of the role of the rolling stock operator in developing the MTP and DTP.³¹³

We consider it appropriate that the 2025 DAU be amended to notify rolling stock operators of updates to the MTP or DTP. This will provide for a more efficient process for notifying those parties that may be affected by changes to the MTP and DTP. We consider this is in the interests of access holders.

The Rail Operators Group also sought amendments to require Queensland Rail to consult with rollingstock operators in certain circumstances where Queensland Rail was proposing modifications to a MTP or scheduling a DTP in variation from a MTP.³¹⁴ The Rail Operators Group considered the input of the operator was critical for the access holder to make the necessary decisions.³¹⁵ Queensland Rail submitted that it did not intend to amend the network management principles to give rolling stock operators who were not access holders, the same rights as access holders.³¹⁶

We do not consider it appropriate to require amendments to the 2025 DAU to require Queensland Rail to consult with rolling stock operators in these circumstances. This may serve to increase the complexity of, and timeframes associated with, Queensland Rail's obligations to consult with affected access holders and to consider the appropriateness of proposed modifications to a MTP or DTP variations. This may provide for less efficient operation of the network.

We consider it is appropriate for access holders to be responsible for effectively communicating with, and seeking the views of, their rolling stock operators. We have not been provided with evidence to suggest that in consulting with affected access holders on these matters, sufficient time has not been provided to provide for the parties to consult with their rolling stock operators. Queensland Rail considered that arrangements between an access holder and its nominated rolling stock operator were a matter for those parties.³¹⁷

Separately, the Rail Operators Group submitted that the supply chain calendar was a critical tool to record planned and urgent possessions but had limited recognition in the network management principles.³¹⁸ We do not consider that further references to the supply chain calendar in the network

³¹² See Queensland Rail, sub. 27, p. 58 and Rail Operators Group, sub. 28, pp. 27-32. New Hope (sub. 26, p. 11) and Yancoal (sub. 29, p. 12) were also supportive of the proposed amendments.

³¹³ Rail Operators Group, sub. 28, p. 15. Aurizon Bulk and Coal (sub. 24, pp. 14-15) also submitted that the network management plan could be amended to more accurately reflect current processes including the role of operators in the planning and scheduling process. Aurizon Coal and Bulk submitted that under the tripartite agreement used for West Moreton coal and some bulk services, the customer was the also the access holder, and the operator was just the operator.

³¹⁴ Rail Operators Group, sub. 28, p. 15. For example, 2025 DAU, Sch. F, cl. 2.1(m)(i), cl. 2.2(f)(ii), cl. 2.2(f)(iii); 2.2(g).

³¹⁵ Rail Operators Group, sub. 28, pp. 3, 15. The Rail Operators Group submitted that under a tripartite agreement, typically Queensland Rail contacted the access holder, who contacted its operator for advice – decisions as to whether to accept the proposed changes were made jointly between the access holder and the operator.

³¹⁶ Queensland Rail, sub. 27, p. 61.

³¹⁷ Queensland Rail, sub. 27, p. 61.

³¹⁸ Rail Operators Group, sub. 28, p. 16. Aurizon Bulk and Coal (sub. 24, pp. 14-15) also submitted that the network management plan could be amended to more accurately reflect the inclusion of the supply chain calendar in the train planning principles. Additionally, Aurizon Coal and Bulk considered that cl. 2.2(h) of Schedule F could be removed to reflect current processes. Where it becomes apparent that this clause no longer is of use to Queensland Rail or access holders, we would welcome its removal from the 2025 DAU.

management principles will provide further certainty for access holders. The network management principles specify that:

- a DTP is to be developed consistent with the applicable MTP and supply chain calendar, unless a variation is scheduled in accordance with the network management principles³¹⁹
- Queensland Rail is not to modify the MTP for a planned possession where to do so would result in an access holder's scheduled train services not being met in accordance with its train service entitlement, without the access holder agreeing to the modifications.³²⁰

6.1.3 Obligations following a dispute on a planned possession

Queensland Rail proposed not to include in the 2025 DAU a requirement that any planned possession subject to a dispute raised by an access holder is to be delayed until the dispute is resolved. The 2020 AU includes that requirement.³²¹

Aurizon Coal and Bulk, Glencore, GrainCorp, New Hope, Pacific National, the Rail Operators Group and Yancoal opposed Queensland Rail's proposal to not include such a provision in the 2025 DAU.³²² New Hope and Yancoal submitted that in a capacity constrained environment, this protection is more important than ever.³²³ A number of stakeholders said they had experienced an increase in possessions in recent years.³²⁴ Pacific National considered that it was important to retain the requirement included in the 2020 AU given the increasing trend of possessions users were facing.³²⁵

We do not consider it necessary for the 2025 DAU to include a requirement for Queensland Rail to delay implementing any planned possession that is subject to a dispute.

Including such a requirement has the potential to lead to inefficiencies and disruptions to the running of the network in circumstances where an access holder raises a dispute just before the start of a planned possession.

Queensland Rail considered that the 2025 DAU had a dispute mechanism that applied equally to all relevant matters covered by an approved undertaking, and it was this mechanism that should apply to prevent overregulation.³²⁶

In contrast, Aurizon Coal and Bulk and the Rail Operators Group considered that delaying a possession until a related dispute was resolved assisted in promoting disciplined operation of the network, and accountability on Queensland Rail to comply with its obligations to the access holder.³²⁷ Aurizon Coal and Bulk also considered that the requirement to delay any disputed

³¹⁹ 2025 DAU, Sch. F, cl. 2.2(e).

³²⁰ 2025 DAU, Sch. F, cl. 2.1(m).

³²¹ 2020 AU, sch. F, cl. 2.4.

³²² Aurizon Coal and Bulk, sub. 2, p. 38; Glencore, sub. 11, p. 7; GrainCorp, sub. 4, p. 3; New Hope, sub. 5, pp. 28-29, sub. 26, p. 12; sub. 31, pp. 9, 16; Pacific National, sub. 7, pp. 23-24; Rail Operators Group, sub. 15, p. 2; Yancoal, sub. 9, pp. 24-25; sub. 34, p. 10.

³²³ New Hope, sub. 31, p. 9; sub. 34, p. 10.

³²⁴ Pacific National also submitted that it had experienced an increase in possessions and full system closures on the North Coast line, as well as longer closure durations (Pacific National, sub. 7, pp. 23-24; sub. 20, p. 14). New Hope and Yancoal submitted that the West Moreton system had been beset by possessions in recent times (New Hope, sub. 5, pp. 28-29; Yancoal, sub. 9, pp. 24-25). Aurizon Coal and Bulk (sub. 24, p. 13) considered that the adverse impact of possessions on freight services had reached a critical level given the ongoing significant closures associated with building Cross River Rail.

³²⁵ Pacific National, sub. 20, p. 14.

³²⁶ Queensland Rail, sub. 1, p. 64. Queensland Rail submitted that no other rail infrastructure provider in Australia was subject to this requirement.

³²⁷ Pacific National (sub. 20, p. 5) submitted that such a requirement put accountability on Queensland Rail to maintain efficiency of the network and consult with operators. Aurizon Coal and Bulk (sub. 24, pp. 13-14) also submitted that retaining an effective backstop dispute resolution process on planned possessions would better promote freight on rail – as effective possession planning that minimised adverse impacts on freight services was critical to the reliability performance of freight.

possession ensured there was no incentive for Queensland Rail to delay resolution of a dispute in order to allow the possession to proceed.³²⁸ Pacific National and the Rail Operators Group considered that the removal of this requirement would appear to be an erosion of access holders' rights when a bona fide dispute took place.³²⁹ Yancoal and New Hope submitted that without this safeguard there was a real risk of adverse impacts from MTP changes and possessions in circumstances not permitted by the network management principles.³³⁰

Importantly, the 2025 DAU does not prevent access holders from raising a dispute in relation to Queensland Rail complying with the network management principles. As outlined in section 3.4, we consider that the proposed dispute resolution mechanism in the 2025 DAU is sufficient to hold Queensland Rail accountable for its conduct under the access undertaking.

Queensland Rail proposed an amendment to the definition so that all planned possessions that adversely affected train services were scheduled in the MTP.

In scheduling train services, the 2025 DAU requires Queensland Rail to use reasonable endeavours to minimise any material adverse effects on train services caused from scheduling a planned possession, or any modification or variation to an MTP.³³¹ Queensland Rail must also use its reasonable endeavours to offer any access holder that is affected by a modification or variation an alternative schedule time.³³²

Pacific National and Aurizon Coal and Bulk submitted that the dispute resolution process was a structured process that imposed higher costs and longer timeframes for access seekers in comparison to resolving matters in an informal manner. Aurizon Coal and Bulk considered formal disputes also created a more confrontational environment for addressing problems.³³³ The Rail Operators Group considered there might be a compromise whereby the 2025 DAU would be amended to include an accelerated dispute resolution process for disputed planned possessions – to provide an opportunity for a dispute to be resolved before the possession was scheduled to occur.³³⁴

We consider that the provisions in the 2025 DAU will provide sufficient incentives for Queensland Rail to comply with its obligations outlined in the network management principles. In our view, the dispute resolution mechanism in the 2025 DAU holds parties accountable for their conduct under the access undertaking. The dispute resolution provisions require that all parties agree in a legally binding way to be bound by the determination, including orders as to the payment of costs.

Moreover, we consider that Queensland Rail is incentivised to efficiently manage possessions on its network and to maximise freight rail volumes in scheduling possessions on its network.³³⁵

To date, there have been no disputes in relation to the way that Queensland Rail has scheduled planned possessions. Pacific National and Aurizon Coal and Bulk submitted that the absence of disputes did not imply that such a requirement to delay a disputed possession was not necessary, noting this had formed part of the regulatory framework to date. Rather, Aurizon Coal and Bulk considered it was an indicator that this right was highly effective in ensuring that Queensland Rail took action to resolve concerns as they arose.³³⁶

³²⁸ Aurizon Coal and Bulk, sub. 2, p. 38; Rail Operators Group, sub. 15, pp. 9-10.

³²⁹ Pacific National, sub. 7, p. 23; Rail Operators Group, sub. 15, pp. 9-10.

³³⁰ Yancoal, sub. 29, p. 11 and sub. 34, p. 10; New Hope, sub. 26, p. 12.

³³¹ 2025 DAU, Sch. F, cl. 2.3(a).

³³² 2025 DAU, Sch. F, cl. 2.3(c).

³³³ Pacific National, sub. 20, pp. 14-15; Aurizon Coal and Bulk, sub. 17, p. 13.

³³⁴ Rail Operators Group, sub. 28, pp. 4, 18 and sub. 33, p. 3.

³³⁵ Noting freight train services contribute to the recovery of the fixed costs of operating the network.

³³⁶ Pacific National, sub. 20, p. 14; Aurizon Coal and Bulk, sub. 24, p. 13.

As such, we will continue to monitor whether the regulatory arrangements affect Queensland Rail's performance in implementing planned possessions throughout the AU3 regulatory period. Should Queensland Rail not comply with its obligations outlined in the network management principles and this has implications for access holders, further amendments to the regulatory arrangements may be necessary in future.³³⁷ As such, we consider it important that the reporting obligations in the 2025 DAU provide sufficient transparency in relation to Queensland Rail's performance in implementing planned possessions. The appropriateness of Queensland Rail's proposed reporting obligations is discussed in chapter 7.

In scheduling planned possessions, Queensland Rail should be responsive to the needs of customers where possible.³³⁸ We consider that effective engagement with access holders before scheduling a planned possession will promote the efficient operation of Queensland Rail's network.

Aurizon Coal and Bulk considered that the current arrangements provided a strong incentive on Queensland Rail to effectively consult with operators and access holders around the timing and effect of planned possessions.³³⁹ Pacific National did not believe Queensland Rail would continue this consultative and inclusive process without the requirement to delay a possession until a related dispute was resolved.³⁴⁰ Pacific National considered that there should be more transparency and incentives around consultative procedures before the network owner took possession of the railway.³⁴¹

The 2025 DAU requires Queensland Rail to consult with affected parties where Queensland Rail schedules a DTP in variation to a MTP or makes a modification to a scheduled DTP.³⁴² This provides for cooperation between parties, where possible, to realise the most suitable and efficient scheduling outcomes for those affected.

The 2025 DAU also establishes processes that provide for Queensland Rail to effectively engage with the relevant parties as part of the planning process. In this regard, Queensland Rail must convene regional network user groups for the West Moreton system, North Coast line and Mount Isa line (see section 6.3).³⁴³ It is not clear that not including a requirement to delay a planned possession subject to a dispute will affect these consultation processes. However, as outlined, we will continue to monitor this matter throughout the AU3 regulatory period.

³³⁷ For instance, Aurizon Coal and Bulk (sub. 24, p. 13) considered the risk of inefficiencies and disruptions could be addressed by, amongst other things, specifying additional time limits to apply to disputes relating to planned possessions to provide for a timely resolution of those disputes.

³³⁸ A planned possession has the potential to significantly disrupt train services and thereby negatively affect access holders and operators. In this regard, Pacific National (sub. 7, p. 23) submitted that where the MTP was changed without agreement, the financial and operational impact to a rail operator could be substantial and could cause significant impact to the end customer.

³³⁹ Aurizon Coal and Bulk, sub. 24, p. 13. Pacific National (sub. 20, p. 5) also submitted that the fact that this clause was currently in place in the 2020 undertaking had meant that Queensland Rail had created a process to actively engage with industry to explore alternatives to highly impactful possessions.

³⁴⁰ Pacific National, sub. 20, p. 14.

³⁴¹ Pacific National, sub. 7, p. 23. Pacific Rail considered that rail operators needed a level of protection and a consultation process with Queensland Rail to influence closures and suggest alternative timeframes to undertake works, particularly where they could be aligned with closures on other networks. Specifically, strong consultation was needed to ensure industry provided advice on seasonality to ensure possessions were not imposed during the sugar season and freight peaks.

³⁴² 2025 DAU, cls. 2.2(e)-(h).

³⁴³ Subject to the continual support of the respective access holders and operators (2025 DAU, cl. 4.4(a)).

Summary 6.1

It is not appropriate to approve Queensland Rail's proposed network management principles (cls. 4.1 and 4.2 and Schedule F of the 2025 DAU). It is appropriate for Queensland Rail to amend the 2025 DAU to:

- make clear that Queensland Rail is to respond to an access holder's request for changes to contracted paths in an MTP as soon as reasonably possible and provide the access holder with reasons for any decision to decline an access holder's request for changes to contracted paths in an MTP
- oblige Queensland Rail to notify nominated rolling stock operators of proposed updates to the MTP or DTP
- require Queensland Rail to publish the applicable passenger peak periods in the Metropolitan system.

The way in which we consider it is appropriate to amend the 2025 DAU is outlined in Appendix F.

6.2 Operating requirements manual

The proposed operating requirements manual sets out the rules and procedures for use of the network by train operators to enable Queensland Rail to manage its network in a way that it considers safe and efficient.

The operating requirements manual includes practices, standards, systems, protocols and rules relating to network control and access to, and use of, the network by train operators.³⁴⁴ The operation requirements outlined in Schedule G of the 2025 DAU are common across the network and are not subject to individual variation between different access agreements. They address, amongst other things:

- interface risk management, including environmental risk management
- safe working procedures and safety standards
- incident and emergency response procedures
- various technical requirements for train control and network planning.

In general, Queensland Rail's proposed operating requirements manual reflects the operating requirements manual approved as part of its 2020 access undertaking. Queensland Rail has proposed a number of changes that we consider are administrative in nature, including updated references to legislation, standards, terminology, external documents and contact details.

Queensland Rail also proposed minor changes to the process for investigating Category A and Category B rail safety incidents.

³⁴⁴ GrainCorp (sub. 4, p. 2) submitted that it was concerned that the 2025 DAU did not recognise access seekers that were not accredited operators under the Rail Safety National Law. We consider it appropriate for rail operators that use the network to be accredited rail transport operators (as defined in the Rail Safety National Law). This means that rail operators are capable of performing their functions and obligations under a SAA, which provides for the safe and efficient operation of the network.

We consider that Queensland Rail’s proposed changes do not have material adverse implications for access holders.

We did not receive any stakeholder submissions in relation to the operating requirements manual.

Summary 6.2

It is appropriate to approve Queensland Rail’s proposed operating requirements manual (cl. 4.3 and Schedule G of the 2025 DAU).

6.3 User groups

The 2025 DAU requires that Queensland Rail convene regional network user groups for the West Moreton system, North Coast line and Mount Isa line, subject to the support of the respective access holders and operators.³⁴⁵

The regional user groups are to be cooperative groups, with emphasis on analysis of data, open and impartial discussion and consensus decision-making to improve the operation of the supply chain.³⁴⁶ We consider that regional user groups provide for Queensland Rail to:

- effectively engage with access holders and operators to collectively identify and introduce improvements in system and supply chain performance
- be more responsive to requests of customers in scheduling train services, as well as investing in and undertaking maintenance activities on its network.

Furthermore, we consider that regional user groups have the potential to identify and implement productivity and operational improvements across the network. As such, we consider that a requirement to convene and support regional user groups is in the interests of access holders, access seekers and Queensland Rail.

A number of stakeholders supported arrangements that provided further consultation and collaboration with access holders and operators to identify opportunities for further improvement. Qube considered that Queensland Rail needed to work with rail operators to understand the opportunities for broader industry improvement.³⁴⁷ Specifically, Centrex, Mount Isa Line Users and MMG supported establishing user groups to drive operational and capital improvements.³⁴⁸

6.3.1 Specific measures to promote productivity

Certain stakeholders raised concerns that the 2025 DAU did not include specific measures to promote productivity and operational improvements.³⁴⁹

³⁴⁵ 2025 DAU, cl. 4.4(a).

³⁴⁶ 2025 DAU, cl. 4.4(b).

³⁴⁷ Qube, sub. 8, p. 6.

³⁴⁸ Centrex, sub. 10, pp. 3-4; Mount Isa Line Users, sub. 17, p. 3; MMG, sub. 18, p. 4.

³⁴⁹ Pacific National (sub. 7, p. 3) considered that the 2025 DAU was locking in a system of complacency, rather than embracing the continual improvement and commitment needed to address change and critical issues of resilience and efficiency. North West Phosphate (sub. 6, p. 1) considered that limited innovation and improvement on the Mount Isa line translated to poor quality of service and performance. GrainCorp (sub. 4, p. 3) submitted that investment in, reliability and productivity of the rail infrastructure needed to be brought to the fore more prominently than it currently was.

Moreover, a number of stakeholders identified specific measures that they considered should be included in the 2025 DAU in order to promote productivity and operational improvements.

- Pacific National considered that the 2025 DAU should include a commitment to publish an updated North Coast Rail Line Capacity Improvement plan and an agreement to consult on investment plans with access holders. In relation to the North Coast line, Pacific National and the Rail Operators Group submitted that Queensland Rail needed an action plan that took a long-term view on investment, demand, capacity and resilience.³⁵⁰
- Pacific National considered that the 2025 DAU should incorporate mechanisms to drive data accuracy, efficiency and improved transparency, including providing accurate, real-time data.³⁵¹
- GrainCorp considered that the 2025 DAU could provide a stronger incentive for Queensland Rail to make its track detection equipment used to enforce compliance with asset protection standards fit for purpose and appropriately accurate.³⁵² GrainCorp submitted that users significantly underloaded all grain train services to avoid the delays and costs caused by false positive detections, given installing load-site weigh systems at every grain loading site was economically unviable. Furthermore, GrainCorp considered that there was no urgency or requirement for Queensland Rail to install an appropriately precise and accurate weighbridge.³⁵³
- Aurizon Coal and Bulk considered that the 2025 DAU should enable access seekers to register their interest in acquiring a new or varied train path if it became available as a result of path rescheduling or resumption. Aurizon Coal and Bulk considered that the 2025 DAU should also require Queensland Rail to provide interested access seekers with capacity information to allow the access seeker to assess opportunities for path resumption or rescheduling.³⁵⁴

We encourage identifying and implementing measures that will realise productivity and operational improvements across Queensland Rail's network.

However, it is important to consider and understand the costs and benefits of any proposed investments or operational improvements to provide for the efficient operation of, and investment in, the network.

Queensland Rail will incur costs from investing in operational improvements, or from having additional planning, reporting or monitoring obligations because of measures that are introduced within the regulatory framework. We consider it is in Queensland Rail's legitimate business interests to generate expected revenue to meet the efficient costs of providing access to its network.

System-specific issues, such as developing an action plan for the North Coast line, require system-specific solutions rather than overarching obligations in an approved access undertaking. Relevantly, the network and customer characteristics for each system vary significantly.

³⁵⁰ Pacific National, sub. 8, pp. 8-9; sub. 20, p. 13; Rail Operators Group, sub. 15, pp. 1, 4-5. The Rail Operators Group supported including commitments to developing long-term investment strategies for key freight and resource corridors, in consultation with users.

³⁵¹ Pacific National, sub. 13, p. 12. Pacific National (sub. 20, p. 12) submitted that regular provision of data can be an effective and transparent way to monitor the condition of the network and the service provided but needs to be relevant and timely in order to drive improved efficiency and support modal shift.

³⁵² GrainCorp submitted that Queensland Rail used a number of devices to monitor train weights that were not designed or certified for accurate weighing of wagons.

³⁵³ GrainCorp, sub. 4, p. 5.

³⁵⁴ Aurizon Coal and Bulk, sub. 2, pp. 50-51. The Rail Operators Group (sub. 22, p. 4) supported the consideration of improved tools for train path management.

While it is not clear to what extent the productivity and operational improvements proposed by certain stakeholders will benefit other access holders across the network, such measures have potential to impose additional costs on these access holders.³⁵⁵ We also note that many of stakeholders raised concerns about the affordability of access to Queensland Rail's network.

We therefore consider that effective consultation with affected parties is an important part of the process in identifying, assessing and implementing efficient operational improvements to the network. We consider that regional user groups are well placed to provide for this.

To support regional user groups, the 2025 DAU requires Queensland Rail to, amongst other things:

- provide analysis of the root causes of ongoing or systematic issues being experienced
- identify resolutions to such issues and other productivity or efficiency initiatives
- provide evaluation and modelling of the outcomes of potential supply chain operational changes that the regional network user group supports investigating.³⁵⁶

Aurizon Coal and Bulk submitted that the 2025 DAU did not create any accountability on Queensland Rail's compliance with its commitment to support regional network user groups.³⁵⁷ New Hope considered that from its observation, Queensland Rail was not providing adequate resources for data collection and analysis to meet the needs of the South West User Group.³⁵⁸ MMG submitted that historically there had been lack of engagement by Queensland Rail with the regional groups – MMG wanted to see a stronger commitment from Queensland Rail.³⁵⁹

We consider the dispute resolution mechanism in the 2025 DAU holds parties accountable for their conduct under the access undertaking.

Furthermore, now that the regional user groups have been established in the various systems, we will continue to monitor whether Queensland Rail is fulfilling its obligations to support these groups. Should regional user groups not be effective in identifying and implementing measures that realise productivity and operational improvements across Queensland Rail's network, further amendments to the regulatory arrangements may be necessary in future. However, we note that the effective functioning of the regional user groups is dependent on the support of all relevant parties.

6.3.2 Further obligations to respond to operational requests

Pacific National considered that the 2025 DAU should include obligations for Queensland Rail to respond to rail operators in a more timely way. Pacific National submitted that there were no mandated timeframes in the 2025 DAU for Queensland Rail to respond to rail operator requests designed to improve efficiency.³⁶⁰

Pacific National submitted that it had a number of high impact operational requests outstanding with Queensland Rail as of March 2024, most of which required Queensland Rail engineering

³⁵⁵ For example, New Hope (sub. 12, pp. 3-4) submitted that it already installed sufficiently accurate weighing devices at its own loading facility and was not in a position to support contributing costs to additional mainline devices. New Hope also considered that caution should be exercised when considering the installation and maintenance of more accurate mainline weighing devices, as the associated track outages could be significant.

³⁵⁶ 2025 DAU, cl. 4.4(c).

³⁵⁷ Aurizon Coal and Bulk, sub. 2, p. 20.

³⁵⁸ New Hope, sub. 12, p. 3. New Hope submitted that it supports Queensland Rail's revenue allowances providing sufficient resources for this critical function.

³⁵⁹ MMG, sub. 18, p. 4. MMG submitted that it would like to see the Mt Isa Line User Group convene more often and was eager to provide its input to, and cooperate with, Queensland Rail on how to improve the Mount Isa line for the mutual benefit of Queensland Rail and its users.

³⁶⁰ Pacific National, sub. 13, pp. 5-6.

review. Pacific National provided two examples of requests that it considered had not been addressed in a timely manner by Queensland Rail:

- In July 2023, Pacific National requested to use Queensland Rail-owned equipment, which it offered to pay for. It considered that would significantly increase the efficiency of its operations. Pacific National submitted that this request had still not been implemented, despite Queensland Rail indicating that it was willing to enter into an agreement to facilitate use of the equipment.
- In September 2023, Pacific National approached Queensland Rail’s engineering team to approve the use of wagons (currently in storage) for a specific shuttle service between Pacific National’s Townsville terminal and the Townsville jetty. Pacific National submitted that Queensland Rail has been unable to engage on this issue in a meaningful way until very recently due to resourcing constraints.³⁶¹

In contrast, Queensland Rail submitted that it strove to work with access seekers and end users to advance the use of the network.³⁶²

From the information available, it is not clear that the 2025 DAU should include further obligations that prescribe the time in which Queensland Rail should respond to rail operators in order to improve service and responsiveness for their end customers.

Importantly, Queensland Rail’s regulatory framework provides for access seekers to obtain access to Queensland Rail’s network on reasonable terms and conditions. Moreover, we consider that the negotiation framework in the 2025 DAU facilitates access seekers and Queensland Rail to negotiate the terms and conditions for access to Queensland Rail’s network (see chapter 3).

Within this regulatory framework, we consider that Queensland Rail is incentivised to negotiate mutually beneficial terms of access. In this regard, Queensland Rail considered that it was incentivised to assist access seekers and users, as additional usage of the network contributed to cost recovery of largely fixed capital costs of the network. Queensland Rail provided a number of case studies to demonstrate its commitment to work with access seekers and users to achieve mutually beneficial outcomes.³⁶³

Imposing broad obligations in the 2025 DAU requiring Queensland Rail to respond to requests from operators may be problematic, because efficient response times depend on the specific request. Obligations to respond to operators’ requests could also present resourcing challenges for Queensland Rail, given the infrequent nature of requests. Requests from operators may vary significantly, as noted in the examples provided by Pacific National. Furthermore, it is not clear that all requests are related to Queensland Rail’s operation of the below-rail infrastructure.

In any event, it is not evident to us that there are systemic problems with Queensland Rail’s existing response to specific requests.

Summary 6.3

It is appropriate to approve Queensland Rail’s proposed obligations to provide for productivity and operational improvements (cl. 4.4 of the 2025 DAU).

³⁶¹ Pacific National, sub. 7, pp. 5–6.

³⁶² Queensland Rail, sub. 14, pp. 27–29.

³⁶³ Queensland Rail, sub. 14, pp. 27–29.

7 Reporting requirements

Queensland Rail's 2025 DAU sets out how Queensland Rail is to report its performance in managing the network.

Overview of the decision

We consider it is appropriate for Queensland Rail to make some amendments to the reporting requirements in the 2025 DAU. The way in which we consider it is appropriate to amend the 2025 DAU is outlined in Appendix F.

Reporting requirements (Part 5) – summary

Queensland Rail proposal	Clause	QCA draft decision
Performance reporting		
<p>Queensland Rail proposed to change the indicators provided as part of the quarterly network performance report, to not include some performance indicators that were required as part of its 2020 undertaking.</p> <p>Stakeholders supported amendments to the quarterly network performance report to provide more useful and relevant information for end users.</p>	cl. 5.1	<p>It is appropriate for Queensland Rail to amend the 2025 DAU to:</p> <ul style="list-style-type: none">provide for the quarterly performance reports to be more informative for end usersclarify that planned possessions that may adversely affect the operation of train services are to be scheduled into the MTP, in accordance with the network management principles. <p>See section 7.2</p>

7.1 Overview of reporting obligations in the 2025 DAU

Part 5 of the 2025 DAU outlines Queensland Rail's reporting responsibilities. Queensland Rail proposed reporting arrangements requiring it to prepare quarterly and annual performance reports to inform parties about its performance in operating the network and negotiating access, as well as the costs associated with providing access to parts of the network (**Figure 6**). Queensland Rail is also required to prepare annual financial statements, publishing the accounting records for its below-rail services.³⁶⁴

Part 5 also provides rules for auditing Queensland Rail's compliance with the provisions in the 2025 DAU. Acting reasonably, we may require an audit of compliance with any aspect of the undertaking, or request Queensland Rail to provide information required for the purpose of complying with the undertaking.³⁶⁵

³⁶⁴ 2025 DAU, cl. 5.3.

³⁶⁵ 2025 DAU, cl. 5.4.

Figure 6: Queensland Rail’s quarterly and annual network performance reports

Quarterly network performance report	Annual network performance report
<p>Reports various measures relating to Queensland Rail’s operational management of the network, including:</p> <ul style="list-style-type: none"> • on-time running of train services • transit time delays • train cancellations • possessions – planned, urgent and emergency • track under temporary speed restrictions • overall track condition index (OTCI) • major reportable safety incidents • verified written complaints by access holders. 	<p>Reports various measures across the access negotiation process, including:</p> <ul style="list-style-type: none"> • capacity information requests • access applications • indicative access proposals • negotiation cessation notices • access agreements executed and timeframes for negotiation • disputes referred to the dispute resolution process • maintenance costs, operating expenditure and capital investment for each regional network • volumes of train services for each regional network.

Source: 2025 DAU, cls. 5.1 and 5.2.

7.2 Quarterly performance reporting

Queensland Rail’s proposed reporting obligations provide interested parties with information on how efficiently Queensland Rail has been performing and confidence that it is complying with an approved access undertaking. Accurate and appropriate information on network performance and the running of trains will assist participants in supply chains in understanding problems, identifying their cause, and developing ways to improve operations on the network. As such, we consider that these reporting obligations will assist to promote the economically efficient operation of, use of and investment in the network.

The proposed quarterly reporting obligations in the 2025 DAU reflect the type of information produced in the quarterly reports during the AU2 regulatory period.³⁶⁶ However, Queensland Rail has proposed minor changes to the quarterly reporting obligations in the 2020 undertaking. In this regard, the 2025 DAU does not require Queensland Rail to report:

- the number of times that the network control officer made a decision to deviate from a DTP to remedy, mitigate or avoid network congestion³⁶⁷
- aggregate information on temporary speed restrictions, overall track condition and possessions by train type for the various systems of the network³⁶⁸
- ad hoc planned possession start and end times, as well as the number and duration of these possessions for the quarter³⁶⁹ (see section 7.3).

³⁶⁶ The 2025 DAU requires the quarterly report be published within 6 weeks of the end of the quarter, instead of within 4 weeks. Queensland Rail considered that a 4-week timeframe was not sufficient given the complexity of the current quarterly reporting requirements (Queensland Rail, sub. 1, pp. 60–62.). New Hope, Yancoal and Pacific National did not object to Queensland Rail’s proposed amendments to the timeframes for delivering the quarterly report (New Hope, sub. 5, p. 27; Yancoal, sub. 9, p. 23; Pacific National, sub. 7, pp. 15–16).

³⁶⁷ Queensland Rail submitted that its Vizirail system did not have the ability to record this KPI. See Queensland Rail, sub. 1, pp. 62–63.

³⁶⁸ Queensland Rail (sub. 1, p. 63) submitted that this information could not be reported by train type, and this requirement was an error in the 2020 undertaking.

³⁶⁹ Queensland Rail (sub. 1, p. 63) submitted that its systems did not have the capacity to report on ad hoc planned possessions – and its Vizirail system would require expensive enhancements to record start and end times for these possessions. Queensland Rail also considered that ad hoc planned possessions only had a minor effect on delays.

Aurizon Coal and Bulk, Glencore, New Hope, Pacific National and Yancoal all opposed Queensland Rail's proposal to remove the above reporting requirements. In particular, these stakeholders considered that further accountability and transparency was important in relation to Queensland Rail's decision to implement ad hoc planned possessions and to deviate from a DTP.³⁷⁰

Pacific National considered there was a disappointing theme of information asymmetry and reduced transparency for rail operators.³⁷¹ GrainCorp was concerned there had been a backwards step in Queensland Rail's proposed standard of reporting.³⁷²

In contrast, Queensland Rail considered the existing reporting arrangements were robust and characterised by a notably high level of openness and transparency.³⁷³

Effective reporting and compliance monitoring underpin the integrity of the access regime, as they place accountability on Queensland Rail's performance and provide for greater levels of transparency and supply chain improvement. However, we consider the benefits obtained from reporting and compliance monitoring need to be balanced with the regulatory burden that reporting obligations may impose on Queensland Rail.

Queensland Rail submitted that further regulatory requirements to provide additional information might be an administrative burden on Queensland Rail and impede operational efficiency.³⁷⁴

7.2.1 Usefulness of reported information

While the proposed reporting obligations will provide interested parties with information to assess Queensland Rail's performance in delivering train services, we recognise that certain access holders may benefit from the reporting of additional information. In particular, we consider that there may be merit in providing more useful information to give access holders sufficient transparency as to how Queensland Rail is performing in managing the network.

Aurizon Bulk and Coal identified instances where it considered amendments to Queensland Rail's performance reports would result in more useful and relevant information being presented to customers and stakeholders. Aurizon Bulk and Coal also considered that these amendments would improve consistency in performance reporting across the Australian rail network and were unlikely to impose unreasonable costs on Queensland Rail.³⁷⁵

The Rail Operators Group acknowledged that performance and reporting issues were complex, due in part to Queensland Rail's systems restrictions and legacy issues.³⁷⁶ In this regard, Queensland Rail submitted that it could not readily amend its reporting systems to provide the additional reports requested by stakeholders.³⁷⁷

GrainCorp submitted that it would like to see further progress in improving reporting of on-time performance of the network and speed restrictions. It considered that the consultation process

³⁷⁰ Aurizon Coal and Bulk, sub. 2, p. 43-44; New Hope, sub. 5, p. 27; Glencore, sub. 11, p. 7; Yancoal, sub. 9, pp. 23-24; Pacific National, sub. 7, p. 17-19.

³⁷¹ Pacific National, sub. 7, p. 3.

³⁷² GrainCorp, sub. 4, p. 7.

³⁷³ Queensland Rail, sub. 14, pp. 48-50. Queensland Rail also submitted that regular reports on service performance and network operations were routinely disseminated to stakeholders, ensuring transparency and accountability. Moreover, Queensland Rail stated that it was also currently bound by obligations to provide detailed information on proposed access charges within the negotiation process and was mandated to disclose commercial access pricing to other operators.

³⁷⁴ Queensland Rail, sub. 14, pp. 48-50.

³⁷⁵ Aurizon Bulk and Coal, sub. 24, pp. 22, 25. Aurizon Coal and Bulk considered that collecting this information reflects good industry practice, and it is likely that this information, in many cases, is already collected by Queensland Rail.

³⁷⁶ Rail Operators Group, sub. 28, p. 13.

³⁷⁷ Queensland Rail, sub. 27, p. 59.

should continue.³⁷⁸ The Rail Operators Group also welcomed further opportunities to develop more meaningful and useful indicators.³⁷⁹

Queensland Rail considered that its proposed reporting obligations are already highly prescriptive. Queensland Rail submitted that variability across its network³⁸⁰ must also be considered when evaluating changes to reporting requirements and that overly detailed reporting risks diluting meaningful insights and could lead to misinterpretation of performance metrics.³⁸¹

For the reasons outlined in **Table 4**, we consider that it is appropriate to require amendments to Queensland Rail’s reporting obligations in the 2025 DAU to provide for the quarterly performance reports to be more informative for end users.

Table 4: Consideration of suggested amendments to the quarterly performance reports

Stakeholder submissions	QCA analysis
<p>The 2025 DAU requires Queensland Rail to report the number and percentage of train services that did not reach their destination within the allotted time threshold, as well as to outline whether delays are solely due to rail network issues or due to delays attributed to the rail operator.³⁸²</p> <p>Aurizon Coal and Bulk did not consider that this approach to reporting the reasons for train services not reaching their destination within the allotted time threshold provided useful information for stakeholders. In particular, Aurizon Coal and Bulk submitted that services ran long distances, meaning it was unlikely that there would be a sole cause for a delayed service.³⁸³</p> <p>To understand whether late arrivals were due to the rail operator running late, or because of rail network issues, Aurizon Coal and Bulk considered that outlining the following information would be more useful:</p> <ul style="list-style-type: none"> • the number and percentage of train services for which the operator was running on time (within the agreed time threshold) • of those services for which the operator was running on time, the number and percentage of train services that reached their destination on time 	<p>We consider it appropriate to require amendments to Queensland Rail’s reporting obligations to enable end users to be better informed as to the reasons for delayed services across the network. In particular, amending the reporting obligations in this manner provides a reasonable level of transparency about how Queensland Rail is performing in operating its network and the reliability of scheduled services. We consider that this level of transparency is required to place accountability on Queensland Rail’s performance.</p> <p>From the information provided, we do not consider that requiring these amendments to Queensland Rail’s reporting obligations will impose a significant burden on Queensland Rail, as this data should be readily available to Queensland Rail.</p> <p>While complexities associated with train operations may need to be further considered in interpreting the information reported, Queensland Rail’s customer and user-group meetings provide a good opportunity for Queensland Rail to discuss those factors that may have affected service performance and operational metrics.³⁸⁶</p>

³⁷⁸ GrainCorp, sub. 25, p. 2.

³⁷⁹ Rail Operators Group, sub. 28, pp. 13-14. To aid further discussions between Queensland Rail and its stakeholders, the Rail Operators Group asked that we provide a clear direction around the type of KPIs that were required.

³⁸⁰ Such as differences in train types, product types, service durations and operational practices.

³⁸¹ Queensland Rail, sub. 32, pp. 34-35.

³⁸² 2025 DAU, cl. 5.1.2(a)(ii).

³⁸³ Aurizon Coal and Bulk, sub. 24, pp. 22-23. Aurizon Coal and Bulk noted that more than 99% of late services were attributed to being ‘due to any other reason’ in Queensland Rail’s recent quarterly report.

³⁸⁶ Queensland Rail (sub. 32, p. 35) submitted that it hosts regular customer and user-group meetings to discuss key topics, including service performance, upcoming possessions, network management activities and other operational metrics. Queensland Rail considered that combining tailored reports with direct stakeholder engagement provides for access holders to receive customised insights that address their specific needs.

- of those services for which the operator was not running on time, the number and percentage that did not deteriorate further.³⁸⁴

Queensland Rail submitted that granular reporting at the level proposed is unworkable due to the complexity of train operations – with individual services traversing multiple network sections, diverse factors contribute to delays. Queensland Rail considered that introducing additional layers to the existing reporting categories (below-rail, above-rail, and unallocated delays) would result in excessive administrative burden and limited practical benefits.³⁸⁵

The 2025 DAU requires Queensland Rail to report the average above-rail delay, below-rail delay and unallocated delay in minutes, per 100 train kilometres for aggregated train services.³⁸⁷

Aurizon Coal and Bulk considered that the information provided would be more useful to report the delays in minutes per transit hour, given different components of the network could have very different expected transit times. Aurizon Coal and Bulk considered that expressing delays in minutes per transit hour provided a clearer understanding of the impact of each category of delay on the ability for the train service to operate on time.³⁸⁸

Additionally, Aurizon Coal and Bulk considered that reporting information on expected and actual transit times over the network would be very useful.³⁸⁹

Queensland Rail submitted that transit-hour-based reporting introduces inconsistencies due to variable definitions and operational differences, such as whether scheduled activities (e.g. crew changes and dwell times) are included. The change would lead to distorted comparisons between short-haul and long-haul services,

We consider it appropriate to require amendments to Queensland Rail's reporting obligations to enable end users to better understand the extent, and potential impacts, of delays to services across the network. Amending the reporting obligations in this manner provides a reasonable level of transparency about Queensland Rail's performance in operating its network and the reliability of scheduled services. We consider that this level of transparency is required to place accountability on Queensland Rail's performance.

Importantly, from the information provided, we do not consider that requiring these amendments to Queensland Rail's reporting obligations will impose a significant burden on Queensland Rail, as these amendments require improvements to the way in which data is presented rather than the collection of new datasets.

While operational differences and inconsistencies may need to be further considered in interpreting the information reported, Queensland Rail's customer and user-group meetings provide a good opportunity for Queensland Rail to discuss those factors that may have affected service performance and operational metrics.³⁹¹

³⁸⁴ Aurizon Coal and Bulk, sub. 24, pp. 22-23. The Rail Operators Group, (sub. 22, p. 14) also submitted amendments to the 2025 DAU to reflect this position.

³⁸⁵ Queensland Rail, sub. 32, pp. 35-36.

³⁸⁷ 2025 DAU, cl. 5.1.2 (a)(iii).

³⁸⁸ Aurizon Coal and Bulk, sub. 24, pp. 24-25.

³⁸⁹ Aurizon Coal and Bulk, sub. 24, pp. 25.

³⁹¹ Queensland Rail (sub. 32, p. 35) submitted that it hosts regular customer and user-group meetings to discuss key topics, including service performance, upcoming possessions, network management activities and other operational metrics. Queensland Rail considered that combining tailored reports with direct stakeholder engagement provides for access holders to receive customised insights that address their specific needs.

Stakeholder submissions

undermine transparency, and increase the complexity of data collection.³⁹⁰

The 2025 DAU requires Queensland Rail to report the number and percentage of planned possessions that start and finish within a certain time of the scheduled time.³⁹²

In relation to the information on the performance of possessions, Aurizon Coal and Bulk considered that the most important information for stakeholders was the extent that Queensland Rail's possessions impacted scheduled train services.³⁹³ To reflect this, Aurizon Coal and Bulk considered that there was more value reporting the following:

- the number and percentage of train services cancelled or rescheduled for the purpose of network possession – as this provided information on the extent to which Queensland Rail's network possessions impacted the reliable operation of train services on the network
- the percentage of maintenance work (hours) delivered in planned possessions – as this provided a simpler presentation of Queensland Rail's performance in maintenance planning and execution.³⁹⁴

Queensland Rail submitted that delivering these metrics would require substantial system upgrades or manual data reconciliation, leading to increased administrative burden and operational costs without proportional benefits.³⁹⁵

QCA analysis

Separately, we do not consider it appropriate to require additional obligations to report expected and actual transit times over the network. We consider that providing further information on transit time delays is best considered at the respective regional user groups, given the extent that end users value this information may vary and that providing this information will impose costs on Queensland Rail.

We consider it appropriate to require amendments the 2025 DAU to enable end users to be better informed as to how Queensland Rail is managing possessions across the network. We consider it appropriate for Queensland Rail to report the total time scheduled for planned possessions, as well as any *additional possession time required to undertake planned maintenance work*. We consider that this level of transparency is required to place accountability on Queensland Rail's performance in planning and executing possessions on its network for planned maintenance work.

We do not consider that requiring this amendment to Queensland Rail's reporting obligations will impose an unreasonable burden on Queensland Rail, as much of this data should be readily available and collected by Queensland Rail – noting that Queensland Rail would need to take into account such information in planning and scheduling future possessions on the network.³⁹⁸

In our discussion paper, we previously outlined our view that it was appropriate for Queensland Rail to report on the number and percentage of train services cancelled or rescheduled for the purpose of network possession. While further reporting obligations may provide for end users to be better informed about how Queensland Rail's management of possessions is affecting the

³⁹⁰ Queensland Rail, sub. 32, p. 36.

³⁹² 2025 DAU, cl. 5.1.2(a)(x).

³⁹³ Aurizon Coal and Bulk submitted that it would not consider Queensland Rail completing a possession late to be a material issue if there were no train services impacted. Furthermore, Aurizon Coal and Bulk considered that if Queensland Rail was able to successfully align its possessions, then the number of possession hours might not have a strong correlation with the impact on train services.

³⁹⁴ Aurizon Coal and Bulk, sub. 24, p. 24.

³⁹⁵ Queensland Rail, sub. 32, p. 35. Queensland Rail considered that Queensland Rail already addresses stakeholder data needs effectively through regular user-group meetings and other communication channels, which provide a practical means to address specific data requirements without overburdening reporting frameworks.

³⁹⁸ Aurizon Coal and Bulk (sub. 24, pp. 23-24) submitted that it expected this information would be readily available from Queensland Rail's information systems.

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Furthermore, Queensland Rail considered that tracking maintenance work hours within possessions or linking rescheduled services to possessions, present significant challenges. Queensland Rail considered that attempting to record the granular details proposed would require significant investment in data infrastructure).³⁹⁶

New Hope submitted that if Queensland Rail genuinely believes that it cannot report particular metrics, then the discussion should be around alternative measures that can be reported that provide information on the same issue of concern.³⁹⁷

QCA analysis

reliability of scheduled services, such benefits need to be balanced with the costs associated with updating Queensland Rail's reporting systems.

Overall, we consider that interested parties will be provided with adequate information to consider the reliability of scheduled services. The 2025 DAU requires Queensland Rail to report information on delays to, and cancellations of, train services, as well as the number of train services that were cancelled or rescheduled as a result of an emergency or urgent possession.

As such, we now consider that the benefits and costs associated with implementing further improvements to reporting systems should be further considered at the respective regional user groups, given the potential costs associated with such changes.

The 2025 DAU requires Queensland Rail to report the number and percentage of train services scheduled in the DTPs that were cancelled.³⁹⁹

Aurizon Coal and Bulk considered that there was value in clarifying what was meant by a 'cancellation' when reporting the number and percentage of train services scheduled in the DTP that were cancelled.⁴⁰⁰

Queensland Rail submitted that the definition of cancellations must account for cancellations occurring across multiple planning stages, including the MTP, short-term plan (STP) and DTP. Queensland Rail considered that a practical and standardised definition of cancellations is critical to avoid misinterpretation and ensure clarity in reporting.⁴⁰¹

We consider it appropriate to require amendments to Queensland Rail's reporting obligations to clarify the definition of cancellation. This will enable end users to better interpret the information provided by Queensland Rail.

7.2.2 Further reporting to analyse system performance

Additionally, a number of stakeholders submitted that requiring Queensland Rail to provide the following information would enable further analysis of system performance or inform long-term network planning:

- the number of times that the network control officer deviated from a DTP⁴⁰²

³⁹⁶ Queensland Rail, sub. 32, pp. 36-37.

³⁹⁷ New Hope, sub. 31, p. 16.

³⁹⁹ 2025 DAU, cl. 5.1.2(a)(iv).

⁴⁰⁰ Aurizon Coal and Bulk, sub. 24, pp. 23-24.

⁴⁰¹ Queensland Rail, sub. 32, p. 37.

⁴⁰² Pacific National (sub. 7, pp. 17-18) submitted that operators needed visibility of whole-of-network delays and cancellations in order to interrogate root causes and understand what it meant for network resilience and efficient use of the network.

- information on ad hoc planned possessions⁴⁰³
- modelling on future passenger service growth and the likely impacts for rail freight.⁴⁰⁴

A greater understanding of system performance may assist access holders to identify potential areas for investment or operational improvement, particularly as systems become more congested. However, at this time, we consider that providing further information to better analyse system performance or to inform long-term planning should be further considered at the respective regional user groups.

Queensland Rail stated that it will work with customers on an ongoing basis to further develop the available reporting, subject to the feasibility of updating reporting systems. Queensland Rail submitted that it had worked with the North Coast Line User Group to provide additional reporting.⁴⁰⁵

The Rail Operators Group submitted that it appreciated the progress that has been made in system user groups to identify performance indicators that highlighted opportunities to improve system performance. However, the Rail Operators Group did not consider that this removed the need for useful and informative public KPIs.⁴⁰⁶ System user groups were limited to existing system participants, and different indicators were being developed for each group reflecting the specific performance improvement objectives for each system.⁴⁰⁷

We consider that the required amendments to the reporting obligations in the 2025 DAU will provide interested parties with adequate information on how efficiently Queensland Rail has been performing, while balancing Queensland Rail's legitimate concerns about additional compliance costs.

Queensland Rail may incur significant additional costs where further reporting obligations are incorporated in the regulatory framework. For instance, Queensland Rail submitted that its Vizirail system did not have the ability to record the number of times that the network control officer made a decision to deviate from a DTP. Moreover, Queensland Rail considered that it was not appropriate to impose this administrative burden on train controllers, as they needed to be fully focused on the task of network control.⁴⁰⁸ While there may be potential solutions for obtaining and reporting this information,⁴⁰⁹ obligations to report this information will impose costs on Queensland Rail.

Moreover, the extent that end users value additional performance information may vary, especially because network and customer characteristics for each system vary significantly. For instance, not all

Moreover, Pacific National considered that with greater congestion on the network, deviations from the DTP were likely to increase. Pacific National submitted that removing this reporting requirement would increase the information asymmetry between rail operators and Queensland Rail.

⁴⁰³ Pacific National (sub. 7, pp. 18-19) considered that such information assisted it to assess and understand whether Queensland Rail's maintenance planning process was efficient. Pacific National considered that any trend towards increased ad hoc planned possessions raised concerns about Queensland Rail's maintenance planning process. Pacific National also considered that this information enabled it to reconcile where a train had been cancelled due to ad hoc possessions or related impacts.

⁴⁰⁴ Pacific National (sub. 7, p. 13) and the Rail Operator Group (sub. 15, p. 1) considered that the 2025 DAU should include a requirement for Queensland Rail to provide modelling on future passenger service growth and the likely impacts for rail freight, to inform long-term network planning. In this regard, Pacific National submitted that both the Queensland freight task and demand for passenger rail services were expected to increase significantly. Pacific National considered that increased transparency about how Queensland Rail would make capacity decisions would be required.

⁴⁰⁵ Queensland Rail, sub. 27, p. 59.

⁴⁰⁶ The Rail Operators Group submitted that publicly reported KPIs provided information on rail system performance to all existing and new rail operators: allowed rail operators to assess likely performance outcomes; enabled comparison of performance across systems, might enhance the operation of system user groups; and might assist pursuing opportunities to promote modal shift to rail.

⁴⁰⁷ Rail Operators Group, sub. 28, p. 13.

⁴⁰⁸ Queensland Rail, sub. 1, pp. 62-63.

⁴⁰⁹ For instance, Pacific National (sub. 7, pp. 17-18) considered that Queensland Rail could seek a solution that automated most of this work for train controllers; or allocated dedicated time at the end of each shift so train controllers could document reasons for any deviation.

systems will suffer from increasing congestion during the upcoming regulatory period. We consider that regional user groups are better placed to identify and address system-specific issues than overarching obligations in an access undertaking.

New Hope submitted that its preference was to work with the regional user group so that the type of information needed to understand system performance and drive improvements was made available, rather than prescribe further reporting requirements in the 2025 DAU.⁴¹⁰

The Rail Operators Group considered that there was value in including a commitment by Queensland Rail to hold an annual stakeholder forum during the AU3 regulatory period to discuss opportunities for improved performance indicators.⁴¹¹ We consider that regional user groups are best placed to determine suitable engagement timeframes to identify further opportunities for improving performance reporting. Importantly, there is scope for system user groups to establish arrangements that best suit the needs of specific participants.⁴¹²

7.2.3 Further reporting on ad hoc planned possessions

We do not consider it is necessary for the 2025 DAU to include a requirement for Queensland Rail to delay implementing any planned possession that is subject to a dispute (see section 6.1.3 of this decision). However, it is important that the reporting obligations in the 2025 DAU provide sufficient transparency in relation to Queensland Rail's performance in implementing planned possessions. This is necessary to hold Queensland Rail accountable for its performance in scheduling possessions and to promote disciplined operation of the network.⁴¹³

The proposed reporting obligations in the 2025 DAU do not require Queensland Rail to report ad hoc planned possessions.

A number of stakeholders considered that ad hoc planned possessions had implications for rail operators.⁴¹⁴ Aurizon Coal and Bulk considered that if Queensland Rail wanted to retain the right to apply ad hoc planned possessions, it was important that it was transparent and accountable in the way it used this right. Aurizon Coal and Bulk submitted that adopting a simplified approach to reporting on compliance with possession timeframes may be satisfactory.⁴¹⁵

In our draft decision, we considered it appropriate for the 2025 DAU to require that Queensland Rail report on ad hoc planned possessions as part of its quarterly report.

In response to our draft decision, Queensland Rail proposed to:

- delete the definition of ad hoc planned possession (and all references to ad hoc planned possessions) from the 2025 DAU

⁴¹¹ Rail Operators Group, sub. 28, p. 3, 14, 28-29; sub. 33, pp. 5-6. The Rail Operators Group submitted that an annual forum would also provide a smoother transition between access undertakings and would facilitate discussion of National Rail Action Plan interoperability and harmonisation objectives.

⁴¹² Yancoal (sub. 34, p. 8) submitted that it remains interested in seeking to develop a more effective, transparent and customised reporting regime through the South West User Group.

⁴¹³ Scheduling possessions for the purpose of undertaking regular maintenance and capital works should be planned in advance to provide access holders with certainty as to the upcoming scheduling of train services.

⁴¹⁴ Aurizon Coal and Bulk (sub. 2, p. 42), New Hope (sub. 5, p. 27), Pacific National (sub. 7, p. 18; sub. 20, p. 16) and Yancoal (sub. 9, p. 24) all questioned Queensland Rail's assertion that ad hoc planned possessions only had a minor effect on delays for rail operators. Pacific National submitted that the downstream impacts of any delay could be significant in terms of supply chain management, and ultimately the end customer suffered the consequences of such repercussions. Pacific National considered that such delays could also have labour impacts and could potentially cause a cancellation in subsequent services in instances where the rail operator had exhausted all available crew. GrainCorp (sub. 4, p. 3) considered there could be a significantly increased reliance on ad hoc planned possessions, which would further erode train paths for grain in the DTP.

⁴¹⁵ Aurizon Coal and Bulk, sub. 2, pp. 42-43.

- replace the definition of regular planned possession with the definition of planned possession – as a possession (other than an urgent or an emergency possession) that is entered into the MTP and DTP and adversely affects the operation of train services.

Queensland Rail submitted that these amendments made it clear that all possessions (other than emergency and urgent possessions) that adversely affect train services were scheduled in the MTP. The Rail Operators Group accepted Queensland Rail's proposed removal of references to ad hoc planned possessions.⁴¹⁶

Importantly, we consider that Queensland Rail's proposed amendments to the definitions of planned possessions, along with the required amendments to the reporting obligations in the 2025 DAU (see section 7.2), will provide interested parties with adequate information on Queensland Rail's performance in scheduling planned possessions.

Yancoal submitted that it appeared that the concept of an ad hoc planned possession was only redundant if there were in fact no possessions (other than urgent or emergency possessions) that were not entered into the MTP. Yancoal considered that the network management principles should specifically prohibit possessions (other than urgent or emergency possessions) unless the process in the undertaking had been followed for changes to the MTP to include such possessions.⁴¹⁷

We consider that Queensland Rail's proposed amendments to the 2025 DAU provide sufficient transparency in relation to Queensland Rail's performance in implementing planned possessions. At this time, we do not consider that further amendments are required to restrict Queensland Rail's ability to undertake, or hold it accountable for, further possessions that do not affect the scheduling of train services. Reducing such flexibility may have implications for the efficient operation of the network.

Summary 7.2

It is not appropriate to approve Queensland Rail's proposed reporting requirements (Part 5 of the 2025 DAU).

It is appropriate for Queensland Rail to amend the 2025 DAU to:

- provide for the quarterly performance reports to be more informative for end users
- clarify that planned possessions that may adversely affect the operation of train services are to be scheduled into a MTP, in accordance with the network management principles.

⁴¹⁶ Rail Operators Group, sub. 28, pp. 27-28.

⁴¹⁷ Yancoal, sub. 29, p. 12; sub. 24, p. 9.

8 West Moreton access terms

The preceding chapters, covering the majority of the 2025 DAU, represent our final decision on those matters. However, we have decided it is appropriate to give parties a further chance to comment on West Moreton access terms. Accordingly, we include our draft positions on West Moreton in Appendix B and rate of return matters in Appendix C, while our suggested drafting of amendments to the DAU is in Appendix D.

Submissions on the West Moreton access terms that we set out in Appendices B to E are due by Monday 14 April 2025. Following consideration of submissions, we intend to proceed directly to a final decision on West Moreton access terms.

Submissions

Closing date for submissions: 14 April 2025

Public involvement is an important element of our decision-making processes. Therefore, we invite submissions from interested parties on West Moreton access terms (addressed in Appendices B to E of this decision document). We will take account of all submissions received within the stated timeframes. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority

GPO Box 2257, Brisbane Qld 4001

Tel 07 3222 0555

www.qca.org.au/submissions

Confidentiality

In the interests of transparency, and to promote informed consultation, we intend to make all submissions publicly available. However, if a person making a submission believes that information in it is confidential, they should claim confidentiality over the relevant information (and state the basis for that claim). We will assess confidentiality claims in accordance with the Queensland Competition Authority Act 1997. Among other things, we will assess if disclosure of the relevant information is likely to damage a person's commercial activities, and we will consider the public interest.

Claims for confidentiality should be clearly noted on the front page of a submission, and relevant sections of the submission marked as confidential. The submission should also be provided in both redacted and unredacted versions. In the redacted version, all information claimed as confidential should be removed or hidden. In the unredacted version, all information should be exposed and visible. These measures will make it easier for us to make the remainder of the document publicly available. A confidentiality claim template is available at www.qca.org.au/submission-policy.

The template gives guidance on the type of information that may help us to assess a confidentiality claim. We encourage stakeholders to use this template when making confidentiality claims.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office or on our website at www.qca.org.au. If you experience any difficulty gaining access to documents, please contact us on **07 3222 0555**.

Appendix A: The access regime

A.1 Queensland access regime

Part 5 of the QCA Act sets out the statutory regime for access to services in Queensland, including the process for declaration of services and the negotiation of terms of access. The regime is based on a negotiate-arbitrate framework, which envisages that, in the first instance, access to a declared service should be procured on the basis of terms and conditions that are commercially agreed between the access seeker and the provider of the declared service.

The regime also provides for developing an 'access undertaking', which is defined under the QCA Act as 'a written undertaking that sets out details of the terms on which an owner or operator of the service undertakes to provide access to the service whether or not it sets out other information about the provision of access to the service'.⁴¹⁸ It is notable that since implementation of the Queensland access regime, access to declared services has primarily been facilitated through approved access undertakings. These have been the primary means of setting out a process required for an access seeker to negotiate access; general terms and conditions that apply when negotiating access agreements; and how disputes in relation to access are to be resolved.

A.2 Queensland Rail

Queensland Rail provides access to declared services for the purposes of the access regime. The relevant services involve 'the use of rail transport infrastructure for providing transportation by rail if the infrastructure is used for operating a railway for which Queensland Rail Limited, or a successor, assign or subsidiary of Queensland Rail Limited, is the railway manager'.⁴¹⁹ On 1 June 2020, the Treasurer and Minister for Infrastructure and Planning declared the following parts of the Queensland Rail service, which parts are each a service, under section 84(1)(b) of the QCA Act: the North Coast Route service; the Mount Isa Route service; the West Moreton Route service; the Central Western Route service; the Western Route service; and the South Western Route service (collectively referred to in this decision as the 'declared services').⁴²⁰

As a result of this service declaration, Queensland Rail is subject to various obligations under the QCA Act, including engaging in negotiations in good faith regarding access to the service (s. 100), providing information to access seekers regarding the service, and participating in access dispute resolution.

The following are previous access undertakings involving Queensland Rail:⁴²¹

- 2008 access undertaking – 2010–2015
- 2016 access undertaking – 2016–2020
- 2020 access undertaking (AU2) – 2020–2025.

⁴¹⁸ QCA Act, Sch. 2.

⁴¹⁹ The declaration of Queensland Rail's below-rail infrastructure is set out in s. 250(1)(b) of the QCA Act.

⁴²⁰ Queensland Government, *Gazette (Extraordinary)*, vol. 384, no. 31, 1 June 2020.

⁴²¹ Additional information is available on the QCA website at <https://www.qca.org.au/project/queensland-rail/previous-access-undertakings/>.

Appendix B: West Moreton

Queensland Rail has proposed reference tariffs for coal haulage on the West Moreton route service (the West Moreton reference tariff). The two systems that comprise the declared route service (the West Moreton and Metropolitan systems) connect mines in southern Queensland with the coal export terminal at the Port of Brisbane.

We consider a West Moreton coal reference tariff of \$38.29/000 gtk (\$14.27 per net tonne⁴²²) will recover Queensland Rail's efficient costs at our best forecast of coal volumes and is appropriate to approve, having regard to the criteria in section 138(2) of the QCA Act and our determination of how those criteria should be weighed. We also consider it appropriate to require some amendments to the non-price terms, including the process for cooperation on maintenance and capital planning, and an annual true-up for capital expenditure.

At the same time, we encourage Queensland Rail and its customers to continue their efforts to find consensus on terms that suit their risk preferences. These may include a reasoned and prudent strategy for delivering capacity, and other price and non-price terms of access. These matters can be subsequently implemented through a draft amending access undertaking (DAAU) or, if the parties move quickly, agreed amendments to the 2025 DAU.

In several sections of this appendix, we have drawn on the material in our December 2024 discussion paper.⁴²³ In most cases, we have provided references to the discussion paper, rather than repeating its content in full.

West Moreton access terms (Schedules D and E) – summary

Queensland Rail proposal	Clause	QCA position
Appropriate use of reference tariffs		
Queensland Rail proposed to include a West Moreton reference tariff in the 2025 DAU. ⁴²⁴ Stakeholders also said the undertaking should include a West Moreton reference tariff. ⁴²⁵	Sch. D, cl. 3	We consider it is appropriate to develop a reference tariff. See section B.2.
Sustainable West Moreton capacity		
Queensland Rail proposed two forecast capacity scenarios: <ul style="list-style-type: none"> scenario 1a with tonnages peaking at 9.6 mtpa scenario 2 with tonnages peaking at 7.5 mtpa.⁴²⁶ 		We consider that the tonnages forecast under scenario 2 are achievable should Queensland Rail implement measures to deliver the specified works programs with fewer possession hours. See section B.3.

⁴²² The full cost of access, including \$3.08 to traverse the Metropolitan system, is \$17.35 per net tonne.

⁴²³ QCA, [Queensland Rail 2025 Draft Access Undertaking](#), discussion paper, December 2024.

⁴²⁴ Queensland Rail, sub. 1, p. 5.

⁴²⁵ New Hope, sub. 31, pp. 3-7; Yancoal, sub. 34, pp. 2-4.

⁴²⁶ Queensland Rail, sub. 27, pp. 15-16.

Queensland Rail proposal	Clause	QCA position
Coordination and non-price terms		
Queensland Rail said its capital and maintenance plan for West Moreton would reduce operational risk. ⁴²⁷		We consider a reasoned and prudent strategy, agreed with customers, is the best basis for efficient management of West Moreton. See section B.4.1.
Queensland Rail proposed a capital expenditure review process unchanged from the 2020 undertaking. ⁴²⁸	Sch. E	We consider amendments are appropriate to promote consultation with customers on West Moreton investment planning. See section B.4.2.
Queensland Rail proposed triggers for review of its capital indicator. ⁴²⁹ Customers proposed an annual true-up process. ⁴³⁰	Sch. D, cl. 3.2	We consider an annual true-up process promotes efficient investment. See section B.4.3 and Appendix D.
Queensland Rail proposed accelerated depreciation to address its asset stranding risk. ⁴³¹		We consider Queensland Rail and its customers may want to negotiate contractual terms that address stranding and security of access. See section B.4.4.
Queensland Rail did not propose transitional provisions for adjustments to the reference tariff after the approval date.	Cl. 7.1, Endorsed Variation Event	We have proposed transitional provisions for adjustments to the full cost recovery reference tariff after the approval date. See section B.4.5.
West Moreton efficient costs		
Queensland Rail proposed a total revenue requirement of \$501 million (in 2025-26 dollars) over the five-year undertaking period, for annual volumes of 9.6 million tonnes. ⁴³²		We consider total revenue of \$434.7 million over the five years is appropriate to approve, for annual volumes of 7.5 million tonnes. See section B.5 for analysis of the building blocks.
Conclusion – appropriate reference tariff		
Queensland Rail proposed a reference tariff of \$32.63/’000 gtk, for annual volumes of 9.6 million tonnes. ⁴³³	Sch. D, cl. 3	We consider a full cost recovery reference tariff of \$38.29 is appropriate to approve for annual volumes of 7.5 million tonnes. See section B.7.

⁴²⁷ Queensland Rail, sub. 1, pp. 9-10.

⁴²⁸ Queensland Rail, 2025 DAU, Schedule E.

⁴²⁹ Queensland Rail, sub. 1, p. 30.

⁴³⁰ New Hope, sub. 5, pp. 26, 36-38; Yancoal, sub. 9, pp. 15, 28-29 and sub. 16, p. 7.

⁴³¹ Queensland Rail, sub. 1, pp. 32-37.

⁴³² Queensland Rail, sub. 1, pp. 10-12.

⁴³³ Queensland Rail, sub. 1, pp. 10-12.

Queensland Rail proposal	Clause	QCA position
Agreed West Moreton reference tariff still possible		
Queensland Rail and stakeholders said it was difficult to reach an agreed outcome. ⁴³⁴		We consider that the parties may be able to agree West Moreton access terms that best suit their risk and service preferences. See section B.8.

B.1 Reference tariff proposals

Both Queensland Rail and its customers have provided tariff proposals since our draft decision. Queensland Rail submitted an amended tariff proposal in November 2024, and the West Moreton customers provided suggested approaches in February 2025. These are summarised below.

B.1.1 Queensland Rail's amended proposal

Queensland Rail's 2025 DAU proposed a reference tariff for coal haulage on the West Moreton system, based on forecast annual volumes of 9.6 million tonnes. We said in our draft decision that the reference tariff and related measures were not appropriate to approve because of, among other things, a lack of a reasoned and prudent strategy for West Moreton and uncertainty about both demand and capacity.⁴³⁵

After our draft decision, Queensland Rail exchanged information with its West Moreton customers and agreed with them that it would prepare an alternative scenario, for annual volumes of 7.5 million tonnes.

In its collaborative submission of November 2024, Queensland Rail included both its original 9.6 million tonne forecast (as scenario 1a) and a second proposed reference tariff for 7.5 million tonnes (scenario 2).⁴³⁶

Table 5: Queensland Rail's coal volume forecasts (mtpa)

Scenario	2025-26	2026-27	2027-28	2028-29	2029-30
1a (9.6 mtpa)^a	8.2	9.5	9.6	9.6	9.6
2 (7.5 mtpa)	6.0	6.0	7.5	7.5	7.5

a Scenario 1a is an updated version of the original tonnage estimate in Queensland Rail's DAU. Source: Queensland Rail, sub. 27, p. 12.

For reasons set out in this chapter and the discussion paper we published in December 2024,⁴³⁷ we have largely focused our analysis in this appendix on volumes of 7.5 million tonnes.

Key aspects of Queensland Rail's proposed West Moreton coal reference tariff for annual volumes peaking at 7.5 million tonnes (scenario 2) include:

- an opening regulatory asset base of \$446.2 million allocated to coal services
- a weighted average cost of capital (WACC) value of 7.39%

⁴³⁴ Queensland Rail, sub. 32, pp. 4-5; New Hope, sub. 31, p. 3; Yancoal, sub. 34, p. 2.

⁴³⁵ QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024.

⁴³⁶ Queensland Rail, sub. 27, p. 12. For more detail on both volume scenarios, see QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 44-55.

⁴³⁷ QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 42-43.

- capital expenditure of \$256.6 million
- existing assets depreciated over lives of 19 years, with 14-year lives for new assets built in the last year of the undertaking period
- maintenance expenditure of \$141.3 million
- operating expenditure of \$74.6 million.

These building blocks result in a proposed reference tariff of \$37.75/'000 gtk. However, this price understates Queensland Rail's proposed tariff as it excludes extra capital expenditure above the capital indicator during the 2020 undertaking period, and recovery of capitalised losses.

B.1.2 Customers' tariff proposals

New Hope and Yancoal both proposed alternative tariff approaches in their February 2025 submissions. Many of their suggestions were similar or identical. Key measures included:

- accelerated depreciation over 19 years for all assets
- a 20% reduction in the capital indicator for the final three years of the undertaking period, subject to a true-up process if actual spending exceeds the indicator amount and is assessed as prudent by us
- an efficiency dividend in maintenance and operating costs
- loss capitalisation amounts to be recovered through tariffs only where the average coal price exceeds certain thresholds
- customer consultation and approval of capital expenditure.⁴³⁸

However, New Hope's and Yancoal's suggested approaches differed in some respects. In particular, Yancoal proposed an 'affordability cap' on the tariff at the price proposed by Queensland Rail for 9.6 million tonnes, subject to some adjustments.⁴³⁹

Box 2: Proposed prices

Description	Price (\$/'000 gtk)
Queensland Rail 9.6 mtpa (scenario 1a)	\$32.63
Queensland Rail 7.5 mtpa (scenario 2 in November 2024 submission)	\$37.75
Queensland Rail 7.5 mtpa, (scenario 2 with AU2 capex adjustments)	\$39.66
Stakeholders' 7.5 mtpa ^a	\$37.64
Full cost recovery reference tariff	\$38.29

^a This price reflects Yancoal's and New Hope's proposed tariff approach at 7.5 mtpa. However, Yancoal also proposed a lower cap at Queensland Rail's scenario 1a (9.6 mtpa) price, subject to adjustments. We estimate this would give a price of \$27.86/'000 gtk.

Note: These prices are expressed in \$/'000 gtk for comparison purposes. The reference tariffs recover half the revenue on a \$/1,000 gtk basis and half on a train path basis. The tariff components are discussed in more detail in the analysis in section B.5. All figures are in 2025-26 dollars.

⁴³⁸ New Hope, sub. 31, pp. 13-16; Yancoal, sub. 34, pp. 5-7.

⁴³⁹ Yancoal, sub. 34, p. 5.

B.2 Appropriate use of reference tariffs

A reference tariff has applied for West Moreton coal services for most of the time since we approved the 2006 access undertaking for QR Network.⁴⁴⁰ In this section, we consider the regulatory context for reference tariffs, and whether they are appropriate for West Moreton coal services at this time.

B.2.1 Regulatory context for reference tariffs

The reference tariff and related provisions in successive approved access undertakings have provided a degree of certainty for Queensland Rail and its customers and may have reduced transaction costs in agreeing West Moreton access terms.

However, there is no requirement that an undertaking include a reference tariff. Section 137 of the QCA Act provides that:

An access undertaking for a service may include details of the following—

- (a) how charges for access to the service are to be calculated;

Notably the section provides an undertaking ‘may’ include details of how charges are calculated.

Where a ‘reference tariff’ is specifically referenced in section 101(4) of the QCA Act, this is in the context of our discretion to allow pricing and costing information to be given in the form of an approved reference tariff (see Box 3). Setting a reference tariff is not like setting a regulated price; it is the basis for negotiation, and a source of information, rather than being a requirement. The parties are able to agree terms that reflect their risk preferences and commercial interests.

Box 3: Section 101

Section 101(2) of the QCA Act requires that the access provider give the access seeker, among other things:

- (a) information about the price at which the access provider provides the service, including the way in which the price is calculated;
- (b) information about the costs of providing the service, including the capital, operation and maintenance costs;
- (c) information about the value of the access provider’s assets, including the way in which the value is calculated

The QCA Act also provides in section 101(4) that:

Despite subsection (2), the authority may allow the matters mentioned in subsection (2)(a) to (c) to be given in the form of a reference tariff.

It is clear that a reference tariff is optional, and whether one should be approved, is to be determined by us, having regard to the criteria in the QCA Act. All services on Queensland Rail’s network, except West Moreton coal, already have terms of access settled by negotiation and do not have prices approved by us through a reference tariff.

⁴⁴⁰ A reference tariff applied from 2006 until June 2015, when the 2008 QR Network access undertaking, as applied to Queensland Rail, terminated. There was then a period of more than a year with no Queensland Rail undertaking, and no reference tariff. We approved the 2016 undertaking, including a West Moreton coal reference tariff, in October 2016.

The current Dalrymple Bay Coal Terminal (DBCT) access undertaking also provides a precedent for an undertaking to be approved by us without a reference tariff. In our decision on the 2019 DBCT DAU, we emphasised the primacy of negotiated outcomes where these could be achieved:

As a general principle, we consider that it is preferable for parties to negotiate price and non-price terms and conditions of access as opposed to us imposing them. This is because there will be differences in business operations between individual users and access seekers, and ultimately, parties know what is of most value to them and what they are willing to trade away.⁴⁴¹

We said imposing a reference tariff had the potential to stifle negotiations between Dalrymple Bay Infrastructure Management Pty Ltd and its customers, and if the parties could not agree, they had access to arbitration to settle their differences.

B.2.2 West Moreton access pricing

In our draft decision on Queensland Rail's 2025 DAU, we found a number of areas of uncertainty about how West Moreton would operate during the undertaking period, particularly concerning capacity and demand. We said this created significant obstacles for us in applying a building blocks approach to estimate an efficient reference tariff. We encouraged Queensland Rail and its customers to work together to come up with a mutually beneficial outcome, based on a reasoned and prudent strategy for operating the rail system.⁴⁴²

Investigations for our subsequent discussion paper confirmed these concerns over a lack of sufficient capacity (the analysis of capacity is summarised in section B.3 of this appendix). We considered that it was not appropriate to include a West Moreton coal reference tariff in the 2025 DAU, unless Queensland Rail and its customers could find consensus on a price and related matters that bridged the substantial differences between their respective current positions.⁴⁴³

Queensland Rail said that an undertaking without 'an appropriate reference tariff set by the QCA', among other things:

- failed to ensure Queensland Rail recovered at least its efficient costs of providing the service
- failed to ensure proper regard to Queensland Rail's legitimate business interests
- failed to ensure Queensland Rail recovered accumulated capital losses
- required Queensland Rail to provide the service at an ongoing material loss.⁴⁴⁴

Queensland Rail's consultant, HoustonKemp, said not having a reference tariff would hamper access and price negotiations:

Removing the West Moreton reference tariff will likely give rise to negotiations between Queensland Rail and access seekers that are less efficient, due to both restrictions imposed by existing contracts and the extent of interdependencies between the different West Moreton coal mines.⁴⁴⁵

Queensland Rail said we should set a reference tariff at either:

- the price we specified in our December discussion paper, for an annual volume of 7.5 million tonnes, or

⁴⁴¹ QCA, *DBCT 2019 draft access undertaking*, final decision, March 2021, p. 46.

⁴⁴² QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024, pp. 92-94.

⁴⁴³ QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 6-9.

⁴⁴⁴ Queensland Rail, sub. 32, pp. 4-5.

⁴⁴⁵ Queensland Rail, sub. 32, Att. 1, p. 15.

- 'at least at the lower level proposed by Queensland Rail in its Draft Access Undertaking and associated submissions including forecast AU2 capital expenditure in 2023/24 and 2024/25'.⁴⁴⁶

Stakeholders also said the undertaking should include a reference tariff. New Hope said 'regulatory intervention' was necessary to address Queensland Rail's inability to resolve commercial and pricing matters.⁴⁴⁷ Yancoal said the lack of progress toward an agreed price demonstrated the difficulty of commercial negotiations with Queensland Rail.⁴⁴⁸

We still consider that an agreed outcome would best balance all the parties' interests, and reconcile their competing cost, revenue and reliability goals. As discussed in the remainder of this chapter, some of the matters Queensland Rail and its customers may seek to address are capacity, strategy, costs and non-price terms.

However, we also observe that it has been 2½ years since Queensland Rail wrote to the QCA saying it was 'committed to undertaking extensive consultation with stakeholders, seeking agreement and joint understanding of positions both prior to lodging and during the QCA approval process'.⁴⁴⁹ While we understand there has been progress in negotiations in recent weeks, time is running out before the end of the 2020 undertaking period.

Having regard to the submissions of the parties, their lack of an agreed outcome at this time and the criteria in the QCA Act we have determined it is appropriate to develop a reference tariff. In this respect we note that the original obstacles which hindered us developing such a reference tariff have largely been resolved through the consultation process.

B.3 Sustainable West Moreton capacity

A reliable estimate of expected volumes is central to calculating a building blocks price that is appropriate to approve.

Our draft decision not to approve Queensland Rail's proposed West Moreton reference tariff reflected uncertainty about whether customers would contract for the proposed volumes and whether there was capacity to provide those volumes if they were required.

After our draft decision, we sought further advice on the sustainable capacity of West Moreton. Arcadis' analysis and conclusions are summarised in Box 4.

⁴⁴⁶ Queensland Rail, sub. 32, p. 6.

⁴⁴⁷ New Hope, sub. 31, p. 3.

⁴⁴⁸ Yancoal, sub. 34, p. 2.

⁴⁴⁹ Queensland Rail, [Queensland Rail Access Undertaking](#), letter to the QCA, 23 October 2022.

Box 4: Arcadis' capacity analysis

We engaged Arcadis to analyse Queensland Rail's 9.6 mtpa and 7.5 mtpa volume proposals (scenarios 1a and 2), as well as estimate a sustainable volume for the West Moreton system as it is currently configured. The advice was prepared with input from Queensland Rail and its customers. A key input was the number of hours Queensland Rail forecast that the system would be unavailable to traffic each year.

Arcadis found that Queensland Rail's capacity forecasts were unlikely to be achieved without significant changes to Queensland Rail's proposals. Specifically, the number of hours in a year the track was under possession to complete works programs, and therefore unavailable to train services, would have to be reduced from approximately 4,161 hours to 2,555 hours to accommodate 7.5 mtpa at a sustainable 75% utilisation rate (Figure 7).

However, it advised that '9.6 mtpa cannot be sustainably hauled'⁴⁵⁰ as it would require operating the system at 95-100% utilisation with no contingency for weather, or other, disruptions.

Figure 7: Capacity utilisation by hours of operation

Possession hours (pa)	Capacity utilisation								
	100%	95%	90%	85%	80%	75%	70%	67%	65%
0	15.87	14.93	14.10	13.16	12.32	11.49	10.55	10.02	9.71
365	15.14	14.20	13.37	12.53	11.69	10.86	10.02	9.50	9.19
730	14.41	13.57	12.74	11.90	11.17	10.34	9.50	9.08	8.77
1095	13.68	12.84	12.11	11.28	10.55	9.82	8.98	8.56	8.25
1460	12.95	12.22	11.49	10.75	10.02	9.29	8.56	8.04	7.83
1825	12.22	11.49	10.75	10.13	9.40	8.67	8.04	7.62	7.31
2190	11.49	10.75	10.13	9.50	8.77	8.14	7.52	7.10	6.79
2555	10.75	10.13	9.50	8.88	8.25	7.62	7.00	6.58	6.37
2920	10.02	9.40	8.77	8.25	7.62	7.10	6.47	6.16	5.85
3102 ^a	9.61	9.08	8.46	7.94	7.31	6.79	6.16	5.85	5.64
3285	9.29	8.67	8.14	7.62	7.10	6.47	5.95	5.64	5.43
3650	8.56	8.04	7.52	7.00	6.47	5.95	5.43	5.12	4.91
4015	7.83	7.31	6.79	6.37	5.85	5.43	4.91	4.59	4.49
4161 ^b	7.52	7.00	6.58	6.06	5.64	5.22	4.70	4.49	4.28
4380	7.10	6.58	6.16	5.74	5.33	4.91	4.39	4.18	3.97

a Hours of system unavailability forecast by Queensland Rail for scenario 1a; b Hours of system unavailability forecast by Queensland Rail for scenario 2.

More information on Arcadis' analysis and our previous considerations is provided in:

- Arcadis, [Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum, 2024](#)
- QCA, [Queensland Rail 2025 Draft Access Undertaking](#), discussion paper, 2024.

Stakeholders generally agreed on the importance of having an accurate picture of capacity on the West Moreton system and users appreciated the initiative of having the analysis performed. Aurizon Coal and Bulk considered it ‘a thorough assessment of the maximum theoretical capacity of the WMS’⁴⁵¹ and provided suggestions for future development. Queensland Rail was critical of the assumptions used by Arcadis, in particular basing the estimate of the number of hours the track was available to traffic using Queensland Rail’s forecast of system availability as opposed to Queensland Rail’s forecast of the number of hours where the track was under possession. However, we note that, even when using Queensland Rail’s preferred assumptions, the results of the analysis by AECOM show only minor differences with Arcadis’ results (Table 6). These differences do not change our overall conclusions.⁴⁵²

Table 6: Capacity utilisation to achieve forecast system capacity, by scenario in the 2025 DAU

Scenario	Arcadis estimate		AECOM estimate ^a	
	Possession hours (pa)	Utilisation	Possession hours (pa)	Utilisation
1a (9.6 mtpa)	3102	95-100%	2848	95-100%
2 (7.5 mtpa)	4161	100%	3676	90-95%

^a Queensland Rail, sub. 32, Attachment 2, pp. vi-vii.

Note: Arcadis used possession hours based on Queensland Rail’s forecasts in its DAU and November 2024 submission of when the system would be unavailable to traffic. AECOM’s possession hours are based on Queensland Rail’s forecasts of when the system would be under possession specifically for works programs.

We recognise, as noted by stakeholders,⁴⁵³ that capacity analysis is ‘a long term and complex process’⁴⁵⁴ and a more granular analysis than was possible within the confines of our investigation would likely result in a more refined estimate of capacity. However, we do not expect a more refined estimate of capacity to make such a difference that it would alter our overall conclusions. We also recognise that, while Arcadis’ assumptions are consistent with international experience and based on data from Queensland Rail and other West Moreton stakeholders, the analysis is necessarily a forecast, and reasonable minds may differ as to the most accurate forecast.

The analyses by Arcadis and AECOM based on the 2025 DAU works programs as proposed by Queensland Rail both show that very high utilisation rates, which are inconsistent with international best practice, would be needed to achieve the forecast volumes under each scenario (see Table 6). These utilisation rates would leave very little resilience in the system to compensate for the everyday operational challenges faced on any rail system, particularly one with mixed traffics interacting with a complex metropolitan network. Nor would they allow for the frequent weather-related restrictions and closures, sporadic (but often lengthy) range shutdowns, flooding events and other unforeseen events experienced by the West Moreton system. However, should Queensland Rail devise a reasoned and prudent strategy for its works programs with significantly reduced possession hours and procedures for dealing with, and recovering from, system interruptions, it may be possible for adequate resilience to be found to support the forecast tonnages.

⁴⁵⁰ Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail’s DAU3 – Addendum*, 2024, p. 12.

⁴⁵¹ Aurizon Coal and Bulk, sub. 30, p. 1.

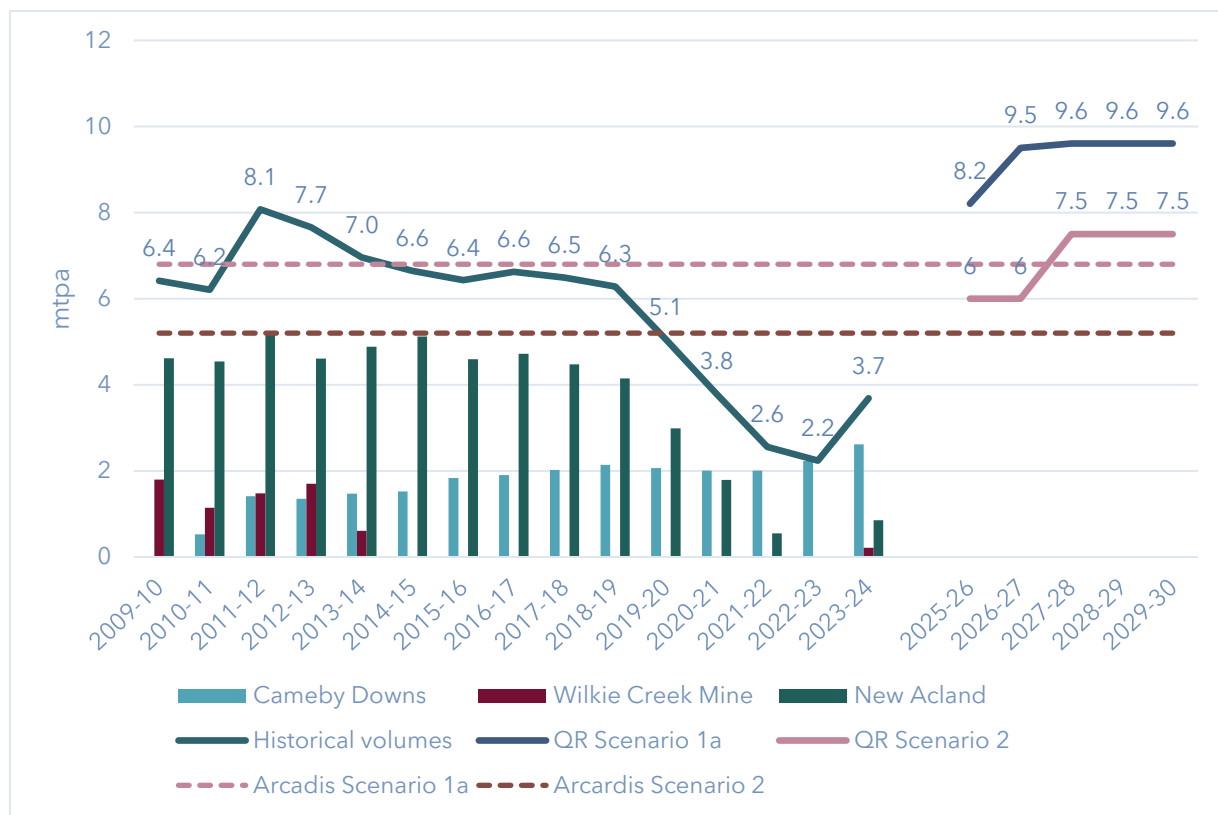
⁴⁵² Appendix E discusses specific issues raised regarding the capacity analysis.

⁴⁵³ Aurizon Coal and Bulk, sub. 30, pp. 1-2; New Hope, sub. 31, p. 7.

⁴⁵⁴ New Hope, sub. 31, p. 7.

As Figure 8 shows, the West Moreton system has not consistently delivered coal tonnages in excess of the contractable tonnage estimates from Arcadis in the last 15 years and has never delivered the tonnages forecast under scenario 1a.

Figure 8: Comparison of Arcadis' estimated capacity and historical performance



Note: Figures for 2025-26 to 2029-30 are Queensland Rail's forecast volume in the 2025 DAU. Source: Queensland Government, *Coal industry review statistical tables*, Coal production data by mine, coal type and financial year, Open Data Portal, accessed 4 October 2024.

For our purposes, based on the information provided by stakeholders and advice from Arcadis, we consider Queensland Rail's volume forecasts under its works programs as presented are either highly unlikely to be achieved, or will be very challenging to achieve. Arcadis concludes that 7.5 mtpa would be a reasonable tonnage for the system, if efficiencies and programs can be implemented to reduce annual possession time from 4,200 hours to 2,500 hours.⁴⁵⁵ It advises that 9.6 mtpa is not a reasonable tonnage for the West Moreton system as it is currently configured.⁴⁵⁶ In other words, the changes to Queensland Rail's proposed works program to enable sustainable capacity of 7.5 mtpa will be challenging, but are likely to be achievable. For 9.6 mtpa, so much more maintenance and other work would need to be completed, in significantly less time, that the volume would not be achievable on a sustainable basis without further capital investment that is not currently included in Queensland Rail's proposal.

Ultimately, Queensland Rail and its customers are the parties best placed to further investigate capacity issues and determine the most suitable risk and service levels for the West Moreton system.

⁴⁵⁵ Arcadis, Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 - Addendum*, 2024, p. 5.

⁴⁵⁶ Arcadis, *Memorandum: Answer to Queensland Rail's Response to the QCA's Discussion Paper on Queensland Rail's Draft Access Undertaking 3*, p. 2.

Since our draft decision was published, much of the uncertainty around the New Acland mine has been resolved, as it is no longer subject to a legal challenge.⁴⁵⁷ Therefore, we are satisfied that there will likely be user demand for at least 7.5 mtpa (Table 7).

For the purposes of estimating costs for our building blocks price calculation, we have used Queensland Rail's scenario 2 (tonnages peaking at 7.5 mtpa). We have taken into account information provided by all stakeholders during this process, advice from Arcadis, and likely demand levels as well as historical performance. While the capacity necessary to serve this demand appears unlikely to be delivered based on the proposals as presented by Queensland Rail in its November 2024 submission, we consider 7.5 mtpa to be an achievable capacity should Queensland Rail implement measures to deliver the specified works programs with fewer possession hours. On this basis, we consider 7.5 mtpa to be a reasonable (and the best in the circumstances) estimate of what the West Moreton system could sustain with appropriate measures.

Table 7: QCA West Moreton 2025 DAU demand forecasts

Mine	Demand (mtpa)
Cameby Downs	2.5 ^a
Wilkie Creek	2.1 ^b
New Acland	Ramping up to 5.0 ^c
Total (peak)	9.6

a Demand figure that Yancoal provided to the QCA.

b Inferred from demand information on Cameby Downs and New Acland.

c New Hope, *Annual Report 2024*, p. 9.

There remains potential for demand levels of 9.6 mtpa should the Wilkie Creek mine resume raiing during the 2025 DAU period.⁴⁵⁸ However, given the advice from Arcadis that 9.6 million tonnes of capacity cannot be sustainably hauled,⁴⁵⁹ should this capacity level be required, we encourage Queensland Rail to develop a reasoned and prudent strategy with its customers, to help assess whether and how to complete the capital expenditure necessary to achieve that volume.

B.4 Coordination and non-price terms

We consider that Queensland Rail should develop a reasoned and prudent strategy for operating the West Moreton system on a consensus basis with its customers. It should then work with those customers and other stakeholders on the most efficient way to implement that strategy, by involving them in investment decisions. There should also be an annual capital expenditure true-up.

B.4.1 Reasoned and prudent strategy

Spending is most likely to be efficient if it is based on a reasoned and prudent medium- to long-term strategy such as an asset management plan and/or a long term operational and development plan setting out possible future investment. The strategy should preferably be agreed on a

⁴⁵⁷ ABC, 'Oakey Coal Action Alliance ends New Acland mine expansion legal battle', ABC News, 14 January 2025.

⁴⁵⁸ At the time of writing, we have been advised by Queensland Rail that the Wilkie Creek Mine is no longer under administration. However, we are not aware of any publicly available information indicating the Wilkie Creek Mine has resumed raiing coal.

⁴⁵⁹ Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 - Addendum*, 2024 p. 12.

consensus basis with customers and reflect their service requirements and cost and risk preferences. Key elements should include:

- appropriate targets, such as an expected capacity, at an agreed level of reliability
- a framework for achieving those goals.

This reasoned and prudent strategy should clearly articulate the approach for capital, maintenance and operating programs, and be capable of being assessed by us as we consider whether Queensland Rail's proposal is appropriate to approve having regard to the section 138(2) factors (including the pricing principles) of the QCA Act. It should reflect the legitimate interests of both users and Queensland Rail. As users and Queensland Rail are reliant on each other, it is likely that their interests will align in many circumstances. Where their objectives diverge, it is highly preferable that they negotiate trade-offs rather than leave us to determine an outcome.

The reasoned and prudent strategy will drive detailed spending plans, supported by business cases that explain how the proposed specific investments align with the strategic goals.⁴⁶⁰ Once there is a reasoned and prudent strategy for West Moreton, the specific spending proposals arising from that strategy should be prepared in a way consistent with the four-part approach we set out in our guideline on climate change-related spending. The approach focused on demonstrated need, consultation, consideration of options, and efficient cost (Figure 9).

Figure 9: The four key elements of a robust business case

Demonstrated need	Any spending proposal should solve an identified problem or fulfil a demonstrated need, whether it be for increasing or sustaining the service potential of the facility. This need should be demonstrated with reference to a reasoned and prudent long-term strategy and should not be ad hoc. This might be established through a quantitative approach or, where that is not possible or reasonable, through a qualitative analysis.
Consultation with customers	The proposal should have regard to customers' views, including their risk preferences. Consultation should include potential customers, where this is possible. What have customers said about their preferred approach to investment in the rail infrastructure? Have customers been provided with robust and transparent information? How have their views been taken into account when choosing the proposed approach? This consultation could be demonstrated through customer letters of support or, as is done for some regulated businesses, a customer vote process. The consultation on an individual investment may be less important than consultation on a reasoned and prudent overall strategy.
Demonstrated consideration of options	The business should show it has considered a range of alternative ways to address the identified problem. What options have been considered in assessing both the scope and standard of the planned spending? What are the pros and cons of those options? Are the options consistent with any hierarchy of options identified in the long-term strategy? The business case should explain how and why the proposed approach has been selected over the alternatives.

⁴⁶⁰ We refer to the long-term broader plan as a 'reasoned and prudent strategy' and the related asset-specific plan as a 'business case' to reflect the differences in the nature of the two types of plans, and to avoid confusion.

Efficient cost

The efficient cost should reflect value for money, rather than a simplistic choice of lowest upfront cost. Least cost should be considered over the life of an asset. Efficient cost also reflects externalities, in addition to the costs directly incurred by the regulated business and, ultimately, its customers.

The upfront cost could be established through an appropriate process, such as a competitive tender.

Source: Adapted from Table 1 in QCA, *Climate change related spending*, guideline, September 2023, p. 7.

B.4.2 Capital expenditure coordination

Queensland Rail has proposed a capital expenditure review and approval process in Schedule E of the 2025 DAU that is unchanged from that in the 2020 undertaking.

This provides for annual review of commissioned capital projects that are only included in the regulatory asset base once they have been found prudent in scope, standard and cost.

New Hope and Yancoal submitted that Schedule E should be amended to require Queensland Rail to:

- provide details of capital expenditure projects to customers
- consult with customers (including a vote process) before committing to significant projects
- prepare business cases that demonstrate the need for the projects and how a particular scope had been selected
- seek preapproval from us where customers did not support a proposed project, as rejection by customers would be relevant, but not determinative.⁴⁶¹

The two mining companies provided the same suggested drafting of amendments to Schedule E.⁴⁶²

Aurizon Coal and Bulk endorsed this capital expenditure approval proposal and said Queensland Rail should 'investigate interest in forming an industry group to evaluate and approve the scope, benchmarks and costs of QR's maintenance and capex plans on a regular basis'. It said such a group would be similar to the Rail Infrastructure Group established under Aurizon Network's 2017 access undertaking (UT5) and the Rail Capacity Group established under ARTC's Hunter Valley Access Undertaking.⁴⁶³

Queensland Rail said it was contractually committed to providing the capacity and was responsible for the safe operation of the network.⁴⁶⁴ It said:

Queensland Rail believes that the proposed amendments to DAU3 suggested by Yancoal and New Hope, where individual projects are voted on by users will introduce uncertainty and timing risk to the delivery of the overall program and reduce the effective control the Queensland Rail has over its network. This will put at risk system capacity, operational efficiency and safety.⁴⁶⁵

We said in our draft decision that we would need more evidence to form a view that a consultative approach to managing capital and maintenance spending on West Moreton would put capacity, efficiency or safety at risk.

⁴⁶¹ New Hope, sub. 5, p. 26; Yancoal, sub. 9, p. 20.

⁴⁶² New Hope, sub. 5, pp. 34-36; Yancoal, sub. 9, pp. 26-28.

⁴⁶³ Aurizon Coal and Bulk, sub. 2, pp. 75-76.

⁴⁶⁴ Queensland Rail, sub. 14, pp. 11-12.

⁴⁶⁵ Queensland Rail, sub. 14, p. 12.

Queensland Rail said in its collaborative submission that consultation on capital expenditure would 'address stakeholder concerns about capacity'. It said it would continue to work with stakeholders to agree that mechanism.⁴⁶⁶ It did not address consultation with its customers in its submission on our discussion paper.

However, the evidence available to us does not substantiate that such consultation is occurring and, in any event, an unenforceable promise by Queensland Rail is clearly of limited value (as compared to a documented regime in the access undertaking with which Queensland Rail would be required to comply).

Aurizon Coal and Bulk, which is the only rail operator hauling coal on West Moreton, said Queensland Rail was only communicating with the South West User Group (the relevant industry group) after it had decided to commit to capital expenditure projects.

QR is not giving SWUG members information about the pros and cons of potential projects or an opportunity to ask questions about possible timetable consequences, that the likely impacts of not proceeding may be or whether a lower cost alternative is available and has been considered.⁴⁶⁷

Aurizon Coal and Bulk also said:

Aurizon sees value for the supply chain in QR engaging with stakeholders on its target outcomes. If QR can communicate its assessment of how proposed projects will improve operational performance measures it will improve stakeholder understanding and get feedback on stakeholder priorities.⁴⁶⁸

Based on information including these submissions, and our own experience reviewing capital expenditure claims, we consider that the capital expenditure approval process in Schedule E of Queensland Rail's 2025 DAU does not provide for sufficient involvement by customers in decision-making. This does not promote efficient investment in and use of the West Moreton infrastructure, is not in the interests of access seekers or holders and reduces the incentives to reduce costs or otherwise improve efficiency.

We consider it will promote efficient operation and use of, and investment in West Moreton infrastructure if Queensland Rail has two-way conversations with key stakeholders, including customers and rail operators. Accordingly, we consider it appropriate for Schedule E of the 2025 DAU to be amended to provide for sharing of information, consultation on projects, fully developed business cases, and a mechanism for preapproval of the scope and standard of investments. A similar model is already operating effectively for Aurizon Network and its customers in central Queensland.

Our drafting is included in Appendix D.

B.4.3 Investment triggers and reconciliation

Review provisions can be an effective way of dealing with uncertainty. They also provide an avenue to promote full recovery of efficient costs for Queensland Rail, if its efficient spending ends up being more than the amounts included in the capital indicator. Queensland Rail and its customers have each proposed review provisions to address variation in capital expenditure on West Moreton.

⁴⁶⁶ Queensland Rail, sub. 27, p. 54.

⁴⁶⁷ Aurizon Operations, submission to the QCA, *Queensland Rail's 2023-24 capital expenditure claim*, 26 February 2025, p. 1.

⁴⁶⁸ Aurizon Operations, submission to the QCA, *Queensland Rail's 2023-24 capital expenditure claim*, 26 February 2025, p. 2.

- Queensland Rail's 2025 DAU includes 'volume triggers' that provide for Queensland Rail to lodge a DAAU to reset the reference tariff each time a West Moreton contract is up for renewal if it is not renewed.⁴⁶⁹
- New Hope and Yancoal proposed an annual reconciliation or true-up to address any under- or overspend of the capital indicator, with tariffs adjusted during the term of the undertaking.⁴⁷⁰

Both proposals are ways of addressing a circumstance where the capital indicator reflects potential projects that may end up not being required or completed.

We recognise that there is a level of uncertainty about future demand which makes it difficult for Queensland Rail to plan its capital investments. Demand uncertainty also gives less comfort to Queensland Rail that it will recover those investments, let alone achieve a long-term return commensurate with the regulatory and commercial risks. However, capital spending is planned well in advance and is unlikely to vary immediately based on fluctuations in contracted volumes. In addition, the end of a legal challenge to the New Acland mine means demand is more certain, at least up to 7.5 mtpa.

In our discussion paper, we said we considered it was appropriate to approve the reconciliation or true-up process suggested by New Hope and Yancoal. We said the true-up was:

an effective alternative to Queensland Rail's proposal for triggers and enables the revenue and prices to be adjusted to reflect actual spending, without the parties having to wait for the subsequent undertaking period for the adjustments to take effect.

Queensland Rail did not comment on capital reconciliation or true-up mechanisms in its submission on our discussion paper.

We consider that the 'trigger' mechanism proposed by Queensland Rail in the 2025 DAU is not appropriate to approve as it does not promote efficient investment in or operation and use of the West Moreton infrastructure. It is also not in the interests of access seekers and holders, as it may require them to pay a price that includes indicator amounts for assets that are not built.

An annual reconciliation or true-up process will be in the interests of access holders, as it will lessen the degree to which they pay a tariff that includes indicator amounts for assets that may not be built. Further, a true-up mechanism should give customers an incentive to contract early enough, and for long enough, that Queensland Rail has the certainty it needs to undertake capital investment in time to provide the access the customers require.

While an annual reconciliation or true-up process may mean more variability in pricing on a year-to-year basis (and that variability will create some degree of uncertainty as to future prices) we consider this disadvantage is outweighed by the preceding advantages we have noted.

We consider that a true-up mechanism largely consistent with that proposed by New Hope and Yancoal remains the appropriate way to reconcile the capital indicator with Queensland Rail's actual approved capital expenditure.

We also observe that the reconciliation or true-up mechanism is part of a framework that includes the user forums for capital approval discussed in B.4.2. Both are necessary for a balanced tariff approach that provides incentives to reduce costs or otherwise improve productivity, while also

⁴⁶⁹ Schedule D, cl. 3.2.

⁴⁷⁰ New Hope, sub. 5, pp. 26, 36-38; Yancoal, sub. 9, pp. 15, 28-29 and sub. 16, p. 7.

generating expected revenue for the service that is at least enough to meet the efficient costs of providing access.

Drafting for the true-up mechanism is provided in Appendix D.

B.4.4 Capital underwriting and renewal rights

In their submissions after our draft decision, Yancoal and New Hope both opposed the accelerated depreciation proposed by Queensland Rail in the 2025 DAU. New Hope said Queensland Rail's proposed asset lives of 19 years or less contributed \$6.48 to Queensland Rail's proposed tariff of \$37.86/000 gtk at annual coal volumes of 7.5 million tonnes.⁴⁷¹ Neither New Hope nor Yancoal proposed any alternatives to accelerated depreciation for mitigating Queensland Rail's asset stranding risk. They also reiterated their desire for renewal rights.⁴⁷²

However, in their latest submissions, after our December 2024 discussion paper, both New Hope and Yancoal said they accepted Queensland Rail's 19-year asset lives, although they opposed Queensland Rail's proposal that new assets should have lives as short as 14 years.⁴⁷³ New Hope also said it was prepared to accept the renewal mechanism proposed by Queensland Rail, without extra rights for coal access holders, 'for the purposes of resolving the undertaking'.⁴⁷⁴

We still consider, as we said in our draft decision, that measures to reduce chances of asset stranding for Queensland Rail and to provide security of access for its customers, are linked, and are best addressed by agreement between the parties.

Queensland Rail, as an owner of regulated assets, will have less incentive to invest in new infrastructure if it does not have a reasonable expectation it will recover that investment, including a return that reflects the regulatory and commercial risks of owning the asset. This reassurance for Queensland Rail could come in the form of measures such as long-term contracts or capital underwriting.

Equally, customers are less likely to be prepared to assume some or all of the risk and cost of Queensland Rail's investments if they do not expect they will receive rail access for long enough to justify their own investments, which will include the cost of assuming those risks.

However, it appears that in this instance, New Hope and Yancoal prefer to pay for faster depreciation, in return for a lack of commitment or contractual entitlement to long-term access. Equally, Queensland Rail seems to be prepared to invest without a long-term commitment from its customers to underwrite that investment.

B.4.5 Reference tariff adjustment after the approval date

Given that some inputs to the final full cost recovery reference tariff may not be known until after the 2025 undertaking takes effect, we have prepared suggested drafting for a transitional provision, using the 'endorsed variation event' provisions that are already included in Schedule D of the 2025 DAU.

Our proposed drafting provides for post-approval adjustments to CPI, loss capitalisation and the Capital Expenditure Carry-over Account. Some of these may already be known by the time Queensland Rail submits its amended DAU and will therefore not require inclusion in this

⁴⁷¹ New Hope, sub. 26, p. 5.

⁴⁷² New Hope, sub. 19, p. 14; Yancoal, sub. 23, p. 9.

⁴⁷³ New Hope, sub. 31, p. 14; Yancoal, sub. 34, p. 6.

⁴⁷⁴ New Hope, sub. 31, pp. 15-16.

transitional provision. However Queensland Rail will need to include a post-approval adjustment for time-variant parameters in the WACC, if it has not nominated an averaging period that ends in time for the final figures to be included in its resubmitted DAU.

Proposed drafting for the endorsed variation event for updating the reference tariff after the approval date is provided in Appendix D.

B.5 West Moreton efficient costs

Given the uncertainty about both contracted volumes and available capacity at the time of our draft decision, we did not consider it appropriate to provide an assessment of the efficiency of each of the building blocks to form a view on the reference tariff.⁴⁷⁵ A degree of uncertainty remains. However, the end to the legal challenge to the operation of the New Acland mine makes demand more certain, and our further analysis of capacity shows that there are ways in which Queensland Rail can potentially deliver its 7.5 mtpa forecast.

In addition, in their most recent submissions, Queensland Rail, New Hope and Yancoal said they wanted us to develop a reference tariff, drawing on the information about efficient costs and other matters we provided in our December discussion paper. We have had regard to this request and provided our view on each of the building blocks (see the summary below) to calculate a full cost recovery reference tariff. This reference tariff is based on what we consider to be a sustainable volume for the West Moreton system, and associated estimates of efficient costs.

West Moreton building blocks – summary

Item	Queensland Rail scenario 1a	Queensland Rail scenario 2	QCA indicative estimate
Coal volumes	Volumes building to 9.6 mtpa. ⁴⁷⁶	Volumes building to 7.5 mtpa. ⁴⁷⁷	Volumes building to 7.5 mtpa.
Opening regulatory asset base	Opening West Moreton regulatory asset base (RAB) ⁴⁷⁸ of \$535.2m, ⁴⁷⁹ of which \$446.2m allocated to coal services. ⁴⁸⁰	Opening West Moreton RAB ⁴⁸¹ of \$535.2m, of which \$446.2m allocated to coal services. ⁴⁸²	Opening West Moreton RAB of \$594.4m, of which \$497m allocated to coal services.
WACC	7.39% ⁴⁸³	7.39% ⁴⁸⁴	7.39%
Capital expenditure	\$346.9m ⁴⁸⁵	\$256.6m ⁴⁸⁶	\$223m

⁴⁷⁵ See QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024, chapter 8, pp. 73-94.

⁴⁷⁶ Queensland Rail, sub. 1, p. 9.

⁴⁷⁷ Queensland Rail, sub. 27, p. 9.

⁴⁷⁸ As at 1 July 2025.

⁴⁷⁹ Unless stated otherwise, all figures in this chapter are expressed in 2025-26 dollars and exclude interest during construction where applicable.

⁴⁸⁰ Queensland Rail, sub. 1, p. 12.

⁴⁸¹ As at 1 July 2025.

⁴⁸² Queensland Rail, sub. 1, p. 12.

⁴⁸³ Queensland Rail, sub. 1, p. 10.

⁴⁸⁴ Queensland Rail, sub. 27, p. 9.

⁴⁸⁵ Queensland Rail, sub. 1, p. 10.

⁴⁸⁶ Queensland Rail, sub. 27, p. 9.

Item	Queensland Rail scenario 1 a	Queensland Rail scenario 2	QCA indicative estimate
Maintenance expenditure	\$172.5m ⁴⁸⁷	\$141.3m ⁴⁸⁸	\$141.3m
Operating expenditure	\$85.3m ⁴⁸⁹	\$74.6m ⁴⁹⁰	\$74.6m
Asset lives	New assets to be depreciated over 14 years indexed 1 July 2025, and existing assets over 19 years. ⁴⁹¹	New assets to be depreciated over 14 years indexed 1 July 2025, and existing assets over 19 years. ⁴⁹²	All assets to be depreciated over 19 years.
Appreciation	The RAB should be escalated by inflation, forecast to be 3%, reducing to 2.5% for the final 2 years of the AU3 period. ⁴⁹³	The RAB should be escalated by inflation, forecast to be 3%, reducing to 2.5% for the final 2 years of the AU3 period.	The RAB should be escalated by inflation, forecast to be 3% reducing to 2.5% for the final 2 years of the AU3 period.
Metropolitan system reference tariff	Escalate the existing Metropolitan system reference tariff by CPI. ⁴⁹⁴	Escalate the existing Metropolitan system reference tariff by CPI.	Escalate the existing Metropolitan system reference tariff by CPI.
Allowable revenue	\$501.4m	\$428.6m	\$434.7m

Opening regulatory asset base

Queensland Rail's opening regulatory asset base has been calculated using the methodology in use since AU1. As Table 8 shows, we have calculated the opening regulatory asset base based on the asset base as at 2025-26 plus the expected capital expenditure for the remaining period of AU2. This overall regulatory asset base is then allocated to coal services based on the proportion of train paths available to these services.

⁴⁸⁷ Queensland Rail, sub. 1, p. 11.

⁴⁸⁸ Queensland Rail, sub. 27, p.10.

⁴⁸⁹ Queensland Rail, sub. 1, p. 11.

⁴⁹⁰ Queensland Rail, sub. 27, p. 10.

⁴⁹¹ Queensland Rail, sub. 1, pp. 10-11.

⁴⁹² Queensland Rail, sub. 27, p. 10.

⁴⁹³ Queensland Rail, sub. 1, p. 11.

⁴⁹⁴ Queensland Rail, sub. 1, p. 59.

Table 8: Opening regulatory asset base

Item	\$m
2022-23 regulated asset base	469.2
2023-24 claimed capital expenditure	44.9
2024-25 proposed capital expenditure	20.2
2023-24 loss capitalisation	23.1
2025 DAU opening regulatory asset base	594.4
Opening regulatory asset base allocated to coal services^a	497.0

a The asset base is allocated to coal services based on the proportion of total paths that is available for contracting by coal services.

Note: Values are nominal and include interest during construction.

Sources: QCA analysis; Queensland Rail DAU3 explanatory document; Queensland Rail 2023-24 capital expenditure claim.

Further information about the regulatory asset base, including its make-up and historical values, is available in the discussion paper we published in December 2024.

Rate of return

We consider that Queensland Rail's proposed indicative rate of return of 7.39% is reasonable for assessing prices to apply to the coal handling services operating on the West Moreton and Metropolitan systems. Our reasoning is set out in Appendix C. The rate of return will need to be updated for time-variant parameters once Queensland Rail has nominated an averaging period.

Expenditure

In our draft decision, we did not consider the forecast volumes and, by extension, the capital works programs based on these volumes, were appropriate to approve at the time due to the level of uncertainty. The efficient levels of expenditure estimated by Arcadis were published in the interests of providing information to assist negotiations between Queensland Rail and its users.

In its collaborative submission, Queensland Rail provided revised expenditure programs, including one for its 7.5 mtpa scenario.

Given Arcadis' advice that the tonnage forecast under scenario 1a (9.6 mtpa) cannot be sustainably hauled (discussed in section B.3),⁴⁹⁵ we consider 7.5 mtpa to be the best estimate, based on available information, of a capacity the West Moreton system could potentially sustain with appropriate programs to reduce network possession windows. To support parties in their efforts to reach agreement on negotiated access terms, we sought advice from Arcadis (see Box 5) on the efficient costs of the expenditure programs proposed by Queensland Rail to deliver this level of capacity.

⁴⁹⁵ Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 - Addendum*, December 2024, p. 12.

Box 5: Arcadis' expenditure assessment

Arcadis was asked to assess the expenditure programs proposed for scenario 2 (7.5 mtpa) in Queensland Rail's collaborative submission. The assessment is summarised in Table 9.

Capital expenditure

Arcadis considered the capital works programs, including the reduced expenditure in programs previously proposed and 4 additional programs proposed under scenario 2, to be reasonable for the revised capacity forecast of 7.5 mtpa.

Operating expenditure

Arcadis also considered the operating expenditure to be reasonable for the reduced tonnage forecast and noted that since Arcadis' draft report Queensland Rail had provided additional information justifying corporate overhead expenditure.

Maintenance expenditure

The reduced maintenance costs proposed under scenario 2 were considered reasonable by Arcadis, with the exception of \$5.5 million of proposed expenditure for repairs.

Table 9: Arcadis' assessment of proposed expenditure

Expenditure type	2025 DAU value (\$2025-26 million)	Arcadis value (\$2025-26 million)
Capital expenditure	256.6	256.6
Operating expenditure	74.6	74.6
Maintenance expenditure	141.3	135.8

Source: Arcadis, *Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum*, December 2024, p. 23.

However, while Arcadis considered the significantly reduced expenditure proposed by Queensland Rail for scenario 2 was reasonable, it noted that the delivery of the works programs would need to be revised to significantly reduce possession hours to sustainably deliver the peak forecast tonnage of 7.5 mtpa.

More information on the analysis by Arcadis and our previous considerations can be found in the following publications:

- Arcadis, [Review of West Moreton System Costs and Other Technical Matters in Queensland Rail's DAU3 – Addendum](#), 2024
- QCA, [Queensland Rail 2025 Draft Access Undertaking](#), discussion paper, 2024.

Based on advice from Arcadis, we consider that the work programs in Queensland Rail's November 2024 submission could deliver the engineering capacity necessary for the tonnage forecasts under scenario 2, provided Queensland Rail can develop a reasoned and prudent strategy for completing those programs in less time than it has proposed (see section B.3).

Based on the information available, we consider the expenditure proposed by Queensland Rail under scenario 2 to be reasonable. While Arcadis considered \$5.5 million of proposed maintenance expenditure was not prudent, this reduction will not have a material impact on the price calculations. Given the \$5.5 million has an immaterial impact on price calculations we do not consider its inclusion would result in costs not being efficient and on this basis we have not excluded it from the maintenance expenditure.

Asset lives

In its 2025 DAU, Queensland Rail proposed an accelerated depreciation profile based on forecast mine lives estimated for it by AME, whereby:

- existing assets would be depreciated over a maximum of 19 years, while assets that had a shorter technical life would be depreciated over the remainder of that life
- 2025 DAU capital expenditure would be depreciated over 14 years, indexed to 1 July 2025.

New Hope⁴⁹⁶ and Yancoal⁴⁹⁷ supported accelerated depreciation where all assets (including 2025 DAU capital expenditure) were depreciated over a maximum of 19 years. New Hope noted that the marketable reserves of its New Acland Mine had increased to 199 million tonnes, supporting a longer mine life than assumed by Queensland Rail in its original calculations.⁴⁹⁸

Generally, the impact on the building blocks of a shorter depreciation schedule is a faster return of assets. This accelerated return results in higher annual revenue and increased prices (assuming no change in volumes) and makes it more likely Queensland Rail will recover its investments, assuming it can retain its customers.

Based on information provided by stakeholders, we consider that all assets being depreciated over a maximum of 19 years (with assets having a shorter technical life depreciated over the remainder of that life) would be appropriate to approve. The original proposal from Queensland Rail to depreciate new capital expenditure by 2044 meant an economic life of 14 years for assets commissioned in the last year of the AU3 period. This was based on Queensland Rail's estimate of the life of the New Acland stage 3 mine.⁴⁹⁹ For our full cost recovery reference tariff, we have taken into account the latest information from New Hope that its reserves support a longer mine life.⁵⁰⁰ Depreciation over a maximum of 19 years provides better mitigation of Queensland Rail's stranding risk, compared with the longer asset lives used in calculating the AU2 tariff.

Appreciation

Queensland Rail proposed to continue escalating the RAB, maintenance costs and operating costs by inflation each year. Queensland Rail proposed to apply forecast inflation rates of 3% for the first three years of AU3, and 2.5% for the final two years, with these figures to be updated with actual inflation each year when the RAB is rolled over. Queensland Rail's proposal was supported by New Hope.^{501, 502}

⁴⁹⁶ New Hope, sub, 31, pp. 14.

⁴⁹⁷ Yancoal, sub. 34, pp. 6-7.

⁴⁹⁸ New Hope, sub, 31, pp. 14.

⁴⁹⁹ Queensland Rail, sub. 1, p. 32.

⁵⁰⁰ New Hope, sub. 31, p. 4.

⁵⁰¹ New Hope, sub. 12, p. 2.

⁵⁰² We note that while Aurizon Network proposed ending RAB indexation, this was in the context of accelerated depreciation. See Aurizon Network, sub. 3, p. 21.

Given indexation is a well-established regulatory approach to managing the real value of a RAB, and the submissions were supportive, we have calculated the indicative estimate of the cost recovery price in line with this position.

Capitalised losses

Queensland Rail's 2020 undertaking included a mechanism for capitalising the difference between Queensland Rail's full costs of providing access (the 'approved ceiling revenue limit') and the amount of revenue that Queensland Rail actually received from the approved reference tariff and other charges.⁵⁰³ The capitalised losses represent the difference between the following amounts:

- the incremental cost of providing access (described by Queensland Rail as the 'incremental (affordable) reference tariff'⁵⁰⁴) – calculated based on a forward-looking cost buildup that included forecast capital, maintenance and operating expenditure but excluded recovery of the sunk costs in the opening RAB
- revenue from a full cost recovery price – calculated from all the building blocks including a return on and of the sunk costs in the opening RAB.

The capitalised amounts are therefore, in effect, deferred return on and of the opening RAB that existed at 30 June 2020 but was not included in the calculation of the affordable tariff.

As it turns out, the losses over the 2020 undertaking period are set to be at the low end of possible outcomes, given average annual railings have substantially exceeded the 2.1 million tonne forecast used when assessing the 2020 undertaking reference tariff. Overall, Queensland Rail will have recovered about 94% of the approved ceiling revenue limit over the term of the 2020 undertaking.

New Hope⁵⁰⁵ and Yancoal⁵⁰⁶ proposed that capitalised losses be excluded from the reference tariff to address affordability concerns. They proposed a recovery mechanism linked to average coal prices.

However, given the unrecovered amount is only a small proportion of the forecast costs over the 2025 undertaking period, we consider it appropriate to approve including the amount in the annual revenue allowance for 2025–26, to be recovered as part of the 2025–30 reference tariff. This is consistent with permitting Queensland Rail to recover efficient costs of providing access to the service. The small amount involved means, in our determination, that factors which might have justified not including this expenditure do not have great weight in this circumstance.

Metropolitan system reference tariff

As discussed in our draft decision, we consider it is appropriate to approve Queensland Rail's proposal to maintain the existing Metropolitan system tariff in real terms, escalating the current tariff charges by CPI, on the basis that this approach remains an appropriate way of determining a price that sits between:

- the incremental cost – which would be at or near zero
- the standalone cost – which could be expected to be at least as high as the price that is being charged.

⁵⁰³ See the 2020 undertaking, Schedule D, cl. 8.

⁵⁰⁴ Queensland Rail, sub. 1, p. 55.

⁵⁰⁵ New Hope, sub. 31, pp. 13–14.

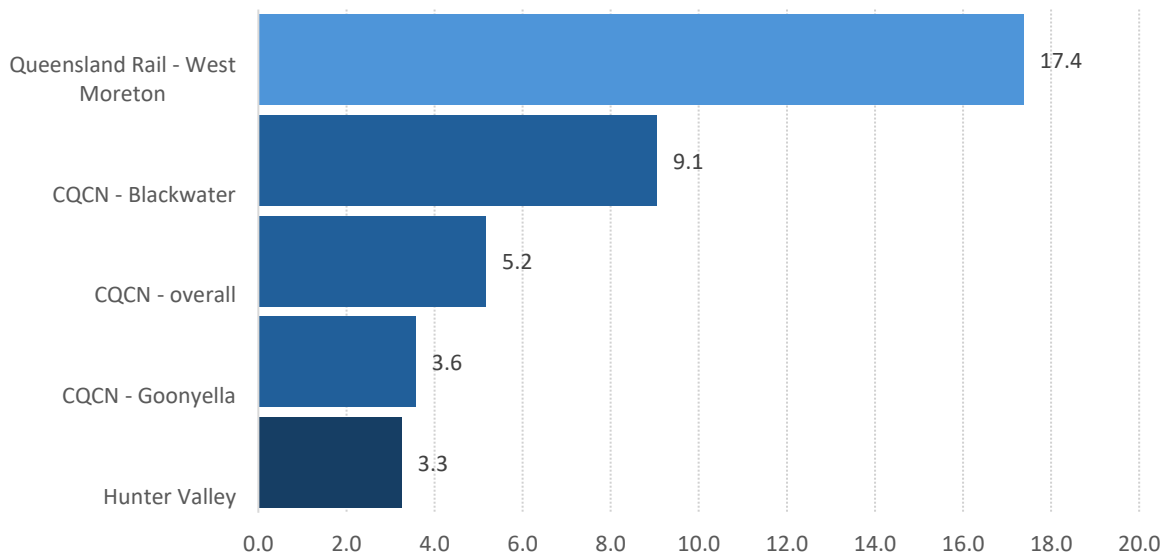
⁵⁰⁶ Yancoal, sub. 34, pp. 6–7.

B.6 West Moreton benchmarking

West Moreton has always been a high-cost system. It crosses difficult terrain, on an alignment that dates back to the 1860s. The original reference tariff we approved – almost two decades ago – was at a premium to access prices that applied for central Queensland coal.⁵⁰⁷

Queensland Rail’s capital investment program and other measures included in its 2025 DAU reference tariff proposal lead to a cost recovery price that is almost twice as much as the next most expensive comparable Australian coal rail systems (Figure 10).

Figure 10: Below-rail comparison – cost per net tonne, 2025-26



Note: West Moreton includes Metropolitan system
Source: QCA analysis.

This comparison reflects that West Moreton remains an expensive system to operate, and that it lacks the economies of scale achieved in other coal systems. We recognise that this creates particular challenges for both Queensland Rail and its customers in concluding access terms that balance their sometimes competing interests.

B.7 Conclusion

We consider a full cost recovery reference tariff of \$38.29/’000 gtk is appropriate to approve for coal carrying services on West Moreton during the 2025 undertaking period, having regard to the criteria in section 138(2) of the QCA Act as discussed above. We also consider other related amendments to the West Moreton access terms proposed in the 2025 DAU are appropriate to approve.

In our draft decision, we found that the West Moreton reference tariff Queensland Rail proposed in the 2025 DAU was not appropriate to approve for a number of reasons, including uncertainty about both capacity and demand, and the lack of an agreed reasoned and prudent strategy for managing and investing in the West Moreton rail infrastructure.

⁵⁰⁷ QCA, *QR’s 2005 Draft Access Undertaking*, decision, December 2005, pp. 72-78; *QR’s 2006 Draft Access Undertaking*, position paper, June 2006, p.11; *QR’s 2006 Draft Access Undertaking*, final approval, June 2006, p. 8.

To support parties in their efforts to reach agreement on negotiated access terms, we provided substantially extended timeframes to respond to our draft decision and sought further advice on the sustainable contractable capacity of the West Moreton System and on the efficient costs of delivering that capacity.

We also published a discussion paper with additional information and opportunity for consultation. In the discussion paper, we said we were reluctant to approve either a subsidy, or a price that was not affordable.

In both the draft decision and our December 2024 discussion paper, we urged the parties to find consensus and work towards an agreed outcome that balanced all the parties' interests, and reconciled competing cost, revenue and reliability goals.

For the reasons set out in this appendix, we consider that some of the matters considered in our draft decision have changed since that time such that it is now appropriate to implement a West Moreton reference tariff. However, we still consider the West Moreton reference tariff proposed in the 2025 DAU is not appropriate to approve. We have noted above the areas where we disagree with Queensland Rail. The most significant area is projected volumes. The tariff proposed was based on annual volumes of 9.6 million tonnes. We do not consider the system has the capacity to transport such volumes. Nor has Queensland Rail established there is sufficient demand to reach these volumes. Prices based on these volumes would not promote efficient investment in, or use of, the rail infrastructure.

Queensland Rail has proposed new prices, based on updated volumes, which we have used as the basis for our assessment of efficient costs.

Appropriate reference tariff

There have been some changes in circumstances in the 10 months since we published our draft decision. In particular, the largest mine using the West Moreton system, New Acland, is no longer subject to a court challenge.⁵⁰⁸ Given this we consider the best estimate of forecast volumes should be based on a 7.5 mtpa demand forecast.⁵⁰⁹

While we note that New Hope and Yancoal have expressed concerns as to the affordability of the reference tariff proposed by Queensland Rail, we do not consider it appropriate that we set a subsidised price.⁵¹⁰ While it is only one of the factors to which we are to have regard and weigh, we consider that, in effect, locking Queensland Rail into a tariff which would not allow recovery of its efficient costs is inconsistent with the regulatory regime. It is inconsistent with the pricing principles in section 168A of the QCA Act as well as the legitimate interests of Queensland Rail and the public interest.

Queensland Rail may be prepared to offer services for a price below the full cost recovery reference tariff, but we consider it is a commercial decision for Queensland Rail whether it is prepared to forgo recovery of efficient costs and not something to be imposed upon it by us.

In recent months, Queensland Rail and its customers have discussed various aspects of the West Moreton tariff and related terms. There has been some encouraging progress, with their positions less far apart than previously. However, both Queensland Rail and the customers that commented

⁵⁰⁸ New Hope Group, *New Acland Stage 3 Update*, ASX release, 14 January 2025, New Hope Group website, accessed 3 February 2025; New Hope Group, *New Acland Stage 3 Update: Conclusion of legal proceedings*, ASX release, 15 January 2025, New Hope Group website, accessed 3 February 2025.

⁵⁰⁹ However, the 9.6 mtpa demand forecast remains uncertain. The Wilkie Creek mine went into receivership more than a year ago, and there have been no public statements about the outcome of the sale process.

⁵¹⁰ Affordability is relevant to ss. 138(2)(d), (e) and (h).

on West Moreton access terms in response to our December 2024 discussion paper said negotiations were difficult and they wanted us to determine a reference tariff.⁵¹¹

We observe, though, that Queensland Rail has not changed its proposal since November, while the customers have presented tariff proposals that address some or all of Queensland Rail's concerns.

Having regard to the above history and the other matters set out in this Appendix B, we have opted to develop a cost-recovery price that provides incentives to reduce costs and improve productivity. We have had regard to affordability by applying many of the measures proposed by the miners as part of developing a reference tariff that provides for full recovery of Queensland Rail's efficient costs.

We have not implemented the aspects of Yancoal's proposal that would result in Queensland Rail receiving less than its efficient costs, as we consider such a price reduction would amount to a subsidy. For the reasons noted above, having regard to and weighing the factors in section 138(2), we do not consider a subsidy should be imposed.

The building blocks discussed in section B.5 generate a full cost recovery West Moreton coal reference tariff of \$38.29/000 gtk, or \$14.27 per net tonne. Our reference tariff is higher than the price for 9.6 mtpa in Queensland Rail's 2025 DAU, which Queensland Rail said it was prepared to accept, with some caveats.

The full cost recovery reference tariff provides an opportunity for Queensland Rail to recoup its sunk costs, including its capitalised losses that remain at the end of the current regulatory period.⁵¹² But our price also reflects forecast efficiencies in both investing in and maintaining the West Moreton infrastructure. We anticipate that Queensland Rail will work with its customers on ways to deliver these efficiencies. The customers too will have an incentive to engage as, if the efficiencies do not arise, there is an opportunity for Queensland Rail to recoup some of the costs through the annual true-up process (see section B.4.3).

Nevertheless, we retain our concerns that:

- the price is a substantial premium to access charges in other coal systems
- the forecast demand may not end up being contracted for the full term of the undertaking
- while we consider 7.5 mtpa the best forecast of likely capacity, it is still only a forecast and the capacity may not be able to support the forecast demand of 7.5 mtpa
- there is no agreed reasoned and prudent strategy for managing the system.

It remains open for the parties to find consensus on ways to resolve these concerns, as discussed in section B.8.

⁵¹¹ New Hope, sub. 31, p. 3; Yancoal, sub. 34, p. 2; Queensland Rail, sub. 32, pp. 4-5, 7, 12, 18, 25, 27.

⁵¹² The estimated capitalised losses as at 30 June 2025 are included in the building blocks used to calculate

Summary B.1

We consider it is appropriate to approve a full cost recovery West Moreton reference tariff of \$38.29/000 gtk.

B.8 Agreed West Moreton reference tariff still possible

While we consider it is appropriate to approve our reference tariff for West Moreton coal services if it is included in a resubmitted 2025 DAU, we still encourage further efforts by Queensland Rail and its customers to agree a reference tariff or some other consensus outcome for access terms that better matches the risk profile of the parties.

We understand that there may have been further progress toward agreed outcomes since the parties' most recent submissions, provided in early February in response to our December 2024 discussion paper. We will welcome any agreed proposals that emerge from these discussions.

Queensland Rail and its customers may find it helpful to consider the approach to the West Moreton reference tariff we approved in the 2006 QR Network undertaking. That tariff was a compromise proposed by Queensland Rail and accepted by its customers. QR Network (the predecessor company of Queensland Rail) had originally proposed prices ranging from \$12.48 to \$13.19/000 gtk. In the end, the approved price of \$10.50/000 gtk was about halfway between the prices submitted by Queensland Rail and the benchmarked price we determined in our final decision on the QR Network 2005 DAU.⁵¹³

A negotiated outcome promotes efficient use of the West Moreton system, enabling access charges that encourage customers to use the network, while maximising the revenue that Queensland Rail can recoup, up to the standalone cost of providing access.

If the parties do reach agreement, there are a variety of mechanisms to amend or replace our full cost recovery reference tariff. These include agreed amendments to the DAU in the coming weeks, before Queensland Rail resubmits it. Or, if more time is required, Queensland Rail could submit a draft amending access undertaking after the 2025 undertaking has commenced.

We would need to consider any such agreed proposal against the criteria in section 138(2) of the QCA Act, including having regard to the interests of parties that did not participate in the negotiations. But we would look favourably on a consensus outcome.

⁵¹³ For more on how the consensus West Moreton reference tariff approved in 2006 was developed, see QCA, *QR's 2005 Draft Access Undertaking*, decision, December 2005, pp. 72-78; *QR's 2006 Draft Access Undertaking*, position paper, June 2006, p.11; *QR's 2006 Draft Access Undertaking*, final approval, June 2006, p. 8.

Appendix C: Rate of return

We consider that Queensland Rail's proposed indicative rate of return⁵¹⁴ of 7.39% is reasonable for determining the reference tariffs to apply to the coal handling services operating on the West Moreton and Metropolitan systems. We are currently minded to approve a rate of return based on Queensland Rail's proposal, with updates to reflect:

- an updated risk-free rate, calculated using an averaging period nominated in advance by Queensland Rail
- an updated cost of debt, using the average of 12-monthly observations from April to March in advance of the upcoming regulatory period.

While Queensland Rail did not seek to update these time-variant parameters before our final decision, we consider it appropriate that an approved rate of return reflect updates to these two parameters before the start of the AU3 regulatory period. The methodologies that we consider appropriate for updating these two time-variant parameters are specified below.

We consider that this will provide for a rate of return that is commensurate with the regulatory and commercial risks faced by Queensland Rail in providing access to coal handling services on the West Moreton and Metropolitan systems.

In forming this view, we have considered Queensland Rail's exposure to risks afresh as part of our bottom-up WACC estimate and our overall consideration of the reasonableness of Queensland Rail's proposed rate of return. This has necessarily involved the exercise of judgment.

In assessing the reasonableness of Queensland Rail's proposed rate of return for the AU3 regulatory period, we have:

- undertaken a bottom-up WACC estimate, based on our preferred methodology for calculating the WACC and each of the relevant individual parameters.
- considered the overall reasonableness of Queensland Rail's proposed rate of return.

Our approach to assessing Queensland Rail's proposed rate of return, including the methodology applied to calculate our bottom-up WACC estimate, is consistent with the approach outlined in our rate of return review.⁵¹⁵

C.1 Bottom-up WACC estimate

We have calculated an indicative bottom-up WACC of 6.70% for Queensland Rail for the AU3 regulatory period (Table 10).

To calculate an indicative bottom-up WACC for Queensland Rail, we have used a nominal, post-tax WACC⁵¹⁶ based on our estimates of individual WACC parameters. Our assessment of the individual parameters used to generate our bottom-up estimate is further outlined in our draft decision.

⁵¹⁴ The rate of return compensates the investor for the time value of money and risk that they face in providing the assets that deliver the services that are subject to the regulatory regime.

⁵¹⁵ QCA, *Rate of return review*, final report, version 4, September 2024.

⁵¹⁶ Our approach uses the Officer WACC3 model and estimates the WACC for a benchmark firm, rather than the regulated firm's actual WACC.

Table 10: Parameters used to calculate our indicative bottom-up WACC estimate

WACC parameter	QCA preliminary estimate
Risk-free rate ^a	3.37%
Market risk premium	6.3%
Asset beta	0.48
Equity beta	0.71
Gearing	40%
Cost of debt ^a	4.95%
Gamma	0.484
Indicative bottom-up WACC estimate	6.70%

^a Placeholder values have been adopted for the risk-free rate and the cost of debt to estimate an indicative bottom-up WACC estimate for Queensland Rail's AU3 regulatory period.

C.1.1 Updating the risk-free rate estimate

Queensland Rail proposed an indicative risk-free rate of 3.37%, applying this methodology and using a 20-business-day averaging period ending April 2023.⁵¹⁷

We consider it appropriate for the risk-free rate to be updated before the start of the AU3 regulatory period, using an averaging period nominated by Queensland Rail. Queensland Rail is to propose the timing and length of its nominated averaging period in advance of the averaging period commencement date. The nominated averaging period should:

- be between 20 and 60 business days to provide a rate that reflects current conditions, but smooths the effects of temporary shocks
- commence as close as reasonably practical to the start of the regulatory period (ending before commencement of the period) to capture current rates.

We consider it appropriate for Queensland Rail to update its estimate of the risk-free rate using the following methodology:

- Use 10-year Australian Government (nominal) bond yields as the proxy for calculating Queensland Rail's risk-free rate.⁵¹⁸ These bonds have very low default risk and are also highly liquid. We consider using long-term Australian Government bonds reflects the requirements of investors and lenders who, in relation to long-lived infrastructure assets, will deploy equity over the entire life of the asset, rather than over any given regulatory period.
- Average the yields over a period nominated in advance by the regulated entity that is between 20 and 60 business days in length, ending as close as reasonably possible to the commencement of the regulatory period. Averaging the daily risk-free rate over a short period will manage the risk of unanticipated volatility from one-off shocks.

⁵¹⁷ Queensland Rail, sub. 1, p. 82.

⁵¹⁸ Our approach is to use daily Australian Government bond rates published by the Reserve Bank of Australia (RBA) (F2 table) to estimate the risk-free rate, converting the daily yields into an effective annual rate using the conversion method outlined in Appendix F of our rate or return review. See QCA, [Rate of return review](#), final report, version 4, February 2024.

C.1.2 Updating the cost of debt estimate

Queensland Rail proposed an indicative cost of debt of 4.95% using a 20-business day averaging period ended 30 April 2023, applying:

- a 10-year term cost of debt⁵¹⁹
- a BBB benchmark credit rating⁵²⁰
- an unweighted trailing average approach,⁵²¹ with annual debt tranche refinancing.⁵²²

Queensland Rail also applied a 10-basis-point uplift to its cost of debt estimate for debt raising/refinancing costs.⁵²³

We consider it appropriate for the cost of debt to be updated using this methodology before the start of AU3. Consistent with our rate of return guidelines, Queensland Rail is proposing to update its cost of debt calculation to the average of 12-monthly observations from April to March in advance of the upcoming regulatory period.⁵²⁴

In doing so, we consider that the cost of debt data source should reflect 10-year corporate bond yields reported by the RBA. Furthermore, we consider it appropriate to linearly extrapolate Reserve Bank of Australia (RBA) 10-year bond yields to 10 years.⁵²⁵ Our approach involves extrapolating the DRP component of the debt yield to 10 years and adding to it an estimate of the 10-year base rate (i.e. risk-free rate).⁵²⁶

We have published a supporting workbook on our website that provides an example of this approach for estimating the cost of debt.⁵²⁷

In implementing a trailing average cost of debt, the impact of the updated cost of debt may occur either through annual updates to Queensland Rail's allowable revenues, or through a true-up at the beginning of the next regulatory period. Queensland Rail does not propose arrangements in its 2025 DAU for updating allowable revenues throughout the regulatory period to reflect annual updates to the cost of debt. Therefore, the impact of the updated cost of debt throughout the regulatory period is to occur through a true-up at the beginning of the next regulatory period.

Annual updates would minimise mismatches between the regulatory cost of debt allowance captured in allowable revenues and the actual cost of debt from a benchmark efficient firm during the regulatory period.

We received no further submissions from stakeholders as to whether it is appropriate for the impact of the updated cost of debt throughout the regulatory period to occur through a true-up at the beginning of the next regulatory period, or whether annual adjustments are appropriate.

⁵¹⁹ This is consistent with the efficient debt financing practices of regulated infrastructure entities with long-lived assets.

⁵²⁰ This reflects the benchmark credit rating approved to estimate Queensland Rail's WACC for the AU2 regulatory period.

No justification has been provided to warrant a departure from this benchmark credit rating.

⁵²¹ This reflects that it may be efficient for capital-intensive infrastructure firms to manage refinancing risk by staggering debt financing, rather than refinancing the entire debt portfolio over a relatively short window of time.

⁵²² Queensland Rail, sub. 1, p. 82.

⁵²³ Queensland Rail, sub. 1, p. 87.

⁵²⁴ Queensland Rail, sub. 14, p. 77.

⁵²⁵ The RBA determines its 10-year bond yields by aggregating relevant bonds with a residual maturity close to the target 10-year tenor, but the aggregated tenor of its 10-year bonds has tended to be marginally less than 10 years.

⁵²⁶ Prior to September 2024, our understanding was that the RBA's published 10-year yield comprised a 10-year base rate and a DRP component that was less than 10 years. Consequently, our approach to estimating a 10-year cost of debt involved extrapolating only the DRP component of the yield to a 10-year term. However, based on recent correspondence with the RBA, our understanding is that the RBA's published 10-year yield comprises a base rate and DRP component that are both less than 10 years. Therefore, we consider it appropriate that the base rate component of the yield as well as the DRP are adjusted to reflect a 10-year term.

⁵²⁷ QCA, *Cost of debt estimation workbook*, September 2024.

C.2 Top-down assessment

In considering whether Queensland Rail's proposed WACC is appropriate to approve, we have undertaken a top-down assessment to consider whether it provides Queensland Rail with an appropriate level of compensation commensurate with the risks Queensland Rail faces.

While Queensland Rail's proposed indicative rate of return of 7.39% is above our indicative bottom-up WACC estimate, we consider that Queensland Rail's proposal will provide it with a rate of return commensurate with the regulatory and commercial risks involved in providing access.

Queensland Rail's overall approach for calculating its proposed rate of return is consistent with that applied to calculate the approved rate of return for the 2020 access undertaking. Differences between Queensland Rail's proposed rate of return and the rate of return approved as part of the 2020 access undertaking largely reflect timing differences in the calculation of specific time-variant WACC parameters. In updating these time variant parameters for AU3, Queensland Rail has applied the relevant methods and values set out in our rate of return review.

We consider that taking this approach to calculate the rate of return for the 2025 DAU is reasonable and consistent with the requirements of section 138(2), given there has been no material reduction in Queensland Rail's exposure to risk in providing access to the West Moreton and Metropolitan systems.

New Hope and Yancoal both questioned why Queensland Rail should be allowed a rate of return that was higher than the WACC calculated in accordance with conventional bottom-up method. New Hope and Yancoal considered that a bottom-up WACC estimate of 6.70% would overcompensate Queensland Rail for the regulatory and commercial risks involved.⁵²⁸

New Hope and Yancoal considered that Queensland Rail's exposure to risk had changed since the AU2 regulatory period, reflecting:

- changes in Queensland Rail's customer profile⁵²⁹
- Queensland Rail's proposed changes to the regulatory arrangements.⁵³⁰

In particular, New Hope submitted that Queensland Rail had relatively limited exposure to fluctuations in domestic economic conditions because of the availability of revenue protection mechanisms and the nature of customer demand.⁵³¹ Yancoal submitted that Queensland Rail had not justified why adopting the same equity beta as applied in AU2 remained appropriate where new regulatory mitigants to stranding and volume risk had been introduced. Yancoal considered that Queensland Rail's proposal gave insufficient weight to the electricity and water regulated assets.⁵³²

As such, New Hope did not consider that simply following the AU2 method for estimating the WACC made Queensland Rail's proposal 'reasonable'.⁵³³ Moreover, Yancoal submitted that

⁵²⁸ New Hope, sub. 19, pp. 8-9; Yancoal, sub. 23, pp. 5-6.

⁵²⁹ New Hope and Yancoal noted that Queensland Rail was forecasting much higher contracted volumes. Yancoal also submitted that the New Acland Stage 3 mining lease had been approved with production volumes ramping up and the New Wilkie mine had reopened.

⁵³⁰ New Hope, sub. 5, pp. 14-17 and sub. 19, pp. 8-9; Yancoal, sub. 9, pp. 8-9. New Hope and Yancoal noted that Queensland Rail had proposed an accelerated depreciation profile for AU3 based on an estimated weighted average mine life. Yancoal also referred to Queensland Rail's proposal to introduce a volume-based trigger for re-opening reference tariffs during the AU3 regulatory period.

⁵³¹ New Hope, sub. 19, pp. 8-9.

⁵³² Yancoal, sub. 23, pp. 5-6.

⁵³³ New Hope, sub. 19, p. 10. New Hope noted that a key element of that methodology for setting the WACC for the AU2 regulatory period was including a specific uplift to address short-term uncertainty.

Queensland Rail was not facing the same volume uncertainty as it did in the AU2 regulatory period, removing any justification for the 'top-down' uplift.⁵³⁴

We do not consider that our bottom-up WACC estimate has adopted a relatively high equity beta. In particular, we do not consider that Queensland Rail's proposed amendments to the regulatory framework result in it having a risk profile that aligns with that of a regulated energy and water business.

Accelerated depreciation will mitigate Queensland Rail's exposure to the risk of volumes not being sustained by access holders, or reallocated to new coal-handling access seekers, over the long-term. However, we consider that Queensland Rail remains exposed to the risk of a customer's volume forecasts not materialising. This is particularly the case where long-term take-or-pay contracts are not a key feature of the regulatory framework to mitigate the risks associated with volume uncertainty. In this regard, none of the forecast volume is contracted for the full term of AU3. The risk protection from accelerated depreciation extends only as long as there are access agreements in force.

There is a risk that low coal-handling volumes in the West Moreton system may affect how Queensland Rail is able to recover the associated revenues from coal-handling access holders over the AU3 regulatory period.⁵³⁵ While the current volume forecasts for certain coal-handling customers on the West Moreton system have increased since the rate of return was assessed for the AU2 regulatory period, volume forecasts change over time. Queensland Rail remains exposed to the risk that the current volume forecast fails to materialise.

Overall, we consider that Queensland Rail will be exposed to a higher level of volume risk than regulated energy and water businesses, noting regulated energy and water businesses are able to diversify the risk of a customer's volume forecast not materialising across a large pool of customers.

Furthermore, it is important for Queensland Rail to be able to earn a rate of return that provides sufficient incentives to promote efficient investment in the network. If the rate of return is too low, it could have a 'chilling' effect on investment, leading to inadequate capacity and/or service quality. Importantly, Queensland Rail has identified that significant capital expenditure is required over the AU3 regulatory period to deliver the level of capacity requested by access holders. From our analysis, we consider it appropriate to exercise judgement beyond our bottom-up WACC estimate so that Queensland Rail's WACC provides a reasonable overall rate of return.

Overall, we consider that an indicative rate of return of 7.39% provides Queensland Rail with a rate of return for the AU3 regulatory period that is reasonable, having regard to matters including our statutory obligations, public consultation, commercial and regulatory risk, values applied for each parameter, and the WACC values of other regulated entities.

Accordingly, we consider Queensland Rail's proposed WACC, adjusted for updated time-variant numbers in 2025, is appropriate to approve. We consider it is also in the interests of customers to provide Queensland Rail with a return that supports investment in the network to provide the access they require.

In response to our draft decision, New Hope submitted that it was not clear how any particular WACC could be considered reasonable at this time, where the risk sharing arrangements had not

⁵³⁴ Yancoal, sub. 23, pp. 5-6 and sub. 29, p. 3.

⁵³⁵ In the AU2 regulatory period, a reference tariff established at low volumes was set to recover Queensland Rail's incremental costs, with the shortfall from the full costs incurred by Queensland Rail recovered at a later date from a loss capitalisation account.

been settled.⁵³⁶ Yancoal and New Hope questioned how it could be concluded that an increase in the WACC was appropriate where numerous matters that had a material impact on Queensland Rail's risk profile had not been settled.⁵³⁷

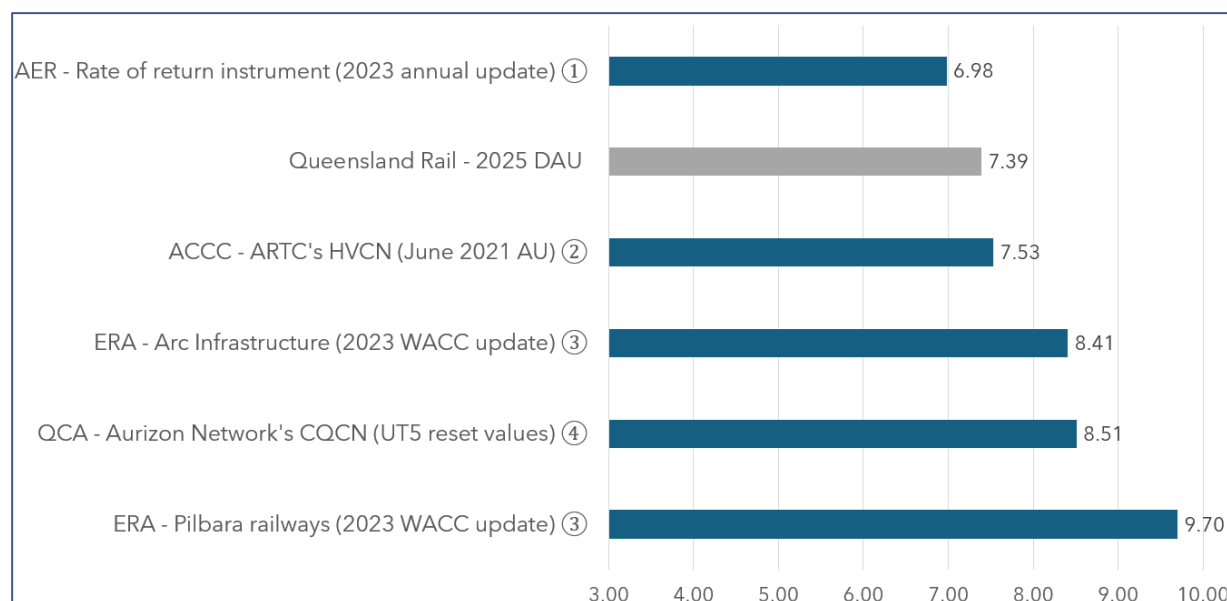
We recognise that a final view on the WACC will depend in part on the regulatory framework being approved, including any positions agreed between Queensland Rail and its customers as part of their reference tariff negotiations (including risk allocation and system coordination). A change in the regulatory framework may affect our assessment of the risks faced by Queensland Rail which, in turn, may affect our assessment of an appropriate WACC.

C.2.1 Normalisation

In assessing Queensland Rail's proposed rate of return, we have also compared Queensland Rail's proposal to the WACC values adopted for a number of other Australian regulated entities. In doing so, we have undertaken a normalisation exercise⁵³⁸ for timing differences to make for a more meaningful comparisons across regulatory decisions.

We have compared Queensland Rail's WACC against the corresponding nominal post-tax WACCs calculated for a range of Australian regulated businesses. In doing so, we have sought to calculate the time-varying parameters of the other regulators' WACC values with reference to the averaging period applied in Queensland Rail's proposed rate of return (April 2023) (Figure 11).⁵³⁹ Where a regulated business's WACC has also been calculated in 2023, we have made a direct comparison with that approved WACC.

Figure 11: Normalised WACCs for selected Australian regulated businesses, 2023



Notes: 1. The Australian Energy Regulator (AER) WACC estimate is obtained from the AER's rate of return 2023 annual update, which used a August 2023 averaging period. 2. ARTC's approved WACC for the Hunter Valley Coal Network (HVCN) reflects a negotiated outcome between ARTC and its users. We have normalised the risk-free rate using the methodology applied to estimate the risk-free rate in the ACCC's HVCN 2017 DAU draft decision for an April 2023 averaging period. We have not normalised the cost of debt, as the approach applied in the ACCC's HVCN 2017 DAU

⁵³⁶ New Hope, sub. 19, p. 10. New Hope submitted that there are unresolved matters that impacts Queensland Rail's risk profile (such as accelerated depreciation).

⁵³⁷ Yancoal, sub. 23, pp. 5-6; New Hope, sub. 19, p. 10.

⁵³⁸ To provide for a more like-for-like comparison of the WACC values, we have sought to calculate the time-varying parameters of the other regulators' WACC values with reference to the same point in time.

⁵³⁹ That is, we have sought to update the risk-free rate and debt risk premium applying the same method for calculating these parameters as outlined in the respective regulatory decisions.

draft decision can no longer be reproduced due to relevant information no longer being produced by the RBA. 3. The Economic Regulation Authority (ERA) WACC estimates are obtained from the ERA's 2023 determination on the WACCs for the freight and urban networks and the Pilbara railways, which used a June 2023 averaging period. 4. Aurizon Network's WACC estimate for the CQCN is obtained from our reset Schedule F values decision, which used a June 2023 averaging period.

Sources: QCA analysis; AER, *Rate of return annual update 2023*, December 2023; ACCC, *Australian Rail Track Corporation's 2017 Hunter Valley Access Undertaking*, draft decision, 20 April 2017; ERA, *2023 Weighted average cost of capital for the freight and urban networks and the Pilbara railways*, final determination, September 2023; QCA, *Aurizon Network's reset Schedule F values*, decision, October 2023.

At this time, our comparison with other regulatory decisions supports Queensland Rail's proposed WACC being reasonable.⁵⁴⁰

However, New Hope and Yancoal submitted that some of Queensland Rail's industry peers in Australia were difficult to compare directly because of different circumstances:

- The ARTC's WACC was negotiated as part of a broader package of commitments,⁵⁴¹ and the underlying parameter values for the ARTC's WACC are not specified.⁵⁴²
- Aurizon Network's WACC was commercially agreed as a result of the introduction of performance targets and independent capacity assessments that did not apply to Queensland Rail.⁵⁴³
- Arc Infrastructure's WACC was benchmarked against North American railroads, which had a different risk profile from Queensland Rail's West Moreton coal services⁵⁴⁴
- The AER's WACC is based on a different averaging period to Queensland Rail's 'placeholder' period and applies an 'on-the-day' return on debt figure.⁵⁴⁵

New Hope considered that a comparison with rates of return that had been agreed, as part of a broader package, for two other coal-carrying systems was not a sufficient basis for assessing the reasonableness of Queensland Rail's proposal.⁵⁴⁶

We recognise the limitations associated with our normalising the rate of returns of other regulated entities for comparison with Queensland Rail's proposed rate of return and the results should be interpreted with caution. As such, we have not solely relied on this analysis in assessing whether the overall rate of return proposed by Queensland Rail is reasonable. However, we consider that the WACC values of other Australian regulated entities may provide a guide to inform our assessment as to whether Queensland Rail's proposed rate of return is reasonable.

While Queensland Rail has not negotiated an appropriate WACC with its coal-handling customers on the West Moreton system, Queensland Rail is proposing to undertake the capital expenditure required to be able to support the volumes requested by access holders and access seekers.

⁵⁴⁰ On a normalised basis, Queensland Rail's rate of return proposal is lower than the WACCs for the two other major coal-carrying systems in Australia, ARTC's HVCN and Aurizon Network's CQCN. Amongst other things, we consider that differences in customer base will contribute to West Moreton coal facing a higher level of risk relative to both ARTC's HVCN and Aurizon Network's CQCN. For instance, Queensland Rail serves three West Moreton mines, all producing thermal coal, albeit of high quality. In comparison, Aurizon Network's CQCN and ARTC Hunter Valley both serve many more mines, with a substantial proportion of those mines shipping metallurgical coal, which has a higher value and is likely to have a longer-term commercial future.

⁵⁴¹ New Hope, sub. 5, p. 22 and sub. 19, pp. 10-11; Yancoal, sub. 9, p. 10 and sub. 23, p. 5.

⁵⁴² New Hope, sub. 19, pp. 10-11.

⁵⁴³ Yancoal, sub. 9, p. 10 and sub. 23, p. 5; New Hope, sub. 19, pp. 10-11. New Hope considered that for the ARTC and Aurizon Network, the acceptance of the WACC values by users was conditional on the service providers making additional commitments and taking on greater risk.

⁵⁴⁴ New Hope, sub. 5, p. 22 and sub. 19, pp. 10-11; Yancoal, sub. 23, p. 5. Yancoal submitted that the relevant ERA decision confirmed the WACC assessment was based on international comparators due to lack of appropriate domestic comparators. New Hope considered that a proper comparison must include WACCs determined by regulators for businesses with a comparable risk profile.

⁵⁴⁵ New Hope, sub. 19, p. 10.

⁵⁴⁶ New Hope, sub. 19, p. 8.

We consider that our comparison of other regulatory decisions supports Queensland Rail's proposed WACC being reasonable, being commensurate with the regulatory and commercial risks involved in providing access and likely to promote efficient investment in the infrastructure required to provide the West Moreton route service. When Queensland Rail proposes a rate of return that reflects updated time-variant parameters, we will seek to update our normalisation analysis in considering whether the rate of return is appropriate to approve.

C.2.2 Adjustment to the bottom-up estimate

In proposing an indicative WACC of 7.39%, Queensland Rail applied an uplift of 0.6% to its bottom-up estimate.⁵⁴⁷ This is consistent with the approach applied for the AU2 regulatory period, where an uplift to the cost of debt was provided to compensate for volume uncertainty.⁵⁴⁸ Queensland Rail submitted that it still faced the same volume uncertainty on the West Moreton system that it faced in the AU2 period.⁵⁴⁹

New Hope and Yancoal considered that Queensland Rail's proposed adjustment to the WACC was not justified. New Hope considered that the circumstances for AU3 were markedly different. It argued that the short-term uncertainty present at the time of the AU2 decision had been substantially addressed,⁵⁵⁰ while longer-term risk factors had been addressed through other elements of Queensland Rail's proposal. Yancoal also considered that Queensland Rail's exposure to volume risk had been significantly reduced.⁵⁵¹

New Hope submitted that the mere existence of some volume risk did not justify a separate uplift above the calculated WACC.⁵⁵²

We consider that there is evidence that the volume uncertainty remains a concern for the AU3 regulatory period. In particular, none of the mines that use West Moreton coal haulage services are contracted for the full term of the undertaking. Moreover, we consider there is a risk that low coal-handling volumes in the West Moreton system may affect how Queensland Rail is able to recover the associated revenues from coal-handling access holders over the AU3 regulatory period and beyond.

Having regard to Queensland Rail's exposure to risk, we consider that an overall indicative rate of return of 7.39% is reasonable. We have applied judgement in the context of the assessment as to whether the estimated WACC value is commensurate with the risks Queensland Rail faces, and therefore whether it provides Queensland Rail with an appropriate level of compensation.

Our assessment is not based on a view on the merits of applying a specific adjustment or 'top-up' to the bottom-up WACC estimate consistent with the approach used to estimate Queensland Rail's WACC for AU2. Rather, we have considered whether overall the proposed WACC provides Queensland Rail with an appropriate level of compensation commensurate with the risks it faces and, as we consider it does, we have approved the proposed WACC.

⁵⁴⁷ Queensland Rail, sub. 1, p. 29.

⁵⁴⁸ This uplift to the cost of debt was equivalent to around a 0.6% adjustment to the bottom-up WACC estimate.

⁵⁴⁹ Queensland Rail, sub. 1, p. 29.

⁵⁵⁰ New Hope submitted that an adjustment to the bottom-up WACC estimate was approved for the AU2 regulatory period to specifically address short-term uncertainty around approvals for the New Acland Stage 3 mine development.

⁵⁵¹ New Hope, sub. 5, pp. 14-15 and sub. 19, p. 8; Yancoal, sub. 9, pp. 3, 9-11.

⁵⁵² New Hope, sub. 19, pp. 8-9. New Hope considered that any remaining volume uncertainty was appropriately accounted for in the equity beta and credit rating assumptions – stating that the sample used for estimation of the equity beta included businesses that faced considerable volume risk.

Summary C.1

We are currently minded to approve Queensland Rail's proposed indicative rate of return proposal with an updated risk-free rate and cost of debt.

Appendix D: Tariff drafting

Our assessment of the West Moreton access terms in Queensland Rail's 2025 DAU, having regard to the matters mentioned in section 138(2) of the QCA Act and the stakeholder submissions received, is set out in detail throughout Appendices B and C. As part of our assessment, we have outlined the way in which we consider it is appropriate to amend schedules D and E of the 2025 DAU.

Appendix D (Table 11 and Table 12) proposes specific drafting amendments to the 2025 DAU that, we consider, will give effect to those positions outlined in Appendices B and C. In addition to the amendments that we have identified to particular provisions, we note there may be other consequential amendments to the current drafting of the 2025 DAU that may be necessary to give effect to the proposed changes.

Table 11: Drafting amendments required to Part 7 of the 2025 DAU

2025 DAU clause	Proposed amended provision
Clause 7.1, Endorsed Variation Event	means: <u>(a) the occurrence ... of the Reference tariff; or</u> <u>(b) no more than three months after the Approval Date, the determination of⁵⁵³</u> <u>(i) actual CPI for the 12 months to March 2025;</u> <u>(ii) the actual amount of accumulated capitalised losses pursuant to Schedule D, clause 8 of the 2020 access undertaking, as at 30 June 2025; and</u> <u>(iii) any update to the balance of the Capital Expenditure Carryover Account for which adjustments will be made to recalculate the Reference Tariff.</u>

Table 12: Drafting amendments required to Schedule E of the 2025 DAU

2025 DAU clause	Proposed amended provision
Schedule E, cl. 2.1 Approval of capital expenditure	Requirements for acceptance of capital expenditure into the Regulatory Asset Base (d) The QCA will accept capital expenditure <u>in relation to the West Moreton System (and coal-specific infrastructure on the Metropolitan System) into a Regulatory Asset Base if that capital expenditure:</u> i. <u>is or has been accepted by the West Moreton Users in accordance with clause 2.3 (where a project will be considered as having been accepted if the project as delivered does not vary materially in scope, standard or cost from the project as accepted by West Moreton Users), or</u> ii. <u>is or has been accepted by the QCA as:</u> A. <u>prudent in scope in accordance with clause 3;</u>

⁵⁵³ If Queensland Rail has not nominated an averaging period in time for the WACC to be determined before Queensland Rail resubmits its DAU, this clause should provide for updating the WACC as defined in this clause 7.1, and the Reference Tariff, to reflect final time-variant WACC parameters.

**2025 DAU
clause**

Proposed amended provision

- B. prudent in the standard of works in accordance with clause 4; and
- C. prudent in cost in accordance with clause 5; and

....

**Schedule E,
cl. 2.2**

**Assessing
prudence of
capital
expenditure**

For the purposes of clauses 3, 4 and 5:

- (a) the QCA:
 - i. in assessing whether capital expenditure is prudent:
 - A.
 - B. must consider any non-acceptance by West Moreton Users of the relevant capital expenditure project and any reasoning provided by each West Moreton User for their vote for acceptance or non-acceptance (although, for avoidance of doubt, the QCA is not bound by any non-acceptance by West Moreton Users); and
- (B)(C) may, as it considers necessary

...

**Schedule E,
2.3**

**Seeking
customer
acceptance
of capital
expenditure**

- (b) Queensland Rail must seek acceptance by the West Moreton Users under this clause 2.3 for:
 - i. any capital expenditure project or program of capital works within the West Moreton System anticipated to cost \$20 million or more (other than any capital expenditure to repair damage to or destruction of the Network caused by a Force Majeure Event or undertaken to mitigate or avoid any emergency resulting from a Force Majeure Event) whether that cost is to be incurred in a single year, or over multiple years; or
 - ii. any capital expenditure project or program of capital works that has previously been accepted by West Moreton Users under this clause 2.3 and either:
 - A. has undergone a material change to the scope, standard or costs; or
 - B. is to be commenced more than 2 years after the date that was proposed when the capital expenditure project was previously accepted.
- (c) In order to seek acceptance by the West Moreton Users of a capital expenditure project, Queensland Rail must at least 3 months prior to any funds (other than study costs) being committed to a capital expenditure project of the type described in clause 2.3(a):
 - i. make available to West Moreton Users information on the relevant capital expenditure project which is material for assessing the prudence in the scope, standard of works and cost of the capital expenditure project, to a similar level of detail intended to be provided to the QCA when seeking acceptance of prudence (provided that Queensland Rail may require a West Moreton User to sign a confidentiality agreement on reasonable terms prior to

-
- providing it with any commercially sensitive information under this clause 2.3).
- ii. schedule a meeting with the West Moreton Users to discuss the capital expenditure project.;
- (d) Queensland Rail is permitted to seek acceptance of multiple capital expenditure projects at the same time (and combine the information provided and meeting held for the purposes of clause 2.3(b) for each project), but where that occurs each such capital expenditure project will be voted on separately.
- (e) During the Voting Period:
- i. Queensland Rail must use reasonable endeavours to provide further information and engage in discussions with West Moreton Users where reasonably requested by a West Moreton User; and
- ii. each West Moreton User is to notify Queensland Rail of whether they accept or do not accept as prudent the capital expenditure project (and any failure to notify either such vote within the Voting Period, will result in that West Moreton User being deemed to have accepted the capital expenditure project as prudent).
- (f) If a West Moreton User votes:
- i. to not accept a capital expenditure project as prudent, it must provide its reasons for the vote so that the QCA may understand its reasons;
- ii. to accept a capital expenditure project as prudent, it may, but is not required to, provide any reasons for its decision.
- (g) The capital expenditure project will be considered to be accepted as prudent by the West Moreton Users for the purposes of clause 2.1(a)(i) if 60% or more of the total number of available votes have approved or are deemed to have approved the capital.
- (h) On a vote occurring under this clause 2.3, each West Moreton User has the number of votes equal to the aggregate Train Paths they have contracted on the West Moreton System across the next 5 Years after the Year in which the vote is occurring, subject to also including any Train Paths that have been renewed or reapplied for before their expiry.
- (i) Queensland Rail must notify each of the West Moreton Users of the results of the vote for each capital expenditure project within five (5) Business Days after Queensland Rail has determined those results.
- (j) A vote resulting in non-acceptance does not prevent Queensland Rail from:
- i. proceeding with a capital expenditure project; and/or
- ii. seeking the QCA's acceptance of the same capital expenditure.
- (k) For the purposes of this clause:
- i. **Voting Period** means:
- A. the period specified by Queensland Rail when providing information to West Moreton Users seeking acceptance, which must be at least six weeks after the first information is given; or
- B. such longer period as Queensland Rail and the West Moreton Users agree.
-

- ii. West Moreton Users means each Access Holder that has contracted Access Rights on the West Moreton System, provided that where the Access Holder is an Operator the relevant Customer will be considered the West Moreton User not the Operator.

...

**Schedule E,
cl. 7****Capital
expenditure
reconciliation**

- (l) Queensland Rail will maintain registers in which it annually records all Approved Capital Expenditure for each Year (including identifying the relevant capital expenditure by project) in relation to the West Moreton System (and coal-specific infrastructure on the Metropolitan System).
- (m) If at the end of any Year (other than the final two Years of the Term), the total Approved Capital Expenditure for each year of the Undertaking to date (excluding any years in respect of which this clause 7(b) has previously been applied) differs from the total of the Capital Indicator for West Moreton System and Metropolitan System (as applicable) for the corresponding years, the Reference Tariffs for the Year which commences 12 months after the end of the relevant year for which the QCA approved the Approved Capital Expenditure under clause 2.1 will be adjusted by an amount which reflects the change in 'Allowable Revenue' from which the Reference Tariffs have been calculated by the QCA in the Final Decision dated [*] 2025 which includes:
- i. a return on capital component, calculated as the difference between the return on capital calculated based on the Capital Indicators for the relevant Years and the return on capital that should have applied for the Approved Capital Expenditure for those same Years;
 - ii. a depreciation component, calculated as the difference between the depreciation calculated based on the Capital Indicators for the relevant Years and the depreciation that should have applied for the Approved Capital Expenditure for the same Years; and
 - iii. a tax depreciation component, calculated as the difference between the tax depreciation calculated based on the Capital Indicators for the relevant Years and the tax depreciation that should have applied for the Approved Capital Expenditure for the same Years,
- with the total of those adjustments rolled forward to the Year in which the adjustments will be made at the WACC, and with those components, and the changes to the Reference Tariffs calculated using the modelling parameters and assumptions used to determine the Reference Tariffs by the QCA in the Final Decision dated [*] 2025.
- (n) The adjustment process described in clause 7(b) of Schedule E will not apply if the difference between the total of the Capital Indicators and the Approved Capital Expenditures for the relevant Years is less than [*] million or if QR can reasonably demonstrate that this difference is likely to reduce to less than [*] million within 12 months.
- (o) For the avoidance of doubt, where clause 7(b) has been applied in respect of any Year, the Capital Indicators and total Approved Capital

Expenditures in respect of any such Year will be excluded from any subsequent calculations of total Capital Indicators and total Approved Capital Expenditures under clause 7(b) and clause 8.

**Schedule E,
cl. 78**

**Capital
Expenditure
Carryover
Account**

~~(a) Queensland Rail will maintain registers in which it will annually record all Approved Capital Expenditure (including identifying the relevant capital expenditure by project) in relation to the West Moreton System and the Metropolitan System.~~

~~(b) If, at the end of each the last Year of the Term, there are any Years in which:~~

- ~~i. the Approved Capital Expenditure differs from the relevant Capital Indicator for West Moreton System or the Metropolitan System (as applicable); and~~
- ~~ii. that Year was not the subject of an adjustment under cause 7(b) such that it is excluded for these purposes as provided for in clause 7(d).~~

~~the difference will be entered in the Capital Expenditure Carryover Account. The balance recorded in the Capital Expenditure Carryover Account will be deemed as:~~

~~(iii) an under recovery of revenue, where the Approved Capital Expenditure exceeds the relevant Capital Indicator; or~~

~~(iv) an over recovery of revenue, where the Approved Capital Expenditure is less than the relevant Capital Indicator.~~

~~(c) The balance recorded in the Capital Expenditure Carryover Account will include:~~

- ~~i. a return on capital component, calculated as the difference between the return on capital assumed for the relevant Capital Indicator and the return on capital that should have applied for the Approved Capital Expenditure, accrued at the WACC;~~
- ~~ii. a depreciation component, calculated as the difference between the depreciation assumed for the relevant Capital Indicator and the depreciation that should have applied for the Approved Capital Expenditure; and~~
- ~~iii. a tax depreciation component, calculated as the difference between the tax depreciation assumed for the relevant Capital Indicator and the tax depreciation that should have applied for the Approved Capital Expenditure, and will be calculated using the modelling parameters and assumptions used to determine the relevant Reference Tariff~~

~~(d) The balance in the Capital Expenditure Carryover Account at the end of each Year to which clause 8(a) applies will be rolled forward at the WACC.~~

~~(e) The balance in the Capital Expenditure Carryover Account at the end of the Term will be taken into account when determining:~~

- ~~i. in relation to the West Moreton System, Reference Tariff; and~~
- ~~ii. in relation to the Metropolitan System, the Reference Tariff input(s) relating to (in whole or part) the Regulatory Asset Base applicable to the Metropolitan System,~~

relevant to, in the next undertaking on the basis of clearing the Capital Expenditure Carryover Account over the term of that next undertaking with the capital component described in clause 7(b) to be included in the Regulatory Asset Base and the cash flow components described in clause 7(c) to be taken into account in setting Reference Tariffs. In the event there is no next undertaking and the Reference Tariff last applicable under this Undertaking was set at a level such that it would generate Expected Access Revenue equal to the Approved Ceiling Revenue Limit, the portion of the balance in the Capital Expenditure Carryover Account described in clause ~~8(b)~~7(c) will be recovered from, or returned to, Access Holders (as the case may be) in the form of a single payment following the Terminating Date.

Appendix E: Other tariff matters

Queensland Rail raised a number of specific matters relating to the technical report by Arcadis that we published with our discussion paper in December. This appendix outlines detailed responses to these comments. We have also published a short supplementary report by Arcadis.

Issue	Comment
'the QCA's independent capacity assessment, which the QCA now acknowledges was incomplete' ⁵⁵⁴	<p>The QCA does not consider the capacity assessment incomplete and has never 'acknowledged' that it was.</p> <p>Any assessment of capacity, let alone one conducted under the time constraints of a DAU process, will always be capable of further refinement as capacity assessment of a rail system is, as noted by New Hope, 'a long term and complex process'.⁵⁵⁵ We encourage stakeholders to work together to further refine the work in future.</p>
'remaining non-coal freight paths provide an 11% capacity buffer, which Arcadis' modelling has not accounted for.' ⁵⁵⁶	<p>Non-coal freight paths are not contractable and cannot be included in any estimate of contractable capacity.</p> <p>We clearly stated in both our draft decision and discussion paper that unused non-coal freight paths could be used as a potential buffer for either catch-up of contractable paths lost in the MTP or for maintenance activities.⁵⁵⁷</p>
'Arcadis references the 2009 QR Network Coal Rail Infrastructure Master Plan (CRIMP) to support its 5.1 mtpa to 6.8 mtpa capacity estimate.' ⁵⁵⁸	<p>Arcadis did not use any of the information in the CRIMP as part of its analysis and makes no reference to that document in its report.</p> <p>The CRIMP was only considered by the QCA, and we remain of the opinion that this analysis is a relevant perspective on the capacity of the West Moreton system.</p>
'AECOM (Attachment 2) has reviewed Arcadis' approach and determined revised values that better reflect actual operating conditions: (h) Capacity Utilisation: 83% ... (i) Daily Operating Hours: (i) 13.9 hours per day to haul 7.5 mtpa Using these more accurate operational variables, AECOM	<p>AECOM's report does not demonstrate that the capacities under scenario 1a or 2 can be delivered at 83% utilisation under the works programs Queensland Rail has proposed under the 2025 DAU. AECOM concluded:</p> <ul style="list-style-type: none"> • 9.6 mtpa of operational capacity would require '95%-100% utilisation'⁵⁶⁰ • 7.5 mtpa of operational capacity would require '90%-95% utilisation'⁵⁶¹ <p>The 83% utilisation figure quoted by Queensland Rail:</p> <ul style="list-style-type: none"> • is based on the maintenance allowance from AU1 of 988 possession hours per annum for maintenance,⁵⁶² whereas

⁵⁵⁴ Queensland Rail, sub. 32, p. 3.

⁵⁵⁵ New Hope, sub. 31, p. 7.

⁵⁵⁶ Queensland Rail, sub. 32, p. 29.

⁵⁵⁷ QCA, *Queensland Rail 2025 Draft Access Undertaking*, draft decision, June 2024, p. 103; QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, pp. 39-40.

⁵⁵⁸ Queensland Rail, sub. 32, p. 30.

⁵⁶⁰ Queensland Rail, sub. 32, Attachment 2, p. vii.

⁵⁶¹ Queensland Rail, sub. 32, Attachment 2, p. vi.

⁵⁶² Queensland Rail, sub. 32, Attachment 2, p. iii.

Issue	Comment
<p>concludes that the West Moreton system is capable of supporting both 7.5 mtpa and 9.6 mtpa coal volumes⁵⁵⁹</p>	<p>Queensland Rail proposes maintenance possession hours of 2,448 to 2,992 under its works programs for the 2025 DAU⁵⁶³</p> <ul style="list-style-type: none"> • does not include possession hours for capital works, whereas Queensland Rail proposes possession hours of 398 to 618 annually for capital works in addition to those for maintenance under its works programs for the 2025 DAU⁵⁶⁴ • only includes the equivalent of 4.8 hours per day for which there are no contractable paths available to coal traffic in the Metropolitan system, compared to the actual figure provided by Queensland Rail during the 2025 DAU process of 7 hours per day, and • is based on an incorrect annual availability calculation.⁵⁶⁵ <p>If Queensland Rail considers an 83% utilisation figure is an appropriate level for the West Moreton system it will need to produce a reasoned and prudent strategy outlining how it plans to sustainably deliver the contractable capacity forecast under its 2025 DAU scenarios at this level.</p>
<p>'In four financial years (FY12, FY13, FY14 and FY18), actual West Moreton annual railings exceed Arcadis' upper capacity estimate of 6.8mtpa.⁵⁶⁶</p> <p>'These figures indicate that Arcadis' capacity assumptions are overly conservative and do not align with demonstrated system performance.'⁵⁶⁷</p>	<p>The estimates by Arcadis represent estimated long-term average sustainable contractable capacities. They are not maximum limits. A system may produce higher or lower throughput than average for short periods.</p> <p>In addition, historical figures quoted by Queensland Rail also include non-contractable ad-hoc capacity used by coal services and as such are not directly comparable to Arcadis' estimates of contractable capacity. As shown in Figure 8, even when including this additional non-contractable capacity, West Moreton system performance has only exceeded Arcadis' estimate of contractable capacity by more than 0.2 mtpa twice in recent history, and for the majority of years has had throughput within this range where there was sufficient demand.</p>
<p>'Arcadis' daily operating hours figure does not account for reduced maintenance possession requirements following completed capital works⁵⁶⁸</p>	<p>Arcadis' estimates of available capacity are based on Queensland Rail's forecasts of the number of hours the West Moreton system would be available to traffic for the final three years of the 2025 DAU period. Should Queensland Rail revise its system availability forecasts to align with possession hours this would increase the daily operating time by less than 1.5 hours for each scenario and, as AECOM's analysis shows⁵⁶⁹, does not materially affect the resulting capacity estimates or conclusions.</p>
<p>'The QCA's Discussion Paper makes reference to contracting paths prevented</p>	<p>According to information provided by Queensland Rail during this process there are no contractable paths available for coal services</p>

⁵⁵⁹ Queensland Rail, sub. 32, pp. 33-34.

⁵⁶³ Average of FY29 and FY30. Queensland Rail, sub. 27, p. 35, Figure 8, p. 37, Figure 10.

⁵⁶⁴ Average of FY29 and FY30, Queensland Rail, sub. 27, p.3 5, Figure 8, p. 37, Figure 10.

⁵⁶⁵ AECOM (Queensland Rail, sub. 32, Attachment 2, pp. iii, viii) bases its analysis on a system availability of 5,044 hours. However, the total of the figures provided in figure 2 and subsequent tables do not equal this figure.

⁵⁶⁶ Queensland Rail, sub. 32, p. 32.

⁵⁶⁷ Queensland Rail, sub. 32, p. 32.

⁵⁶⁸ Queensland Rail, sub. 32, p. 33.

⁵⁶⁹ Queensland Rail, sub. 32, Attachment 2, pp. ii-iv.

Issue	Comment
<p>for 'up to 7 hours a day during weekday peak hours.' This is not considered suitable 24 return paths per week) is most appropriate⁵⁷⁰</p>	<p>during these peak periods. As such, these entire periods must be excluded from any estimate of contractable capacity. As noted in our discussion paper, we understand that coal trains may be allowed to pass through the Metropolitan system should a suitable path be available, but this is only on an ad hoc basis.⁵⁷¹</p>
<p>'the assumed Capacity Enhancement Projects outlined in the 2009 CRIMP to obtain the W8 Planning Scenario (i.e. 7.4mtpa export coal plus 0.5mtpa domestic coal) are substantially complete or in progress.'</p>	<p>It is not clear from the information provided by Queensland Rail that all of these works required to meet its 7.5 mtpa scenario will be complete by FY28.⁵⁷² In addition, Queensland Rail does not provide any information as to the commencement or progress on the capacity enhancement projects outlined in the CRIMP required to meet the tonnage required for scenario 1a, for example increasing train length to 940 m, increasing train payload to 2,610 tonnes, or new passing loops at Harlaxton, Ballard and Toowoomba, and between Holmes and Murphy's Creek.⁵⁷³</p>

⁵⁷⁰ Queensland Rail, sub. 32, Attachment 2, p. vii.

⁵⁷¹ QCA, *Queensland Rail 2025 Draft Access Undertaking*, discussion paper, December 2024, p. 40.

⁵⁷² For example, the current bridge renewal program (B.05649) aims to replace piers or structures of 21 bridges in total in 4 years. Assuming these works are completed as scheduled, Queensland Rail would still have to complete works on 32 further bridges to meet the recommendation in the CRIMP.

⁵⁷³ QR Network, *2009 Coal Rail Infrastructure Master Plan*, pp. 86–87.

Appendix F: Non-tariff drafting

Our assessment of Queensland Rail’s 2025 DAU, having regard to the matters mentioned in section 138(2) of the QCA Act and the stakeholder submissions received, is set out in detail throughout our decision. As part of our assessment, we have outlined the way in which we consider it is appropriate to amend the 2025 DAU.

Appendix F proposes specific drafting amendments to the 2025 DAU that we consider will give effect to those positions outlined in our decision (see Table 13). In addition to the amendments that we have identified to particular provisions, we note there may be other consequential amendments to the current drafting of the 2025 DAU that may be necessary to give effect to the proposed changes.⁵⁷⁴

Table 13: Drafting amendments required to the 2025 DAU

2025 DAU clause	Proposed amended provision
5.1.2(a)	A quarterly report published under clause 5.1.1 will contain the following information: ...
Quarterly performance report	(ii) for Train Services that operated in the subject Quarter: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 (B) the total number of Train Services; (C) the number and percentage of On-time Train Services; (D) <u>of those On-time Train Services, the number and percentage of Train Services that reach their destination within the Allotted Time Threshold;</u> (E) <u>the number and percentage of Train Services that are not On-time Train Services, which are running late only due to causes within the Network (but only where the root cause is outside the Access Holder or Rolling Stock Operator’s control);</u> (F) <u>of those Train Services that are not On-time Train Services, the number and percentage of Train Services that do not deteriorate further;</u>
	... (iii) the average Above Rail Delay, Below Rail Delay and Unallocated Delay, in minutes, per 100 train kilometres transit hour for the aggregate of the Train Services that operated in the subject Quarter;

⁵⁷⁴ The Rail Operators Group (sub. 33, p. 2) submitted that the drafting amendments outlined in our discussion paper did not reflect all consolidated amendment recommended, including references to regular planned possessions and ad hoc possessions. We have updated our table to address this and note that other consequential amendments to the 2025 DAU will be necessary to give effect to the drafting amendments outlined in this appendix (including amendments to any references to regular planned possessions and ad hoc possessions to reflect that these terms are to no longer be defined).

...

(iv) the number and percentage of Train Services scheduled in the DTPs relating to the subject Quarter that were cancelled⁵ in each of the following circumstances:

- (A) where that cancellation can be solely attributed directly to Queensland Rail in its capacity as the Railway Manager;
- (B) where that cancellation can be solely attributed directly to an Access Holder or a Nominated Rolling Stock Operator; and
- (C) where that cancellation occurred for any other reason;

⁵ A cancellation is defined as a service cancelled from Origin to Destination and includes all cancellations regardless of whether they are in the planned MTP to DTP or unplanned.

...

(x) the number and percentage of Planned Possessions for the subject Quarter that:

- (A) started within 15 minutes of the scheduled time and finished within 15 minutes of the scheduled time;
- (B) started between 15 minutes and two hours later than the scheduled time;
- (C) finished between 15 minutes and two hours earlier than the scheduled time;
- (D) finished between 15 minutes and two hours later than the scheduled time;
- (E) started more than two hours later than the scheduled time;
- (F) finished more than two hours earlier than the scheduled time;
- (G) finished more than two hours later than the scheduled time;

...

(xii) the total of Planned Possessions hours scheduled for the subject quarter and the total additional Possession time (hours) required in excess of scheduled Planned Possession to undertake planned maintenance work. s.

Part 7

Defining On-time Train Service

On-time Train Service means a Train Service that presents to the Network within the Allotted Time Threshold and operated in a manner consistent with the Train Service Description detailed in its Access Agreement.⁵⁷⁵

Part 7

Consensus drafting to define planned possessions

Ad Hoc Planned Possession means a Possession (other than an Urgent Possession, or an Emergency Possession) that is not entered into the MTP because it is not a Regular Planned Possession, and adversely affects the operation of Train Services

...

Planned Possession means a Possession (other than an Urgent Possession or an Emergency Possession) where such Possession is entered into the MTP and DTP and adversely affects the operation of Train Services;

...

⁵⁷⁵ The Rail Operators Group (sub. 30, p. 7) submitted that a train service may meet this definition of on-time train service even where the operator has caused delays to that train service on enroute. The Rail Operators Group considered that any aggregate delays to the trains service that are outside the operator's control should be considered in defining on-time train service. We consider that our amendments to the quarterly reporting obligation and the definition of on-time train service are sufficient to provide for end users to be better informed about the reasons for delayed services across the network. We do not consider that further amendments are required.

2025 DAU clause	Proposed amended provision
	Regular Planned Possession means a Possession (other than an Ad Hoc Planned Possession, Urgent Possession or an Emergency Possession) where such Possession is entered into the MTP and DTP and adversely affects the operation of Train Services;
<p>Sch. F, cl. 2.1</p> <p>Consensus drafting to notify rolling stock operators of proposed updates to the MTP or DTP</p>	<p>(a) Queensland Rail will:</p> <p>...</p> <p>(iii) update the Supply Chain Calendar at least once per calendar month and notify all Access Holders, <u>Nominated Rolling Stock Operators</u> and other parties whose activities may be affected by the proposed Possession.</p> <p>...</p> <p>(d) Queensland Rail will notify all Access Holders, <u>Nominated Rolling Stock Operators</u> and any other parties whose activities may be affected (for example, parties that are affected by the availability of access to the Network including operators of rail and port facilities) by any modifications to a MTP, or the scheduling of an Ad Hoc Planned Possession, at least three months prior to the commencement of the modification (except in the case of an Urgent Possession or Emergency Possession).²⁸ However, despite the foregoing, Queensland Rail is only required to notify parties (other than Access Holders <u>and Nominated Rolling Stock Operators</u>) who have notified Queensland Rail that they require to be notified in relation to changes.</p> <p>(e) Subject to clause 2.1(f), an Access Holder <u>or Nominated Rolling Stock Operator</u> must give Queensland Rail sufficient notice of any requested changes to a MTP to enable Queensland Rail to consider the requested changes and, if Queensland Rail agrees to the making of those modifications, to comply with clause 2.1(d).</p> <p>(f) A notice given by an Access Holder <u>or Nominated Rolling Stock Operator</u> under clause 2.1(e) must be given no less than:</p> <p>...</p> <p>(g) Except as otherwise provided in an Access Agreement, the cancellation of a Train Service does not excuse either Queensland Rail, or an Access Holder <u>or Nominated Rolling Stock Operator</u> from any relevant obligations under that Access Agreement.</p> <p>...</p> <p>(i) Despite clause 2.1(h), an Access Holder, <u>their Nominated Rolling Stock Operator</u> or their Customer may (acting reasonably) request a copy of the current MTP or Supply Chain Calendar from Queensland Rail, from time to time, and if Queensland Rail receives such a request Queensland Rail will provide a copy of the relevant MTP or Supply Chain Calendar to that Access Holder, <u>Nominated Rolling Stock Operator</u> or Customer as soon as reasonably practicable.</p>
<p>Sch. F, cl. 2.2</p> <p>Consensus drafting to notify rolling stock operators of proposed updates to</p>	<p>(b) A DTP represents an expected performance target that, subject to variations to the DTP permitted by this schedule F:</p> <p>...</p> <p>(ii) each Access Holder and <u>its Nominated Rolling Stock Operator</u> must comply with for its Train Services, for a particular day of operation for a specified part of the Network.</p> <p>(c) Queensland Rail will:</p> <p>...</p> <p>(ii) At least one Business Day prior to the Day of Operation, Queensland Rail will schedule a DTP and provide all relevant Access Holders, <u>Nominated</u></p>

the MTP or
DTP

Rolling Stock Operators and Infrastructure Service Providers and any other parties whose activities are affected (including for example, relevant operators of rail and port facilities) with an extract of the DTP specifying the relevant Train Services. However, despite the foregoing, Queensland Rail is only required to notify parties (other than Access Holders and Nominated Rolling Stock Operators) who have notified Queensland Rail that they require to be notified in relation to changes. For clarity, the DTP provided will be complete and will not be redacted in any way.

(d) Except as otherwise provided in an Access Agreement, the cancellation of a Train Service does not excuse either Queensland Rail, or an Access Holder or a Nominated Rolling Stock Operator from any relevant obligations under an Access Agreement.

(e) A DTP must be developed by Queensland Rail from, and except as provided in this schedule F, be consistent with, the applicable MTP and Supply Chain Calendar.

However, a DTP may be scheduled in variation to a MTP by Queensland Rail:

~~to accommodate an Ad Hoc Planned Possession scheduled in accordance with the requirements of clauses 2.1(l) and (m); or~~

(i) at least two Business Days prior to the Day of Operation, and prior to the DTP being scheduled, in circumstances where any of the following apply:

(A) an Access Holder or its Nominated Rolling Stock Operator requests a short-term change to the times at which any of its Train Services, as scheduled in the MTP, operate;

(B) an Access Holder or its Nominated Rolling Stock Operator requests to run an Ad Hoc Train Service; or

(C) Queensland Rail modifies the times at which any of its passenger Train Services, as scheduled in the MTP, operate; and

provided that the variation does not result in any other Access Holder's scheduled Train Services not being met in accordance with the Access Holder's Train Service Entitlement.

...

(j) Queensland Rail may make modifications to a scheduled DTP on a case by case basis:

(i) where:

(A) before the Day of Operation, Queensland Rail receives a request from an Access Holder or its Nominated Rolling Stock Operator to run an Ad Hoc Train Service; or

(B) before a Train Service commences operation, the Access Holder or its Nominated Rolling Stock Operator requests a change to the time at which its Train Service will operate and that change is within the scope of the Access Holder's Train Service Entitlement,

provided that the modification does not result in any other Access Holder's scheduled Train Services not being met; or

(ii) where, before the commencement of a relevant Train Service, Queensland Rail notifies the Access Holder and its Nominated Rolling Stock Operator that an Emergency Possession is required; and

2025 DAU clause	Proposed amended provision
<p>Sch. F, cl. 2.1</p> <p>Responsive to requests to change the MTP</p>	<p>(e) Subject to clause 2.1(f), an Access Holder must give Queensland Rail sufficient notice of any requested changes to a MTP to enable Queensland Rail to consider the requested changes and, if Queensland Rail agrees to the making of those modifications, to comply with clause 2.1(d). <u>Queensland Rail will use its best endeavours to provide a response as soon as possible to an Access Holder regarding its requested changes under this clause. Where Queensland Rail does not agree to the Access Holder's requested changes or considers that insufficient notice of the requested changes was provided, Queensland Rail will provide to the Access Holder reasons for its decision to decline the requested changes, including, if applicable, why the period of notice provided was insufficient.</u></p>
<p>Sch. F, cl. 3(i)</p> <p>Publishing peak periods</p>	<p>It is necessary for Network Control Officers to have sufficient discretion to take into account the varying objectives of different traffic types, and the circumstances of a particular part of the Network, in assessing the priority to be given to Train Services and other activities on the Network. Network Control Officers will apply the following principles in managing deviations from a DTP:</p> <p>...</p> <p>(ii) subject to clause 3(i)(i), passenger Train Services may be given priority over other Train Services if the Network Control Officer reasonably believes that this is necessary to seek:</p> <ul style="list-style-type: none"> (A) to bring a "Late" passenger Train Service back to being "On Time" or closer to being "On Time"; (B) to prevent that "Late" passenger Train Service becoming "Later"; or (C) to avoid an "On Time" or "Ahead" passenger Train Service that is operating, is scheduled to operate, or will be scheduled to operate in the Metropolitan System during any peak period³⁰ from becoming a "Late" passenger Train Service; <p>³⁰The time periods: (a) from 6:00am to 9:00am, and (b) from 3:30pm to 6:30pm, on Business Days or as otherwise notified by Queensland Rail (acting reasonably) <u>and published on Queensland Rail's website from time to time.</u></p>

Table 14: Drafting amendments required to the Standard Access Agreement

SAA clause	Proposed amended provision
<p>Cl. 13.2 Limitation on Claims</p>	<p>A Party must not make any Claim against the other Party under, in relation to or arising out of this agreement or its subject matter including any breach of this agreement by, or any act or omission of, the other Party unless:</p> <p>(a) notice and, <u>to the extent known</u>, full details of the Claim have been given to the other Party within one year after the occurrence of the event or circumstance out of which such Claim arises; and</p> <p>...</p>
<p>Cl. 16.1 Operator's Obligation to obtain and maintain Insurance</p>	<p>(a) The Operator must:</p> <p>(i) effect, or cause to be effected, before the Commitment Date (or, if applicable, the earliest Commitment Date); and</p> <p>(ii) maintain, or cause to be maintained, until both the expiry of the Term and the Operator having fully complied with clause 15.11, insurances in accordance with Prudent Practices having regard to the Operator's activities, works, obligations and responsibilities under this agreement (including insurances covering all risks of an insurable nature in respect of which the Operator is obliged to indemnify Queensland Rail under this agreement) provided that such insurances must include (without limitation):</p> <p>...</p> <p>(iv) a public liability policy of insurance:</p> <p>(A) that covers the Operator</p> <p>(B) (A) for an amount of not less than \$350 million per occurrence;</p> <p>(C) (B) the coverage of which includes (without limitation):</p> <p>(I) the rights, interests and liability in respect of any Claim against an Insured Party arising out of:</p> <p>(1) any damage or loss occurring to any property; and</p> <p>(2) injury (including death) to any person,</p> <p>arising out of or in connection with any thing done or omitted to be done in the performance or purported performance of this agreement <u>the business activities of the Operator;</u> and</p> <p>(II) — the Operator's operations and activities on the Network; and</p> <p>(D) that has a maximum deductible for any one claim of \$500,000;</p> <p>(v) a carrier liability policy of insurance:</p> <p>(A) that covers the Operator's liability in relation to goods being transported by Train Services;</p> <p>(B) for an amount of not less than \$10 million per occurrence; and</p> <p>(C) that has a maximum deductible for any one claim of \$500,000; and</p> <p>(vi) <u>(v) all other insurances that the Operator or the Operator's agents, consultants, contractors and their sub-contractors are required by Law to hold in relation to or in connection with the exercise of rights or the performance of obligations under this agreement.</u></p> <p>(b) The Operator must ensure that each of the Operator's Associates, agents, consultants, contractors and their subcontractors take out and maintain insurance referred to in this clause 16, sufficient to protect the interests of those Associates, agents, consultants, contractors and their subcontractors (as the case may be): <u>The Operator agrees to use its best endeavours to engage its agents, consultants and contractors involved in the provision of services relevant to the performance</u></p>

SAA clause	Proposed amended provision
	<p><u>of the Operator’s functions under this Agreement on terms that require those agents, consultants and contractors to hold the same types and values of insurance policies that the Operator is obliged to hold under this Agreement, to the extent relevant to the particular service being provided by the consultant or contractor.</u></p>
<p>Cl. 16.3 Insurer</p>	<p>The Access Holder and the Operator must ensure that their respective Insurance, effected and maintained in accordance with clause 16.1 or 16.2, is with an insurer having an insurance financial strength rating of “A” or better by Standard & Poor’s or, if Standard & Poor’s ceases to exist or to provide such ratings, the rating which most closely corresponds to that rating by another agency or person which is recognised in global financial markets as a major ratings agency:</p> <p><u>The Access Holder and the Operator must ensure that their respective insurance, effected and maintained in accordance with clause 16.1 or 16.2, is with an insurer that is:</u></p> <p>(a) <u>a corporation (as defined in the Corporations Act); and</u> (b) <u>licensed to conduct insurance business in Australia; or</u> (c) <u>otherwise reasonably acceptable to Queensland Rail.</u></p>
<p>Cl. 16.4(b) Essential terms and conditions</p>	<p>The Access Holder and the Operator must ensure that, for their respective Insurances, to the extent permitted by Law, all Insurances effected and maintained in accordance with clause 16.1 or 16.2 must:</p> <p>...</p> <p>(b) <u>not contain any exclusions, endorsements or alterations which adversely amend reduce the cover provided below that which is required by clause 16 of this agreement without the written consent of Queensland Rail (which consent must not be unreasonably withheld or delayed).</u></p>
<p>Cl. 16.9 Claims</p>	<p>(a) In addition to any other obligation on the Access Holder or the Operator, the Access Holder and the Operator respectively must:</p> <p>(i) notify Queensland Rail as soon as practicable after the occurrence of any claim under their respective Insurance (including providing reasonable details of the claim relevant to or arising out of the subject matter of this agreement); and</p> <p>(ii) keep Queensland Rail informed of subsequent developments concerning any claim</p> <p><u>to the extent that such claims affect, relate to or are in connection with this agreement or any right, liability or real or other property of Queensland Rail or otherwise affect the ability to claim under the relevant policy of insurances.</u></p> <p>(b) Upon settlement of a claim under any Insurance covering damage to the Network, if Queensland Rail is entitled to payment in respect of such damage, the Insurance monies received must be paid to Queensland Rail commensurate with the amount to be paid out by Queensland Rail in relation to the damage unless the Access Holder or the Operator has already partially or totally indemnified Queensland Rail for the relevant damage (including in respect of the amount of any deductible), in which case the monies will be paid to the Access Holder or the Operator (as applicable) but only to the extent that Queensland Rail has been indemnified.</p>

SAA clause	Proposed amended provision
<p>Cl. 19.2</p> <p>Resolution by escalation</p>	<p>...</p> <p>(c) If the Dispute is not resolved under clause 19.2(b), the Dispute must be referred to each Party's chief executive officer (or his or her nominee - who, for a Party, must be more senior than that Party's representative(s) referred to in clauses 19.2(a) and (b)) for resolution; <u>and who must use reasonable endeavours to resolve the Dispute within ten Business Days (or such longer period as agreed by the parties) after the Dispute has been so referred.</u></p> <p>(d) If the Dispute is not resolved under clause 19.2(c) within 20<u>10</u> Business Days after the Dispute Notice Date<u>dispute has been so referred</u> (or such other time as agreed between the Parties), the relevant Dispute:</p> <p>(i) unless otherwise agreed by the Parties to the Dispute (in each Party's absolute discretion), must, where this agreement requires referral to an Expert; and</p> <p>(ii) may, by agreement of the Parties to the Dispute (in each Party's absolute discretion) in any other case,</p> <p>be referred for resolution by an Expert in accordance with clause 19.3.</p> <p>...</p>
<p>Cl. 22.1</p> <p>Assignment by Queensland Rail</p>	<p>(a) If Queensland Rail no longer has or expects to no longer have a right to operate the Network or any part of the Network, it may Assign all or part of its rights or obligations under this agreement to an Assignee who has the expertise, the financial resources and other relevant resources to enable it to provide the relevant Access Rights without the prior consent of the other Parties provided that Queensland Rail procures the Assignee to covenant by deed with the other Parties to provide the Access Rights to the extent of the rights and obligations Assigned to the Assignee.</p> <p><u>(a) If Queensland Rail will no longer have a right to operate the Network or any part of the Network relevant to providing the Access Rights under this Agreement it will Assign all or part of its rights or obligations under this agreement corresponding to the parts of the Access Rights which Queensland Rail can no longer provide to an Assignee who:</u></p> <p>(i) <u>will have the right to operate the relevant parts of the Network; and</u></p> <p>(ii) <u>has the expertise (including accreditation), the financial resources and other relevant resources to enable it to provide the relevant Access Rights,</u></p> <p><u>without the prior consent of the other Parties, provided that Queensland Rail procures the Assignee to covenant by deed with the other Parties to provide the Access Rights to the extent of the rights and obligations Assigned to the Assignee.</u></p> <p>(b) Queensland Rail may Assign all or part of its rights or obligations under this agreement to an Assignee who has the expertise, the financial resources and other relevant resources to enable it to discharge the obligations of Queensland Rail under <u>the QCA Act, the Access Undertaking and</u> this agreement without the prior consent of the other Parties provided that Queensland Rail procures the Assignee to covenant by deed with the other Parties to be bound by and to perform the obligations of Queensland Rail under <u>the Access Undertaking and</u> this agreement to the extent of the rights and obligations Assigned to the Assignee.</p> <p>(c) <u>Before exercising its right under clause 22.1(a) or 22.1(b), Queensland Rail will:</u></p>

SAA clause	Proposed amended provision
	(i) <u>give the Access Holder and the Operator no less than 21 Business Days notice; and</u>
	(ii) <u>use its best endeavours to secure the cooperation of the Assignee to:</u>
	(A) <u>provide information requested by the Access Holder or the Operator to confirm that it has the expertise, financial resources and other relevant resources to enable it to provide the relevant Access Rights; and</u>
	(B) <u>negotiate and enter into an interface agreement (as defined in the RSNL) with the Operator.</u>
⊖	(d) On the Assignee entering a deed required under clause 22.1(a) or clause 22.1(b), and subject to that deed becoming effective in accordance with its terms, Queensland Rail is released and discharged from further liability under this agreement in respect of the obligations which the Assignee has undertaken to be bound by and to perform.

Appendix G: List of submissions

Submission	Number
Queensland Rail initial submission	
Queensland Rail's DAU3 explanatory document	1
Submissions in response to the DAU	
Aurizon Coal and Bulk	2
Aurizon Network	3
Centrex	10
GrainCorp	4
New Hope Group	5
North West Phosphate	6
Pacific National	7
Qube Logistics	8
Yancoal	9
Responsive submissions	
Glencore	11
Mount Isa Line Users	17
New Hope Group	12
Pacific National	13
Queensland Rail	14
Rail Operator Group	15
Yancoal	16
Submissions in response to the draft decision	
Aurizon Coal and Bulk (Aurizon Operations) ⁵⁷⁶	24
MMG	18
New Hope Group	19
Pacific National	20
Queensland Rail	21
Rail Operator Group	22
Yancoal	23

⁵⁷⁶ Aurizon Group's above-rail bulk freight businesses submitted under two different names at different times. We have opted to use the first name the business used, Aurizon Coal and Bulk, for references in this document.

Submission	Number
Collaborative submissions	
GrainCorp	25
New Hope	26
Queensland Rail	27
Rail Operator Group	28
Yancoal	29
Submission in response to the discussion paper	
Aurizon Coal and Bulk (Aurizon Operations)	30
New Hope	31
Queensland Rail	32
Rail Operators Group	33
Yancoal	34

Glossary

ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
ARA	Australian Railway Association
ARTC	Australian Rail Track Corporation
AU	access undertaking
AU2	Queensland Rail's 2020 access undertaking
AU3	Queensland Rail's 2025 access undertaking (once approved)
CEO	Chief Executive Officer
CPI	consumer price index
CQCN	Central Queensland coal network
DAU	draft access undertaking
DBCT	Dalrymple Bay Coal Terminal
DBI	Dalrymple Bay Infrastructure
DTMR	Department of Transport and Main Roads, Queensland Government
DTP	daily train plan
ERA	Economic Regulation Authority
HVCN	Hunter Valley coal network
MTP	master train plan
OTCI	overall track condition index
RBA	Reserve Bank of Australia
SAA	standard access agreement
SCC	supply chain calendar
STP	short-term plan
QCA	Queensland Competition Authority
WACC	weighted average cost of capital
UT5	Aurizon Network's 2017 access undertaking

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