

1 October 2019

Mr Matthew Schroder
General Manager Infrastructure & Transport –
Access & Pricing Branch
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Email: transport@acc.gov.au

Re: ARTC IAU – RAB Valuation Method

Dear Mr Schroder,

In response to the ACCC Issues Paper dated 12 September 2019, Qube Logistics (Rail) Pty Ltd (Qube), provides its answers below to the Table 2: Questions for Stakeholders contained in Section 6.

Qube's Responses

1) Do stakeholders prefer a RAB roll forward or a full DORC revaluation?

Based on the ACCC issues paper, specifically statements relating to the reliability of information to support the roll forward option, Qube supports the full DORC revaluation method.

2) Do stakeholders have comments on the use of a RAB roll forward for setting the RAB for the replacement IAU?

Once a proposed future IAU is approved by the ACCC, it is likely to be more expedient to use the RAB roll forward method for future undertaking applications. Subject to a sound methodology and the keeping of reliable records in the interim period, Qube would most likely support this approach.

3) Do stakeholders have comments on the use of a full DORC revaluation for setting the RAB for the replacement IAU?

The DORC method that uses the 2019 replacement cost of the Interstate rail network has the potential to result in a significantly higher value than a valuation based on the RAB roll forward method. Qube is concerned to the extent that higher access prices may be justified as a result.

4) Do stakeholders have comments on the effect of the valuation of the RAB in setting Access Charges in future IAU applications?

Qube is concerned that the valuation of the RAB when combined with a banded negotiate-arbitrate model creates the potential for rail access pricing to increase significantly when compared to present access pricing; thus, contributing to a worsening of rail freight competitiveness versus road freight.

However, it is understood that further consultation with industry in relation to any proposed access pricing methodology, will be conducted by the ACCC prior to approval of an IAU. Thus, Qube is satisfied for now with the proposed ACCC approach and will await a future opportunity to comment on pricing in greater detail.

5) If a full DORC valuation was undertaken, do stakeholders have comments on the suitability of the ACCC engaging a consultant to undertake the valuation?

Under the circumstances described in the Issues Paper, Qube is of the view that an independent valuation completed by an ACCC appointed consultant with rail engineering and financial expertise, is the preferred of the available options.

We look forward to ongoing engagement with the ACCC in relation to the IAU.

Sincerely,



Shane Collins

General Manager Group Business Development