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Ms Helen Silver
First Assistant Commissioner
Industry Commission
Level 28 *QUEENSLAND*
Collins Tower
35 Collins Street
MELBOURNE Vic,

Dear Helen

BLACK COAL INDUSTRY INQUIRY

I recently secured a copy of the submission made by Easton Business Consultants to the Commission's Inquiry and am somewhat perturbed by the comments made in that submission from the point of view that I believe they present a misleading picture of the level coal freight rates applied by Queensland Rail and of its costs of haulage.

As outlined in Queensland Rail's submission to the Commission, there was a major shift in rail freight policy in Queensland from early 1992 which basically saw responsibility for determining and negotiating freight rates being handed from Queensland Treasury to Queensland Rail. As from that time, freight rates have been determined in accordance with commercial pricing principles. However, Queensland Rail was required to continue to administer the Treasury rail freight arrangements for a period of time. These arrangements included an excess or defacto royalty.

By mid-1998, all of these older Treasury rail arrangements are expected to be replaced with commercially based arrangements.

The freight rate information in the submission prepared by Easton Business Consultants is primarily derived from what I would consider to be relatively dated data that would largely reflect the freight rate levels of the old policy. It certainly does not

reflect the freight rate arrangements which have been negotiated in recent years or are currently under negotiation.

The submission by Easton Business Consultants also estimates what Queensland Rail's rail costs should be. Again, some of the figures upon which these costs have been estimated are considered to be relatively dated. In addition, the costs have been based, inter alia, on the premise that Queensland Rail earns a rate of return on the written down historical cost value of its assets. This is not consistent with the asset valuation approach applied to Queensland GOC's.

While it is not my intention to provide detailed comments on the Easton submission in this letter, I do invite the Commission to contact me if it wishes to discuss aspects of the submission

Yours sincerely

Kevin Fenby
General Manager
Business Development

25 November. 1997

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