

Question on Notice

No. 270

Asked on Wednesday, 1 March 2017

MR R KATTER asked Deputy Premier, Minister for Transport and Minister for Infrastructure and Planning (HON J TRAD) —

QUESTION:

With reference to recent commercial failures between key customers, Queensland Rail and Aurizon which has meant that large volumes of mining freight is now carted by road trains on the Flinders Highway, impacting the safety of travelers on this road as well further depleting the condition of the road—

Will the Deputy Premier challenge the unreasonable level of profitability demanded from this line that has contributed greatly to poor commercial terms offered to customers?

ANSWER:

I thank the Member for Mount Isa for the question.

Queensland Rail's access charges from the Mount Isa line cover the operating, maintenance and capital renewals costs of providing the service (system floor costs) – the costs necessary to ensure the ongoing financial sustainability of the system. This line is 1033 kilometres long and does not receive any support from the State.

Queensland Rail's provision of rail access, including pricing principles, is regulated by the Queensland Competition Authority. Queensland Rail cannot provide different prices to different operators for the same commodity in the same geographic region – unless there are differences in the costs or risks of providing the service. To that end, the changes cover the costs and there is no unreasonable 'profitability' being charged on this line, as it is regulated.

Queensland Rail has not increased its intermodal freight charge on the Mount Isa line since June 2010, except in line with the consumer price index.

At the end of January 2017, Aurizon ceased its daily intermodal freight service between Townsville and Mount Isa, as a result of losing the Glencore intermodal business. The remaining volumes were too small to support the costs of a daily service. This was a commercial decision based on a loss of contract.

Glencore has made a commercial decision to contract with Pacific National to move some of its mining freight between Townsville and Mount Isa. It is also using road transport to meet some of its logistical needs. I am advised that Pacific National did not have sufficient wagons to carry the Glencore product from 1 February 2017 and could not source alternative wagons from elsewhere. As a result Glencore had no option but to transport product by road.

I am also advised as of 24 March 2017, there were 30 container wagons available for Pacific National trains on the Mount Isa Line. I am further advised that the remainder of the wagons (i.e. 23 wagons) to enable Pacific National to make up 2 rakes of 25 container wagons plus spares is expected to be available by the end of April.

The commercial issues referred to in the Question on Notice are a matter for Glencore and the rail operators.