

# COSTING MANUAL

**APPROVED  
BY THE QCA  
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## TABLE OF CONTENTS

<b>PART 1. PURPOSE OF COSTING MANUAL</b>	
1.1	Background ..... 1
1.2	Legislative Context ..... 1
1.3	Purpose..... 1
<b>PART 2. SCOPE AND ADMINISTRATION OF COSTING MANUAL</b>	
2.1	Scope of Costing Manual..... 2
2.2	Duration of Costing Manual ..... 3
2.3	Review of Costing Manual ..... 3
<b>PART 3. COSTING FRAMEWORK</b>	
3.1	Organisational Structure..... 4
3.2	Costing Principles ..... 4
3.3	Management Accounts ..... 6
3.4	Revenue Netting Off..... 8
<b>PART 4. SEPARATION OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS</b>	
4.1	Introduction..... 10
4.2	Separation of Below Rail Assets ..... 11
4.3	Separation of Below Rail Depreciation and Amortisation ..... 16
4.4	Separation of Below Rail Working Expenses ..... 17
4.5	Separation of Below Rail Revenue ..... 32
4.6	Separation of Below Rail Investments..... 35
<b>PART 5. HIERARCHY OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS</b>	
5.1	Introduction..... 37
5.2	Classification of Below Rail Assets to Regions..... 40
5.3	Classification of Below Rail Depreciation to Regions ..... 42
5.4	Classification of Below Rail Working Expenses to Regions ..... 43
5.5	Classification of Below Rail Revenue to Regions..... 49
5.6	Classification of Below Rail Investments to Regions ..... 52
<b>PART 6. FINANCIAL STATEMENTS</b>	
6.1	Format of Financial Statements ..... 53
6.2	Minor Changes to the Format ..... 53
6.3	Notes to the Financial Statements ..... 53
<b>PART 7. DEFINITIONS..... 55</b>	
 <b>SCHEDULES</b>	
Description of Regions.....	Schedule A
Format of Financial Statements .....	Schedule B
Standard Allocators.....	Schedule C

## **PART 1. PURPOSE OF COSTING MANUAL**

### **1.1 Background**

- (a) QR has developed an Undertaking that provides the framework for negotiations with access seekers for Access to Rail Infrastructure for the purpose of operating Train Services.
- (b) The intent of the Undertaking is *inter alia* to ensure that Access negotiations are conducted expeditiously on a commercial basis, and in a competitively neutral environment. The Undertaking seeks to ensure that there will be no cross subsidy between individual Train Services or between combinations of Train Services. It also outlines pricing principles to be employed in determining applicable Access Charges.
- (c) QR is an integrated railway provider, in that it provides both Below Rail Services as a Railway Manager and Above Rail Services as a Railway Operator. QR is obligated, under the Act, to keep accounting records for Below Rail Services separate from its accounting records for its other operations. Consistent with this obligation, the Undertaking contains a requirement for the production of separate Financial Statements for Below Rail Services provided by Network Access. These Financial Statements will take the form of a statement of assets, a statement of earnings before interest and tax and a statement of investments, and which separately identify the Central Queensland Coal Region (CQCR) from the rest of the network.
- (d) To satisfy these accounting and reporting requirements the Undertaking requires QR to prepare and submit to the QCA a Costing Manual.
- (e) Under the Act the QCA may prepare a Costing Manual or ask QR to do so. At this time the QCA has not exercised their powers under the Act in this regard, as the Undertaking provides for the preparation of a Costing Manual (referred to as the "Manual").

### **1.2 Legislative Context**

This Manual has been prepared in accordance with the requirements of Clause 3.2 of the Undertaking and Section 163 of the Act.

### **1.3 Purpose**

- (a) The principal purpose of the Manual is to provide a framework for the Identification, Attribution and Allocation of assets, costs, revenues and investments as Above Rail, Below Rail and Other Activities and the development of Financial Statements required in accordance with the Undertaking.
- (b) The Manual is to provide a point of reference in negotiating Access Charges for Railway Operators, and if necessary, for an expert or the QCA in investigating QR's application of the pricing principles set out in the Undertaking.

## **PART 2. SCOPE AND ADMINISTRATION OF COSTING MANUAL**

### **2.1 Scope of Costing Manual**

Paragraph 3.2.2 of the Undertaking requires this Manual to set out:

- (a) The process for identifying, from QR's audited general purpose financial statements, the cost base for Below Rail Services provided by QR separate from other services provided by QR;
- (b) Within the cost base for Below Rail Services, the process for identifying the costs of Below Rail Services provided by Network Access separate from the costs of Below Rail Services provided by QR Operator Business Groups (i.e. the management of stations and platforms);
- (c) Within the cost base for Below Rail Services, the process for identifying:
  - (i) Assets and costs attributable to specified Line Sections;
  - (ii) Assets, costs, revenue and investments not attributable to specified Line Sections but attributable to specified Geographic Regions; and
  - (iii) Assets, costs, revenue and investments not attributable to specified Line Sections or any specified Geographic Region; and
- (d) The format of the Financial Statements.

Paragraph 3.2.1 of the Undertaking also requires QR to "*develop, on an annual basis, financial statements for Below Rail Services provided by Network Access, as identified in Paragraph 3.1 (b) incorporating a statement of assets, a statement of earnings before interest and tax, and a statement of investments, and which separately identify the Central Queensland Coal Region from the rest of the network (referred to as the "Financial Statements"). The Financial Statements will be developed in accordance with the methodology and format set out in the Costing Manual.*"

Accordingly, this Manual is required to set out the process for identifying Below Rail assets, revenues and investments attributable to line sections, regions and network wide as well as costs. Furthermore, to report Below Rail assets, costs, revenues, and investments separately for the Central Queensland Regions, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenues and investments to regions including the CQCR.

## **2.2 Duration of Costing Manual**

- (a) The Manual will take effect on the date it is approved by the QCA in accordance with the provisions of the Undertaking (herein referred to as the "Commencing Date").
- (b) QR must publish the approved Costing Manual.
- (c) The Manual will apply until 30 June 2005 and to the annual Financial Statements prepared for each financial year commencing from the financial year in which the Manual is approved, until the year ended 30 June 2005.
- (d) If, at any time during the term of the Manual, QR does not have an approved Undertaking, QR may withdraw the Manual.
- (e) Apart from the circumstances identified in Paragraph (d), QR may withdraw the Manual at any time, provided it has received written agreement to such withdrawal by the QCA.

## **2.3 Review of Costing Manual**

- (a) If it is necessary to change the Manual in order to ensure that it remains consistent with the Undertaking, QR will submit amendments to the Manual to the QCA within one (1) month of the QCA's approval of the relevant changes to the Undertaking.
- (b) If, at any time during the term of the Manual, QR is of the view that changes to the Manual are desirable, QR may submit amendments to the QCA including changes to the Standard Allocators specified in Schedule C.
- (c) Where amendments to the Manual are submitted to the QCA, the QCA must consider the amendments to the Manual, and approve, or not approve them. If the QCA does not approve the amendments to the Manual, the previously approved Manual will continue to apply.
- (d) If the QCA does approve the amendments, the amended Manual will apply from:
  - (i) the date of the QCA's approval; or
  - (ii) a later date approved by the QCA.
- (e) QR must publish any amendments to the Costing Manual including the date the amendments come in to force.

## **PART 3. COSTING FRAMEWORK**

### **3.1 Organisational Structure**

- (a) QR has established its organisational structure to facilitate the separation of the management of Rail Infrastructure from the operation of Train Services.
- (b) Network Access has been established as a business group of QR, separate from QR Operator Business Groups. Apart from as set out in paragraph (c) below, Network Access is responsible for the provision of Below Rail Services. In addition, there are service groups whose purpose is to provide support activities for both Network Access and QR Operator Business Groups.
- (c) QR Operator Business Groups are responsible for the provision of certain Below Rail Services, being the management of stations and platforms and the provision or procurement of appropriate levels of maintenance and investment in those stations and platforms.
- (d) In addition, QR Operator Business Groups perform certain Below Rail Services on behalf of Network Access as follows:
  - Field incident management;
  - Signalling and safeworking and yard control services; and
  - Scheduling and Train Control Services in the Metropolitan Region in accordance with the Network Management Principles.
- (e) The principles of cost Identification, Attribution and Allocation recognise that QR's organisational structure may change over time. Therefore, the Identification, Attribution and Allocation of assets, costs, revenues and investments are based on functions regardless of the area within QR that provides them. The principles in the Manual have been developed on this basis, however at any point in time costing information will be drawn from responsibility-based accounts reflecting QR's current organisational structure.

### **3.2 Costing Principles**

- (a) The fundamental principle underlying QR's approach to costing is that, wherever possible, assets, costs, revenues and investments are directly Identified or Attributed to a function, and functions are directly Identified or Attributed as a Below Rail Service, Above Rail Service or Other Activities. Assets, costs, revenues and investments are only Allocated to a function/service where it is not possible or practical to disaggregate those costs and assets in a manner that allows for them to be directly Identified or Attributed to a function/service. This principle avoids the application of general rules of Allocation applying to all circumstances. Rather, it requires a detailed process to be put in place to analyse the assets owned, and the costs incurred, by QR.

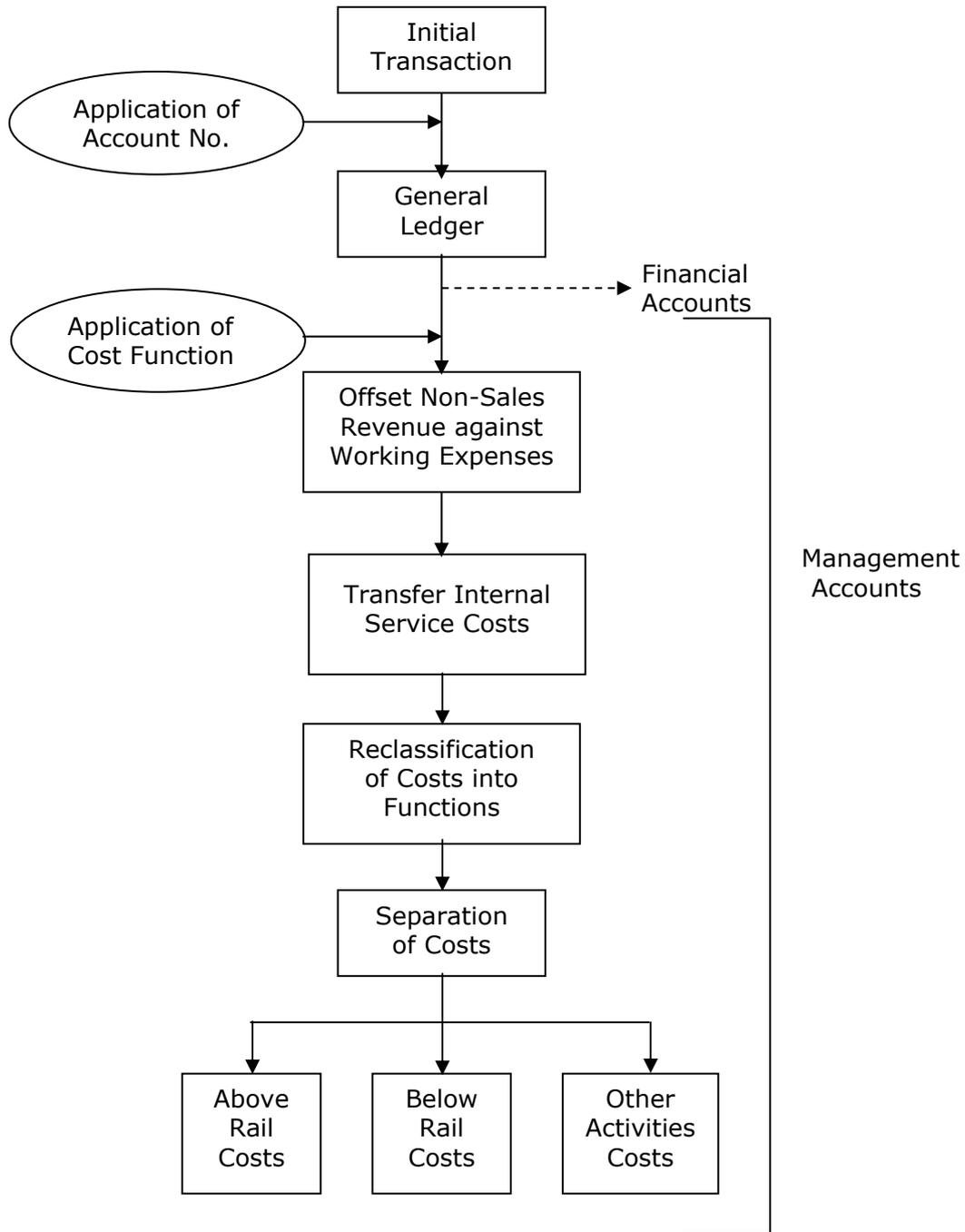
- (b) The general approach described in the Manual is based on the following:
- (i) Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services, those costs and assets are directly Identified as Below Rail Costs;
  - (ii) Where costs are incurred, or assets are used, in common for the provision of Above Rail Services, Below Rail Services and/or Other Activities, and where there is a causal relationship between the resources used and Above Rail Services, Below Rail Services or Other Activities, these costs are Attributed on a reasonable basis of cost causality; and
  - (iii) Where assets, costs, revenues and investments are used jointly for the provision of Above Rail Services, Below Rail Services and/or Other Activities, and where there is no direct causal relationship between the resources used and Above Rail Services, Below Rail Services or Other Activities, these costs are Allocated on a reasonable basis.
- (c) In order to achieve the requirements under the Act whilst operating within the fundamental principle identified in Paragraph (a), QR applies this costing methodology so that:
- (i) All assets, costs, revenues and investments must be Identified, Attributed or Allocated as Above Rail, Below Rail or Other Activities;
  - (ii) Within each of these overarching categories, allocation of costs and assets is minimised. Rather, costs and assets are Identified or Attributed to the functions and, hence, the type of activity, for which they are incurred. For example, costs incurred in providing train control services are Identified as relating to the region across which those train control services are provided – they are not Allocated to the provision of the individual line sections within that region. Any Allocation of Below Rail Costs to a more detailed geographic level is essentially arbitrary in nature.
- (d) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (e) The Identification, Attribution and Allocation of assets, costs, revenue and investments in accordance with the Manual shall be performed by an area within QR with sufficient expertise and which is not directly involved in the provision of either Above Rail Services or Below Rail Services.

- (f) The Manual establishes a methodology for the Identification, Attribution and Allocation of costs based on the accounting information available and methodologies applicable at the time of its development. Where, in the future, costs or assets are identified for which the Identification, Attribution or Allocation methodology has not been explicitly defined within this Manual, QR will, as far as reasonably possible, Identify, Attribute or Allocate these costs and assets in a manner consistent with the methodology and principles defined within the Manual.
- (g) In certain circumstances this Manual adopts Standard Allocators. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.

### **3.3 Management Accounts**

- (a) QR produces internal Management Accounts on an annual basis. They interpret QR's financial accounts to provide detailed information on the costs of various functions carried out and reconcile to QR's audited general purpose financial statements.
- (b) The Management Accounts associate assets, costs and revenue to functional activities, and from this separate assets, costs and revenue into Above Rail, Below Rail and Other Activities. The resulting information forms the basis for the Financial Statements.
- (c) Table 3.1 outlines the process of generating the Management Accounts
- (d) For financial accounting purposes all transactions are booked to an appropriate account code. The account code is constructed to allow identification of:
  - (i) the nature of the activity requiring the transaction;
  - (ii) the element of activity (eg labour, materials); and
  - (iii) the responsible cost centre and manager.
- (e) This financial account coding is designed primarily around the requirements for construction of QR's general ledger based on the objectives of responsibility management. The network nature of a railway operation, where assets and activities serve more than one business or geographic sector, prevents responsibility-based accounting from providing direct Identification of all costs and assets to functions and, hence, to Above Rail Costs, Below Rail Costs and Other Activities Costs. However, the financial account coding and underlying information is collected and arranged such that it is suitable for functional cost analysis through the Management Accounts process.

**Table 3.1: Process for Production of Management Accounts and Cost Separation**



- (f) The functional cost analysis process re-presents the financial accounts to reflect the functional activities that give rise to the costs and assets, using physical resource and empirical measures to Attribute and Allocate those costs and assets that cannot be directly Identified to a function. As part of this process, Corporate Services costs and certain corporate costs recorded in the general ledger are transferred out to the appropriate cost function, in order to leave a residual of true Corporate Overhead costs.
- (g) The amount of internal charges for Traveltrain internal fares, Traveltrain internal catering, Q Link internal freight and internal leasing of motor vehicles controlled by QR's central Fleet Manager shall be included in the cost base of the users of those services as recorded in QR's General Ledger. Such charges are to be included in the Management Accounts process with the transfer of other internal service costs.
- (h) The Management Accounts involve some reclassification of costs and assets in order to ensure that functional costs are accurately Identified.
- (i) For maintenance of Rollingstock and Rail Infrastructure, a standard costing system using work orders underlies and balances to the general ledger. The work order system allows for the identification of costing information at an activity level, which then permits a functional analysis of such costs. Work orders typically incorporate the following information:
  - (i) in relation to maintenance of Rail Infrastructure, a description of the nature of the activity undertaken and the location, eg Line Section code, station code, etc; and
  - (ii) in relation to maintenance of Rollingstock, a description of the nature of the activity undertaken and the class of Rollingstock, eg type of ballast wagon, type of coal wagon, etc.
- (j) For activities other than maintenance of Rollingstock and Rail Infrastructure, information is drawn from the account code (primarily the responsible cost centre and manager) and supporting information, such as supporting transaction explanations, traffic statistics and staff pay locations, in order to undertake a functional analysis of these costs. Where supporting information does not provide sufficiently detailed information regarding the functions undertaken at a particular location, QR may undertake surveys in order to gain such detailed information.
- (k) The assets, costs and revenue associated with each function are then separated into Above Rail Costs, Below Rail Costs and Other Activities Costs in accordance with the process set out in Part 4 of the Manual.

### **3.4 Revenue Netting Off**

- (a) The Management Accounts adopts the practice of netting off certain non-sales revenue against like Working Expense items to obtain more reliable results for costing core QR businesses.
- (b) Sales Revenue reported in QR's audited general purpose financial statements is to be treated as revenue in the Management Accounts.

- (c) Other Revenue reported in QR's audited general purpose financial statements is to be analysed by cost centre, account and (if necessary) transaction type and treated for Management Accounts purposes as either:
- (A) Revenue if it is in the nature of sales revenue; or
  - (B) Offset against costs in the following instances:
    - (i) Revenue that is by nature direct recovery of costs incurred, e.g. grants received for traineeships and apprenticeships, council rates, water or electricity charges, insurance claims, natural disaster claims, certain works for other parties relating to relocation etc of QR infrastructure;
    - (ii) Housing rental revenue, (which is to be offset against the costs of maintenance of residences and relevant fringe benefits tax);
    - (iii) Fees for freedom of information requests or property searches;
    - (iv) Proceeds from the sale of scrap materials, (which is to be offset against the cost of material purchases);
    - (v) Revenue arising from accounting transactions rather than commercial transactions, e.g. certain sale and leaseback transactions;
    - (vi) Gain on sale of assets and unallocated asset proceeds, (which are to be offset against loss on disposal); and
    - (vii) Other non-sales revenue of corporate overhead, corporate service or other service areas.

## **PART 4. SEPARATION OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS**

### **4.1 INTRODUCTION**

- (a) Paragraph 3.2.2 (a) of the Undertaking requires this Costing Manual to set out the process for identifying *the cost base for Below Rail Services, separate from other services provided by QR*. Paragraph 3.2.1 (a) of the Undertaking requires QR to “*develop, on an annual basis, financial statements for Below Rail Services provided by Network Access, as identified in Paragraph 3.1 (b) incorporating a statement of assets, a statement of earnings before interest and tax, and a statement of investments, and which separately identify the Central Queensland Coal Region from the rest of the network (referred to as the “Financial Statements”). The Financial Statements will be developed in accordance with the methodology and format set out in the Costing Manual.*”

Accordingly, this Manual is required to set out the process for identifying Below Rail assets, revenue and investments as well as costs, separately from other services provided by QR.

- (b) Paragraph 3.2.2 (a) of the Undertaking also requires the Costing Manual to set out “*within the cost base for Below Rail Services, the process for identifying the costs of Below Rail Services provided by Network Access separate from the costs of Below Rail Services provided by QR Operational Business Groups (i.e. the management of stations and platforms).*” Because of the requirements of paragraph 3.2.1 (a), this Manual is also required to set out the process for identifying the assets, revenue and investments associated with the management of stations and platforms as well as costs.
- (c) In some situations, (for example, joint assets and functions such as administration buildings, early retirement schemes and abnormal items like the GST project), there is no information available on Below Rail usage of the asset or function. In these circumstances, it is appropriate to use Standard Allocator “A” (see Schedule C) for allocating a share of the asset or function to Below Rail Services.
- (d) It is not expected that any portion of these joint activities will be allocated to Below Rail Services provided by QR Operator Business Groups (i.e. stations and platforms) or Other Activities. Standard Allocator “A” is based on an empirical analysis provided by QR to the QCA of the sharing of total Working Expenses between Above and Below Rail Services.

## 4.2 SEPARATION OF BELOW RAIL ASSETS

### 4.2.1 Classification of Assets

Assets shall be classified as Above Rail, Below Rail, or Other Activities by determining the function for which the assets are required. In some instances, Attribution or Allocation of assets may be required in order to align with the Identified functions. QR's major asset categories are shown in Table 4.1.

**Table 4.1 Asset Categories**

	Above Rail	Below Rail	Other Activities	Joint
<b>Fixed Assets</b>				
Land	Ident	Ident		Alloc
Buildings	Ident/Attrib	Ident/attrib #		Alloc
Rollingstock				
Locomotives	Ident			
Wagons	Ident	Ident		
Plant and equipment				
Infrastructure equipment		Ident		
Other plant and equipment	Ident	Ident		Alloc
Motor vehicles				
Central fleet motor vehicles			Ident	
Other motor vehicles	Ident/Attrib	Ident/Attrib	Ident/Attrib	Alloc
Computers & misc. office equipment	Ident	Ident	Ident	Alloc
Trackwork & civil works	Ident	Ident		
Signals				
Control systems	Ident	Ident		
Field signals	Ident	Ident		
Traction Power Equipment				
Distribution equipment	Ident	Ident		
Supply equipment		Ident		
Telecommunications				
Backbone network		Ident		
Customer premises equip.	Ident	Ident	Ident	Alloc
Facilities	Ident/Attrib	Ident/attrib #		Alloc
Construction in progress	Ident	Ident	Ident	Alloc
<b>Other Assets</b>				
Investments	Ident/Attrib	Ident/Attrib	Ident	Alloc
Receivables	Ident/Attrib	Ident/Attrib	Ident/Attrib	
Inventories	Ident	Ident		
Prepayments	Ident/Attrib	Ident/Attrib	Ident/Attrib	
Treasury assets (cash, future income tax benefit, deferred leases)			Ident	

(#): Includes operator managed Below Rail assets (i.e. stations and platforms).

## 4.2.2 Fixed Assets

- (a) Details of fixed assets are recorded on QR's Fixed Asset Register, including each asset's cost centre, class, description and physical location.
- (b) Separation of the fixed assets into Above Rail, Below Rail and Other Activities shall be based on an analysis of cost centre data in QR's Fixed Asset Register to identify assets to areas within QR. These assets are associated with the functions provided by those areas within QR and then Identified, Attributed or Allocated in a manner consistent with how that function is Identified, Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities, giving consideration to the asset class, description and location.
- (c) In analysing fixed asset's cost centre data the following general principles are to be followed:
  - (i) Network Access assets are all Below Rail;
  - (ii) QR assets used by the infrastructure maintainer are Below Rail, except as specified in (iii) below;
  - (iii) QR assets used by QR's building and facilities maintainer are Allocated to Above Rail and Below Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable;
  - (iv) Assets of QR Operator Business Groups are Above Rail with the exception of stations, platforms and associated facilities, which are Below Rail in the Act but managed by a QR Operator Business Group;
  - (v) Assets managed by QR's rollingstock maintenance providers are Above Rail, except for QR's rail weld facility which is Below Rail; and
  - (vi) Assets of corporate overhead and corporate services areas are Allocated to Above Rail and Below Rail using Standard Allocator "A" (see Schedule C), unless otherwise attributable, (e.g. motor vehicles controlled within a central fleet).

### 4.2.2.1 Land

- (a) Land assets include any parcels of land owned by QR. Land assets exclude corridor land, as QR subleases the corridor land from Queensland Transport and, hence, QR does not own the corridor land.
- (b) Land assets shall be Identified to areas within QR through analysis of the cost centre and responsible manager for each parcel of land. Once land assets are Identified to areas within QR, these assets become associated with the functions provided by those areas within QR. The land is then Attributed or Allocated as Above Rail, Below Rail or Other Activities in a manner consistent with how that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.

**4.2.2.2 Buildings**

- (a) Each building is described in QR's Asset Register according to the type of building and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each building. To the extent that more than one function is associated with a building, that building is Attributed between those functions.
- (b) Buildings, or portions thereof, shall be then Attributed or Allocated to Above Rail, Below Rail services provided by Network Access, Below Rail services provided by QR Operator Business Groups or Other Activities in a manner consistent with how the relevant function is Attributed or Allocated to Above Rail Services, Below Rail Services Rail services provided by Network Access, Below Rail services provided by QR Operator Business Groups or Other Activities.
- (c) Below Rail buildings provided by QR Operator Business Groups include stations.

**4.2.2.3 Rollingstock**

- (a) All locomotives shall be Identified as QR Operator Business Group assets.
- (b) All other rail vehicles, shall be Identified as Above Rail with the exception of those classes used for the purpose of non-revenue Below Rail Trains (e.g. ballast, sleeper and rail wagons).

**4.2.2.4 Plant and Equipment**

- (a) QR separately identifies Track maintenance equipment from other plant and equipment. Track maintenance equipment is used for the purpose of maintaining the Track assets and includes tamping machines, ballast cleaners, rail grinders and track recording vehicles used for maintenance of the rail corridor, and is treated as all Below Rail.
- (b) Plant and equipment assets (excluding Track maintenance equipment) shall be Identified to areas within QR through analysis of the responsible cost centre and manager for each piece of equipment. Once plant and equipment assets are Identified to areas within QR, these assets become associated with the functions provided by those areas within QR. The plant and equipment assets are then Identified, Attributed or Allocated as Above Rail Costs or Below Rail Costs in a manner consistent with how that function is Identified, Attributed or Allocated to Above Rail Services or Below Rail Services.

**4.2.2.5 Motor Vehicles**

- (a) The majority of QR's motor vehicle Assets are controlled within a central fleet. Such motor vehicles shall be Identified as Other Activities. Motor vehicles that are not controlled within the central fleet shall be Identified to an area within QR based on an analysis of responsible cost centre and manager for those assets.

- (b) Once motor vehicles are Identified or Attributed to areas within QR, these assets become associated with the functions provided by those areas within QR. The motor vehicles shall then be Attributed or Allocated as Above Rail Costs, Below Rail Costs or Other Activities Costs in a manner consistent with how that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.

#### **4.2.2.6 Computers and Miscellaneous Office Equipment**

- (a) Computers and miscellaneous office equipment assets shall be Identified to areas within QR through analysis of the cost centre and responsible manager for each piece of equipment.
- (b) Once computers and miscellaneous office equipment are Attributed to areas within QR, these assets become associated with the functions provided by those areas within QR. The equipment shall then be Attributed or Allocated as Above Rail Costs, Below Rail Costs or Other Activities Costs in a manner consistent with how that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.

#### **4.2.2.7 Permanent Way**

- (a) Permanent Way assets are Identified to individual Line Sections and are Identified according to cost centre and responsible manager and Line Section codes. Only Permanent Way assets with Network Access cost centres are Identified as Below Rail assets.

#### **4.2.2.8 Traction Power Distribution Equipment**

- (a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to specific line sections and to cost centres. Only traction power distribution assets with Network Access cost centres are Identified as Below Rail assets.

#### **4.2.2.9 Traction Power Supply Equipment**

- (a) Traction power supply equipment is used to supply electric energy for traction over the overhead traction power distribution system. Traction power supply equipment includes traction substation switchboards and transformers, power distribution assets and earthing and bonding equipment. Traction power supply equipment is Identified separately to any power supply assets that are used to provide electricity to facilities and buildings.
- (b) Given that energy is taken from QR's electric overhead system by all electric trains in common, all traction power supply equipment shall be Identified as Below Rail assets.

**4.2.2.10 Facilities**

- (a) Each facility is described in QR's asset register according to the type of facility and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each facility. To the extent that more than one function is associated with a facility, that facility shall be Attributed between those functions.
- (b) Facilities, or portions thereof, shall then be Attributed or Allocated to Above Rail, Below Rail Services provided by Network Access, Below Rail Services provided by QR Operator Business Groups or Other Activities in a manner consistent with how the relevant function is Attributed or Allocated to Above Rail Services, Below Rail Services provided by Network Access, Below Rail Services provided by QR Operator Business Groups or Other Activities.
- (c) Below Rail facilities provided by QR Operator Business Groups include station platforms and station facilities.

**4.2.2.11 Control Systems**

- (a) Control systems include real time information systems, signal control systems, traction power control systems and Train/Track monitoring systems.
- (b) Control systems shall be assessed according to cost centre and all such assets in Network Access' cost centres shall be treated as Below Rail, (typically wayside and control centre equipment). Control systems assets with QR Operator Business Group cost centres include on-train equipment such as computers, transmitters/receivers, position locators and shall be Identified as Above Rail.

**4.2.2.12 Field Signals**

- (a) Field signals include electrical signal interlocking, train order/DTC (field componentry), level crossing protection and tramway crossings.
- (b) Field signals shall be Identified as above or Below Rail assets from an analysis of asset cost centres all field signals with Network Access cost centres are Below Rail, and those with QR Operator Business Group cost centres relate to non-declared portions of yards and are Above Rail.

**4.2.2.13 Telecommunications**

- (a) Telecommunications assets can be Identified as those required for the "backbone" telecommunication systems and those required for customer premises. In addition, both backbone and customer premises assets can be categorised by type of asset, eg cable, hand held radios, microwave.
- (b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.

- (c) Telecommunications customer premises equipment shall be Attributed to areas within QR by an analysis of cost centres, and associated with the functions provided by those areas within QR. The equipment shall then be Attributed or Allocated as Above Rail, Below Rail or Other Activities in a manner consistent with how that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.

#### **4.2.2.14 Construction in Progress**

- (a) Prior to commencement, projects are assessed in terms of whether, and to what extent, the project is being undertaken for the purpose of providing Above Rail Services, Below Rail Services or Other Activities.
- (b) Construction in progress shall be Attributed as Above Rail, Below Rail or Other Activities based on an identification of each project currently underway and the extent to which the individual projects are related to Above Rail Services, Below Rail Services or Other Activities.

#### **4.2.3 Other Assets**

- (a) Receivables shall be assessed and Identified to business areas through an analysis of the customer and the nature of the service that is provided to that customer. Once Identified to business areas, these assets shall be Attributed or Allocated as Above Rail, Below Rail and Other Activities in a manner consistent with the way that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.
- (b) Inventories shall be Identified in terms of the nature of the inventory stock and the business group that holds them. Inventories held at stores managed by QR's infrastructure maintainer are to be Attributed to Below Rail. Inventories held at centrally or jointly managed stores are to be Attributed or Allocated to Above Rail and Below Rail from an analysis of material group and class.
- (c) Prepayments shall be assessed and Identified to business areas through an analysis of the service provider and the nature of the service that is received from that service provider. Once Identified to business areas, these assets shall be Attributed or Allocated as Above Rail, Below Rail and Other Activities in a manner consistent with the way in which that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.
- (d) Cash, deferred finance lease expenses and future income tax benefit are all treated as resulting from financing activities and, as a result, shall be Identified as Other Activities.
- (e) Investments shall be assessed as to their nature and purpose and Identified with cost functions. Once Identified with a function, investments shall be Attributed or Allocated as Above Rail, Below Rail and Other Activities in a manner consistent with the way in which that function is Attributed or Allocated to Above Rail Services, Below Rail Services or Other Activities.

### 4.3 SEPARATION OF BELOW RAIL DEPRECIATION AND AMORTISATION

The methodology specified in Section 4.2.2, **Fixed Assets**, is to be used to separate depreciation and amortisation costs into Above Rail, Below Rail and Other Activities.

### 4.4 SEPARATION OF BELOW RAIL WORKING EXPENSES (EXCLUDING DEPRECIATION)

Working Expenses shall be classified as Above Rail Costs, Below Rail Costs or Other Activities Costs by determining the function for which the costs are incurred. In some instances, Attribution or Allocation of working expenses may be required in order to align with the Identified functions. QR's major Working Expense categories are shown in Table 4.2 which lists the cost functions and summarises their assignment to the three categories.

The costs associated with these functions (except Access and Electric Traction Charges to QR Operators and (Gain)/Loss on Disposal of Assets) shall be aggregated and reported as "Working Expenses" in the Statement of Earnings Before Interest and Tax.

**Table 4.2 Summary of Procedures for Assigning Working Expenses**

Cost	Above Rail	Below Rail	Other Activities
<b>Train Running (Passenger and Freight Trains)</b>			
Traction electricity energy cost		Ident	
All other train running costs	Ident		
<b>Access and Electric Traction Charges to QR Operators</b>	Ident		
<b>Direct Station Costs (Passenger and Freight Trains)</b>	Ident		
<b>Corridor/ Regional Costs</b>			
Operations			
Signalling and safeworking		Attrib	
Train control, scheduling and incident investigation & management			
By Network Access		Ident	
By QR Operator Business Groups		Ident	
By other organisations		Ident	
Operations management			
By Network Access		Ident	
By QR Operator Business Groups	Ident (bal.)	6% Mark-up	
Infrastructure Maintenance			
Track	Ident	Ident	Ident
Bridge	Ident	Ident	Ident
Buildings and Facilities			

<b>Cost</b>	<b>Above Rail</b>	<b>Below Rail</b>	<b>Other Activities</b>
Stations and platforms	Ident	Ident	
Other	Attrib/Alloc	Attrib/Alloc	
Signals	Ident	Ident	Ident
Telecommunications			
Customer premises	Ident	Ident	
Network backbone		Ident	
Backbone usage charges by NAG	Ident		
Traction power distribution equipment	Ident	Ident	Ident
Traction power supply equipment	Ident	Ident	
Inventory adjustments	Ident	Ident	
Infrastructure administration	Alloc on maint.	Alloc on maint.	Alloc on maint.
Infrastructure management			
Network Access		Ident	
Other			
Derailments and collisions			
Infrastructure		Ident	
Rollingstock	Ident		
Private siding maintenance	Ident		Ident
Work/ inspection trains			
Operator non - revenue trains	Ident		
Haulage of infra. work trains		Calc	
Maintenance of infra wagons		Ident	
Capital works recovery		Ident	
Rollingstock management	Ident (bal.)	8% Mark-up	
<b>Business Management and Marketing</b>			
Group management			
Network Access		Ident	
QR Operator Business Groups	Ident (bal.)	2.5% Mark-up	
Insurance	Ident / Alloc	Ident / Alloc	
Business unit management	Ident		
Network Access business development		Ident	
Marketing admin and publicity	Ident		
Discounts and commissions	Ident		
Pass. Reservation centre and systems	Ident		
<b>Other Items</b>			
Land tax	Attrib	Attrib	
Early retirement schemes	Allocated		
Consulting Services			Ident
Outside work			Ident
Motor Vehicle Fleet Costs			Ident
Miscellaneous workshops costs	Ident/Attrib	Ident/Attrib	Ident/Attrib
National development	Ident		
Miscellaneous	Ident	Ident	
<b>Corporate Overhead</b>	Allocated	Allocated	
<b>Abnormal Items</b>	See 4.4.10	See 4.4.10	
<b>(Gain)/ Loss on Disposal of Assets</b>	Note 1	Note 1	

Note 1 – Gain / Loss on Disposal of Assets shall be treated in the same way as the relevant cost centres are treated.

Explanation of the methodologies used are set out below.

#### **4.4.1 TRAIN RUNNING COSTS**

(a) These costs relate to the running of freight and passenger trains and consist of the following cost categories:

- Train crew
- Train fuel
- Locomotive maintenance
- Self propelled passenger train maintenance (rail motors and electric trains)
- Carriage maintenance
- Wagon maintenance
- Car cleaning
- Fuel for train air-conditioning and refrigeration
- On board service and catering
- Alternative and connecting transport

All these costs are Above Rail and are developed as identifiable cost functions in the Management Accounts.

See 4.4.6.3 for treatment of Above Rail and Below Rail non-revenue work/inspection trains.

(b) Traction Electricity Energy Costs

This is the actual cost of electric energy for motive power traction. It shall be treated as a Below Rail cost, because the electricity is taken from QR's electric overhead system by all (electric) trains in common. Separate invoicing by the electricity supplier to individual rail operators is not currently possible. Therefore, it is necessary for rail operators to purchase traction electricity from QR.

Network Access is responsible for the traction electricity supply contract with technical assistance from the electrical engineering division of Technical Services Group.

The cost can be readily Identified in the Network Access section of the General Ledger.

#### **4.4.2 ACCESS AND ELECTRIC TRACTION CHARGES TO QR OPERATOR GROUPS**

These Above Rail costs shall be equal to Network Access Internal Revenue for access and electric traction – see 4.5.3.2

### **4.4.3 DIRECT STATION COSTS**

This category relates to station operations for freight and passenger services and includes the following line items:

- Shunt locos and crew (incl. Loco fuel and maintenance)
- Freight terminal operations
- Shunting operations
- Passenger services (ticketing, luggage, platform operations, security & catering)

All these cost items are Above Rail and are developed as identifiable cost functions in the Management Accounts based on the Annual Station Survey (see 4.4.4.1). See 4.4.5.3 for treatment of the maintenance of stations and platforms.

Safeworking functions, station maintenance and the costs relating to the shunting of non-revenue work trains are reported as Corridor / Regional Costs.

### **4.4.4 CORRIDOR / REGIONAL COSTS – OPERATIONS**

#### **4.4.4.1 Signalling and Safeworking**

This line item relates to the operation of signal cabins and panels at stations for the safeworking of trains along corridors and in yards. It also covers the time of station staff involved in the transmission of train orders and train working communications. It is completely a Below Rail function.

Most of the QR network is now covered by centralised train control systems and signalling, and safeworking at stations and along the corridor is much less than in prior years.

Station costs Attributed to signalling and safeworking are to be based on station costs derived in the Management Accounts and QR's Annual Station Survey. This report describes the activities and functions at stations based on information from station staff. The report summarises the activities into the following categories:

#### Above Rail

- Shunting and marshalling
- Freight terminal operations
- Passenger services (ticketing, luggage and platform duties)
- Train crew support

#### Below Rail

- Signalling and safeworking

The percentages derived are applied to the total station costs to attribute the costs for each category.

Any specific expenses are to be separated and Identified directly with the relevant category before Attribution of the total cost.

#### **4.4.4.2 Train Control Scheduling and Incident Management**

This cost item is 100% Below Rail and is Identified in the Management Accounts.

(a) Performed by Network Access staff

The cost of the train control centres that are the direct responsibility of Network Access shall be Identified in the Management Accounts separate from the operations management functions directly carried out by Network Access.

(b) Performed by QR Operator Business Groups on behalf of Network Access

The cost of train control centres that are managed by QR Operator Business Groups are to be Identified in the Management Accounts separate from the operation, crew and station management functions carried out by that operator group. As at June 2002 the only train control centre not directly managed by Network Access was Mayne Control Centre which controls all train movements in the area bounded by Caboolture, Acacia Ridge and Ipswich.

Some Above Rail functions are carried out at this centre such as station surveillance via close circuit TV and suburban passenger train management. It is important that the Below Rail component is separately Identified in the Management Accounts clearly based on payroll or other functional information.

QR Operator Business Groups also perform incident investigation and management duties on behalf of Network Access for incidents occurring in the declared network. This cost item is 100% Below Rail and shall be determined by applying a rate per incident to the numbers of each type of incident for the period. The rate per incident shall be taken from the current Train Operations Management Agreement between Network Access and the QR Operator Business Group. The charges for the year in accordance with this Agreement are to be reviewed by the area in QR responsible for the Identification, Attribution and Allocation of assets, costs, revenues and investments in accordance with this Manual (see 3.2) to ensure the charges are reasonable and not excessive. Incidents occurring in non-declared parts of the network (e.g. operator yards) are not included.

(c) Performed by non-QR Organisations.

Train Control Services for the standard gauge line Acacia Ridge to the NSW border are carried out by the organisation responsible for train control on the NSW North Coast Line. These services are carried out under contract to QR Network Access. The cost can be Identified in the Network Access section of the General Ledger and is 100% Below Rail.

#### **4.4.4.3 Operations Management**

- (a) Performed by Network Access (100% Below Rail)

Operations management functions performed directly by Network Access are 100% Below Rail. This cost item shall be Identified in the Management Accounts separate from other functions carried out by the operations division of Network Access group, for example:

- Train control
- Contract train control Acacia Ridge – border
- Any other significant item that are not of an administrative nature

- (b) Performed by QR Operator Business Groups on behalf of Network Access

This cost function in the QR Operator Business Groups refers to the management of operations activities such as train operations, train crew, loco power management, stations, terminal and yards and the Below Rail functions signalling and safeworking (4.4.4.1), train control (4.4.4.2) and incident investigation and management. The Below Rail functions are a small but important proportion of the activities managed.

In the future QR Operator Business Groups may be involved in the management of train operations interstate. This already (2002) happens in relation to the supervision of operation of the Great South Pacific Express to New South Wales destinations. Accordingly, it is inappropriate to allocate operations management of the QR Operator Business Groups to Below Rail pro rata on Above Rail and Below Rail operating costs managed.

Accordingly, operations management of QR Operator Business Groups allocated to Below Rail shall be limited to a "mark up" by applying Standard Allocator "B" (see Schedule C) to the Below Rail costs derived in 4.4.4.1 and 4.4.4.2.

#### **4.4.5 CORRIDOR/REGIONAL COSTS – INFRASTRUCTURE**

##### **4.4.5.1 Maintenance of Track, Bridges, Signals and Traction Power Distribution Equipment**

- (a) These cost functions are derived in the Management Accounts by line section, yard or station code from work orders with indirect costs (leave, training, downtime etc) added so that the total costs agree with the relevant cost centres.
- (b) All the costs are Below Rail except for the following costs Identified from work orders:
- (i) Maintenance of the Above Rail portion of yards as identified in the Undertaking;
  - (ii) Maintenance of infrastructure in freight terminals, workshops, running sheds and other Above Rail facilities;

- (iii) Maintenance of private sidings (Above Rail); and
  - (iv) Maintenance of lines which are not part of the declared network and are maintained by QR under contracts with the relevant infrastructure owner (these costs should be treated as Other Activities).
- (c) Costs associated with new construction on the declared QR network shall be capitalised.
- (d) Costs associated with new construction on lines that are not part of QR's declared network shall be treated as Other Activities.

#### **4.4.5.2 Maintenance of Traction Power Supply Equipment**

All maintenance of the traction power supply systems is Identified as a Below Rail cost.

#### **4.4.5.3 Maintenance of Buildings and Facilities**

Maintenance of QR's building and facilities is derived in the Management Accounts from work order cost details recorded in QR's costing system, including location and type of building or facility and maintenance activity.

Maintenance costs are Identified with particular buildings or facilities, and Allocated to those managed by Network Access above or Below Rail depending on the building or facilities use. Specific allocations are:

- (a) Infrastructure depots and associated amenities, buildings and facilities used for train control or signalling are 100% Below Rail;
- (b) Maintenance of water, power and lighting facilities in Below Rail yards (Identified in the Undertaking) are 100% Below Rail;
- (c) QR's rail weld facility is 100% Below Rail;
- (d) Rollingstock maintenance depots, workshops (excluding the rail weld facility), running sheds, trainmen's quarters, freight terminals and stations are 100% Above Rail;
- (e) Stations, platforms and associated facilities are managed by QR Operator Business Groups (this category is Below Rail but not part of "*Below Rail Services Provided by Network Access*");
- (f) Buildings or facilities utilised for housing telecommunications backbone equipment are Allocated 100% Below Rail;
- (g) The cost of residences is Allocated by calculating a separate percentage for each location based on occupancy, with infrastructure maintenance staff only comprising the Below Rail portion, (e.g. if 6 of 10 residences at a location are occupied by ISG staff, the Below Rail percentage is 60%);

- (h) Administration buildings used for corporate or unspecified purposes are Allocated in accordance with Standard Allocator "A" (see Schedule C) for Above/ Below Allocations.

#### **4.4.5.4 Telecommunications**

- (a) Telecommunications maintenance is to be separated into two categories, the Telecommunications Backbone Network and Customer Premises Equipment:

- (i) The Telecommunications Backbone Network

These core assets of the network include pole routes, optic fibre installations, microwave links, radio networks, exchanges and associated equipment. Most railways including QR developed telecommunications networks for the purpose of linking train control centres to signals and other safe working communications. Over the years the backbone has been expanded in size, complexity and technical sophistication to cater for technical developments in train control and signalling but also for increasing use of the network for voice and data transmissions by Above and Below Rail users.

Network Access is the "owner" of the backbone assets and maintenance costs of the backbone are separately Identified by work order. These costs are to be treated 100% Below Rail.

Network Access is credited with internal revenue (see 4.5.3.3) for use of the backbone by other parts of QR.

- (ii) Customer Premises Equipment

CPE includes items such as:

- Train control telephone equipment
- Traction electricity distribution control equipment
- Data terminals and personal computer links
- Locomotive radios
- Mobile radios
- Passenger information display systems
- Telephone and fax machines
- Portable radio and yard shunt system
- Public address systems

Costs are recorded by costs centre (customer) and equipment / system type. From this information, the costs shall be Attributed Above / Below Rail in accordance with the Above / Below Rail treatment of the cost centres.

- (b) Telecommunications backbone user charges from Network Access to QR Operator Business Groups are Above Rail, and equal to the Network Access revenue for this item – see 4.5.3.3.

#### **4.4.5.5 Infrastructure Administration**

- (a) Currently (2002), this item refers to the administration of infrastructure maintenance by Network Access' internal service provider – Infrastructure Services Group (ISG). In some other states, all infrastructure maintenance is contracted out and administration charges of the contractor are included with the cost of infrastructure maintenance.

The Management Accounts shall identify infrastructure administration separate from infrastructure maintenance. Further, the Management Accounts shall Identify infrastructure administration by maintenance function as much as possible. This will depend on the administrative structure of ISG where, for economy, the administration of the track and bridge maintenance and the administration of the maintenance of signals, traction electricity and supply systems may be combined.

- (b) Infrastructure Administration within each category shall be Allocated to Above Rail, Below Rail Services provided by Network Access, Below Rail Services provided by QR Operator Business Groups and Other Activities in proportion to the infrastructure maintenance in the relevant categories administered. Overall infrastructure administration (currently ISG group management) shall be Allocated in proportion to the total infrastructure activities Identified, Attributed or Allocated to Above Rail, Below Rail Services provided by Network Access, Below Rail Services provided by QR Operator Business Groups and Other Activities administered by the group.
- (c) Any significant items in the infrastructure administration costs which can be Identified specifically as Above Rail or Other Activities shall be separated and Identified accordingly before Allocation of infrastructure administration costs.

#### **4.4.5.6 Inventory Adjustments**

This item consists of two items:

- (a) Adjustments to infrastructure costs resulting from stocktakes of infrastructure material inventory
- (b) Credits to cost resulting from the "netting off" of revenue arising from inventory price fluctuations.

As Network Access is the "owner" of the infrastructure inventory, this item is to be treated as 100% Below Rail.

#### **4.4.5.7 Infrastructure Management**

- (a) This item refers to the management of the Below Rail infrastructure by Network Access. A division of Network Access has this responsibility which includes Network Access' own Regional Managers of Network Infrastructure in major regional locations to liaise with the infrastructure managers about maintenance strategies. All this cost is 100% Below Rail.

- (b) The Management Accounts shall separate Network Access infrastructure management costs from specific infrastructure maintenance costs in the Network Access cost centres such as:
  - (i) Inventory adjustments
  - (ii) Contract payments for maintenance of the standard gauge line Acacia Ridge to the NSW border
  - (iii) Capital works expensed
  - (iv) Any other significant items which should be reported separately or as part of another cost function.

#### **4.4.6 CORRIDOR/REGIONAL COSTS – OTHER ITEMS**

##### **4.4.6.1 Derailments and Collisions**

- (a) Rollingstock repair and other costs arising from derailments, collisions and other accidents recorded in workshops and QR Operator Business Groups cost centres shall be treated as Above Rail except for the repair of infrastructure rollingstock which is Below Rail.
- (b) Infrastructure repair and other cost arising from derailments, collisions and other accidents recorded in Network Access or infrastructure cost centres shall be treated as Below Rail except repair to Above Rail infrastructure in yards, freight terminals, workshops etc.

##### **4.4.6.2 Private Siding Maintenance**

- (a) Maintenance of private sidings does not relate to declared infrastructure managed by QR Network Access and, therefore, is not Below Rail.
- (b) Private siding maintenance shall be separately Identified in the Management Accounts by data from work orders.

##### **4.4.6.3 Work/Inspection Trains**

- (a) Operator Non-Revenue Trains

Non-revenue trains are operated by QR Operator Business Groups for driver training, movement of rollingstock to & from workshops, locomotive testing, inspection and other Above Rail activities.

QR's operating statistics based on its train operating systems shall distinguish operator non-revenue trains ("Above Rail Departmental") from infrastructure non-revenue trains ("Below Rail Departmental"). All train running costs Attributed to the running of operator non-revenue trains (eg. train crew, fuel, locomotive and other rollingstock maintenance) are 100% Above Rail.

- (b) Haulage of Infrastructure Work Trains

QR Operator Business Groups provide the locomotives and crew to haul infrastructure material (rails, ballast, sleepers etc) to work sites and to and from ballast pits and infrastructure depots. They also perform shunting services for infrastructure rollingstock and arrange for the transport

generally. Detailed service agreements are negotiated between the QR Operator Business Groups and Infrastructure Services Group for this haulage work. The total of the charges for the year in accordance with these agreements is to be included as Below Rail costs and Above Rail revenue after review by the area in QR responsible for the Identification, Attribution and Allocation of assets, costs, revenues and investments in accordance with this Manual (see 3.2) to ensure that the total charges:

- Are agreed by both parties,
  - Are reasonable and not excessive, and
  - Exclude any costs associated with the running of trains for work on non – declared infrastructure.
- (c) Maintenance of infrastructure rollingstock can be Identified by work order and is Below Rail. All locomotives are Above Rail as their costs are included in the internal haulage charge.
- (d) A capital works recovery credit can be Identified in the General Ledger representing a credit for the charge to capital works for the running of trains for capital works. As the above haulage charge and infrastructure rollingstock maintenance costs cover the running of all work trains including capital works, this credit is to be treated as 100% Below Rail.

#### **4.4.6.4 Rollingstock Management**

- (a) As explained in 4.4.6.3, the only rollingstock items (apart from track equipment) that are Below Rail are infrastructure vehicles such as ballast, sleeper and rail wagons and electric overhead wiring vehicles. Although these vehicles are vital for infrastructure maintenance, they constitute a small part of QR's total rollingstock fleet.
- (b) The Allocation of rollingstock management costs of QR's operational business groups will be limited to a "mark up" by applying Standard Allocator "C" (see Schedule C) to the maintenance costs of infrastructure rollingstock derived in 4.4.6.3 (c).

## **4.4.7 BUSINESS MANAGEMENT AND MARKETING**

### **4.4.7.1 Group Management**

- (a) This cost function refers to the management of the activities of Network Access and QR Operator Business Groups and includes (for each group) planning and research, finance and administration generally.
- (b) The group management costs of Network Access (as distinct from Business Development, Network Operations management and Network Infrastructure management) are Identifiable in the Management Accounts and are 100% Below Rail.
- (c) For the same reasons given for Operations Management (see 4.4.4.3 (b)), it is inappropriate to allocate the group management costs of the QR Operator Business Groups to Below Rail pro rata on the activities managed. Accordingly, the Allocation of group management costs to Below Rail will be limited to a "mark-up" by applying Standard Allocator "D" (see Schedule C) to the Below Rail costs managed by the QR Operator Business Groups – such as Signalling and Safeworking (4.4.4.1), Train Control (4.4.4.2 (b)), Operations Management (4.4.4.3 (b)), Infrastructure Rollingstock Maintenance (4.4.6.3 (c)) and Rollingstock Management (4.4.6.4).

### **4.4.7.2 Insurance**

Insurance premiums paid are recorded in the General Ledger in either specific Group or corporate cost centres. Premiums charged directly to Network Access cost centres are wholly Below Rail. Premiums charged to corporate cost centres shall be Attributed or Allocated to QR's groups in accordance with insurance type and purpose.

### **4.4.7.3 Business Unit Management**

### **4.4.7.4 Marketing Administration And Commissions**

### **4.4.7.5 Discounts and Commissions**

### **4.4.7.6 Passenger Reservation Centre and Systems**

These items are all 100% Above Rail cost functions separately Identified in the Management Accounts flowing from General Ledger cost centres of QR's Operator Business Groups.

### **4.4.7.7 Network Access Business Development**

This 100% Below Rail cost function is separately Identified in the Management Accounts and relates to negotiation of access agreements with customers, the regulatory regime with the QCA and Transport Service contracts with the Queensland Government.

## **4.4.8 OTHER ITEMS**

### **4.4.8.1 Land Tax**

Land tax is to be Attributed to Above Rail Services, Below Rail Services or Other Activities pro rata on the Attributed or Allocated value of QR's land holdings, as recorded in QR's Fixed Asset Register, (refer paragraph 4.2.2.1).

### **4.4.8.2 Early Retirement Schemes**

Payments to employees retiring under early retirement schemes (excluding accrued leave entitlements which are charged against the accrued leave provisions) are to be Allocated according to Standard Allocator "E" (see Schedule C). The cost centre of the employees concerned is not relevant because the employees will most likely have served in other locations during their QR career.

### **4.4.8.3 Consulting Services**

### **4.4.8.4 Outside Work**

QR's Consulting Services Division engages in project management, engineering and other technical work, mainly overseas.

QR's infrastructure groups earn some revenue for railway construction and maintenance work from external customers. These activities do not relate to the maintenance and management of QR's declared infrastructure or to QR's freight and passenger operator groups and accordingly, are to be treated as Other Activities. They are Identified separately in QR's Management Accounts.

### **4.4.8.5 Miscellaneous Workshops Costs**

Any costs not recovered by QR's workshops are to be Identified or Attributed to Above Rail, Below Rail or Other Activities from an analysis of the work carried out at each location.

### **4.4.8.6 National Development**

Any activities of QR's Operator Business Groups relating to extension of operations interstate are Above Rail, e.g. National Development.

### **4.4.8.7 Financing Costs**

Cross border lease expenses and other financing costs are to be treated as Other Activities. These costs are Identified in corporate cost centres.

### **4.4.8.8 Motor Vehicle Fleet Management**

- (a) The majority of QR's motor vehicles are controlled by a central Fleet Management Unit. All working expenses, depreciation, loss/gain on sale of assets and revenue of the Fleet Management Unit are to Identified as

Other Activities. In addition the sum of internal motor vehicle lease charges as recorded in QR's General Ledger shall be Identified as Other Activities and recorded in the Management Accounts as a contra expense item. This item will offset the charges included in the cost base of users of motor vehicle fleet services.

- (b) Detailed lease agreements exist between motor vehicle users and the Fleet Management Unit for terms from one to ten years. The total of the charges for the year in accordance with these agreements is to be reviewed by the area in QR responsible for the Identification, Attribution and Allocation of assets, costs, revenues and investments in accordance with this Manual (see 3.2) to ensure that the total charges are reasonable and not excessive.
- (c) Where the review in sub paragraph (b) above indicates the charges are either excessive or inadequate by a material amount, the excess or shortage will be Attributed to areas within QR in the same proportions and manner as motor vehicle charges.

#### **4.4.8.9 Miscellaneous**

Other items occurring in the cost centres of QR's Operator Business Groups or Network Access will be Above Rail or Below Rail by Identification. Any other items occurring in corporate or service group cost centres (e.g. research and other development activities) are to be analysed and significant items Identified depending on their specific nature. Minor items and those of a broad QR wide nature can be included in corporate overhead.

#### **4.4.9 CORPORATE OVERHEAD**

Corporate overhead is defined as "those activities concerned with the overall management, control and direction of the corporation and which do not involve any significant costs relating specifically to a business." Corporate services (e.g. payroll, HR services, computer services, admin building services, motor vehicle fleet management, legal services and most engineering services) are not to be included in corporate overhead. These services are to be Attributed to cost centres. Any significant abnormal or business specific items in corporate cost centres are to be excluded from the general corporate overhead Allocation and treated specifically.

Corporate overhead typically consists of the following corporate functions:

- Chief Executive and Board
- Corporate relations
- Safety and environment
- Internal Audit
- Corporate strategy and planning
- Corporate finance
- IT strategy
- Human resources management

- Property management
- Technical Services – general corporate projects
- External audit fees
- Corporate representation and hosting

Corporate overhead is to be Allocated to Below Rail Services Provided by Network Access and Above Rail Operations pro rata on the total of all other Identified, Attributed and Allocated Above Rail and Below Rail costs excluding:

- The cost of motive power fuel and electric traction energy.
- Internal charges (eg for access, traction electricity, work train haulage and use of the telecommunications backbone)
- Abnormal items
- Depreciation and amortisation
- (Gain) Loss on disposal and revaluation of assets
- Interest expense

#### **4.4.10 ABNORMAL ITEMS**

Abnormal items are material non-recurring items which, while part of modern business experience, are not part of the ongoing, routine costs of running the organisation. QR keeps such items separate from the general corporate overhead Allocation and treats each item individually. Examples of abnormal items in recent years and their treatment have been:

##### **Above Rail Only**

- Write down of rotatable rollingstock spares
- FBT on sale of houses to operations employees
- Service contract buy out (Traveltrain)

##### **Joint Items Allocated on Standard Ratio**

- GST Project
- Year 2000 Project
- Write back employee accident provision

##### **Specific Items**

- Capital works expensed
- Items Identified in Network Access and Infrastructure Services are Below Rail. Items Identified in Operator Business Group cost centres are Above Rail. Any items in corporate cost centres, if material, shall be investigated and treated according to the nature of the item.

## 4.5 SEPARATION OF BELOW RAIL REVENUE

Table 4.3 summarise the procedures for separating revenue into Above Rail , Below Rail and Other Activities .

<b>Table 4.3: Revenue Categories</b>				
		<b>Above Rail</b>	<b>Below Rail</b>	<b>Other Activities</b>
<b>External Services</b>				
	Freight and Passenger	Ident		
	Access and electric traction charges		Ident	
	Developer contributions	Ident	Ident	
	Transport service contracts	Ident	Ident	
<b>Other External Revenue – Amounts Remaining after Netting Off</b>				
	Operator Business Groups – all	Ident		
	Workshops group – all			Ident
	Network Access group – all		Ident	
<b>Infrastructure and Technical groups</b>				
	Consulting Services			Ident
	Engineering & other services relating to outside parties			Ident
	Other	(B)	(B)	(B)
<b>Corporate Groups</b>				
	Property revenue			
	Advertising	(A)	(A)	
	Leasing	(A)	(A)	
	Other	(B)	(B)	(B)
<b>Corporate Other</b>				
	Interest revenue			Ident
	Treasury operations			Ident
	Amounts relating to prior years & misc	(B)	(B)	(B)
<b>Internal Revenue</b>				
	Work train haulage	(C)		
	Access and electric traction charges		(D)	
	Telecommunications backbone charges		(D)	

- (A) Advertising and leasing revenue to be separated into amounts relating to corridor sites (Below Rail) and non – corridor sites (Above Rail)
- (B) To be identified as much as possible, but for small amounts or items without supporting details – use Standard Allocator “A”
- (C) Amount as calculated in accordance with this Manual and reported as Below Rail costs
- (D) Access and electric traction and telecommunications backbone charges by NAG to QR operator groups as calculated by NAG in accordance with relevant agreements – total to equal costs for QR Operator Groups for the same line items.

#### **4.5.1 EXTERNAL SERVICES (“SALES” REVENUE)**

This category relates to the main activities of QR – provision of freight and passenger services and network infrastructure services. There is no netting off directly against cost items for these classifications of revenue.

Revenue items in this category are:

- Revenue from the operation of freight and passenger services provided by QR’s Operator Business Groups
- External access revenue for network access
- Developer contributions (cash and amortised)
- Transport Services Contract revenue earned by QR’s Operator Business Groups and Network Access under contracts with the Queensland Government.

Freight, passenger and external access revenue is recorded by cost centre and can be readily Identified in the GL. The agreements underlying developer contributions and Transport Services Contracts are negotiated separately and the associated revenue recorded by cost centre.

Accordingly all External Services revenue for network access is separated and Identifiable as such in the GL.

#### **4.5.2 OTHER EXTERNAL REVENUE**

The procedures for assigning all other revenue (after netting off) to Above Rail, Below Rail, Other Activities have been developed on a group basis. The procedures for netting off certain revenue items against expenses are explained in 3.4.

##### **4.5.2.1 Freight and Passenger Groups**

After the netting off of relevant external revenue of the freight and passenger Operator Groups against expenses, all the remaining freight and passenger external revenue in the Management Accounts is Identifiable entirely as Above Rail revenue.

##### **4.5.2.2 Workshops**

Any external revenue for workshops remaining after netting off is Identifiable completely as Other Activities revenue. This is consistent with the treatment of Miscellaneous Workshops Costs, (refer 4.4.8.5).

#### **4.5.2.3 Network Access (excluding Infrastructure and Technical Services Groups)**

Any external other revenue for network access remaining after netting off is Identifiable completely as Below Rail revenue. Apart from minor items such as sale of Preliminary Information items and other fees and telecommunications revenue relating to the backbone, the only other revenue in this category in 2000/01 was ascertained and liquidated damages arising from past cases and relating to QR infrastructure.

#### **4.5.2.4 Infrastructure and Technical Groups**

Most of the revenue recorded for these areas of QR will be netted off costs such as natural disaster revenue, sale of scrap and inventory adjustments. Revenue of QR's Consulting Services division does not relate to QR's Above Rail activities or the maintenance and management of the declared infrastructure (Below Rail) and shall be treated as Other Activities . Similarly, revenue for work carried out for external parties (eg. construction of the line to Brisbane Airport and construction of telecommunications for external carriers) does not relate to either Above Rail or Below Rail and is therefore Other Activities.

#### **4.5.2.5 Corporate Groups**

- (a) Advertising and property leasing revenue should be separated into amounts relating to corridor sites (Below Rail) and non-corridor sites (Above Rail). In the absence of detailed information on revenue by site, QR's Property Division will provide an assessment of the proportions of revenue that is Below Rail and Above Rail.
- (b) QR Treasury Operations

Interest revenue, foreign exchange gains/losses and other revenue derived by QR from the management of its finances are to be treated as Other Activities. The Financial Statements that QR is required to publish by the Undertaking are on an Earnings before Interest and Tax basis, and interest expense is not Allocated. Accordingly, financing revenue is not Allocated.

#### **4.5.2.6 Other Items**

From time to time other revenue items may occur (particularly in corporate cost centres) which this manual does not specifically anticipate. In such cases the general principles in Part 3 shall be followed.

### **4.5.3 INTERNAL REVENUE**

#### **4.5.3.1 Work Train Haulage**

QR will calculate internal charges in accordance with this manual (see 4.4.6.3) for the haulage of infrastructure work trains by QR's operator groups. These charges will not include a cost for work train wagons and other hauled vehicles which are Below Rail assets. The total of these charges is to be shown as Above Rail revenue in the Financial Statements.

#### **4.5.3.2 Access and Electric Traction Charges to QR Operator Groups**

These items are to be the amounts advised by Network Access as being in accordance with the internal access agreements for the year concerned.

#### **4.5.3.3 Telecommunications Backbone Charges to QR Operator Groups**

These items are to be the amounts advised by Network Access as being in accordance with the internal telecommunications backbone agreements for the year concerned.

#### **4.5.3.4 Traveltrain Internal Fares**

These items are to be the amounts recorded in QR's General Ledger as the value of subsidised staff rail travel provided by Traveltrain. The value is sourced from the fare prices in QR's Reservations system.

#### **4.5.3.5 Traveltrain Internal Catering**

Traveltrain is a provider of catering services to the public, however some of these services are utilised internally. The value of this item is recorded in QR's General Ledger.

#### **4.5.3.6 Q Link Internal Freight**

This item relates to the cartage of smaller items by Q Link for internal customers. The amount of these charges is identified in QR's General Ledger and sourced from QR's freight accounting system.

### **4.6 SEPARATION OF BELOW RAIL INVESTMENTS**

#### **4.6.1 Information Source**

Investments are to be classified as Above Rail, Below Rail, Operator Managed Below Rail or Other Activities for the year by reference to the June report of QR's "Investment Program Report" produced by QR's Projects Division. This report shows for every investment project, the project number, the responsible officer, the responsible group, brief description of the project, budget details and project-to-date and year-to-

date expenditure. The supporting project submissions can be referred to if further information is required about a project to assist in its classification.

#### **4.6.2 General Methodology for Classification**

In analysing the projects the following general principles are to be followed:

- (a) Network Access projects are all Below Rail,
- (b) Projects relating to QR assets to be used by the infrastructure maintainer are Below Rail,
- (c) Projects of QR's Operator Business Groups are Above Rail with the exception of:
  - Stations, platforms and associated facilities which are Below Rail but managed by QR Operator Business Groups;
  - Any projects relating to Below Rail assets or functions managed on behalf of Network Access such as signalling and safeworking, Citytrain train control, and items such as yard lighting.
- (d) Projects of QR's technical services, corporate services and corporate overhead groups are to be analysed individually and treated as follows:
  - Projects which can be identified completely as Above Rail, Below Rail (Network Access), Below Rail (Operator Groups) or Other Activities shall be classified accordingly – e.g. Rollingstock engineering projects will be Above Rail, Workshops projects relating to the rail weld facilities will be Below Rail;
  - Projects which can be Attributed on the basis of some underlying activity will be classified accordingly;
  - Joint projects which cannot be readily classified by Identification or Attribution will be Allocated to Above Rail and Below Rail using the Standard Allocator "A" (see Schedule C).

#### **4.6.3 Other Investments (non Fixed Assets)**

Investments in other entities or joint ventures will not usually be reported in the Investment Program Report as it deals with fixed assets. Any such investments occurring in a year will be classified Above Rail, Below Rail Provided by Network Access, Below Rail Provided by QR Operator Business Groups or Other Activities on the basis of specific information for each investment and application of the general principles of this Manual.

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## **PART 5. HIERARCHY OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS**

### **5.1 INTRODUCTION**

- (a) QR's Access Undertaking (3.2.2 (a) requires this Costing Manual to set out the process for identifying Below Rail costs attributable to line sections, regions and to the network as a whole. The Access Undertaking (3.2.1 (a) ) also requires QR to *"develop, on an annual basis, financial statements for Below Rail Services provided by Network Access, as identified in Paragraph 3.1 (b) incorporating a statement of assets, a statement of earnings before interest and tax, and a statement of investments, and which separately identify the CQCR from the rest of the network (referred to as the "Financial Statements"). The Financial Statements will be developed in accordance with the methodology and format set out in the Costing Manual."*

Accordingly, this Manual is required to set out the process for identifying Below Rail assets, revenues and investments attributable to line sections, regions and network wide as well as costs. Furthermore, to report Below Rail assets, costs, revenues, and investments separately for the CQCR, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenue and investments to the CQCR as a whole.

- (b) The regions are described in Schedule A "Description of Regions." Details of the numerous line sections defined into regions are provided in QR's "Line Sections" report which is published annually.
- (c) The regions have been defined to reflect geographic differences in rail infrastructure standards, utilisation and costs. To accommodate inclusion of new lines and significant changes in rail infrastructure standards and utilisation, minor changes may be made to the definition of the boundaries of the regions as specified in Schedule A subject to the approval of the QCA. Any such changes shall be included in QR's annual Line Section report and reported as a note to the Financial Statements of the year of the change.
- (d) The CQCR is defined in Schedule A or as amended in accordance with (c) above.
- (e) The assets, costs, revenues and investments to be reported under the heading "CQCR" in the annual Financial Statements will be the sum of:
- assets, costs and investments identified as attributable to line sections in the CQCR,
  - assets, costs, revenues and investments identified as attributable to regions in the CQCR, and
  - the CQCR's share of assets, costs, revenues and investments identified as attributable to the network as a whole, such share being Allocated in accordance with 5.1 (f) of this Manual.

- (f) Assets, costs, revenues and investments identified as attributable to the network as a whole shall be Allocated to the CQCR by applying Standard Allocator "F" (see Schedule C).

Standard Allocator "F" has been determined based on an empirical analysis of the CQCR's share of total Network Wide costs derived from the allocative process outlined in Table 5 A.

Each year QR will recalculate and calibrate the items in Table 5A to ensure the continuing validity of Standard Allocator F and, where necessary, recommend changes to the ratios to the QCA for approval. Changes to the Allocator will be identified in the notes to and forming part of the Financial Statements.

**Table 5 A – Basis for Review of CQCR Standard Allocator**

<b>Network Wide Cost Category</b>	<b>Allocation Basis</b>
<b>Business Management &amp; Marketing</b>	
Group Management Ex Network Access Group Ex Operating Groups	50% Train km + 50% GTK Line Section and Region specific working expenses for Below Rail activities undertaken by the Operating Groups
Network Access Business Development	50% Train km + 50% GTK
Group Insurance	50% Train km + 50% GTK
<b>Other</b>	
Land Tax	Below Rail land values as recorded on QR's Fixed Asset Register.
Voluntary Early Retirement Scheme	Infrastructure Services Group Below Rail working expenses
Other Corporate (e.g. R&D projects)	Allocator to be related to activities that benefit from expenditure
<b>Operations Administration</b>	
Ex Network Access Group	Regional Train km
<b>Infrastructure</b>	
Administration Buildings Maintenance	Allocate according to activities at each location.
Telecommunications Maintenance Backbone Network Customer premises equip	75% Train km + 25% Route km. Allocate according to activities at each location; e.g. for infrastructure maintenance depots allocate on infrastructure maintenance
Infrastructure Administration	
Ex NAG Infrastructure M'ment Division	50% Train km + 50% GTK
Ex ISG	Regional totals of Line Section and Region specific ISG Below Rail working expenses
<b>Corporate Overhead</b>	Regional totals of all identified attributed or allocated Below Rail working expenses, excluding traction electricity and derailment costs.
<b>Depreciation and Amortisation</b>	Allocated Fixed Assets excluding Land and Construction in Progress
<b>Loss on Disposal of Assets</b>	Allocated Fixed Assets excluding Land and Construction in Progress
<b>Abnormal Items</b>	Not Allocated

## 5.2 CLASSIFICATION OF BELOW RAIL ASSETS TO REGIONS

Assets are to be classified to Line Sections, Regions or Network Wide by determining the function for which the assets are required. In some instances Attribution of assets may be required in order to align with the Identified geographical categories. QR's major asset categories with their respective geographical categories are shown in Table 5.1.

**Table 5.1 Below Rail Asset Categories**

	Line Section	Region	Network Wide
<b>Fixed Assets</b>			
Land	Xxx		Xxx
Buildings	Xxx	xxx	Xxx
Rollingstock Wagons		xxx	
Plant and equipment Infrastructure equipment Other plant and equipment		xxx xxx	Xxx
Motor vehicles		xxx	Xxx
Computers & misc. office equip.		xxx	Xxx
Trackwork & civil works	Xxx		
Signals Control systems Field signals	Xxx xxx	xxx	
Traction Power Equipment Distribution equipment Supply equipment	xxx	Xxx	
Telecommunications Backbone network Customer premises equipment		xxx	Xxx Xxx
Facilities	xxx	xxx	
Construction in progress	xxx	xxx	Xxx
<b>Other Assets</b>			
Investments			Xxx
Receivables			Xxx
Inventories			Xxx
Prepayments			Xxx

### 5.2.1 Fixed Assets

- (a) Details of fixed assets are recorded on QR's Fixed Asset Register (FAR), including each asset's cost centre, class, description and physical location. The location of assets as recorded on the Fixed Asset Register is to be the primary means of identifying assets to Line Sections or Regions.
- (b) Assets to be Identified to Line Sections or Regions directly from FAR location information are Permanent Way, Traction Power Distribution Equipment, Traction Power Supply Equipment, Infrastructure Facilities, Control Systems and Field Signals.

(c) Land assets are to be identified with Line Sections except for land held for possible future use and surplus land which are to be reported as Network Wide.

(d) Buildings

Below Rail buildings to be reported against Line Sections include stations and buildings whose function is to house Line Section assets.

Below Rail buildings to be reported against Regions include infrastructure depots, residences, staff amenities and buildings whose function is to house Regional assets (e.g. Train Control Buildings).

Administration Buildings are Network Wide.

(e) Wagons

The Attribution of the value of Below Rail wagons to Regions is to be based on track maintenance costs.

(f) Plant and Equipment

Plant and equipment assets shall be Identified to areas within QR through analysis of the cost centre and responsible manager for each piece of equipment.

The plant and equipment shall then be Attributed to Line Sections, Regions or Network Wide in a manner consistent with how the activities of that area relate to geographic regions.

(g) Motor Vehicles

Below Rail motor vehicles shall be either:

- (i) Directly Identified with a Region from location information, or
- (ii) Where used for the performance of functions that relate to more than one geographic region, Attributed to the relevant geographic regions in a manner consistent with how the activities of that area relate to the provision of Below Rail Services in the relevant geographic regions.

(h) Computers and Miscellaneous Office Equipment

Computers and miscellaneous office equipment assets shall be Identified to areas within QR through analysis of the cost centre and responsible manager for each piece of equipment.

The equipment is then Attributed to Regions or Network Wide in a manner consistent with how the activities of that area relates to geographic regions.

(i) Telecommunications

Telecommunications backbone assets are to be reported as Network Wide assets.

Below Rail telecommunications customer premises equipment shall be Attributed to areas within QR by an analysis of Cost Centres. The equipment is then Attributed to Regions or Network Wide in a manner consistent with that area's activities.

(j) Control Systems at Train Control Centres

Control Systems located at train control centres are to be Identified or Attributed to the geographic regions covered by the relevant train control centre. The Control Systems assets associated with provision of train control at those centres shall be Attributed to the relevant geographic regions on the basis of the train kilometres operated over the line sections controlled in each of those geographical regions.

### **5.2.2 Construction in Progress**

Construction in progress shall be Attributed to Line Sections, Regions or Network Wide in a manner consistent with how the category of asset being acquired or constructed is Attributed to Line Sections, Regions or Network Wide and how the asset is expected to relate to geographic regions.

### **5.2.3 Other Assets**

All Other Assets are Network Wide.

## **5.3 CLASSIFICATION OF BELOW RAIL DEPRECIATION AND AMORTISATION TO REGIONS**

The methodology specified in Section 5.2, Attribution Of Below Rail Assets To Regions, is to be used to attribute depreciation and amortisation costs into Line Sections, Regions or Network Wide.

## 5.4 CLASSIFICATION OF BELOW RAIL WORKING EXPENSES TO REGIONS

The treatment of Below Rail Working Expenses as Line Section Specific, Region Specific or Network Wide is shown in Table 5.2.

**Table 5.2 Hierarchy of Below Rail Working Expenses**

	Line Section Specific	Regional	Network Wide
<b>TRAIN RUNNING</b>			
Traction electricity energy cost		XXX	
<b>CORRIDOR/REGIONAL COSTS</b>			
<b>Operations</b>			
Signalling and safeworking, Train control, scheduling and incident management		XXX	
By Network Access		XXX	
By QR Operator Business Groups		XXX	
By Other Organisations		XXX	
Operations Management			
Network Access		XXX	XXX
QR Operator Business Groups		XXX	
<b>Infrastructure Maintenance</b>			
Track	XXX		
Bridge	XXX		
Buildings & Facilities			
Lineside buildings	XXX		
Stations and platforms	XXX		
Residences, depots & staff amenities		XXX	
Admin Buildings			XXX
Signals	XXX		
Telecommunications			
Customer premises equipment	XXX	XXX	XXX
Network Backbone			XXX
Electric overhead			
Traction power distribution equipment	XXX		
Traction power supply equipment		XXX	
Inventory adjustments	XXX		
Infrastructure admin (service provider)		XXX	XXX
Infrastructure management			
Network Access			
Network Management			XXX
<b>Other</b>			
Derailments and collisions – infrastructure		XXX	
Work/ inspection trains – net cost	XXX		
Rollingstock management		XXX	

	Line Section Specific	Regional	Network Wide
<b>BUSINESS MANAGEMENT AND MARKETING</b>			
Group management			
Network Access			XXX
Operator Business Groups		XXX	
Insurance			XXX
Network Access business development			XXX
<b>OTHER ITEMS</b>			
Land tax			XXX
Early retirement schemes			XXX
Miscellaneous		XXX	XXX
<b>CORPORATE OVERHEAD</b>			XXX
<b>ABNORMAL ITEMS</b>			XXX
<b>(GAIN)/ LOSS AN DISPOSAL OF ASSETS</b>		XXX	XXX

#### 5.4.1 LINE SECTION SPECIFIC

##### 5.4.1.1 Maintenance of Track, Bridge, Signal and Traction Power Distribution

Working Expenses relating to the maintenance of track and associated assets that are required for the provision of the mainline and common user yards are Line Section Specific and Identified to the line section on which they are incurred. Line Section Specific maintenance expenses include:

- i. Track maintenance
- ii. Bridge maintenance
- iii. Signal maintenance
- iv. Traction power distribution equipment maintenance

##### 5.4.1.2 Maintenance of Line Section Specific Buildings and Facilities

Working Expenses relating to the maintenance of facilities that are identified as Line Section Specific are Line Section Specific operating costs and are Identified to the line section on which they are incurred.

##### 5.4.1.3 Inventory Adjustments

Inventory adjustments are Attributed to line sections based on track maintenance expenditure.

#### **5.4.1.4 Below Rail Work Trains**

The net costs of Below Rail work trains (haulage of work trains, Below Rail vehicle maintenance and capital works recovery) are considered to be Line Section Specific as they are incurred in the direct maintenance of the Rail Infrastructure. Where possible, work orders will identify the location of the maintenance activity for which specific trains are operated, and the relevant non-revenue Below Rail train running expenses will be Identified to that line section. Where work orders do not specifically identify the location of the relevant maintenance, the net costs of work trains will be Attributed to the line sections within the relevant Geographic Region based on the expenditure on track maintenance for the various line sections in that Geographic Region.

#### **5.4.1.5 Loss on Disposal of Assets**

Loss on disposal of assets shall be treated as a Line Section Specific cost where the assets being sold are Line Section Specific assets.

### **5.4.2 REGION SPECIFIC**

#### **5.4.2.1 Signalling and Safeworking**

Signalling and safeworking costs at stations relate primarily to the provision of safe train movements across the network. Therefore, although the costs associated with the provision of station facilities can be identified to a specific location, safeworking costs are treated as being Region Specific Costs. The safeworking costs associated with stations that relate solely to a specific Geographical Region are Identified to that Geographic Region. Where material, the safeworking costs associated with stations that manage the movement of trains across a number of geographic regions shall be Attributed to the relevant geographic regions based on Attribution that is reasonable in the circumstances.

#### **5.4.2.2 Train Control and Scheduling**

Train control costs are incurred in a small number of locations across Queensland. Although the boundaries for the individual train control centres do not necessarily directly align with the geographic regions, train control costs can be Identified or Attributed to the geographic regions covered by the relevant train control centre, as the function of train control is not considered to be network wide in nature. The costs associated with the provision of train control for those centres that relate to a specific geographic region shall be Identified to that geographic region. The costs associated with the provision of train control for those centres that manage the movement of trains across a number of geographic regions shall be Attributed to the relevant geographic regions on the basis of the train kilometres operated over the line sections controlled in each of those geographical regions.

### **5.4.2.3 Operations Management**

The element of operations management Attributed as a Below Rail Cost can be further separated into regional operations administration and network wide operations administration. Regional operations administration is identified as all operations administration related to cost centres where the responsible manager's sphere of control relates to a single geographic region or to a small number of geographic regions. Where the sphere of control relates to a single geographic region, the operations administration cost is Identified to that geographic region. Where the sphere of control relates to a small number of geographic regions, the operations administration cost is Attributed to the relevant geographic region based on ratios advised by Network Access Operations.

### **5.4.2.4 Maintenance of Regional Buildings and Facilities**

Maintenance costs associated with Region Specific facilities are Region Specific operating costs. Maintenance costs for Region Specific facilities that are used for the performance of functions related solely to a particular geographic region are Identified to that geographic region. Where material, maintenance costs for Region Specific facilities that are used for the performance of functions that relate to more than one geographic region shall be Attributed to the relevant geographic regions in accordance with an assessment of usage of that facility for the purpose of provision of Below Rail Services in the relevant geographic regions.

### **5.4.2.5 Maintenance of Power Supply Equipment**

Maintenance costs associated with traction power supply assets (eg. Transformers, feeder stations, etc.) are Region Specific and shall be Identified to the geographic region in which they are incurred.

### **5.4.2.6 Infrastructure Administration**

The element of infrastructure administration Attributed as a Below Rail cost can be further separated into regional infrastructure administration and network wide infrastructure administration. Regional infrastructure administration is identified as all infrastructure administration related to cost centres where the responsible manager's sphere of control relates to a single geographic region or to a small number of geographic regions. Where the sphere of control relates to a single geographic region, the infrastructure administration cost shall be Identified to that geographic region. Where the sphere of control relates to a small number of geographic regions, the infrastructure administration cost shall be Attributed to the relevant geographic regions based on the relevant category of infrastructure maintenance expenditure able to be Identified to each of those geographic regions.

#### **5.4.2.7 Derailments and Collisions**

The costs associated with derailments and collisions are considered to be a reflection of the risks associated with the Rail Infrastructure in that area and the nature of the train services operating on that Rail Infrastructure. These risks tend to be reasonably consistent throughout a geographic region. Therefore, although it is possible to Identify the Line Section on which a particular derailment or collision occurred, the costs associated with derailments and collisions are more appropriately considered to be Region Specific.

#### **5.4.2.8 Rollingstock Management**

The rollingstock management "mark up" shall be Attributed to regions pro rata on the wagon maintenance cost per region.

#### **5.4.2.9 Group Management**

Allocations of group management costs from QR Operator Business Groups are a mark up on direct operating costs (operations management, train control, safeworking and incident investigation) – see 4.4.7.1. All these direct costs are regional and, accordingly, the group management costs shall be Allocated to geographic regions pro-rata on the direct costs.

#### **5.4.2.10 Loss on Disposal of Assets**

Loss on disposal of assets shall be treated as a Region Specific cost where the assets being disposed are Region Specific assets.

#### **5.4.2.11 Miscellaneous**

Any other identifiable regional costs such as miscellaneous items shall be Attributed to regions as specifically as possible.

#### **5.4.2.12 Traction Electricity Energy Costs**

Traction electricity energy costs and the associated kilowatt hours can be Identified from suppliers' invoices into four electrification stages:

- Brisbane suburban area - south of Caboolture
- North coast line – Caboolture to Gladstone (Parana)
- Blackwater system – Parana to Emerald and Burngrove to German Creek incl. branches
- Goonyella system – German Creek to Hay Point incl. branches

These "stages" are determined by the locations of the feeder stations and meters and only minor adjustments are necessary to attribute the costs to the Regions described in Schedule A. For example, electricity consumption and cost for only one line section - Caboolture to Nambour - has to be calculated and transferred from the data for the North coast line electrification stage to the Brisbane suburban area electrification stage to derive the traction electricity energy cost for the Metropolitan Area.

These adjustments can be made by Attributing the traction electricity energy costs to the "overlapping" line sections on the basis of estimated kilowatt hours for the line sections derived from the electric gross tonne kilometres for the line sections weighted for different power consumption rates for different traffic types.

### **5.4.3 NETWORK WIDE COSTS**

All the remaining items relate to network wide functions or the maintenance of network wide assets with the exception of maintenance of customer premises telecommunications equipment. "CPE" maintenance can be line section specific, regional specific or network – wide depending on the classification of the equipment being maintained.

Table 5.2 identifies the individual network wide cost categories and 5.1 (f) explains how network wide costs will be Allocated to the CQCR.

## 5.5 CLASSIFICATION OF BELOW RAIL REVENUE TO REGIONS

Table 5.3 summarises the procedures for assigning Below Rail revenue to regions.

**Table 5.3 - Procedures for Assigning Below Rail Revenue to Regions**

<b>External Services</b>					
Access and electric traction charges		B			
Developer contributions	A				
Transport services contracts		C			
<b>Other External Revenue – Amounts Remaining after Netting Off</b>					
Network Access Group					
Ascertained & liquidated damages					F
Other					F
Infrastructure and technical groups					
Other					F
Corporate groups					
Property revenue					
Advertising			D		
Leasing			D		
Other					F
Corporate Other					
Amounts relating to prior years & misc.					F
<b>Internal Revenue</b>					
Access and electric traction charges		B			
Telecommunications backbone charges				E	

- A** Identifiable by developer (and therefore by region) by Network Access from amortisation schedules and other data supporting GL entries
- B** To be apportioned by Network Access in accordance with the underlying rate tables used to derive the charges reflecting any different rates per region.
- C** Below Rail TSC revenue shall be apportioned to regions by Network Access in accordance with the relevant agreements.
- D** Below Rail Property revenue to be attributed to regions based on information relating to location of revenue-earning sites
- E** Telecommunications revenue that is specific as to a telecommunications corridor is to be allocated to regions of the bases of the route km of the regions used. Revenue not attributable to regions is to be treated as network wide.
- F** Any material amounts of other revenue are to be investigated and identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as network wide. If there are any material amounts which cannot be Identified to a specific region but do not appear to be attributable to all regions, then they shall be Allocated on a basis that is reasonable in the circumstances.

There is no requirement to assign revenue to line sections. This would be highly arbitrary and not appropriate for a large infrastructure provider.

## **5.5.1 EXTERNAL SERVICES ("SALES") REVENUE**

### **5.5.1.1 Access and electric traction revenue**

Access and electric traction revenue is to be apportioned by Network Access in accordance with the underlying rate tables used to derive the charges reflecting any different rates per region.

### **5.5.1.2 Developer Contributions**

Below Rail revenue from amortised and cash developer contributions is to be Identified by developers from Network Access accounting records. In most cases the amounts per developer will be readily identifiable by region. In the event that a developer's contribution relates to more than one region then the amount shall be Allocated on route kilometres relating to the project.

### **5.5.1.3 Transport Service Contracts (TSC's)**

Network Access TSC revenue shall be Identified or Attributed to regions by Network Access in accordance with the TSC agreements.

## **5.5.2 OTHER EXTERNAL REVENUE**

The procedures for assigning all external revenue (after netting off) to regions have been developed on a group basis.

### **5.5.2.1 Network Access**

Apart from minor items such as sale of Preliminary Information items and other fees, the only other revenue in this category in 2000/01 was ascertained and liquidated damages arising from past cases and relating to QR infrastructure.

Any material amounts of other revenue are to be investigated and Identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as network wide.

If there are any material amounts which cannot be Identified to a specific region but do not appear to be Attributable to all regions, then they shall be Allocated on a basis that is reasonable in the circumstances.

### **5.5.2.2 Infrastructure and Technical Groups**

Most of the revenue received by these groups will be netted off or treated as Other Activities (see 4.5.2.4).

Any material amounts of other revenue are to be investigated and Identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as network wide.

If there are any material amounts which cannot be Identified to a specific region but do not appear to be Attributable to all regions, then they shall be Allocated on a basis that is reasonable in the circumstances.

### **5.5.2.3 Corporate Groups**

Below Rail property revenue (eg leasing and advertising) is to be Attributed to regions based on information relating to the location of the sites earning the revenue. In the absence of detailed information on revenue by site, QR's Property Division will provide an assessment of the revenue by region.

Telecommunications revenue that is specific to a telecommunications corridor is to be Allocated to regions on the basis of the route kilometres of the regions used. Telecommunications revenue that is unattributable to regions is to be treated as network wide.

### **5.5.2.4 Any Other Revenue**

Any material amounts of other revenue are to be investigated and Identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as network wide.

If there are any material amounts which cannot be Identified to a specific region but do not appear to be Attributable to all regions, then they shall be Allocated to regions on a basis that is reasonable in the circumstances.

## **5.5.3 INTERNAL BELOW RAIL REVENUE (NAG Charges to QR Operator Business Groups)**

### **5.5.3.1 Access and Electric Traction Charges**

Access and electric traction revenue is to be apportioned by Network Access to regions in accordance with the underlying rate tables used to derive the access charges reflecting any different rates per region.

### **5.5.3.2 Telecommunications Backbone Charges**

Internal telecommunications backbone revenue is to be treated as network wide.

## **5.5.4 NETWORK WIDE REVENUE**

Below Rail revenue classified as network wide is to be Allocated to the CQCR by applying Standard Allocator "F" (see Schedule C) as explained in 5.1 (f).

## **5.6 CLASSIFICATION OF BELOW RAIL INVESTMENTS TO REGIONS**

Below Rail investments to be reported in the Financial Statements as (CQCR) are to be derived in the following manner.

The investments classified as relating to Below Rail Services Provided by Network Access in accordance with 4.6 are to be analysed individually and treated as follows:

- Investments specifically relating to the CQCR are to be treated as such,
- Investments relating partly to the CQCR and partly to other regions are to be Attributed between CQCR and those regions on a reasonable basis that is appropriate in the circumstances, and
- Investments relating to the network as a whole are to be Allocated between CQCR and the rest of the network using Standard Allocator "F" (see Schedule C) as explained in 5.1 (f).

## **PART 6. FINANCIAL STATEMENTS**

### **6.1 Format of Financial Statements**

- (a) Paragraph 3.2.1 of the Undertaking requires QR to *“develop, on an annual basis, financial statements for Below Rail Services provided by Network Access, as identified in Paragraph 3.1 (b) incorporating a statement of assets, a statement of earnings before interest and tax, and a statement of investments, and which separately identify the Central Queensland Coal Region from the rest of the network (referred to as the “Financial Statements”). The Financial Statements will be developed in accordance with the methodology and format set out in the Costing Manual.”*
- (b) The format to be used for the Financial Statements is specified in Schedule B to this Manual. Comparative numbers for the previous year are not required to be shown in the Financial Statements for the first year of reporting – 2001/02.

### **6.2 Minor Changes to the Format**

Minor changes to the wording, line items and columns in the Financial Statements can be made to meet changing circumstances subject to the approval of the QCA.

### **6.3 Notes to the Financial Statements**

The Financial Statements shall be accompanied by notes which shall:

- (a) Refer to this Manual as the methodological basis of preparation of the Financial Statements;
- (b) Refer to the QR’s audited general purpose financial statements (as published in the QR annual report) and underlying records for the whole of QR as being the source of information for preparation of the Financial Statements;
- (c) Explain how the Financial Statements reconcile to the QR general purpose financial statements after allowing for revenue netting off;
- (d) Refer to (but not repeat) the notes accompanying the QR general purpose financial statements for explanation of QR’s accounting policies;
- (e) Explain the terms “Below Rail Services Provided by Network Access” and “CQCR”;
- (f) Disclose amendments made to “CQCR” in Schedule A of the Manual during the year;
- (g) Disclose changes made to the Standard Allocators in Schedule C during the year;

- (h) Disclose other amendments made to the Manual during the year, including the financial impact, where such amendments have a material impact on the Financial Statements; and
- (i) Provide explanation of material matters about which an informed reader would need to be aware to understand the Financial Statements.

## **PART 7. DEFINITIONS**

In this Manual, unless inconsistent with the Manual or context, the following words and expressions shall have the meanings identified in this Part 7. Other parts of speech or grammatical forms of a word or phrase defined in this Manual have a corresponding meaning.

**"Above Rail Costs"** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Above Rail Services;

**"Above Rail Services"** means those activities, other than Below Rail Services, required to provide and operate Train Services, including rollingstock provision, rollingstock maintenance, non Train Control related communications, train crewing, terminal provision and services, freight handling and marketing and administration of those services and **"Above Rail"** has a similar meaning;

**"Access"** means the non-exclusive utilisation of a specified section of Rail Infrastructure for the purposes of operating Train Services;

**"Access Charge"** means the price paid by a Railway Operator for Access under an Access agreement;

**"Act"** means the *Queensland Competition Authority Act 1997 (Qld)*;

**"Allocation"** means, where assets, costs, or revenues are jointly used for the provision of a function/service and where there is no direct causal relationship between the resources used and the function/service provided, the sharing of such joint costs between those functions/services;

**"Attribution"** means, where assets, costs or revenues are jointly used for the provision of a function/service and where there is a causal relationship between the resources used and function/service provided, the sharing of costs between those functions/services on a basis of cost causality;

**"Below Rail Costs"** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Below Rail Services;

**"Below Rail Services"** means the activities associated with the provision and management of Rail Infrastructure, including the construction, maintenance and renewal of Rail Infrastructure assets, and the network management services required for the safe operation of Train Services on the Rail Infrastructure, including Train Control Services and the implementation of safeworking procedures and **"Below Rail"** has a similar meaning;

**"Central Queensland Coal Region"** means the region defined as such in Schedule A;

**"Corporate Overhead"** costs are the cost of those activities that relate predominantly to the overall management, strategy and governance of the corporation and which do not involve any significant costs relating specifically to a business;

**"Corporate Services"** costs are the costs of services that are provided at the corporation wide level to groups and divisions within QR and include, for example, payroll, HR services, computer services, administration building services, motor vehicle fleet management, legal services and most engineering services;

**"Costing Manual"** or **"Manual"** means the document prepared by QR that identifies the matters outlined Paragraph 3.2.2(a) of the Undertaking;

**"Financial Statements"** means the statement of assets, statement of earnings before interest and tax and statement of investments, which separately identify the Central Queensland Coal Region from the rest of the network, and which are required in accordance with the Undertaking;

**"Functions"** means the list of activities outlined in Table 4.2.

**"Geographic Region"** means the regions described in Schedule A;

**"Identification"** means, where costs are directly incurred, or assets directly used in the performance of a function/service, the identification of those costs to that function/service;

**"Line Section"** means a section of railway route as defined by QR's Survey Section from time to time and that is identified for the purpose of classifying the Rail Infrastructure into line sections with reasonably consistent traffic (in terms of type of traffic and density of traffic) and reasonably consistent track standards;

**"Line Section Specific"** means assets, costs and investments able to be specifically Identified or Attributed to a Line Section;

**"Network Access"** means the business group established within QR to manage the provision of Below Rail Services with the exception of stations and platforms;

**"Network Wide"** means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a Line Section or a Geographic Region;

**"Other Activities"** are activities undertaken by QR that are neither Above Rail Services nor Below Rail Services and include, for example, consulting activities, outside work, treasury activities such as cross border leasing, foreign exchange and financing;

**"Other Activities Costs"** means the assets and/or costs, revenues and investments (as the context implies) associated with the provision of Other Activities;

**"Permanent Way"** means track and bridge assets including formation, retaining walls, drainage systems, access roads, cuttings, embankments, tunnels, subways, fences along the rail corridor, ballast, sleepers, rails, rail fastenings, points and crossings, culverts and pipes (major), rail bridges and road overbridges (excluding footbridges). The term excludes fences surrounding other assets such as stations, freight terminals, workshops, depots and buildings.

**"QCA"** means the Queensland Competition Authority as established by the Act;

**"Queensland Transport"** means the Department of Transport for the State of Queensland;

**"QR Operator Business Group"** means business groups within QR that are separate from Network Access and that undertake the operation of Train Services for transporting passengers or freight for reward;

**"Rail Infrastructure"** means Rail Transport Infrastructure, except that the term does not include the track and associated infrastructure on those parts of the network not identified as the responsibility of Network Access in the Undertaking, but for the purpose of clarity, does include all stations and platforms;

**"Rail Transport Infrastructure"** means rail transport infrastructure as defined in the *Transport Infrastructure Act 1994 (Qld)* for which QR is the Railway Manager;

**"Railway Manager"** has the meaning given to that term in the *Transport Infrastructure Act 1994 (Qld)*;

**"Railway Operator"** has the meaning given to that term in the *Transport Infrastructure Act 1994 (Qld)*;

**"Region Specific"** means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a specified Line Section, but able to be Identified or Attributed to a Geographic Region;

**"Rollingstock"** means locomotives, carriages, wagons, rail cars, rail motors, light rail vehicles, light inspection vehicles, rail/road vehicles, trolleys and any other vehicle that operates on or uses the Track;

**"Train"** means any configuration of Rollingstock operating as a unit on the Track;

**"Train Control Services"** means the management and monitoring of Train movements and of all other operation of rollingstock on the Rail Infrastructure and of any activities affecting or potentially affecting such Train movements or rollingstock operation. Train Control Services specifically include:

- (i) recording Train running times on Train diagrams and in QR's information systems;
- (ii) reporting of incidents occurring on the Rail Infrastructure;
- (iii) managing incidents occurring on the Rail Infrastructure from within a Train Control centre; and
- (iv) exchanging information with access holders;

and **"Train Control"** has a related meaning;

**"Train Service"** means the operation of a Train between specified origins and destinations on the Rail Infrastructure;

**"Undertaking"** refers to QR's access undertaking approved on 20 December 2001 in accordance with the Act.

**"Working Expenses"** means all operating expenses excluding internal access charges by Network Access, loss on disposal and devaluation of assets, depreciation and amortisation and interest expense.

# **QR COSTING MANUAL**

## **SCHEDULE A**

### **DESCRIPTION OF REGIONS**

#### **CENTRAL QUEENSLAND COAL REGION**

Barney Point and QAL to North Coast Line Jct (Parana) via flyover  
Parana to Callemondah via Moura Short Line  
Callemondah to Moura Mine  
    Annandale to Boundary Hill  
    Earlsfield to Callide Coalfields

Gladstone Station to Callemondah  
    Callemondah to Powerhouse and Golding (RG Tanna Terminal)

Callemondah to Rocklands  
    Mount Miller to Fishermans Landing  
    Aldoga to East End

Rocklands to Burngrove and branches  
Burngrove to Gregory mine and branches

Hay Point/ Dalrymple Bay to Coppabella and branches  
Coppabella to North Goonyella and branches  
    Wotonga to Blair Athol Mine Balloon Loop  
Coppabella to Gregory Junction and branches

Newlands to Abbot Point  
    Pring to Merinda  
    Collinsville to McNaughton

**OTHER REGIONS****Metropolitan**

Roma Street to Rosewood  
Bundamba to Box Flat  
Ipswich to Workshops  
Ipswich to Churchill  
Yarrowlea to Ebenezer Mine

Roma Street to Robina (incl. dual gauge lines)  
Yeerongpilly to Corinda  
Salisbury to Acacia Ridge (1067 mm gauge)  
Bethania to Beaudesert

Park Road/ Dutton Park to Cleveland (incl. dual gauge line)  
Lytton Jct to Fisherman Islands (incl. dual gauge line)

Roma Street to Nambour  
Roma Street to Mayne via Exhibition  
Bowen Hills to Ferny Grove  
Eagle Jct to Pinkenba  
Airport Jct to start of Airport Line  
Northgate to Shorncliffe  
Caboolture to Wamuran

**Standard Gauge**

Salisbury Jct to N.S.W. Border (standard gauge lines)

**South West**

All lines beyond Rosewood

**North Coast Line**

Nambour to Gladstone Station  
Owanyilla Balloon Loop

Rocklands to Durroburra  
(Durroburra to Kaili (5.6 km) – incl. in Coal Region)

Kaili to Townsville  
Mackay to Marian  
Erakala to Mackay Harbour  
SunMetal Jct to SunMetal Balloon Loop  
Townsville Jetty Branch

Townsville to Cairns  
Cobarra Balloon

**OTHER REGIONS (Cont.)****North Coast Line Branches**

Gympie North to Gympie  
Theebine to Kingaroy  
Murgon to Byee  
Mungar to Monto  
Maryborough West to Maryborough  
Colton to Takura  
Graham – Taragooola – Monto  
Dakenba to Biloela  
Earlsfield to Koorngoo  
Koorngoo to Kooemba  
Moura Mine Jct to Goolara  
Bajool to Wheat Board Siding  
Wheat Board Siding to CQ Cement  
Glenmore to Yeppoon  
Bowen Jct to Bowen

**Central West**

Burngrove – Winton – Hughenden  
Nogoa to Springsure  
Emerald to Blair Athol Mine Jct  
Jericho to Yaraka

**Mount Isa Line**

Stuart to Mount Isa  
Yurbi (Cannington Mine) Balloon Loop  
Flynn to Phosphate Hill

**Tablelands**

Cairns to Forsayth  
Mareeba to Atherton  
Arriga Jct to Arriga  
Almaden to Mungana

Normanton to Croydon



## COSTING MANUAL – SCHEDULE B (cont)

### PRO FORMA FINANCIAL STATEMENTS

#### STATEMENT OF ASSETS

	<b>AS AT 30 JUNE XXXX</b>					<b>AS AT 30 JUNE XXXX</b>				
	<b>BELOW RAIL SERVICES PROVIDED BY NETWORK ACCESS</b>			<b>OTHER QR OPERATIONS AND ACTIVITIES</b>	<b>TOTAL QR</b>	<b>BELOW RAIL SERVICES PROVIDED BY NETWORK ACCESS</b>			<b>OTHER QR OPERATIONS AND ACTIVITIES</b>	<b>TOTAL QR</b>
	<b>Central QLD Coal Region</b>	<b>Rest Of Network</b>	<b>Total</b>			<b>Central QLD Coal Region</b>	<b>Rest Of Network</b>	<b>Total</b>		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>CURRENT ASSETS</b>										
Cash				X,XXX	X,XXX				X,XXX	X,XXX
Receivables	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Inventories	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>
<b>NON – CURRENT ASSETS</b>										
Receivables				X,XXX	X,XXX				X,XXX	X,XXX
Fixed Assets										
Property (Land and Buildings)	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Plant and Equipment	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Infrastructure										
Permanent way	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Construction in progress	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>
Other				X,XXX	X,XXX				X,XXX	X,XXX
<b>TOTAL ASSETS</b>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>	<u>X,XXX</u>

**STATEMENT OF INVESTMENTS**

**FOR THE YEAR ENDED 30 JUNE XXXX**

<b>BELOW RAIL SERVICES PROVIDED BY NETWORK ACCESS</b>			<b>OTHER QR OPERATIONS AND ACTIVITIES</b>	<b>TOTAL QR</b>
<b>Central QLD Coal Region</b>	<b>Rest Of Network</b>	<b>Total</b>		
<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

Expenditure on  
fixed assets

**FOR THE YEAR ENDED 30 JUNE XXXX**

<b>BELOW RAIL SERVICES PROVIDED BY NETWORK ACCESS</b>			<b>OTHER QR OPERATIONS AND ACTIVITIES</b>	<b>TOTAL QR</b>
<b>Central QLD Coal Region</b>	<b>Rest Of Network</b>	<b>Total</b>		
<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

# QR COSTING MANUAL

## SCHEDULE C

### STANDARD ALLOCATORS

	Relevant Clauses in the Manual	Ratio in Original Manual (June 2002)	<u>Amended Ratio</u> First Year of Application	
<b>Standard Allocator "A"</b>				
Share of QR Wide Items Allocated to Below Rail Provided by Network Access	4.1 (c), 4.2.2 (c), 4.4.5.3 (h), 4.5.2.6 4.6.2(d), Table 4.3	33.3%	30.0%	2002/03
<b>Standard Allocator "B"</b>				
Operations Management "Mark Up"	4.4.4.3 (b)	14.0%	6.0%	2002/03
<b>Standard Allocator "C"</b>				
Rollingstock Management "Mark Up"	4.4.6.4 (b)	10.0%	8.0%	2002/03
<b>Standard Allocator "D"</b>				
Operating Group Management "Mark Up"	4.4.7.1 (c)	2.5%		
<b>Standard Allocator "E"</b>				
Share of Early Retirement Expense Allocated to Below Rail Services Provided by Network Access	4.4.8.2	24.0%		
<b>Standard Allocator "F"</b>				
Central QLD Coal Regions' Share of Network Wide Items	5.1 (f), 5.4.3, 5.5.4, 5.6	30.0%	34.0% 36.0%	2002/03 2003/04