

Date 15 April 2010

15 APR 2010

DATE RECEIVED

Mr E.J. Hall
Chief Executive
Queensland Competition Authority
Level 19
12 Creek Street
Brisbane QLD 4000

Dear Mr Hall

Queensland Rail Limited is a provider of declared services, however as yet does not have a cost allocation manual as required by Section 159 of the Queensland Competition Authority Act 1997.

I wish to submit for the Authority's consideration an interim cost allocation manual applicable to Queensland Rail Limited, which in effect comprises amendments to the QR Network Costing Manual approved by the Authority on 18 February 2010.

It is proposed to amend the Costing Manual approved on 18 February 2010 to:

1. Give the Costing Manual application to Queensland Rail Limited as an interim measure until a new cost allocation manual is drafted. (See new Clause 2.4).
2. Provide guidance on the preparation of Queensland Rail Limited Below Rail Financial Statements for the year ended 30 June 2010, (See new Clause 2.5). Although Queensland Rail Limited did not provide below rail services in the year ended 30 June 2010, below rail assets were transferred from QR Limited and QR Network Pty Ltd on 30 June 2010.
3. Include a definition of Queensland Rail Limited.

The proposed amendments are shown on Attachment 1. A copy of the full draft Costing Manual marked to show amendments has been forwarded separately to your officers.

Kind Regards



Ben Clark
GM Network Finance
Queensland Rail

ATTACHMENT 1

PART 2. SCOPE AND ADMINISTRATION OF THE COSTING MANUAL

Insert New Clauses 2.4 and 2.5:

2.4 Application of Costing Manual to Queensland Rail after Restructure

- 2.4.1 The Queensland Government announced a restructure of QR on 8 December 2009, which included the transfer of the passenger and non-coal network businesses to a separate Government Owned Corporation, Queensland Rail. The assets and liabilities related to Queensland Rail were transferred at net book value on 30 June 2010.
- 2.4.2 Until the Authority approves a separate cost allocation manual for Queensland Rail, this Costing Manual shall be applicable to Queensland Rail, except as follows:
- (a) unless the context requires otherwise, references to QR or QR Network shall be read as if they were references to Queensland Rail; and
 - (b) unless the context requires otherwise, references to the Undertaking shall be read as if they were references to the Access Undertaking applicable to Queensland Rail and references to the provisions of the Undertaking will be read as if they were references to the corresponding provisions of the Access Undertaking applicable to Queensland Rail.

Any meaning or intent implied by the use of "QR Network" in the QR Network Costing Manual to identify below rail assets, revenues, expenses or investments shall have a similar meaning or intent when applicable to Queensland Rail. For example, the meaning of "Below Rail services provided by QR Network" shall have a similar meaning when applied to Queensland Rail in that stations and platforms are excluded from the reporting of below rail assets, cost and revenues.

2.5 Queensland Rail Financial Statements 2009/10

- 2.5.1 Queensland Rail shall publish Financial Statements for Below Rail services provided for the year ended 30 June 2010 in accordance with this clause.
- 2.5.2 For the year ended 30 June 2010 only, the Financial Statements for Below Rail services provided by Queensland Rail shall include a statement of assets and a statement of investments, but shall not include:
- (a) a statement of earnings before interest and tax; or
 - (b) comparative information.
- 2.5.3 For the purposes of the statement of assets as at 30 June 2010, below rail assets shall only include assets transferred to Queensland Rail on 30 June 2010 from either:
- (a) QR Network; or
 - (b) QR assets previously held by QR on behalf of QR Network.
- 2.5.4 For the purposes of the statement of investments for the year ended 30 June 2010, investments shall relate only to projects that were transferred to Queensland Rail from QR Network on 30 June 2010.
- 2.5.5 Corridor specific or regional assets and investments are to be attributed to Rest of Network, unless they can be specifically identified as relating to the Central Qld Coal systems. Assets or investments previously treated as system wide in the Costing Manual are to be reported as Rest of Network.

ATTACHMENT 1 (Cont.)

PART 7. DEFINITIONS

Add New Definition:

"Queensland Rail" means Queensland Rail Limited [ABN 71 132 181 090] (formerly QR Passenger Pty), a Government Owned Corporation responsible for delivery of passenger and non-coal network services in Queensland.