

File Ref: 1423853

20 August 2020

Mr Nick Easy
Chief Executive Officer
Queensland Rail
GPO Box 1429
Brisbane Qld 4001

Dear Mr Easy

Queensland Rail's 2018–19 capital expenditure claim—approval

On 20 August 2020, the Queensland Competition Authority accepted Queensland Rail's 2018–19 capital expenditure claim into the regulatory asset base.

A summary of the QCA's assessment of the capital expenditure claim is set out in the attached decision notice.

Should your staff have any questions about this decision notice, they can contact Kwabena Osei on 07 3222 0586 or by email at kwabena.osei@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: *Tania Homan, Senior Regulatory Economist, Queensland Rail*

DECISION NOTICE

QUEENSLAND RAIL'S 2018–19 CAPITAL EXPENDITURE CLAIM

20 August 2020

The Queensland Competition Authority has accepted Queensland Rail's 2018–19 capital expenditure, as submitted on 20 December 2019, for inclusion in the regulatory asset base, in accordance with schedule E, clause 2.1(b) of the 2020 access undertaking.

Regulatory process

Queensland Rail's provision of below-rail services is governed by its 2020 access undertaking (AU2). Under schedule E of AU2, we conduct an annual ex post assessment of the prudence of Queensland Rail's capital expenditure for inclusion in its regulatory asset base (RAB). Queensland Rail submitted its 2018–19 capital expenditure claim for the West Moreton Network on 20 December 2019. The claim covers seven capital projects in the West Moreton system and expenditure for ballast undercutting, totalling \$28.7 million (including interest during construction (IDC)). We assessed the claim under the criteria set out in schedule E of AU2, which focuses on the **scope, standard of works** and **cost** (cls. 3–5).¹

The regulatory process followed the timelines below.

<i>Date</i>	<i>Action</i>
20 December 2019	Queensland Rail submitted its 2018–19 capital expenditure claim
20 January 2020	We published Queensland Rail's claim and invited stakeholder submissions
5 February 2020	Stakeholder submissions period closed—we received one submission
17 July 2020	We published our engineering consultant's assessment report, inviting submissions
31 July 2020	Stakeholder submissions period closed—we received no submissions
20 August 2020	We approved Queensland Rail's capital expenditure claim for acceptance into the RAB

The above-mentioned documents are available on the QCA website.

¹ All clause references hereafter refer to schedule E of AU2, unless otherwise stipulated.

Engineering consultant's report

We appointed Flagstaff Consulting Group (FCG) to provide engineering advice on the prudence of the projects included in Queensland Rail's 2018–19 capital expenditure claim. FCG's assessment is based on the information provided by Queensland Rail, as well as reasonable assumptions. FCG's assessment found all seven capital projects and the ballast undercutting expenditure satisfied the criteria for prudence as set out in schedule E of AU2 (cls. 3–5).

Stakeholder consultation

We provided stakeholders two opportunities to make submissions during the assessment, to comment on:

- Queensland Rail's capital expenditure claim—one submission was received from Yancoal
- FCG's assessment report—no submissions were received.

QCA decision

Our decision is to accept Queensland Rail's 2018–19 capital expenditure claim to the amount of \$28.7 million (including IDC) into its RAB. This decision is based on the information available, including through stakeholder consultation and FCG's findings, having regard to the criteria outlined in schedule E (cls. 2.2, 3, 4 and 5). The capital expenditure approved is detailed in Appendix 1.

We acknowledge the challenges that Queensland Rail faced in responding to the consultant's requests for information, given the coronavirus pandemic, and appreciate Queensland Rail's efforts in engaging constructively to resolve informational constraints in a timely fashion.

APPENDIX 1: QUEENSLAND RAIL'S 2018–19 WEST MORETON CAPITAL EXPENDITURE

<i>Project ID</i>	<i>Project name</i>	<i>Capital expenditure (excluding IDC) (\$)</i>	<i>IDC (\$)</i>	<i>Total (\$)</i>
B.04636	Timber and steel bridge elimination	12,012,334	662,525	12,674,859
B.05171	Relay/recondition track	6,877,736	380,521	7,258,257
B.04728	Signalling pole route upgrade	2,538,607	194,571	2,733,178
B.04613	Formation strengthening	2,514,075	165,959	2,680,034
	Ballast undercutting	2,015,529	–	2,015,529
B.04403	Culvert/drain renewal	1,091,393	34,117	1,125,510
B.04291	Rerailing program - Rosewood to Helidon	126,648	3,872	130,520
B.05243	Davidson St (Oakey) Level Crossing CCTV	60,573	2,749	63,322
Total		27,236,895	1,444,314	28,681,209