Queensland Competition Authority

Final decision notice

Queensland Rail 2022–23 capital expenditure claim

20 June 2024

The Queensland Competition Authority has accepted all of Queensland Rail's 2022–23 capital expenditure claim ($44.9 million) for inclusion into its regulatory asset base.

Queensland Rail capital expenditure

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 prudency of Queensland Rail's capital expenditure for inclusion in its regulatory asset base (RAB).

Queensland Rail submitted its 2022–23 capital expenditure claim for the West Moreton system on 1 February 2024. The claim is for $43.4 million (plus $1.5 million in interest during construction (IDC)), and comprises 8 projects in the West Moreton system, 2 region-wide projects that include works in the West Moreton system, and a claim for ballast undercutting works completed.

On 29 May 2024, we asked stakeholders to comment on Queensland Rail's claim and our preliminary position that we were inclined to approve Queensland Rail's claim in full. No submissions were received.

Assessment approach

We have assessed Queensland Rail's claim in accordance with schedule E of AU2.

We have assessed the prudency of expenditures included in the claim against the criteria set out in schedule E of AU2, focusing on the scope, standard of works and cost (cls 3–5). We have also confirmed that Queensland Rail has calculated IDC consistent with past practice.

In forming our view, we had regard to information that Queensland Rail provided initially and in response to requests for information. We also considered engineering advice from our consultants Arcadis (see Box 1) when forming our views on Queensland Rail's claim. As with all assessments, Arcadis' advice is one input into our overall assessment.

Box 1: Arcadis review of Queensland Rail's claim

Arcadis reviewed all projects in Queensland Rail's claim. Its review included assessing the documentation provided by Queensland Rail to support its claim, as well as undertaking a first-hand inspection of track and signalling infrastructure. Arcadis found that:

- projects had been generally developed and implemented to ensure the network performs safely and reliably – with the works being reasonable and necessary to meet relevant standards and with no evidence of 'gold-plating' or additional unnecessary work being undertaken
- project costs fell within current industry expectations and benchmarks – taking into account the nature of the terrain, topography and accessibility of these works; and given tight labour and resources markets
- Queensland Rail had sought to take current and future demand into account in its capital works program, despite ongoing uncertainty with future demand forecasts
- there are opportunities for efficiency gains – including considering adopting a preventive approach (rather than fix-on-fail) and taking advantage of opportunities to combine works to reduce the costs of mobilising and demobilising resources.

Arcadis' report is available on our website.

QCA assessment and decision

Based on the information available to us, we are satisfied that Queensland Rail's claim for $43.4 million (plus $1.5 million in IDC) in capital expenditure meets the criteria for prudency under AU2.

We consider that the scope and standard of the works are prudent. Many of these continue existing programs of works that have been assessed previously, or they reflect works that are necessary to maintain the safe and reliable operation of the network. We consider the projects have been undertaken having regard to the current demand outlook and operating conditions and note Queensland Rail continues to use largely operational restrictions to manage network issues.

We also consider that the costs of the works are prudent, based on consideration of industry benchmarks, our previous assessments, Arcadis' advice, and the nature of the works. For the most part, the 2022–23 costs fall within current industry standards and expectations. Where the costs are higher, these can be explained by the nature of the works undertaken and current challenging market conditions for labour and other resources.