

3 December 2018

Mr Charles Millsteed
Chief Executive officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

By internet portal: www.qca.org.au

Dear Mr Millsteed

Pacific National Response to the Aurizon Network Submission 2017-18 Capital Expenditure Report (Amended) to QCA

Pacific National welcomes the opportunity to provide comment on the Aurizon Network report to the Queensland Competition Authority (QCA) on its 2017-18 Capital Expenditure (the Report).

Pacific National notes that Aurizon Network has submitted its 2017-18 capital expenditure report claim to the QCA on 31 October 2018, but the report was subsequently amended on 16 November 2018 to remove a ground penetrating radar program as it was included in error and remove two incomplete projects. These revisions resulted in capital expenditure being reduced by \$1.66 million.

Pacific National welcomes the amendments to the Report but the fact remains that there were errors in the original Report which raises concerns that there may be further, as yet unidentified, errors in the Report. Consequently, Pacific National is seeking that the QCA closely review all of the capital expenditure costs in the Report in order to ensure that:

- all of the capital expenditure being approved meets the requirements of the 2016 Aurizon Network Access Undertaking (and in particular meets the prudent and efficient cost criteria in Schedule E of this Access Undertaking);
- there is no double counting of costs as both operating costs and capital costs; and
- all capital costs in the Report relate to completed projects.

As the QCA is aware Aurizon Network has a strong incentive to include all capital costs in the Report, not just prudent and efficient costs. Pacific National is seeking that the QCA continue to be vigilant in reviewing costs and identifying those costs which are not prudent and efficient. Identify need for QCA to vigilant in its review of costs.

If you wish to discuss this submission further please contact me on 02 8484 8056.

Yours sincerely



Stuart Ronan
Access and Regulation
Pacific National