

George Passmore  
Director Business Performance  
Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane QLD 4000

## **FY19 Capital Expenditure – Amendment**

22 November 2019

Dear George,

Aurizon Network submitted in October 2019 its Capital Expenditure claim (**CAPEX Claim**) for the Financial Year 1 July 2018 to 30 June 2019 (**FY19**). The aim of the CAPEX Claim is to recognise the prudence of invested capital and therefore allow for the capital expenditure to be included within the Regulatory Asset Base for recovery via Reference Tariffs. Upon receipt of the CAPEX Claim, the QCA subsequently reviews the projects and expenditure in line with the prudence and efficiency criteria detailed in Clause 2 of Schedule E of the 2017 Access Undertaking (**the Assessment**).

In November 2019, the QCA engaged Flagstaff Consultancy Group (**Flagstaff**), to assist the QCA with the Assessment of the CAPEX Claim.

As part of the Assessment, Flagstaff provided Aurizon Network with a Request for Information (**RFI**) for Project IV.00323 (**the Project**). This Project in question relates to track upgrades, with a negative value of (\$1.1m) (i.e. an expenditure reversal).

The Project is part of Aurizon Network's ongoing track renewal program and includes multiple packages of work to be completed at 26 different locations across the CQCN. Capital expenditure associated with the Project was included within the FY18 Capital Claim and was subsequently approved by the QCA.

While the costs approved by the QCA in FY18 Capital Claim were legitimately incurred, Aurizon Network has subsequently identified that the completion of the full Callemondah package of work within the Project had been delayed until FY20 due to access constraints.

In completing the FY19 CAPEX Claim, Aurizon Network initially sought to reverse the costs associated with the Callemondah package of work (\$1.1m) until such time as the works were fully completed and transferred to Aurizon Network's Fixed Assets Register (**FAR**).

However, as the costs were:

- legitimately incurred in FY18;

- attributable to completed overhead line works and materials that were physically delivered to site; and
- approved by the QCA as prudent and efficient in FY18.

Aurizon Network no longer believes that the reduction of (\$1.1m) is required within the FY19 CAPEX Claim.

To support the amended FY19 CAPEX Claim with the Project removed, please refer to Appendix A, which provides an amended FY19 Capital Expenditure Project Listing.

Should you have any enquiries, please contact Jenna Cameron on 07 3019 1123 or via email [jenna.cameron@aurizon.com.au](mailto:jenna.cameron@aurizon.com.au)

Kind regards,



Jon Windle  
Manager - Regulation  
Aurizon Network

## Appendix A: Amended FY19 Capital Expenditure Project List

Project Number	Project Name	Project Type	Project Discipline	Asset Type	System	Claimable Expenditure (pre-escalation)
<b>MATERIAL PROJECTS</b>						
IV.00425	Rail Renewal Program Package 1	Capital Renewal	Civil	Rail	System Wide	26,572,373
IV.00446	Structures Renewal Package 1	Capital Renewal	Civil	Structures	System Wide	15,465,451
IV.00476	Track Renewal Package 1	Capital Renewal	Civil	Track	System Wide	15,193,594
IV.00461	Turnout Renewal Package 1	Capital Renewal	Civil	Turnouts	System Wide	14,053,345
IV.00452	Formation Renewal Package 1	Capital Renewal	Civil	Formation / Ballast	System Wide	9,851,560
IV.00449	Bridge Ballast Renewal Package 1	Capital Renewal	Civil	Formation / Ballast	System Wide	8,567,512
IV.00455	Control Systems Renewal Package 1	Capital Renewal	Systems	Network Controls	System Wide	6,875,112
IV.00473	Sleeper Renewal Package 1	Capital Renewal	Civil	Sleepers	System Wide	6,317,874
IV.00577	East End Fishermans Landing Infra Upgrade	Other	Civil	Track	Blackwater	4,858,621
IV.00458	Level Crossing Renewal Package 1	Capital Renewal	Systems	Level Crossings	System Wide	4,048,374
<b>Sub total</b>						<b>\$111,803,815</b>

Project Number	Project Name	Project Type	Project Discipline	Asset Type	System	Claimable Expenditure (pre-escalation)
<b>OTHER PROJECTS</b>						
IV.00049	Radio System Replacement	Capital Renewal	Systems	Network Controls	System Wide	3,609,098
IV.00437	Callide Infrastructure Upgrade	Other	Civil	Track	Moura	2,298,631
IV.00555	FY19 Minerva Infrastructure Upgrade	Other	Civil	Track	Blackwater	1,379,635
IV.00470	Corridor Security Package 1	Capital Renewal	Corridor	Corridor Access	System Wide	1,381,137
IV.00399	2017 Cyclone Debbie Rectification	Capital Renewal	Civil	Various	System Wide	1,156,299
IV.00329	Structures Renewal FY18	Capital Renewal	Civil	Structures	System Wide	926,232
IV.00004	Traction Fault Locator Renewal	Capital Renewal	Electrical	Electrical	System Wide	881,498
IV.00376	FY18 Access Points	Capital Renewal	Corridor	Corridor Access	System Wide	843,497
IV.00346	Package 1 FY18 Control Systems Renewal	Capital Renewal	Systems	Network Controls	System Wide	815,826
IV.00503	Power Systems Renewal Package 1	Capital Renewal	Systems	Network Controls	System Wide	835,307
IV.00283	Traction SCADA System	Capital Renewal	Systems	Network Controls	System Wide	811,715
IV.00364	Turnout Renewal FY18	Capital Renewal	Civil	Turnouts	System Wide	696,543
A.04313	Gauge Face Lubrication Asset Renewal	Capital Renewal	Civil	Track	System Wide	564,946
IV.00334	Bridge Ballast Renewal Program FY18	Capital Renewal	Civil	Formation / Ballast	System Wide	493,610
IV.00467	Access Roads Package 1	Capital Renewal	Corridor	Corridor Access	System Wide	478,621
IV.00321	Sleeper Renewal Program FY18	Capital Renewal	Civil	Sleepers	System Wide	336,966
IV.00344	Formation Renewal FY18	Capital Renewal	Civil	Formation / Ballast	System Wide	330,989
IV.00374	CQ Access Roads FY18	Capital Renewal	Corridor	Corridor Access	System Wide	337,699
IV.00360	Network Asset Mgt System Tranche 2	Capital Renewal	Systems	Systems	System Wide	323,399
IV.00343	Level Crossings Renewal Program FY18	Capital Renewal	Systems	Level Crossings	System Wide	311,435
IV.00322	Rail Renewal FY18	Capital Renewal	Civil	Rail	System Wide	210,734
IV.00154	FY17 Autotransformer Renewal Project	Capital Renewal	Electrical	Power Systems	System Wide	185,545
IV.00145	Track Upgrade FY17	Capital Renewal	Civil	Track	System Wide	154,769
A.01731	WIRP1: DINGO TO BLUFF DUPLICATION	Growth	Civil	Track	Blackwater	108,391
A.04599	Havilah Culverts Upgrade	Growth	Expansion	Structures	Newlands	73,476
IV.00495	Coppabella Walkways Relocation	Other	Corridor	Corridor Access	Goonyella	59,417

Project Number	Project Name	Project Type	Project Discipline	Asset Type	System	Claimable Expenditure (pre-escalation)
OTHER PROJECTS continued						
A.02976	WIRP1: North Coast Line	Growth	Civil	Track	Blackwater	47,818
IV.00184	Network Capacity Model	Capital Renewal	Systems	Systems	System Wide	30,469
IV.00040	Train Detection Renewal Program	Capital Renewal	Systems	Network Controls	Goonyella	14,961
IV.00261	Telecommunications Infrastructure Renewal	Capital Renewal	Systems	Telecommunication	System Wide	7,105
A.03686	WIRP1: MOURA SYSTEM UPGRADE	Growth	Civil	Track	Moura	7,189
IV.00266	Transmission Renewal FY17	Capital Renewal	Systems	Network Controls	System Wide	6,281
A.03735	WIRP1: Bauhinia NORTH Upgrade	Growth	Civil	Track	Blackwater	1,194
IV.00465	Access Points Package 1	Capital Renewal	Corridor	Corridor Access	System Wide	0
IV.00506	Electrical Overhead Renewal Package 1	Capital Renewal	Electrical	Electrical	System Wide	0
IV.00177	Structures Renewal FY17	Capital Renewal	Civil	Structures	System Wide	-16,709
IV.00316	Access Points Renewal Program	Capital Renewal	Corridor	Corridor Access	System Wide	-56,746
IV.00384	OH Equipment Renewal FY18	Capital Renewal	Electrical	Electrical	System Wide	-113,497
IV.00144	Rail Renewal FY17	Capital Renewal	Civil	Rail	System Wide	-117,009
<b>Sub total</b>						<b>\$19,416,471</b>
<b>TOTAL</b>						<b>\$131,220,286</b>