

Private incremental cost – Olive Downs Complex

18 April 2024

The Queensland Competition Authority (QCA) is considering approving \$125.2 million as the prudent and efficient value of the private incremental costs associated with the Olive Downs Complex in accordance with clause 6.3.2 of Aurizon Network's 2017 access undertaking.

Aurizon Network's 2017 access undertaking (UT5) provides for us to approve the prudent and efficient value of private incremental costs (PIC) associated with private infrastructure, if requested by an access seeker or Aurizon Network. In doing so, we:

- must be satisfied this expenditure is for the prudent and efficient value of the assets that are used to provide the relevant train services over private infrastructure¹
- may have regard to the scope of works, standard of works and cost²
- may approve all, or part, of the claim (adjusting the PIC as we consider appropriate).³

Private incremental cost claim

On 21 December 2023, Pembroke Resources (Pembroke) made a PIC application regarding rail infrastructure it had constructed to transport coal from the Olive Downs Complex to Aurizon Network's Goonyella system (Figure 1). The claim is \$125.2 million⁴ for an electrified 6.71 km balloon loop and 12.04 km spur line.

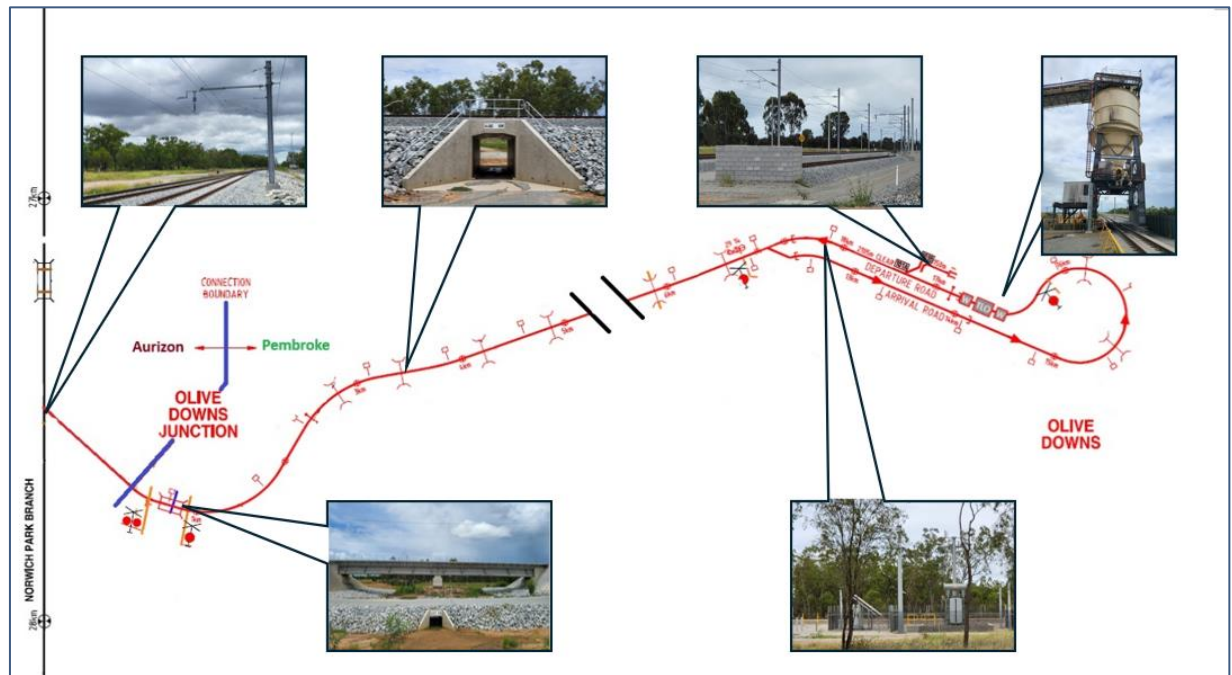
¹ UT5, cl 6.3.2(a).

² UT5, cl 6.3.2(b).

³ UT5, cls 6.3.2(e)(i), (g).

⁴ The original application was for an indicative amount of \$126m, which was subsequently amended to reflect finalised costs.

Figure 1: Olive Downs Balloon Loop and spur line



Engineering consultant's assessment

We engaged Arcadis to provide engineering advice on the prudence and efficiency of the PIC claim.

Arcadis assessed the claim items and reported on them based on a site visit to the entire facility, a desktop review of the documentation Pembroke Resources initially provided, as well as information subsequently provided throughout the review to further explain and substantiate the claim.

Overall, Arcadis found the scope and standard of all works to be prudent and efficient, given the reasonable requirements to ensure a reliable and safe railway, the anticipated future demand and capacity levels, and the expected mine life.

Arcadis found that the overall cost of the works appears to be reasonable, considering similar works and environmental and regulatory considerations. While some cost elements sat beyond its benchmark range, Arcadis considered these costs could be explained by the scale and nature of the work (including the relatively short length of the loop), site specific-factors and increased labour and material costs due to construction during the pandemic. Given these factors, Arcadis considered the works to be prudent and efficient.

Arcadis' draft report is available on our [website](#).

As with all assessments, Arcadis' advice is one input into our overall assessment.

QCA assessment and decision

Based on the information provided to date, including information supplied by Pembroke Resources, information gathered first-hand when inspecting the site, and advice from Arcadis, we are considering accepting \$125.2 million as the prudent and efficient value of the assets that are used to provide train services over private infrastructure for the Olive Downs Complex.

We accept that the works that are the subject of the PIC claim are of a prudent standard to meet the project scope and are not oversized – the design and configuration of the works are appropriate and fit for purpose, given the expected mine life, demand and capacity levels.

While some cost elements are at the higher end of industry norms, we accept that the overall amount claimed is prudent and efficient, given the required design life, ongoing industry-wide cost increases and additional costs associated with construction during the pandemic.

Accordingly, based on all information available, we are considering approving \$125.2 million as the prudent and efficient value of the PIC associated with the Olive Downs Complex.

Stakeholder feedback

We are considering approving \$125.2 million as the prudent and efficient value of the PIC relating to the Olive Downs Complex. We invite stakeholders to make comments by 10 May 2024.