



George Passmore
Director of Business Performance
Queensland Competition Authority
Level 27, 145 Ann St
Brisbane, QLD 4001

Infrastructure Rebates and GAPE RCS DAAU

6 August 2024

Dear George,

Aurizon Network has prepared this correspondence to respond to the Queensland Resources Council's (**QRC**) submission on the GAPE Remote Control Signalling (**RCS**) component of the Infrastructure Rebates and GAPE RCS Draft Amending Access Undertaking (the DAAU).

The cessation of the full amount of the GAPE RCS deferral is prudent as:

- within the FY2014 Capital Expenditure Claim, the QCA has assessed and approved the investment in the GAPE RCS as being prudent and efficient based on the information known at the time the investment was made;
- the decision to defer the complimentary investment in the Newlands RCS was prudent and efficient based on new information regarding reduced demand for GAPE Services;
- the decision to defer investment in the Newlands RCS until demand reached an appropriate level was made with the full knowledge of, and agreement with, GAPE Customers;
- the decision to defer the GAPE RCS until completion of investment in the Newlands RCS was accepted by the QCA as being prudent in the UT4 Final Decision; and
- the decision to install the Newlands RCS was approved by the QCA and the Independent Expert as the most efficient and effective means of addressing the Existing Capacity Deficit in the Newlands and GAPE Systems through the relevant Transitional Arrangements.

The timing for the cessation of the deferral is therefore determined by the timing for installation of the Newlands RCS which itself was a function of the demand for Trains Services on the Newlands Shared Corridor.

Value of the GAPE RCS Assets

Aurizon Network acknowledges that some assets comprising the GAPE RCS will have physically depreciated. However, a substantial proportion of the GAPE RCS investment have technical lives in excess of 10 years as they relate to civil and structures assets associated with cabling.

In addition, consideration of the impact of the inclusion of the present value of the original GAPE RCS investment on GAPE Reference Tariffs should be in the context of overall prices. In this regard, the GAPE Project costs have been subject to accelerated depreciation such that the accumulated regulatory depreciation materially exceeds the physical capital depreciation. As such, the inclusion of the present value of the deferred GAPE RCS investment would not result in a GAPE RAB value which exceeds its replacement cost. Consequently, there are no efficiency grounds to exclude part or all of, the deferred GAPE RCS investment from GAPE Reference Tariffs as implied by the QRC submission.

Lastly, the RAB is maintained consistent with the principal of financial capital maintenance and therefore the Approved WACC was the appropriate basis for indexation of deferred capital. This has been reflected in RAB Roll-forward Reports approved by the QCA under Schedule E, clause 1.3(f) of the approved Access Undertaking.

Should you have any questions in relation to this submission please contact Dean Gannaway.

Kind regards,



Jon Windle
Manager - Regulation
Aurizon Network