

File Ref: 632515

10 October 2013

Mr Michael Carter
Chief Executive Officer
Aurizon Network Pty Ltd.
GPO Box 456
BRISBANE QLD 4001

Dear ~~Mr Carter~~ *Mike*

Final approval: Aurizon Network's 2011-12 capital expenditure

Today the QCA approved Aurizon Network's application for the approval of \$1,303,974,285 in capital expenditure for 2011-12.

Context

Aurizon Network submitted its initial 2011-12 capital expenditure application on 30 November 2012. This application was amended on 7 August 2013.

On 22 August 2013, the QCA made a draft decision to approve the amended claim.

Stakeholder consultation

We published our draft decision on our website, along with consultants' reports, and invited stakeholders to comment on any aspect of these documents. The deadline for submissions was 20 September 2013. While the QCA did not receive any written submissions, we were asked to take into account submissions that had been made in relation to the Blackwater electric tariff draft amending access undertakings (DAAUs).

In submissions on the Blackwater electric tariff DAAUs, stakeholders argued that the upgrades to the Blackwater electric infrastructure had been delayed, resulting in some users being forced to rely on diesel rather than electric traction locomotives. They argued that if this resulted in an under-utilisation of the Blackwater electric assets, then Aurizon Network should face an asset stranding risk.

In the context of the assessment of the 2011-12 capital expenditure application, the QCA notes that:

- (a) we have already pre-approved the scope of the Blackwater feeder stations (February 2007 and April 2009) following earlier customer vote processes
- (b) under-utilisation of constructed assets is not a relevant consideration for the QCA in considering the prudence of the standard and costs of the works.

Accordingly, the QCA does not consider that stakeholders' concerns about the Blackwater feeder stations can be addressed as part of this decision on the 2011-12 capital expenditure application. Nevertheless, they are matters that we will take into account in considering the April 2013 Blackwater electric tariff DAAU.

Final approval

The QCA has considered Aurizon Network's application for the approval capital expenditure for 2011-12 in accordance with Schedule A of the 2010 access undertaking. In considering its decision, the QCA had regard to the approval criteria set out in Schedule A of the 2010 undertaking, the supporting information provided by Aurizon Network and the reports prepared for the QCA by SKM and RSM Bird Cameron.

This final approval provides Aurizon Network with written notice of the QCA's decision to approve Aurizon Network's application for the approval of \$1,303,974,285 in capital expenditure for 2011-12. The list of projects approved was detailed in Table A3 of our draft decision, published on the QCA's website in August 2013, and a summary is attached to this letter.

Yours sincerely



Malcolm Roberts
Chairman

Table 1: Summary of Aurizon Network's Approved 2011-12 Capital Expenditure

<i>Type</i>	<i>Name</i>	<i>Total Claim (\$ millions)</i>
Capacity Enhancements		
	Wycarbah Feeder Station	49.84
	Raglan Feeder Station	49.72
	Duaringa feeder Station	44.83
	Bluff Feeder Station	40.24
	GAPE	816.32
	GAPE Expansion	148.51
	GAPE Long Lead Items	37.97
	GAPE X70 - X100 Early Works	17.29
	GAPE Electrification Phase	10.00
	<i>Sub-total</i>	<i>1,214.72</i>
Asset Replacements		
	<i>Sub-total</i>	<i>85.64</i>
Post-Commissioning		
	<i>Sub-total</i>	<i>3.60</i>
Telecommunications		
	<i>Sub-total</i>	<i>0.02</i>
Total		1,303.97