

Draft Costing Manual 2020

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Part 1 Purpose and scope of the Costing Manual

1.1 Background

- (a) Queensland Rail Limited [ABN 71 132 181 090] (Queensland Rail) has an Undertaking that provides the framework for negotiations with access seekers for Access to Rail Infrastructure for the purpose of operating Train Services.
- (b) The intent of the Undertaking is to ensure that Access negotiations are conducted expeditiously and on a commercial basis. The Undertaking seeks to ensure that there will be no cross subsidy between individual Train Services or between combinations of Train Services. It also outlines pricing principles to be employed in determining applicable Access Charges.
- (c) Queensland Rail is an integrated railway provider, in that it provides both Below Rail Services as a Railway Infrastructure Manager and passenger Above Rail Services as a Railway Operator. Queensland Rail Limited's Constitution precludes it from providing Above Rail freight services.
- (d) Under the *Queensland Competition Authority Act 1997* (QCA Act) Queensland Rail is required to keep accounting records for the declared service (ie. the provision of Below Rail Services) separate from its accounting records for other operations.
- (e) Consistent with this obligation, the Undertaking requires the production of separate Financial Statements for the Below Rail Services provided by Queensland Rail. These Financial Statements will take the form of a statement of assets, a statement of earnings before interest and tax and a statement of investments.

1.2 Legislative context

- (a) This Manual has been prepared in accordance with the requirements of Section 159 of the QCA Act.

1.3 Purpose

- (a) This Manual provides the framework for the Identification, Attribution and Allocation of assets, costs, revenues and investments relating to the Below Rail Services provided by Queensland Rail and the development of Financial Statements required in accordance with the Undertaking.
- (b) This Manual also acts as a means of informing the audit and review processes required by the QCA.
- (c) The Financial Statements prepared using this Manual assist in providing for the information needs of the QCA and of access seekers who may seek to negotiate Access.

1.4 Scope of Costing Manual

- (a) This Manual is required to set out:
 - (i) The process for identifying, from Queensland Rail's audited General Purpose Financial Statements (GPFS) and other accounting records, the cost base for Below Rail Services provided by Queensland Rail — separate from other services provided by Queensland Rail.
 - (ii) Within the cost base for Below Rail Services provided by Queensland Rail, the process for identifying assets, costs, revenue and investments attributable to specified Geographic Regions and allocation of Network Wide assets, costs, revenue and investments not attributable to any specified Geographic Region.
 - (iii) The format of the Financial Statements.

- (b) Section 5.3.1 of the Undertaking requires Queensland Rail to “...publicly release Financial Statements in relation to the preceding year...in accordance with the processes outline in the Costing Manual and consistent with the format specified in the Costing Manual”. This Manual sets out the process for identifying assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to Geographic Regions and Network Wide.
- (c) The Manual sets out the methodology for allocating assets, costs, revenues and investments to Geographic Regions including the West Moreton System, Mount Isa Line and North Coast Line as required by the Undertaking.

1.5 Duration of the Costing Manual

- (a) The Manual will take effect on the date it is approved by the QCA (the Commencing Date).
- (b) The Manual will apply to the annual Financial Statements prepared for each financial year commencing from the financial year in which the Manual is approved and will expire on 30 June 2025, subject to paragraph (d).
- (c) If, at any time during the term of the Manual, the QCA ceases to be the regulator of Queensland Rail's Below Rail services, Queensland Rail may withdraw the Manual.
- (d) If, at any time during the term of the Manual, Queensland Rail does not have an approved Undertaking, Queensland Rail may elect not to publish the annual Financial Statements in accordance with section 5.3.1 of the Undertaking and Part 6 of the Manual.
- (e) Apart from the circumstances identified in paragraph (d), Queensland Rail may withdraw the Manual at any time, provided it has received written agreement to such withdrawal by the QCA.

1.6 Review of Costing Manual

- (a) If, at any time during the term of the Manual, Queensland Rail is of the view that changes to the Manual are desirable, Queensland Rail may submit amendments to the QCA including changes to the Standard Allocators specified in Schedule C.
- (b) Where amendments to the Manual are submitted to the QCA, the QCA must consider the amendments to the Manual, and approve, or not approve them. If the QCA does not approve the amendments to the Manual, the previously approved Manual will continue to apply.
- (c) If the QCA approves the amendments, the amended Manual will apply from either the date of the QCA's approval or another date as approved by the QCA.
- (d) The QCA may, from time to time, revise the Manual as set out in section 159 of the QCA Act.

Part 2 Costing Framework

2.1 Organisational structure

- (a) Queensland Rail's organisational structure has two distinct operating businesses focused on the provision of services for Regional Queensland and South East Queensland. The two operating businesses are supported by a Corporate Centre which provides the strategic direction and technical expertise for the businesses and leads the development of key capabilities across Queensland Rail.
- (b) Schedule D of this Manual shows Queensland Rail's organisation structure. The two key operating business accountabilities are:
 - (i) Head of Regional who is responsible for:
 - a. Above Rail Travel and Tourism services
 - b. Below Rail Services outside SEQ including maintenance and construction
 - c. Regional train control and train operations management
 - d. Regional project delivery (excluding major projects)
 - e. Below Rail customer interface including business development
 - f. Supporting services including regional specific finance, safety and HR services.
 - (ii) Head of South East Queensland who is responsible for:
 - a. Above Rail Citytrain services
 - b. Below Rail Services for SEQ including maintenance and construction
 - c. Train control and train operations management
 - d. SEQ project delivery (excluding major projects such as Cross River Rail)
 - e. Supporting services including SEQ specific finance, safety and HR services.
 - (iii) All other Groups shown on Schedule D form part of the Corporate Centre and either corporate overhead or corporate services that support the two operational businesses. The Group Executive Major Projects Integration is responsible for the delivery of specific major projects including integration with projects delivered by third parties.
- (c) The provision or procurement of appropriate levels of maintenance and investment in stations and platforms in the Regional and SEQ businesses is to be treated as Above Rail services and is not included in Below Rail Services provided by Queensland Rail.
- (d) The principles of cost Identification, Attribution and Allocation recognise that Queensland Rail's organisational structure may change over time. The Identification, Attribution and Allocation of assets, costs, revenues and investments are based on functions regardless of the area within Queensland Rail that provides them.
- (e) The principles in the Manual have been developed on this basis, however at any point in time costing information will be drawn from responsibility-based accounts reflecting Queensland Rail's current organisational structure.

2.2 Costing Principles

- (a) All costs, revenues, asset and investments must be Identified, Attributed or Allocated as Below Rail Services, Above Rail Services or Other Services.

- (b) The fundamental principle underlying Queensland Rail's approach to costing is that, wherever possible, assets, costs, revenues and investments are directly Identified or Attributed to a function, and functions are directly Identified or Attributed as a Below Rail Service, Above Rail Service or Other Service provided by Queensland Rail.
- (c) Assets, costs, revenues and investments are only Allocated to a function/service where it is not possible or practical to disaggregate those costs and assets in a manner that allows for them to be directly Identified or Attributed to a function/service. This principle avoids the application of general rules of Allocation applying to all circumstances.
- (d) The general approach described in the Manual is based on the following:
 - (i) Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services, those costs and assets are directly Identified as Below Rail Costs;
 - (ii) Where costs are incurred, or assets are used, in common for the provision of Below Rail, Above Rail and/or Other Services, and where there is a causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Attributed on a reasonable basis of cost causality; and
 - (iii) Where assets, costs, revenues and investments are used jointly for the provision of Below Rail, Above Rail and/or Other Services, and where there is no direct causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Allocated on a reasonable basis.
- (e) In order to achieve the requirements under the Act while operating within the fundamental principle identified in paragraph (a), Queensland Rail applies this costing methodology so that:
 - (i) All assets, costs, revenues and investments must be Identified, Attributed or Allocated as Below Rail, Above Rail or Other Services;
 - (ii) Within each of these overarching categories, allocation of costs and assets is minimised. Costs, revenue and assets not Identified directly to a Geographic Region are Identified to the functions and the type of activity for which they are incurred. For example, costs incurred in providing regional train control services are Identified and then Allocated to the Geographic Region across which the train control services are provided.
- (f) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (g) The Manual establishes a methodology for the Identification, Attribution and Allocation of costs based on the accounting information available and methodologies applicable at the time of its development. Where, in the future, costs or assets are Identified for which the Identification, Attribution or Allocation methodology has not been explicitly defined within this Manual, Queensland Rail will, as far as reasonably possible, Identify, Attribute or Allocate these costs and assets in a manner consistent with the methodology and principles defined within the Manual.
- (h) In certain circumstances this Manual adopts Standard Allocators, including for the allocation of West Moreton Region's, Mount Isa Region's and North Coast Region's respective share of assets, costs, revenues and investments Identified as attributable to the network as a whole. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.
- (i) In some situations there is no information available on Below Rail usage of the asset or function (eg. functions such as administration buildings or corporate overheads). In these circumstances, it is appropriate to use Standard Allocator "A" (see Schedule C) for allocating a share of the asset or function to Below Rail Services.

(j) Calculations and adjustments used to Identify, Attribute or Allocate costs must not result in any item being counted more than once.

(k)

2.3 Internal Costing Accounts

- (a) Queensland Rail produces internal Costing Accounts on a regular to provide information on the costs of providing various business activities. The information in the Costing Accounts reconcile to Queensland Rail's audited GPFS which are publicly available.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities. This information is also used to separate assets, costs and revenue into Below Rail, Above Rail or Other Services with the resulting information forming the basis for the Financial Statements.
- (c) For financial accounting purposes all transactions are booked to an appropriate account code. The account code is constructed to allow Identification of:
- (i) the nature of the activity requiring the transaction
 - (ii) the element of activity (eg labour, materials)
 - (iii) the responsible cost centre and manager.
- (d) This financial account coding is designed to meet the requirements for Queensland Rail's general ledger and the objectives of responsibility management. This financial account coding and underlying information is collected so that it is suitable for functional cost analysis.
- (e) The functional cost analysis process represents the financial accounts to reflect the functional activities that give rise to the costs and assets, using physical resource and empirical measures to Attribute and Allocate those costs and assets that cannot be directly Identified to a function.
- (f) Queensland Rail's Costing Accounts requires some reclassification of costs and assets in order to ensure that functional costs are accurately Identified for the purpose of the Below Rail Financial Statements.
- (g) Internal cost transfers recorded in the accounts of Queensland Rail shall, where applicable, be added to the costs, revenues and investments of the Below Rail Services, with the following exceptions:
- (i) Any internal lease/capital charge associated with Queensland Rail assets is to be excluded;
 - (ii) Internal charges or transfers calculated using a methodology that is inconsistent with the Manual are to be excluded and replaced with amounts calculated in accordance with the Manual;
 - (iii) Internal Access charges not included in the internal transfers are to be added as Below Rail Revenue and added to the cost base of Above Rail Services for the purposes of preparing the Financial Statements;
 - (iv) Internal Telecommunications backbone charges not included in the internal transfers are to be added as Below Rail Revenue and added to the cost base of Queensland Rail for the purpose of preparing the Financial Statements. Notwithstanding (i) above, internal telecommunications backbone charges may include a return on assets charge when charged to Above Rail Services;
 - (v) If internal transfers do not include an Allocation for corporate service or corporate overhead costs, an Allocation is to be added to the case base of Queensland Rail for the purpose of preparing the Financial Statements.

- (h) For maintenance of Rail Infrastructure, a standard costing system using work orders underlies and balances to the general ledger. The work order system allows for the Identification of costing information at an activity level, which then permits a functional analysis of such costs. Work orders typically incorporate a description of the nature of the activity undertaken and the asset (assets are linked to location), eg track section code, station code, etc;
- (i) For activities other than maintenance of Rail Infrastructure, information is drawn from the account code (primarily the responsible cost centre and manager) and supporting information, such as supporting transaction explanations to undertake a functional analysis of these costs. Where supporting information does not provide sufficiently detailed information regarding the functions undertaken at a particular location, Queensland Rail may undertake surveys in order to gain such detailed information.
- (j) The assets, costs and revenue associated with each function are then separated into Below Rail, Above Rail or Other Services in accordance with the process set out in Part 4 of the Manual.
- (k) Compilation of the internal costing accounts must be fair and reasonable and reflect relevant underlying activity.

2.4 Revenue Netting Off

- (a) The internal Costing Accounts adopts the practice of netting off certain non-sales revenue against expense items to obtain more reliable results for costing core Queensland Rail businesses.
- (b) Sales Revenue as reported in Queensland Rail's audited GPFS is to be treated as revenue in Queensland Rail's Costing Accounts.
- (c) Other Revenue reported in Queensland Rail's audited GPFS is to be analysed by cost centre, account and (if necessary) transaction type and treated for Queensland Rail's Costing Accounts purposes as either:
 - (i) Revenue that is in the nature of sales revenue; or
 - (ii) Offset against costs in the following instances:
 - i. Gain on sale offsets (which are to be offset against loss on disposal)
 - ii. Government grants for apprentice and trainee training;
 - iii. Diesel fuel excise credits received;
 - iv. Revenue from the sale of scrap material; and
 - v. Where an Allocation for corporate overhead is added to the Below Rail cost base for the purposes of preparing the GPFS, all non-sales revenue of corporate overhead areas and corporate service areas.

Part 3 Separation of below rail assets, costs, revenue and investments

- (a) Section 5.3.1 of the Undertaking requires Queensland Rail to “...publicly release Financial Statements in relation to the preceding Year...in accordance with the processes outline in the Costing Manual and consistent with the format specified in the Costing Manual.”

3.2 Separation of Below Rail assets

3.2.1 Classification of Assets

- (a) Assets shall be classified as Below Rail, Above Rail or Other Services by determining the function for which the assets are required. In some instances, Attribution or Allocation of assets may be required in order to align with the Identified functions. Queensland Rail’s major asset categories are shown in Table 3.1.
- (b) Where assets are identified as Below Rail, they are to be classified to Geographic Regions or Network Wide by determining the function for which the assets are required. In some instances, Attribution of assets may be required to align with the Identified geographical categories.

Table 3.1 Queensland Rail Asset Categories

	Below Rail Services	Above Rail Services	Other Service	Joint
Fixed Assets				
Land	Identified	Identified	Identified	
Buildings	Identified/ attributed	Identified/ attributed		Allocated
Rollingstock	Identified	Identified		
Plant and equipment <ul style="list-style-type: none"> Infrastructure equipment Other plant & equipment 	Identified Identified	Identified Identified	Identified Identified	Allocated
Motor vehicles	Identified	Identified	Identified	Allocated
Computers & miscellaneous	Identified	Identified	Identified	Allocated
Trackwork & civil works	Identified	Identified		
Signals <ul style="list-style-type: none"> Control systems Field signals 	Identified Identified	Identified Identified		
Traction Power Equipment <ul style="list-style-type: none"> Distribution equipment Supply equipment 	Identified	Identified Identified		
Telecommunications <ul style="list-style-type: none"> Backbone network Customer premises equipment 	Identified Identified	Identified		Allocated
Facilities	Identified / Attributed	Identified / Attributed		Allocated
Assets under construction	Identified	Identified		Allocated
Other Assets				
Intangible Assets	Identified	Identified	Identified	Allocated
Receivables	Identified	Identified	Identified	Allocated
Inventories	Identified	Identified	Identified	Allocated
Prepayments	Identified	Identified	Identified	Allocated
Investments			Identified	
Cash, deferred income tax assets, deferred leases			Identified	

3.2.2 Fixed Assets

- (a) Details of fixed assets are recorded on Queensland Rail's fixed asset register, including each asset's cost centre, class, description and physical location. The location of assets as recorded on the fixed asset register is to be the primary means of identifying assets to Corridors or Geographic Regions.
- (b) Separation of the fixed assets into Below Rail, Above Rail or Other Services provided by Queensland Rail shall be based on an analysis of cost centre data in Queensland Rail's fixed asset register to Identify assets to functions. These assets are associated with the functions provided by those areas within Queensland Rail and then Identified, Attributed or Allocated in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services, considering the asset class, description and location.
- (c) In analysing the fixed asset's cost centre data the following general principles are to be followed:
 - (i) Infrastructure assets required for the provision of Below Rail Services can be Identified by the asset's cost centre as being Below Rail (eg. Rail Infrastructure excluding stations and platforms) or Above Rail (e.g. stations, rollingstock depots, rollingstock stabling facilities);
 - (ii) Control centres and associated equipment are Below Rail unless otherwise attributable
 - (iii) Assets of Travel Train and CityTrain are Above Rail unless otherwise attributable
 - (iv) Assets of Corporate Overhead / corporate services areas are Allocated to Above Rail and Below Rail using Standard Allocator "A" (see Schedule C), unless otherwise attributable.
- (d) Below Rail assets to be Identified to Corridors or Geographic regions directly from fixed asset register location information are Permanent Way, Traction Power Distribution Equipment, Traction Power Supply Equipment, Infrastructure Facilities Control Systems and Field Signals.

Asset type	Treatment
Land	<ul style="list-style-type: none"> (a) Land assets exclude corridor land, as Queensland Rail subleases the corridor land from Department Natural Resources, Mines and Energy so Queensland Rail does not own the corridor land. (b) Land assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each parcel of land. Once land assets are Identified to areas within Queensland Rail, these assets become associated with the functions provided by those areas within Queensland Rail. Land Identified in the fixed asset register as surplus shall be treated as Other Services. (c) Land assets are to be identified with Corridors except for land held for maintenance depts which are to be reported against Geographic Regions or as Network Wide.
Buildings	<ul style="list-style-type: none"> (a) Buildings recorded in Queensland Rail's Asset Register are described according to the type of building and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each building. To the extent that more than one function is associated with a building, that building is Attributed between those functions. (b) Queensland Rail buildings, or portions thereof, shall be then Attributed or Allocated to Below Rail or Above Rail Services provided by Queensland Rail in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail or Above Rail Services provided by Queensland Rail.
Rollingstock	<ul style="list-style-type: none"> (a) Rollingstock assets recorded on Queensland Rail's fixed asset register are generally for the conveyance of passengers and are therefore Above Rail. Certain special purpose non-revenue vehicles used for infrastructure maintenance (eg. ballast, sleeper and rail wagons) or inspection are Below Rail. All Below Rail rollingstock has been identified with Network cost centres in Queensland Rail's fixed asset register.

Asset type	Treatment
Plant and Equipment	(a) Plant and equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre for each piece of equipment and associated with the functions provided by those areas within Queensland Rail.
Motor vehicles	(a) Queensland Rail's fixed asset register contains the cost centre of the user of motor vehicles, allowing Identification to areas within Queensland Rail. (b) Once motor vehicles are Identified to areas within Queensland Rail, these assets become associated with the functions provided by those areas of Queensland Rail.
Computers and Miscellaneous Equipment	(a) Computers and miscellaneous equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each piece of equipment recorded on Queensland Rail's fixed asset register. (b) Once computers and miscellaneous equipment are Attributed to areas within Queensland Rail, these assets become associated with the functions provided by those areas within Queensland Rail. The equipment shall then be Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how that function is Attributed or Allocated.
Permanent Way	(a) Permanent Way assets are Identified to Geographic Regions as Below Rail or, in the case of rollingstock stabling facilities, Above Rail.
Traction Power Distribution Equipment	(a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to Geographic Regions and to cost centres. All Queensland Rail's traction power distribution assets are Identified by cost centre as Below Rail or, in the case of rollingstock maintenance and stabling facilities, Above Rail assets.
Traction Power Supply Equipment	(a) Traction power supply equipment is used to supply electric energy for traction over the overhead traction power distribution system. Traction power supply equipment includes traction substation switchboards and transformers, power distribution assets and earthing and bonding equipment. Traction power supply equipment is Identified separately to any power supply assets that are used to provide electricity to facilities and buildings. (b) Traction power supply equipment shall be Identified by cost centre as Below Rail or Above Rail assets.
Facilities	(a) Each facility is described in Queensland Rail's asset register according to the type of facility and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each facility. To the extent that more than one function is associated with a facility, that facility shall be Attributed between those functions. (b) Facilities, or portions thereof, shall then be Attributed or Allocated to Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail, Above Rail or Other Services.
Control Systems	(a) Control systems include real time information systems, signal control systems, traction power control systems and Train/Track monitoring systems. (b) Control systems shall be assessed according to cost centre and treated as Below Rail, (typically wayside and control centre equipment) or Above Rail (if related to rollingstock maintenance or stabling facilities). (c) Control systems located at train control centres are to be Identified or Attributed to the Geographic Regions covered by the relevant train control centre. The Control systems assets associated with the provision of train control at these centres shall be Attributed to the relevant Geographic Regions on the basis of train kilometres operated over the Corridors controlled in each of these Geographic Regions.
Telecommunications	(a) Telecommunications assets can be Identified as those required for the "backbone" telecommunication systems and those required for customer premises. In addition, both backbone and customer premises assets can be categorised by type of asset, e.g. cable, handheld radios, microwave.

Asset type	Treatment
	<p>(b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.</p> <p>(c) Telecommunications customer premises equipment shall be Attributed to areas within Queensland Rail by an analysis of cost centres and associated with the functions provided by those areas within Queensland Rail.</p>
Assets Under Construction	<p>(a) Queensland Rail capital projects are assessed in terms of whether, and to what extent, the project is being undertaken for the purpose of providing Below Rail Services or Above Rail Services.</p> <p>(b) Assets under construction shall be Attributed as Below Rail or Above Rail based on an Identification of each project currently underway and the extent to which the individual projects are related to Below Rail Services or Above Rail Services provided by Queensland Rail.</p>

3.2.3 Intangible Assets

- (a) Intangible assets include computer software, patents or copyrights. Queensland Rail has computer software that is reported under the heading of intangible assets. Details of computer software are recorded on Queensland Rail's fixed asset register and amortised over its expected useful life.
- (b) Intangible assets shall be Attributed to areas within Queensland Rail by an analysis of cost centres and associated with the functions provided by those areas within Queensland Rail. The assets shall then be Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how that function is Attributed or Allocated to Below Rail, Above Rail or Other Services.

3.2.4 Other Assets

- (a) Receivables recorded in the accounts of Queensland Rail shall be assessed and Identified to business areas through an analysis of the customer and the nature of the service that is provided to that customer. Once Identified to business areas, these assets shall be Identified, Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with the way that service is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services.
- (b) Queensland Rail's GST receivable and GST payable shall be offset and reported as an asset if a net receivable or treated as a liability if a net payable.
- (c) Inventories recorded in the accounts of Queensland Rail shall be Identified in terms of store location and cost centre that holds them.
- (d) Prepayments recorded in the accounts shall be assessed and Identified to business areas through an analysis of the service provider and the nature of the service that is received from that service provider. Once Identified to business areas, these assets shall be Identified, Attributed or Allocated as Below Rail Services, Above Rail or Other Services provided by Queensland Rail in a manner consistent with the way in which that function is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services.
- (e) Any net deferred tax asset/liability shall be Identified as Other Services.
- (f) Investments in other entities or joint ventures shall be Identified as Other Services.
- (g) Other assets are Network Wide unless otherwise specifically attributable.

3.3 Separation of Below Rail expenses

- (a) Expenses shall be classified as relating to Below Rail, Above Rail or Other Services provided by Queensland Rail by determining the function for which the costs are incurred. In some instances, Attribution or Allocation of Expenses may be required in order to align with the Identified functions. Queensland Rail's major expense categories are shown in Table 3.2 which lists the cost functions and summarises their assignment to the three categories.
- (b) The costs associated with these functions (except a net Gain on Disposal of Assets) shall be aggregated and reported as 'Expenses' in the Statement of Earnings Before Interest and Tax.

Table 3.2 Summary of procedures for assigning expenses

	Below Rail Services	Above Rail Services	Other Services
Train Running (Passenger Trains)			
Train running costs		Identified	
Nominal Access Charges		Identified	
Station Costs		Identified	
Traction electric energy cost		Identified	
System Costs			
Train Operations Management			
Signalling and safeworking	Identified		
Train control and scheduling	Identified		
Operations management	Identified		
Infrastructure Maintenance			
Track	Identified	Identified	
Structures	Identified	Identified	
Buildings and Facilities	Identified	Identified	
Signals	Identified	Identified	
Telecommunications	Identified	Identified	
Customer premises	Identified	Identified	
Network backbone	Identified		
Traction power distribution	Identified	Identified	
Traction power supply equipment	Identified	Identified	
Infrastructure administration	Identified / Allocated	Identified / Allocated	
Other maintenance	Identified	Identified	
Derailment / Flood Repairs			
Derailments and collisions	Identified	Identified	
Flood Repairs	Identified	Identified	
Third party damage - infrastructure	Identified	Identified	
Other Expenses			
Insurance and Accreditation Fees			
Insurance Premium	Identified / Allocated	Identified / Allocated	
Insurance Excess	Identified	Identified	
Accreditation Fee	Identified	Identified	
Other			
Business Unit Management	Identified / Allocated	Identified / Allocated	
Group management	Identified	Identified	
Queensland Competition Authority	Identified		
Early retirement schemes	Identified / Allocated	Identified / Allocated	
(Gain)/ Loss on disposal of assets #	Identified / Allocated	Identified / Allocated	
Outside work			Identified
Miscellaneous	Identified	Identified	Identified

	Below Rail Services	Above Rail Services	Other Services
Corporate Overhead	Allocated	Allocated	Allocated
Depreciation and amortisation	Identified / Allocated	Identified / Allocated	

(Gain)/ Loss on Disposal of Assets may be either included in revenue or Expenses depending upon whether Queensland Rail's total is a net gain or a net loss

3.3.1 Train Running Costs

- (a) Train Running Costs relate to the running of passenger trains (eg. train crew, locomotive and carriage maintenance, carriage cleaning etc) and are Above Rail costs.
- (b) Traction Electric Energy cost is the actual cost of electric energy for motive power traction. Currently the only electric trains operating on Queensland Rail's network are its own passenger trains. The cost can be Identified in the accounts of Queensland Rail and shall be treated as an Above Rail expense.

3.3.2 Train Operations Management

Cost	Treatment
Signalling and Safeworking	<p>(a) This item relates to the operation of signal cabins and panels at stations for the safeworking of trains along the network and in yards. It is a Below Rail function and is Identified in Queensland Rail's Costing System for the Identified Geographic Region.</p> <p>(b) The cost of yard control centres direct managed by Queensland Rail are Identified in Queensland Rail's Costing System separate from other operations management functions.</p> <p>(c) A third party provides signalling and safeworking services at some locations on behalf of Queensland Rail. These services are managed by a Service Agreement between the parties. The Service Agreement specifies the location performing Below Rail functions and the fixed price.</p>
Train Control Services	<p>(a) Train Control Services relate to the management and monitoring of train movements and of all other operation of rollingstock on the Rail Infrastructure and of any activities affecting or potentially affecting such train movements or rollingstock operation. Train Control Services specifically include:</p> <ul style="list-style-type: none"> (i) recording Train running times on Train diagrams and in Queensland Rail's information systems; (ii) reporting of incidents occurring on the Rail Infrastructure; (iii) managing incidents occurring on the Rail Infrastructure from within a Train Control centre; and (iv) exchanging information with access holders. <p>(b) This cost item is 100% Below Rail and is Identified in Queensland Rail's Costing System. The cost of the train control centres is Identified in Queensland Rail's Costing System separate from the operations management functions.</p> <p>(c) Regional has direct responsibility for the Townsville Control Centre and Brisbane Control Centre which controls all train movements west of Rosewood and in the area bounded by Tamaree and the Aurizon Interface Point at Parana. This cost is separately Identified by cost centre.</p> <p>(d) The cost of train control centres managed by SEQ are to be Identified separately from the operation, crew and station management functions carried out by SEQ. Some Above Rail functions are carried out at train control centres such as station surveillance via close circuit TV and suburban passenger train management. The Above Rail component is separately Identified in Queensland Rail's Costing System.</p>

Cost	Treatment
	<p>(e) The costs associated with the provision of train control for those centres that manage the movement of trains across several Geographic Regions shall be Attributed to the relevant Geographic Regions based on either:</p> <ul style="list-style-type: none"> (i) The control boards for each Geographic Region weighted for the base salary level of the train controller classification required to staff each board. Control boards are required to be staffed by train controllers of specified classification and competency based on complexity and traffic levels of the board; (ii) The train kilometres operated over the Corridors controlled in each of these Geographical Regions; or (iii) A combination of (a) and (b).
Operations Management	<p>(a) The following operations management functions performed by SEQ and Regional are Below Rail. These cost item shall be Identified in Queensland Rail's Costing System separate from other functions carried on (such as train operations, train crew, stations etc) and include:</p> <ul style="list-style-type: none"> (i) Incident investigation and management (ii) Any other significant item that are not of an administrative nature. <p>(b) Regional operations administration is identified as all operations administration related to cost centres where the responsible manager's sphere of control relates to a single Geographic Region or to a small number of Geographic Regions. Where the sphere of control relates to a single Geographic Region, the operations administration cost is Attributed to the relevant Geographic Regions based on the activities administered.</p>

3.3.3 Infrastructure Maintenance

Cost	Treatment
Maintenance of Track, Structures, Signals and Traction Power Distribution Equipment	<p>(a) The cost of these functions is Identified by Geographic Region, asset type and cost centre in Queensland Rail's Costing System.</p> <p>(b) The majority of costs are Below Rail except for the following costs Identified from work orders:</p> <ul style="list-style-type: none"> (i) Maintenance of Above Rail yards, rollingstock maintenance and stabling facilities; and (ii) Maintenance of lines which are not part of the declared network and are maintained by Queensland Rail under contracts with the relevant infrastructure owner (these costs should be treated as Other Services provided by Queensland Rail) <p>(a) Costs associated with new construction of Queensland Rail infrastructure shall be capitalised.</p>
Maintenance of Traction Power Supply Equipment	<p>(a) All maintenance of the traction power supply systems is Identified as a Below Rail cost.</p>
Maintenance of Buildings and Facilities	<p>(a) Maintenance of Queensland Rail's building and facilities is derived in the Queensland Rail's costing system from work order cost details recorded in Queensland Rail's costing system, including location and type of building or facility and maintenance activity.</p> <p>(b) Maintenance costs are Identified for specific buildings or facilities and Allocated to Below Rail, Above Rail or Other Services depending on the building or facilities use. Specific allocations are:</p>

Cost	Treatment
	<ul style="list-style-type: none"> (i) Maintenance of water, power and lighting facilities in Below Rail yards are Below Rail; (ii) Maintenance of the infrastructure depots and associated amenities shall be Identified as Below Rail; (iii) Maintenance of passenger stations, platforms and associated facilities (e.g. carparks, footbridges, subways and lifts) shall be Identified as Above Rail; and (iv) Buildings or facilities utilised for housing telecommunications backbone equipment are 100% Below Rail.
Telecommunications	<ul style="list-style-type: none"> (a) Telecommunications maintenance is to be separated into two categories, the Telecommunications Backbone Network and Customer Premises Equipment: <ul style="list-style-type: none"> (i) Telecommunications backbone assets are Network Wide assets and are Below Rail (ii) Customer premises equipment (such as locomotive radios, passenger information display systems and public address systems) shall be Attributed to Geographic Regions within Queensland Rail by an analysis of Cost Centres. The equipment is then Attributed to Geographic Regions or Network Wide in a manner consistent with that area's activities.
Infrastructure Administration	<ul style="list-style-type: none"> (a) This item refers to the administration of infrastructure and infrastructure and is Identified by cost centre. The Costing Accounts shall exclude infrastructure administration that is already included in the direct infrastructure maintenance cost. (b) Costs are to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed. This is to account for the proportion of maintenance activities that are related to passenger stations. (c) Any significant items in the infrastructure administration costs which can be Identified specifically as Below Rail, Above Rail or Other Services shall be separated and Identified accordingly.
Other Maintenance	<ul style="list-style-type: none"> (a) Other maintenance includes minor costed maintenance items, e.g. inventory handling and management costs, and costing variances resulting from the normal maintenance job costing process. The calculation of the costing variance is to be inclusive of any related depreciation expense.
Derailments, Collisions and Flood Repairs	<ul style="list-style-type: none"> (a) Infrastructure repair cost arising from derailments, collisions, other accidents and floor repairs or other natural disasters are recorded separately in the accounts of Queensland Rail as Below Rail. (b) The costs associated with derailments, collisions, other accidents and floor repairs or other natural disasters are identified to the Geographic Region in which they occurred.
Third Party Damage — Infrastructure	<ul style="list-style-type: none"> (a) Third party infrastructure repair costs arise from wilful or accidental acts of parties who are not employees or customers of the infrastructure manager or rail operators (eg damage to level crossing protection by motor vehicle collision). (b) Infrastructure repair costs are Identified by work orders with assets and can be Identified with Below Rail, Above Rail or Other Services provided by Queensland Rail from an analysis of cost centres.

3.3.4 Business Management

Cost	Treatment
Group Management	<ul style="list-style-type: none"> (a) This cost function refers to the management of the rail network activities in the Regional and SEQ businesses including finance, human resources, planning, safety risk and assurance. Rail network management costs are Identifiable in Queensland Rail's general ledger and are 100% Below Rail.

Access Contract Management	(a) This cost function is separately Identified in Queensland Rail's Costing Accounts and relates to negotiation and management of access agreements with customers and activities associated with administration of the Undertaking.
QCA Fee	(a) The QCA Fee is to be allocated to nominated Train Services based on a method approved by the QCA for the recovery of the QCA Levy.
Insurance	(a) Insurance premiums charged directly for network functions are Below Rail unless specifically Identified with Other Services. (b) Insurance premiums charged to corporate cost centres are to be allocated to Below Rail and Above Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable.

3.3.5 Other Items

Cost	Treatment
Early Retirement Schemes	(a) The cost of employees retiring under early retirement schemes (excluding accrued leave entitlements which are charged against the accrued leave provisions) are to be separately recorded in the accounts of Queensland Rail. Separation of Queensland Rail's cost of early retirement schemes shall be based on an analysis of cost centre data.
Accreditation Fees	(a) Accreditation fees that relate to Queensland Rail's role as a Railway Infrastructure Manager are Below Rail. Accreditation fees that relate to Queensland Rail's role as a Rail Operator are Above Rail. These fees are separately identifiable from an analysis of cost centres.
External Work	(a) Queensland Rail engages in some railway construction and maintenance work for external customers. These activities do not relate to the maintenance and management of Queensland Rail's declared infrastructure and are to be treated as Other Services provided by Queensland Rail. They are Identified separately in Queensland Rail's Costing system. (b) Queensland Rail also engages in project management, engineering and other technical work, for external parties, which is to be treated as Other Services provided by Queensland Rail.
Miscellaneous	(a) Other items occurring in the cost centres of Queensland Rail will be Below Rail, Above Rail or Other Services provided by Queensland Rail by Identification, depending on their specific nature. (b) Costs incurred in respect to investments in other entities or joint ventures shall be Identified as Other Services provided by Queensland Rail.

3.3.6 Depreciation and Amortisation

Depreciation and amortisation Expenses are recorded against cost centres of Queensland Rail which by analysis allow Identification, Attribution or Allocation of these Expenses to Below Rail, Above Rail or Other Services provided by Queensland Rail.

3.3.7 Corporate Overheads

- (a) Corporate overheads are defined as "those activities concerned with the overall management, control and direction of Queensland Rail and which do not involve any significant costs relating specifically to a business." Corporate overhead typically consists of the following corporate functions:
- Chief Executive Officer and Board
 - Chief Financial Officer and Group Executive Finance and Corporate Services
 - Group Executive Customer and Corporate Affairs
 - Groupe Executive People and Culture

- Group Executive Safety, Risk and Assurance
- Group Executive Strategy, Planning and Transformation

- (b) Where Corporate Overheads cannot be Identified or Attributed to a function or Geographic Region, the corporate overhead cost, net of Attribution of corporate service costs, is to be Allocated to Below Rail and Above Rail using Standard Allocator “A” (see Schedule C). Each year Queensland Rail will recalculate and calibrate the Standard Allocator “A” to ensure its continuing validity, and where necessary, recommend changes to the ratio to the QCA for approval. Changes to the Allocator will be identified in the notes to and forming part of the Financial Statements.

3.3.8 Expenses not reported in Financial Statements

Financing costs and income tax expense are to be excluded from the Statement of Earnings before Interest and Tax.

3.4 Separation of Below Rail Revenue

Table 3.4 summarise the procedures for separating Queensland Rail revenue into Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail.

Table 3.3: Allocation of Queensland Rail revenue to Below Rail Services

	Below Rail	Above Rail	Other Services
External Sales Revenue			
Access charges — Coal	Identified		
Access charges — Other	Identified		
Passenger services		Identified	
Transport Service Contracts	Identified	Identified	
Contributions from developers	Identified	Identified	
Other revenue			
Property revenue	Identified	Identified	
Telecommunications revenue (external)	Identified		
Construction works revenue	Identified	Identified	Identified
External sales	Identified	Identified	Identified
Insurance claims revenue	Identified	Identified	
Other	Identified	Identified	
Corporate interest revenue			Identified
Internal revenue			
Access charges – Other	Identified		
Telecommunications revenue (internal)	Identified		

3.4.1 External Sales Revenue

This category relates to the main activities of Queensland Rail – provision of passenger services and network infrastructure services. There is no netting off directly against cost items for these classifications of revenue.

Revenue items in this category are:

- Revenue from the operation of Queensland Rail passenger services
- External below rail access revenue
- Developer contributions (cash and amortised)
- Transport Services Contract revenue earned by Queensland Rail under contracts with the Queensland Government.

The agreements underlying developer contributions and Transport Services Contracts are negotiated separately and the associated revenue recorded by cost centre.

Revenue	Treatment
External Access Charges	(a) External access revenue is recorded by Geographic Region in the accounts of Queensland Rail. These amounts relate to the access agreements for the year concerned. Revenue from access charges for bulk coal trains shall be reported separately in the Financial Statements.
Developer Contributions	(a) Below Rail revenue from amortised and cash developer contributions is to be Identified by developers from Queensland Rail accounting records. In most cases the amounts per developer will be readily identified by Geographic Region. In the event that a developer's contribution relates to more than one Geographic Region then the amount shall be Allocation on a route kilometres relating to the project
Transport Services Contracts	(a) Below Rail TSC revenue shall be Identified or Attributed to the Geographic Regions in accordance with the TSC agreements, (b) Should the Geographic Regional not be directly identified in the TSC agreement (eg. Due to a change in the region boundaries), TSC revenue is to be Attributed on a basis that is reasonable in the circumstances. For the West Moreton Region, the TSC revenue shall be calculated as the difference between the tariff and the access charge levied on non-coal trains, where that access charge is less than the reference tariff.

3.4.2 Other Revenue

Revenue	Treatment
External Other Revenue	(a) Any external other revenue remaining after netting off is Identifiable as Below Rail, Above Rail or Other Services provided by Queensland Rail from an analysis of profit centre data. (b) Typical Below Rail items include advertising and property leasing revenue relating to corridor sites, Preliminary Information fees, telecommunications revenue and insurance recoveries relating to damage to Queensland Rail infrastructure. (c) Other revenue remaining after netting off that is related to work on private railways/sidings or non-rail infrastructure is Identifiable as Other Services provided by Queensland Rail revenue.
Other Items	(a) Interest revenue, unrealised foreign exchange gains/losses and other revenue derived from the management of Queensland Rail's finances are to be treated as Other Services. The Financial Statements are on an Earnings before Interest and Tax basis, and interest expense is not Allocated. Accordingly, financing revenue is not Allocated. (b) From time to time other revenue items may occur which this manual does not specifically anticipate. In such cases the general principles in Part 3 shall be followed.

3.4.3 Internal Revenue

Internal revenue may not be recorded in the accounts of Queensland Rail but for the purposes of preparing the Financial Statements revenue items are to be included. These amounts are nominal and are to be determined by reference to internal agreements (including where necessary prior years agreements escalated).

Revenue	Treatment
Internal Access Charges	(a) Internal access revenue (including access charges charged to Citytrain, Traveltrain and maintenance trains) to be reported as Access Charges – Other revenue for the purposes of the Financial Statements. These items are to be the amounts based on actual traffic for the relevant year.
Internal Telecommunications Backbone Charges	(a) This item is 100% Below Rail. These charges are nominal and determined by reference to internal agreements (including, where necessary, previous years agreements escalated). Internal telecommunications backbone charge may include a return on assets. (b) Internal telecommunication backbone revenue is to be treated as Network Wide.

3.5 Separation of Below Rail Investments

3.5.1 Information Source

Investment are to be classified a Below Rail, Above Rail or Other Services provided by Queensland Rail by reference to the June 'Capital Investment Report'. This report shows for every investment project, the project number, the responsible officer, the responsible groups, brief description of the project, budget details and project-to-date and year-to date expenditure. The supporting individual project reports can be referred to if further information is required about a project to assist in its classification.

3.5.2 General Methodology for Classification

In analysing capital expenditure projects, the following general principles are to be followed:

- (a) Infrastructure projects are Below Rail except those projects attributed to Above Rail activities, i.e. passenger stations and associated facilities, rollingstock stabling or maintenance facilities;
- (b) Projects relating to infrastructure maintenance equipment are Below Rail;
- (c) Other projects are to be analysed individually and treated as follows:
 - (i) Projects which can be identified completely as Above Rail, Below Rail or Other Services shall be classified accordingly;
 - (ii) Projects which can be Attributed on the basis of some underlying activity will be classified accordingly;
 - (iii) Joint projects which cannot be readily classified by Identification or Attribution will be Allocated to Above Rail and Below Rail using the Standard Allocator "A" (see Schedule C).
- (d) Notwithstanding clause 3.5.1, the classification of costs to Below Rail investment projects must be fair and reasonable and reflect relevant underlying activity.

3.5.3 Other Investments (non fixed assets)

Investments by Queensland Rail in other entities or joint ventures will not usually be reported in the Statement of Investments which reports fixed assets only. Any such investments occurring in a year will be classified Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail on the basis of specific information for each investment and application of the general principles of this Manual.

Part 4 Financial Statements

4.1 Format of Financial Statements

- (b) Section 5.3.1 of the Undertaking requires Queensland Rail to “develop...publicly release Financial Statements in relation to the preceding Year...in accordance with the processes outline in the Costing Manual and consistent with the format specified in the Costing Manual.”
- (c) The format to be used for the Financial Statements is specified in Schedule B to this Manual.

4.2 Minor Changes to the Format

Minor changes to the wording, line items and columns in the Financial Statements can be made to meet changing circumstances subject to the approval of the QCA.

4.3 Notes to the Financial Statements

The Financial Statements shall be accompanied by notes which shall:

- (i) Refer to this Manual as the methodological basis of preparation of the Financial Statements;
- (ii) Refer to the underlying records for Queensland Rail as being the source of information for preparation of the Financial Statements;
- (iii) (Refer to (but not repeat) the notes accompanying the Queensland Rail GPFS for explanation of Queensland Rail’s accounting policies;
- (iv) Explain the terms “Below Rail Services Provided by Queensland Rail” and “West Moreton”, “Mount Isa Region” and “North Coast Region”;
- (v) Disclose amendments made to West Moreton Region, Mount Isa Region and North Coast Region in Schedule A of the Manual during the year;
- (vi) Disclose changes made to the Standard Allocators in Schedule C during the year;
- (vii) Disclose other amendments made to the Manual during the year, including the financial impact, where such amendments have a material impact on the Financial Statements;
- (viii) Provide explanation of material matters about which an informed reader would need to be aware to understand the Financial Statements;
- (viii) Provide a commentary which explains any differences between the information provided in the Financial Statements and the equivalent information provided pursuant to clauses 5.2.2(i)(i), 5.2.2(i)(ii) and 5.2.2(i)(iii) of the Undertaking, insofar as these differences are not already explained through Queensland Rail’s other obligations under the Undertaking.

Part 5 Definitions

In this Manual, unless inconsistent with the Manual or context, the following words and expressions shall have the meanings identified in this Part 7. Other parts of speech or grammatical forms of a word or phrase defined in this Manual have a corresponding meaning.

"Above Rail Services" means those activities, other than Below Rail Services, required to provide and operate Train Services, including rollingstock provision and stabling, rollingstock maintenance, non Train Control related communications, train crewing, terminal provision and services and marketing and administration of those services and "Above Rail" has a similar meaning;

"Access" means the non-exclusive utilisation of a specified section of Rail Infrastructure for the purposes of operating Train Services;

"Access Charge" means the price paid by an operator for Access under an Access Agreement;

"Act" means the *Queensland Competition Authority Act 1997 (Qld)*;

"Allocation" means, where assets, costs, or revenues are jointly used for the provision of a function/service and where there is no direct causal relationship between the resources used and the function/service provided, the sharing of such joint costs between those functions/services;

"Attribution" means, where assets, costs or revenues are jointly used for the provision of a function/service and where there is a causal relationship between the resources used and function/service provided, the sharing of costs between those functions/services on a basis of cost causality;

"Below Rail Services" means the activities associated with the provision and management of Rail Infrastructure within Queensland, including the construction, maintenance and renewal of Rail Infrastructure assets, and the network management services required for the safe operation of Train Services on the Rail Infrastructure within Queensland, including Train Control Services and the implementation of safeworking procedures and **"Below Rail"** has a similar meaning;

"Corporate Overhead" costs are the cost of those activities that relate predominantly to the overall management, strategy and governance of the corporation and which do not involve any significant costs relating specifically to a business;

"Corporate Services" costs are the costs of services that are provided at the corporation wide level to groups and divisions within Queensland Rail and include, for example, payroll, HR services, computer services, administration building services, motor vehicle fleet management, and legal services;

"Corridor" means a section of railway route as defined by Queensland Rail's survey section from time to time and that is identified for the purpose of classifying the Rail Infrastructure into corridors with reasonably consistent traffic (in terms of type of traffic and density of traffic) and reasonably consistent track standards;

"Costing accounts" or **"Costing system"** means the SAP General Ledger used by Queensland Rail and which are used to extract for preparation of management accounts and Financial Statements.

"Costing Manual" or **"Manual"** means this document prepared in accordance with Section 159 of the Act;

"Expenses" means all operating expenses including internal transfers;

"Financial Statements" means the statement of assets, statement of earnings before interest and tax and statement of investments, which separately identify the West Moreton Region, Mount Isa Region and North Coast Region from the rest of the network, and which are required in accordance with the Undertaking;

"Functions" means the list of activities outlined in Table 3.2.

“Geographic Region” means any of the following networks as described in Schedule A;

“Identification” means, where costs are directly incurred, or assets directly used in the performance of a function/service, the identification of those costs to that function/service;

“Network Wide” means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a specific Geographic Region;

“Other Services” means the activities of Queensland Rail other than those associated with the provision and management of Rail Infrastructure or the provision of services as a Rail Operator;

“Permanent Way” means track and bridge assets including formation, retaining walls, drainage systems, access roads, cuttings, embankments, tunnels, subways, fences along the rail corridor, ballast, sleepers, rails, rail fastenings, points and crossings, culverts and pipes (major), rail bridges and road overbridges (excluding footbridges). The term excludes fences surrounding other assets such as stations, freight terminals, workshops, depots and buildings.

“QCA” means the Queensland Competition Authority;

“QCA Fee” means the fee collected by the QCA under Section 3 of *the Queensland Competition Authority Regulation 2007 (Qld)* which entitles the QCA to charge fees for providing a service or performing a function set out in Schedule 1 of the Regulation;

“QCA Levy” means the fee that is allocated to the nominated Train Services to cover the QCA Fee and, for a Train Service, the description of which accords with the Reference Train Service, is that amount specified in schedule D of the Undertaking;

“Queensland Rail” means Queensland Rail Limited (ABN 71 132 181 090), a wholly owned subsidiary of the Queensland Rail Transit Authority, a statutory authority established under the *Queensland Rail Transit Authority Act 2013 (Qld)*

“Rail Infrastructure” means Rail Transport Infrastructure (as defined in the *Transport Infrastructure Act 1994 (Qld)*) for which Queensland Rail is the Railway Infrastructure Manager, except that the term does not include the track and associated infrastructure on those parts of the network not Identified as the responsibility of Queensland Rail in the Undertaking, but for the purpose of clarity, does include all stations and platforms;

“Railway Infrastructure Manager” has the meaning given to that term in the Act;

“Railway Operator” has the meaning given to that term in the *Transport Infrastructure Act 1994 (Qld)*;

“Region Specific” means assets, costs, revenue and investments associated with the provision of Below Rail Services Identified or Attributed to a Geographic Region as described in Schedule A;

“Rollingstock” means locomotives, carriages, wagons, rail cars, rail motors, light rail vehicles, light inspection vehicles, rail/road vehicles, trolleys and any other vehicle that operates on or uses the Track;

“Train” means any configuration of Rollingstock operating as a unit on the Track;

“Train Control Services” means the management and monitoring of Train movements and of all other operation of rollingstock on the Rail Infrastructure and of any activities affecting or potentially affecting such Train movements or rollingstock operation. Train Control Services specifically include:

- (a) recording Train running times on Train diagrams and in Queensland Rail’s information systems;
- (b) reporting of incidents occurring on the Rail Infrastructure;
- (c) managing incidents occurring on the Rail Infrastructure from within a Train Control centre; and
- (d) exchanging information with access holders; and “Train Control” has a related meaning;

“Train Service” means the operation of a Train between specified origins and destinations on the Rail Infrastructure;

“Undertaking” refers to Queensland Rail’s access undertaking approved by the QCA in accordance with the Act in respect to the provision of Rail Infrastructure for the purpose of operating Train Services.

Schedule A Description of Geographic Regions

Region	Corridor section description
Metropolitan	Roma Street to Rosewood Darra to Springfield Central Bundamba to Box Flat Ipswich to Workshops Yarrowlea to Ebenezer Mine Roma Street to Varsity Lakes (incl. dual gauge lines) Yeerongpilly to Corinda Salisbury to Acacia Ridge (incl. dual gauge lines) Acacia Ridge to ARTC Interface (standard gauge line) Park Road/ Dutton Park to Cleveland (incl. dual gauge line) Lytton Junction to Fisherman Islands (incl. dual gauge line) Roma Street to Nambour Roma Street to Mayne via Exhibition Bowen Hills to Ferny Grove Eagle Junction to Pinkenba Airport Junction to start of Airport Line Northgate to Shorncliffe Petrie to Kippa-ring
West Moreton	Rosewood to Miles Columboola to Cameby Downs
South West	Toowoomba to Thallon Warwick to Wallangarra Wyreema to Millmerran
Western	Miles to Cunnamulla Dalby to Meandarra Miles to Wondoan Westgate to Quilpie
North Coast	Nambour to Aurizon Interface Point 11 (Parana) Gympie North to Gympie Maryborough West to Maryborough Auckland Point Aurizon Interface Point 7 (Rocklands) to Aurizon Interface Point 2 (Durroburra) Glenmore to Nerimbera Aurizon Interface Point 1 (Kaili) to Townsville Erakala to Mackay Harbour Bowen Junction to Bowen Townsville Jetty Branch Townsville to Cairns Cobarra Balloon North Coast Line Branches Aurizon Interface Point 12 (Graham) – Taragoola
Central West	Aurizon Interface Point 8 (Nogoa) to Winton Aurizon Interface Point 10 (Wurba Junction) to Springsure Emerald to Clermont
Mount Isa	Stuart to Mount Isa Flynn to Phosphate Hill
Tablelands	Cairns to Forsayth Mareeba to Atherton Arriga Junction to Arriga Normanton to Croydon

Schedule B Pro Forma Financial Statements

Financial statements pursuant to the Access Undertaking Below Rail Services provided by Queensland Rail

Statement of Earnings Before Interest and Tax

	For the year ended 30 June XXXX					For the year ended 30 June XXXX				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
Revenue										
Access charges – Coal	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Access charges – Other Freight	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Access charges - Passengers	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Transport Service Contracts	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Contributions from developers	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total revenue	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Expenses	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Infrastructure maintenance	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Derailment / collision / flood repairs	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Train operations management	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other Expenses	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Corporate Overhead	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Depreciation and amortisation	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total Expenses	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Earnings Before Interest and Tax	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

Below Rail Services provided by Queensland Rail

Statement of Assets

	For the year ended 30 June XXXX					For the year ended 30 June XXXX				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
Current Assets										
Cash	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Receivables	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Inventory	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total Current Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Non-Current Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Receivables	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Fixed assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Property (Land and Buildings)	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Plant and Equipment	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Infrastructure	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Permanent Way	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Assets Under Construction	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Intangible Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total Non-Current Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
TOTAL ASSETS	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

Below Rail Services provided by Queensland Rail

Statement of Investments

	For the year ended 30 June XXXX					For the year ended 30 June XXXX				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
Expenditure on fixed assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

Notes to and forming part of the financial statements

Schedule C Standard Allocators

- (a) The Regional Networks are described in Schedule A details of the corridors defined into Regions are provided in Queensland Rail's Line Diagrams which are published on the Queensland Rail website and reviewed at least every six months.
- (b) The Regional Networks have been defined to reflect geographic differences in rail infrastructure standards, utilisation and costs. To accommodate inclusion of new lines and significant changes in rail infrastructure standards and utilisation, minor changes may be made to the definition of the boundaries of the Regional Networks as specified in Schedule A subject to the approval of the QCA. Any such changes shall be included as a note to the Financial Statements of the year of the change.
- (c) Assets, costs, revenues and investments Identified as attributable to the network as a whole (i.e. Network Wide items) shall be Allocated to the West Moreton System, Mount Isa System or North Coast System, by applying the corresponding Standard Allocators, as appropriate (see below).
 - (i) Standard Allocator "C", "D" and "E" have been determined based on an empirical analysis of the West Moreton System's, Mount Isa System's and North Coast System's respective share of total Network Wide costs derived from the allocative process outlined in Table C.1.
 - (ii) Each year Queensland Rail will recalculate and calibrate the items in Table C.1 to ensure the continuing validity of Standard Allocator "C", "D" and "E" on a rolling three year average. Changes to the Allocator will be Identified in the notes to and forming part of the Financial Statements.

Table C.1: Calculation of West Moreton, Mount Isa and North Coast System Standard Allocators

Network Wide Cost Category	Allocation Basis
Business Management	
Group Management	50% Train km + 50% GTK
Access Business Management	50% Train km + 50% GTK
Insurance Premium	50% Train km + 50% GTK
Other	
Voluntary Early Retirement Scheme	Below Rail Expenses
R&D projects	Allocator to be related to activities that benefit from expenditure
Operations Administration	Regional Train km
Infrastructure	
Administration Buildings Maintenance	Allocate according to activities at each location
Telecommunications Maintenance Backbone	Train Km
Network	Allocate according to activities at each location; e.g. for train control centres allocate on train km.
Customer premises equip	
Infrastructure Administration	
Engineering services	50% Electrified Track km + 50% Electric GTK
Electrical Engineering	50% Train km + 50% GTK
Other Engineering	
Other	Regional totals of Corridor and Region specific Below Rail Expenses
Corporate Overhead	Regional totals of all identified attributed or allocated Below Rail Expenses, excluding traction electricity and derailment costs
Depreciation and Amortisation	Train Km
Telecommunications Backbone	Allocated Fixed Assets excluding Land and Assets Under Construction
Other	
Loss on Disposal of Assets	Allocated Fixed Assets excluding Land and Assets Under Construction

	Relevant Clauses in the Manual	Ratio
Standard Allocator "A" Share of Queensland Rail Wide Items Allocated to Below Rail Provided by Queensland Rail	4.3.2.2 (c), 3.3.4, 3.3.7(b), 3.5.2 (c)	45.0%
Standard Allocator "C" West Moreton Region's Share of Network Wide Items	2.3 (h)	7%
Standard Allocator "D" Mount Isa Region's Share of Network Wide Items	2.3 (h)	11.0%
Standard Allocator "E" North Coast Region's Share of Network Wide Items	2.3 (h)	25.5%

Schedule D Queensland Rail Organisational Structure

