

File Ref: 1445524

17 June 2021

Mr Nick Easy
Chief Executive Officer
Queensland Rail
GPO Box 1429
Brisbane Qld 4001

Dear Mr Easy

Queensland Rail's 2019–20 capital expenditure claim

On 17 June 2021, the Queensland Competition Authority approved Queensland Rail's 2019–20 updated capital expenditure claim for inclusion into the regulatory asset base.

A summary of the QCA's assessment of the capital expenditure claim is set out in the attached decision notice.

Should your staff have any questions about this decision notice, they can contact Adam Liddy on 07 3222 0548 or by email at adam.liddy@qca.org.au

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: *Douglas Jasch, Manager Policy and Regulation, Queensland Rail*

DECISION NOTICE

QUEENSLAND RAIL'S 2019–20 CAPITAL EXPENDITURE CLAIM

17 June 2021

The Queensland Competition Authority has approved Queensland Rail's 2019–20 capital expenditure claim submitted on 23 February 2021, and updated on 1 June 2021, for inclusion into the regulatory asset base, in accordance with schedule E, clause 2.1(b) of the 2020 access undertaking.

Regulatory process

Queensland Rail's provision of below-rail services is governed by its 2020 access undertaking (AU2). Under schedule E of AU2, we conduct an annual ex post assessment of the prudence of Queensland Rail's capital expenditure for inclusion in its regulatory asset base (RAB). Queensland Rail submitted its 2019–20 capital expenditure claim for the West Moreton system on 23 February 2021. It updated the claim on 1 June 2021 to remove expenditure for formation strengthening which had been included in error. The updated claim covers five capital projects in the West Moreton system and expenditure for ballast undercutting, totalling \$41.7 million (including interest during construction (IDC)). We assessed the claim against the criteria set out in schedule E of AU2, which focuses on the **scope, standard of works and cost** (cls. 3–5).¹

The regulatory process followed the timelines below.

<i>Date</i>	<i>Step</i>
23 February 2021	Queensland Rail submitted its 2019–20 capital expenditure claim
3 March 2021	We published Queensland Rail's claim and invited stakeholder submissions
22 March 2021	Stakeholder submissions period closed—we received no submission(s)
1 June 2021	Queensland Rail wrote to the QCA, updating its capital expenditure claim to remove project B.04613 (Formation Strengthening) ²
17 June 2021	We accepted Queensland Rail's updated capital expenditure claim for acceptance into the RAB

The documents related to the claim and assessment are available on the QCA website.

¹ All clause references hereafter refer to schedule E of AU2, unless otherwise stipulated.

² This project had been included in error in Queensland Rail's original claim.

Assessment

Given that the Toowoomba Range Slope Stabilisation project had already been subject to an extensive preapproval process, and all other major projects were ongoing, our assessment was based on the information provided by Queensland Rail, reasonable assumptions, and engineering advice provided as part of previous claims. We consider the five capital projects and the ballast undercutting expenditure satisfy the criteria for prudence as set out in schedule E of AU2 (cls. 3–5).

Stakeholder consultation

We provided stakeholders with the opportunity to make submissions on Queensland Rail's 2019–20 capital expenditure claim and our approach of not seeking additional independent engineering advice for the assessment of the 2019-20 claim. No submissions were received.

QCA decision

Our decision is to approve Queensland Rail's updated 2019–20 capital expenditure claim to the amount of \$41.7 million (including IDC) into its RAB. This decision is based on the information available, having regard to the criteria outlined in schedule E (cls. 2.2, 3, 4 and 5). The capital expenditure we approved is detailed in Appendix 1.

We appreciate Queensland Rail's efforts in engaging constructively to resolve issues with its initial claim and updating the claim in a timely fashion. However, we note that the initial 2019–20 capital claim was received two months after the required deadline and included a material error that required correction. While no action was taken regarding this particular claim, we expect Queensland Rail to provide its claims to us in accordance with the requirements of AU2 in future.

APPENDIX 1: QUEENSLAND RAIL'S 2019–20 WEST MORETON SYSTEM CAPITAL EXPENDITURE

<i>Project ID</i>	<i>Project name</i>	<i>Capital expenditure (excluding IDC) (\$)</i>	<i>IDC (\$)</i>	<i>Total (\$)</i>
B.04042	Toowoomba Range Slope Stabilisation	20,180,899	357,141	20,538,040
B.04403	Culvert/Drain Renewal	2,269,123	75,587	2,344,710
B.04636	Timber and Steel Bridge Elimination	14,236,641	563,321	14,799,962
B.04794	Lxing Upgrades W'Moreton 16-17 – 19-20	793,057	67,594	860,651
B.05956	West Moreton Derailment Recovery	2,587,439	–41,709	2,545,730
	Ballast Undercutting	641,000	0	641,000
Total		40,708,159	1,021,934	41,730,093