

Queensland Resources Council

UT4 Submission – Depreciation methodology

In UT3, different depreciation treatments were adopted for two different groups of assets:

- for assets included in the RAB prior to the commencement of UT3, assets were depreciated on a straight line basis over the shorter of their remaining physical or economic life, where their economic life was capped at 50 years; and
- for assets included in the RAB after the commencement of UT3, an accelerated depreciation profile was applied reflecting straight line depreciation over a maximum 20 year life. This 20 year life is not a fixed term, but rather a rolling 20 year life.

In UT4, Aurizon Network is proposing to apply a 25 year life to all assets.

In its explanatory material, Aurizon Network has noted that this proposed change in approach will have a “modest” impact on reference tariffs. The QRC is concerned about this change and, as at the date of this submission, is in the process of finalising its position in relation to an appropriate depreciation methodology.