

Mr Charles Millstead  
Chief Executive Officer  
Queensland Competition Authority  
Level 27  
145 Ann Street  
BRISBANE QLD 4000

Dear Mr Millstead

**Draft Decision - 2016 Cost Allocation Manual (Costing Manual)**

I refer to the Queensland Competition Authority's (QCA) draft decision released on 10 April 2017 on Queensland Rail's 2016 draft cost allocation manual (**Costing Manual**).

I am pleased to advise that Queensland Rail supports the majority of the QCA draft decision recommendations.

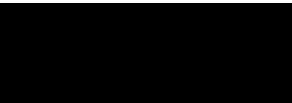
In a small number of cases Queensland Rail now provides further information, and seeks that the QCA review its position in relation to these matters. Queensland Rail has no objection to the QCA publishing this submission.

Attached for the QCA's consideration are the following documents:

- Table 1: Summary of Queensland Rail's Response to the QCA Draft Decision; and
- The revised Costing Manual (marked-up and clean versions).

If you have any questions in relation to this submission, please do not hesitate to contact Douglas Jasch, Queensland Rail's Manager Policy and Regulation, on 07 3072 0544.

Yours sincerely



**Neil Buckley** ✓  
General Manager Access Revenue  
Queensland Rail

10 May 2017

**Attachment 1: Table 1: Summary of Queensland Rail's Response to the QCA Draft Decision**

Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
1.3	<p>The draft decision requires that Queensland Rail revise its proposed costing manual to include an explicit purpose statement in section 1.3, namely:</p> <p><i>"This Manual also acts as a means of informing the audit and review processes required by the QCA.</i></p> <p><i>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."</i></p>	Queensland Rail agrees with this draft decision requirement.
2.3	<p>The draft decision requires that Queensland Rail include a clause in section 2.3 to acknowledge the right of the QCA to revise the cost allocation manual:</p> <p><i>"2.3(d) The QCA may, from time to time, revise the Manual, as set out in s. 159 of the Act."</i></p>	Queensland Rail agrees with this draft decision requirement. The requirement currently exists under section 159(2) of the Queensland Competition Authority Act 1997 ( <b>QCA Act</b> ). The draft decision requirement will reflect this existing provision in the QCA Act.
3.3	<p>The draft decision requires that Queensland Rail amend the proposed cost allocation manual to include the following clause in section 3.3 to require the treatment of inter-company charges, agreements and transactions be fair and reasonable:</p> <p><i>"3.3(k) compilation of the internal costing accounts must be fair and reasonable and reflect relevant underlying activity."</i></p>	Queensland Rail agrees with this draft decision requirement.
4.5	<p>The draft decision requires that Queensland Rail amend the proposed cost allocation manual to include a clause in section 4.5 to require the separation of below-rail investments to be fair and reasonable:</p> <p><i>"4.5.2(e) notwithstanding clause 4.5.1, the classification of costs to Below Rail investment projects must be fair and reasonable and reflect relevant underlying activity."</i></p>	Queensland Rail agrees with this draft decision requirement.

Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
6.3	<p>The draft decision requires that Queensland Rail amend the proposed cost allocation manual to include a clause in section 6.3 to require Queensland Rail to explain any differences in information reported through the below-rail financial statements and equivalent information reported through Queensland Rail's other obligations under the undertaking:</p> <p><i>“(ix) 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 2016 Undertaking.”</i></p>	<p>Queensland Rail agrees that if a discrepancy was to occur between the information reported in the below rail financial statements and the equivalent information reported through Queensland Rail's obligations in the <i>Queensland Rail's Access Undertaking 1</i> (AU1) then an explanation of the difference should be reported publicly. However, Queensland Rail does not consider the below rail financial statements to be the appropriate place for this reporting.</p> <p>Queensland Rail does not consider that it is appropriate to include such a note in the below rail financial statements. The costing allocation manual requires a set of Special Purpose financial statements be produced. It would not be usual practice to include such a note in audited financial statements as these statements relate to Queensland Rail's financial information, and not the performance of other obligations on which Queensland Rail is required to report separately.</p> <p>Queensland Rail believes that if a difference was to occur, the difference should either be reported through a note in Queensland Rail's Annual Report on the Negotiation Process (the <b>Annual Performance Report</b>) - refer to AU1's clause 5.2 – or alternatively, if this is not possible for a particular reason, through a separate report to be published at the same time as the below rail financial statements.</p> <p>The common information in both the below rail financial statements and the Annual Performance Report relates to actual maintenance and operational costs applicable to the individual Regions (e.g. the West Moreton Region). The information being reported comes from the same data base and should be the same.</p> <p>However, the Annual Performance Report must be published within four months of the end of the subject financial year (i.e. by 31 October), <i>“or such longer time as agreed by the QCA”</i>. (AU1 Clause 5.2.1(a)).</p> <p>The below rail financial statements are to be audited and published accompanied by the audit certificate within six months of the end of each financial year (i.e. by 31 December). (AU1 clause 5.3). These statements are audited by the Queensland Audit Office (<b>QAO</b>).</p> <p>As the QAO first audits Queensland Rail's corporate financial reports, and then subsequently audits the below rail financial statements using information contained in the corporate financial reports, the audit of the below rail financial statements</p>

Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
		<p>cannot be finalised by 31 October. This means that the maintenance costs, operating expenditure, and application of the allocators contained in the costing allocation manual will not have been audited by the end date for publication of the Annual Performance Report.</p> <p>Including audited maintenance and operating cost information in the Annual Performance Report will improve the quality of that report, public confidence in the report and also ensure consistency with the below rail financial statements as the underlying information will have been through the independent audit process.</p> <p>Due to this, on 3 May 2017, to allow for the inclusion of the audited maintenance and operating costs in both reports, Queensland Rail sought the QCA's approval to extend the timeline for public release of the Annual Performance Report by an additional two months, so that the report will be published by 31 December in each year, for the duration of AU1. On this basis there should be no differences between the reports, and in any event if there was, the reason for the difference would be reported in the Annual Performance Report, where it more appropriately sits.</p> <p>New Hope advised in its submission on the draft cost allocation manual that for the West Moreton system the overall package of information contained in the QCA's final decision on Queensland Rail's undertaking, the information reporting requirements under the undertaking itself, and the below-rail financial statements should be prepared on a consistent basis or be reconciled with each other. This could involve ensuring the cost allocation manual was consistent with both the basis on which reference tariffs were developed, and the level of cost detail as required for the reports under clause 5.2.2(i) of the 2016 undertaking. Queensland Rail's proposed approach will achieve New Hope's requested alignment.</p> <p>Queensland Rail's previous access undertaking did not require the inclusion of information on maintenance and operating expenditure in the Annual Performance Report, and so this issue did not previously arise.</p>
Part 7	The draft decision requires that Queensland Rail revise the definition of Queensland Rail in Part 7 of the proposed cost allocation manual to remove reference to a description of activities, and read as:	<p>Queensland Rail agrees to replace:</p> <p><i>““Queensland Rail” means Queensland Rail Limited [ABN 71 132 181 090] (formerly QR Passenger Pty), a Corporation fully owned by Government Statutory Authority responsible for delivery of passenger and non-coal network services in Queensland.”</i></p>

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	<p><i>"Queensland Rail" means Queensland Rail Limited [ABN 71 132 181 090] (formerly QR Passenger Pty), a corporation fully owned by a Government Statutory Authority."</i></p>	<p>with</p> <p><i>"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) ."</i></p>
3.2	<p>The draft decision requires that Queensland Rail amend the proposed cost allocation manual to include a clause in section 3.2 of Queensland Rail's proposed cost allocation manual to explicitly require costs are not double-counted:</p> <p><i>"3.2(g) calculations and adjustments used to Identify, Attribute or Allocate costs must not result in any item being counted more than once."</i></p>	<p>Queensland Rail does not support this draft decision requirement on the basis that it is not required to achieve the QCA's aim. The cost allocation manual and the audit already ensure that there is no double counting.</p>
Standard Allocator A	<p>The draft decision is that Queensland Rail's proposed standard allocator A in schedule C adequately deals with the allocation of Queensland Rail-wide items. Queensland Rail has proposed to apply standard allocator A to allocate un-costed corporate overheads, in addition to other Queensland Rail-wide items.</p> <p>New Hope submitted that standard allocator A, at 45 per cent, was too high a proportion of corporate overheads to include in the below-rail financial statements. New Hope stated that Queensland Rail's recent focus on passenger services, agriculture and general freight supported its view.</p> <p>Queensland Rail proposed to recalculate standard allocator A annually based on working expenses, pro-rata on the total of all identified, attributed and allocated costs, when preparing its below-rail financial statements. The proposed adoption of standard allocator A to allocate un-costed corporate overhead costs will not likely have a material impact on the below-rail financial statements.</p> <p>We consider Queensland Rail's approach to determining</p>	<p>Queensland Rail agrees with the QCA draft decision to accept Queensland Rail's proposed approach to determining standard allocator A.</p>

Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
	<p>standard allocator A would likely be an adequate proxy for material changes in Queensland Rail's focus. We also consider a consistent approach to allocating Queensland Rail-wide items will improve the transparency of the resulting below-rail financial statements.</p> <p>When we develop our final decision, we are open to considering alternative, objective methodologies that can be employed to determine standard allocator A, or a separate allocation method for corporate overhead costs, in schedule C of the cost allocation manual.</p>	
2.1(c), Part 5	<p>The draft decision requires that Queensland Rail amend the proposed cost allocation manual drafting to show that obligations in relation to West Moreton Region, Mount Isa Region and North Coast Region are as applicable to the respective region.</p> <p>The QCA advises that the amendments are intended to clarify that cost accounting obligations in relation to the West Moreton Region, Mount Isa Region and North Coast Region are particular to each region and not to the three regions as a block.</p> <p>This requires amending 2.1(c) from:</p> <p><i>"Further, to report Below Rail Services provided by Queensland Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region and North Coast Region, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenues and investments to regions including the West Moreton Region, Mount Isa Region and North Coast Region."</i></p> <p>to:</p> <p><i>Further, to report Below Rail Services provided by</i></p>	<p>Queensland Rail agrees with the principle behind the QCA's draft decision requirement, however, believes that the use of the word '<i>separately</i>' rather than the '<i>respectively</i>' will be achieve the desired outcome.</p> <p>Queensland Rail has included its proposed drafting in the attached marked-up draft cost allocation manual. Queensland Rail additionally believes that there should not be confusion as the Schedule B pro forma financial statements clearly identifies that the required geographical regions are separately reported.</p>

Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
	<p>Queensland Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region and North Coast Region <b>respectively</b>, it is necessary for the Manual to set out the methodology for allocating Network Wide assets, costs, revenues and investments to regions Geographic Regions including the West Moreton Region, Mount Isa Region and North Coast Region.</p> <p>and to also amend Part 5 to reflect the above principle.</p>	
4.3.3.3(a)	The draft decision requires the deletion of the words "(identified in the Undertaking)". The below-rail yards are not identified in the approved access undertaking.	Queensland Rail agrees with this draft decision requirement.
5.1(a)	<p>The draft decision requires the replacement of the second instance of the words "West Moreton Region" with the words "each relevant Geographic Region".</p> <p>The QCA considers that to report below-rail assets, costs, revenues and investments separately for the three different regions, the manual should set out the methodology for allocating network-wide assets, costs, revenues and investments to each of the three regions as applicable.</p>	Queensland Rail agrees with this draft decision requirement.
5.1(b)	The draft decision requires that the words "which is published at least six months [sic]" be amended to "which is published on the Queensland Rail website and reviewed at least every six months". The QCA's proposed amendments accord with the relevant language in the undertaking.	Queensland Rail agrees with this draft decision requirement.
5.1(e)	The draft decision requires the cross-reference 5.1(c) be amended to be 5.1(f) as the reference to clause 5.1(c) is an error.	Queensland Rail agrees with this draft decision requirement.
5.3.2.11	The draft decision requires that Queensland Rail amend this clause to read: " <i>The QCA Levy is to be reported based on the amounts paid by each of West Moreton coal-carrying trains, and North Coast Region freight traffic and Mount Isa Region freight traffic, in the relevant financial year</i> ". The accounting for the QCA Levy should not be allocated, but based on actual	<p>Queensland Rail has amended the draft cost allocation manual to reflect the difference between the QCA Fee (a cost to Queensland Rail) and the QCA Levy (revenue for Queensland Rail). Queensland Rail has included the below definitions:</p> <p><i>"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.</i></p>



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	amounts.	<p><b>“QCA Levy”</b> means the fee 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;</p> <p>Queensland Rail agrees with the QCA’s proposed amendment in relation to the QCA Levy, which will be based upon actual recovery by Queensland Rail in the subject financial year.</p> <p>However, the QCA fee will be an allocated expense and so should be based upon the allocation approved by the QCA for the QCA Levy.</p> <p>This is because, at present, the QCA does not provide Queensland Rail with a cost breakdown of the QCA Fee on a region (i.e. system) basis, either when advising Queensland Rail of the quantum of the QCA Fee, or when the QCA Fee is charged. Queensland Rail would consider it a positive development if this information behind the QCA’s Fee was provided. Queensland Rail would then simply allocate the costs to the relevant regions on this basis. However, currently Queensland Rail is not in apposition to allocate the costs as actual in the year in which the costs are incurred.</p>
Definition of “Costing Manual” or “Manual”	<p>The draft decision requires that Queensland Rail delete all the words following the words “<i>the Act</i>”.</p> <p>The QCA considers that the reference to clause 10.1 of the undertaking appears to be incorrect. The information contained in a previous iteration of the undertaking to which this reference referred is no longer included in the current approved undertaking.</p>	Queensland Rail agrees with this draft decision requirement.
Definition of “Queensland Transport”	The draft decision requires that Queensland Rail delete the “ <i>Queensland Transport</i> ” definition as the term is not used in the draft cost allocation manual.	Queensland Rail agrees with this draft decision requirement.
Various	<p>The draft decision requires that Queensland Rail amend the cost allocation manual so that the capitalisation of terms is used throughout the costing manual to accord with defined terms (or lack of definition or lack of use). For example:</p> <ul style="list-style-type: none"> <li>• Geographic Region</li> <li>• Corridor</li> </ul>	Queensland Rail agrees with this draft decision requirement.



Draft Cost Allocation Manual Reference	QCA 2017 Draft Decision on Queensland Rail's 2016 Draft Cost Allocation Manual	Queensland Rail Comments
	<ul style="list-style-type: none"> <li>• Network Wide</li> <li>• Fixed Asset Register</li> <li>• Queensland Transport</li> <li>• Line Section</li> <li>• Asset Specific</li> <li>• Investment Program Report</li> <li>• Survey Section</li> <li>• Infrastructure Services</li> <li>• Fixed Assets</li> <li>• Expenses</li> </ul> <p>Inconsistent use of defined terms may cause confusion.</p>	
4.3.5.3	<p>Deletion of references to DTMR and decapitalisation of the words "Rail Manager". The deletion of 'DTMR' is because the Rail accreditation process is moving away from DTMR to a national regime.</p>	<p>Queensland Rail has amended the definitions to define Railway Manager. The term Railway Manager is defined by reference to the QCA Act definition (which references the Transport Infrastructure Act definitions, which have been amended to reference the National Rail Safety Law (Queensland)).</p> <p>References to DTMR have been deleted, and Railway Operator removed as a defined term.</p>

# Costing Manual

Submitted for Approval by the  
Queensland Competition Authority

December 2016/2017

 QueenslandRail



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## Part 1 Purpose 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 inter alia to ensure that Access negotiations are conducted expeditiously, on a commercial basis, and in a competitively neutral environment. 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 Manager and ~~operates passenger services.Above Rail Passenger Services as a Railway Operator. Queensland Rail Limited's Constitution precludes it from providing Above Rail Freight Services.~~
- (d) Queensland Rail is obligated, under the Act, to keep accounting records for the declared service (ie. the provision of Below Rail infrastructure services) separate from its accounting records for its other operations. Consistent with this obligation, the Undertaking contains a requirement for the production of separate Financial Statements for 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.
- (e) Under the Act the QCA may prepare a Costing Manual or ask Queensland Rail to do so. The QCA has exercised its powers under the Act and requested Queensland Rail to prepare and submit a Costing Manual (referred to as the "Manual") to satisfy the accounting responsibilities under the Act and financial reporting obligations contained in the Undertaking.

### 1.2 Legislative Context

This Manual has been prepared in accordance with the requirements of Section 159 of the Act.

### 1.3 Purpose

The principal purpose of the Manual is to provide a framework for the Identification, Attribution and Allocation of assets, costs, revenues and investments relating to Queensland based Below Rail Services provided by Queensland Rail and the development of Financial Statements required in accordance with the Undertaking.

[This Manual also acts as a means of informing the audit and review processes required by the QCA.](#)

[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.](#)

## Part 2 Scope and administration of costing manual

### 2.1 Scope of Costing Manual

- (a) This Manual is required to set out:
- a. The process for identifying, from Queensland Rail's audited general purpose financial statements and other accounting records, the cost base for Below Rail Services provided by Queensland Rail - separate from other services provided by Queensland Rail;
  - b. Within the cost base for Below Rail Services provided by Queensland Rail, the process for identifying:
    - (i) Assets and costs attributable to specified [Corridors](#);
    - (ii) Assets, costs, revenue and investments not attributable to specified [Corridors](#) but attributable to specified Geographic Regions; and
    - (iii) Assets, costs, revenue and investments not attributable to specified [Corridors](#) or any specified Geographic Region; and
  - c. 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".

Accordingly, this Manual is required to set out the process for identifying assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to [Corridors](#), [Geographic Regions](#) and [Network Wide](#).

- (c) Further, to report Below Rail Services provided by Queensland Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region and North Coast Region ~~respectively~~ *separately*, it is necessary for the Manual to set out the methodology for allocating [Network Wide](#) assets, costs, revenues and investments to [Geographic Regions](#) including the West Moreton Region, Mount Isa Region and North Coast Region.
- (d) For the purposes of the preparation of the Financial Statements, passenger stations, platforms and associated facilities are to be treated as Above Rail.



## 2.2 Duration of 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 2020, 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.

## 2.3 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 does approve the amendments, the amended Manual will apply from:
  - (i) the date of the QCA’s approval; or
  - (ii) a date approved by the QCA.

(d) The QCA may, from time to time, revise the Manual as set out in s. 159 -of the Act.

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## Part 3 Costing Framework

### 3.1 Organisational Structure

- (a) Queensland Rail has established its organisational structure to separate the management of infrastructure from the operation of Passenger Train Services. Schedule D of this Manual shows an organisation chart for Queensland Rail. Queensland Rail has three organisation units responsible for providing primary business functions, i.e.
- (i) (Executive General Manager Network (Network), responsible for Above Rail and Below Rail infrastructure and Train Control Services other than Mayne Control Centre,
  - (ii) Chief Operating Officer Operations (Operations), responsible for the provision of Passenger train service delivery, rollingstock engineering and maintenance, South East Queensland (SEQ) and Far North Queensland operations, Travel Network operations, operations facilities and program coordination and Train Control Services at Mayne Control Centre
  - (iii) Executive General Manager Projects (Project Delivery), responsible for the operational, commercial and strategic management and performance of Queensland Rail's project delivery and managing Transport Service Contracts.
- All other organisation units shown on Schedule D are either corporate overhead or corporate service units.
- (b) Apart from as set out in paragraphs (c) to (e) below, Network is responsible for the provision of Below Rail Services.
- (c) Network is responsible for the provision or procurement of appropriate levels of maintenance and investment in stations and platforms. These items are not included in Below Rail Services provided by Queensland Rail.
- (d) The Chief Financial Officer and Executive General Manager Commercial and Strategy is responsible for Below Rail customer interface and other corporate enabling units.
- (e) In addition, Operations performs certain Below Rail Services as follows:
- Train control from the Mayne Control Centre; and
  - Field incident management in south east Queensland.
- (f) The principles of cost Identification, Attribution and Allocation recognise that Queensland Rail's organisational structure may change over time. Therefore, 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. 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.

### 3.2 Costing Principles

- (a) 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. 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.
- (b) 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.
- (c) In order to achieve the requirements under the Act whilst 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. Rather, costs, revenue and assets not Identified directly to [Geographic Regions](#) are Identified to the functions and hence, the type of activity for which they are incurred. For example, costs incurred in providing train control services are Identified as relating to the [Geographic Region](#) across which those train control services are provided – they are not Allocated to the provision of the individual [Corridors](#) within that

Geographic Region. Any Allocation of Below Rail Costs to a more detailed geographic level is essentially arbitrary in nature.

- (d) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (e) 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.

~~(f)~~ — In certain circumstances this Manual adopts Standard Allocators. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.

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

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### 3.3 Internal Costing Accounts

- (a) Queensland Rail produces internal Costing Accounts on a regular basis. They interpret Queensland Rail's financial accounts to provide detailed information on the costs of various business activities.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities, and from this separate assets, costs and revenue into Below Rail, Above Rail or Other Services. The resulting information forms 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); and
  - (iii) (the responsible cost centre and manager.
- (d) This financial account coding is designed primarily around the requirements for construction of Queensland Rail's general ledger and the objectives of responsibility management. The network nature of a railway operation, where assets and activities serve more than one business or geographic sector, prevents responsibility-based accounting from providing direct Identification of all costs and assets to functions and, hence, to Below Rail, Above Rail or Other Services. However, the financial account coding and underlying information is collected and

arranged such that it is suitable for functional cost analysis through the Queensland Rail's Costing Accounts process.

- (e) The functional cost analysis process re-presents 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 involve some reclassification of costs and assets in order to ensure that functional costs are accurately Identified.
- (g) Internal cost transfers recorded in the accounts of Queensland Rail shall, where applicable, be added to the costs, revenues and investments of 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 this Manual are to be excluded and replaced with amounts calculated in accordance with this 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 purposes of preparing the Financial Statements;
  - (v) If internal transfers do not include an Allocation for corporate service or corporate overhead costs, an Allocation is to be added to the cost base of Queensland Rail for the purposes 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 [Corridor 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 and traffic statistics, in order 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.

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### 3.4 Revenue Netting Off

- (a) The internal Costing Accounts adopts the practice of netting off certain non-sales revenue against like expense items to obtain more reliable results for costing core Queensland Rail businesses.
- (b) Sales Revenue reported in Queensland Rail's audited general purpose financial statements is to be treated as revenue in Queensland Rail's Costing Accounts.
- (c) Other Revenue reported in Queensland Rail's audited general purpose financial statements is to be analysed by cost centre, account and (if necessary) transaction type and treated for Queensland Rail's Costing Accounts purposes as either:
  - (A) Revenue if it is in the nature of sales revenue; or
  - (B) Offset against costs in the following instances:
    - (i) Gain on sale of assets, (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 to be added to the Below Rail cost base for the purposes of preparing the Financial Statements, all non- sales revenue of corporate overhead areas and corporate service areas.

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(v)

## Part 4 Separation of below rail assets, costs, revenue and investments

### 4.1 Introduction

- (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."

This Manual sets out the process for identifying Below Rail assets, revenue and investments as well as costs, separately from other services provided by Queensland Rail.

- (b) In some situations, (for example, joint assets and functions such as administration buildings, corporate provisions and corporate projects), there is no information available on Below Rail usage of the asset or function. 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.

## 4.2 Separation of below rail assets

### 4.2.1 Classification of Assets

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 4.1.

**Table 4.1 Queensland Rail Asset Categories**

	Below Rail Services	Above Rail Services	Other Service	Joint
<b>Fixed Assets</b>				
Land	Ident	Ident	Ident	
Buildings	Ident / attrib	Ident / attrib		Alloc
Rollingstock	Ident	Ident		
Plant and equipment <ul style="list-style-type: none"> <li>• Infrastructure equipment</li> <li>• Other plant &amp; equipment</li> </ul>	Ident Ident	Ident Ident	Ident Ident	Alloc
Motor vehicles	Ident	Ident	Ident	Alloc
Computers & misc.	Ident	Ident	Ident	Alloc
Trackwork & civil works	Ident	Ident		
Signals <ul style="list-style-type: none"> <li>• Control systems</li> <li>• Field signals</li> </ul>	Ident Ident	Ident Ident		
Traction Power Equipment <ul style="list-style-type: none"> <li>• Distribution equipment</li> <li>• Supply equipment</li> </ul>	Ident Ident	Ident Ident		
Telecommunications <ul style="list-style-type: none"> <li>• Backbone network</li> <li>• Customer premises equip.</li> </ul>	Ident Ident	Ident		Alloc
Facilities	Ident / attrib	Ident / attrib		Alloc
Assets under construction	Ident	Ident		Alloc
<b>Other Assets</b>				

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	Below Rail Services	Above Rail Services	Other Service	Joint
Intangible Assets	Ident	Ident	Ident	Alloc
Receivables	Ident	Ident	Ident	Alloc
Inventories	Ident	Ident	Ident	Alloc
Prepayments	Ident	Ident	Ident	Alloc
Investments			Ident	
Cash, deferred income tax assets, deferred leases			Ident	

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## 4.2.2 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.
- (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 areas within Queensland Rail. 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, giving consideration to the asset class, description and location.
- (c) In analysing fixed asset's cost centre data the following general principles are to be followed:
- (i) Infrastructure assets managed by Network can be identified by the asset's cost centre as being Below Rail or Above Rail (e.g. stations, rollingstock depots, rollingstock stabling facilities);
  - (ii) Assets used by Network as an infrastructure maintainer are Below Rail, except as specified in (iii) below;
  - (iii) Assets used by Network SEQ as an infrastructure maintainer are to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed, unless otherwise attributable;
  - (iv) Assets of Queensland Rail Operations are Above Rail with the exception of control centres and associated equipment, which are Below Rail;
  - (v) 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.

### 4.2.2.1 Land

- (a) Land assets exclude [eCorridor](#) land, as Queensland Rail subleases the [eCorridor](#) land from Department Natural Resources and Mines and, hence, Queensland Rail does not own the [eCorridor](#) 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~~[fixed asset register](#) as surplus shall be treated as Other Services.

#### 4.2.2.2 Buildings

- (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.

#### 4.2.2.3 Rollingstock

- (a) Rollingstock assets recorded on Queensland Rail's ~~Fixed Asset Register~~[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 (e.g. 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~~[fixed asset register](#).

#### 4.2.2.4 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.

#### 4.2.2.5 Motor Vehicles

- (a) Queensland Rail's ~~Fixed Asset Register~~[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.

#### 4.2.2.6 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.

~~(b)~~

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#### 4.2.2.7 Permanent Way

(a) Permanent Way assets are Identified to individual eCorridors and are Identified according to cost centre and corridor codes. Queensland Rail's Permanent Way assets are managed by Network and are identified by cost centre as Below Rail or, in the case of rollingstock stabling facilities, Above Rail.

#### 4.2.2.8 Traction Power Distribution Equipment

(a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to specific eCorridors 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.

#### 4.2.2.9 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.

#### 4.2.2.10 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.

#### 4.2.2.11 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).

~~(b)~~

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#### 4.2.2.12 Field Signals

(a) Field signals include electrical signal interlocking, train order/DTC (field componentry), level crossing protection and tramway crossings.

(b) Field signals shall be Identified as Below Rail or Above Rail assets from an analysis of asset cost centres.

#### 4.2.2.13 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, hand held radios, microwave.

(b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.

(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.

#### 4.2.2.14 Assets Under Construction

(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.

(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.

### 4.2.3 Intangible Assets

(a) Intangible assets are items such as computer software, patents or copyrights. Queensland Rail has computer software that is reported under the heading of intangible assets. Details of computer software is 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.

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(b)

#### 4.2.4 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) For the purposes of the Financial Statements, Queensland Rail's deferred tax assets and deferred tax liabilities shall be offset and only reported as an asset if a net deferred tax asset, and treated as a liability if a net deferred tax liability. Any resulting net deferred tax asset shall be identified as Other Services.

(f) Investments in other entities or joint ventures shall be Identified as Other Services.

#### 4.3 Separation of below rail expenses Expenses

- (a) Expenses shall only include those items recorded in the accounts of Queensland Rail, except for the following:
- (i) If Queensland Rail's SAP Costing Accounts do not include an Attribution or Allocation for Below Rail services provided by Operations, an Attribution or Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements;
  - (ii) If Queensland Rail's SAP Costing Accounts do not include an Allocation for corporate services, an Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements; and
  - (iii) If Queensland Rail's SAP Costing Accounts do not include an Allocation for corporate overhead, an Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements.
- (b) 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 4.2 which lists the cost functions and summarises their assignment to the three categories.

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 4.2 Summary of Procedures for Assigning Expenses**

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	Below Rail Services	Above Rail Services	Other Services
<b>Train Running (Passenger Trains)</b>			
Train running costs		Ident	
Nominal Access Charges		Ident	
Station Costs		Ident	
Traction electricity energy cost		Ident	
<b>Corridor/ Regional Costs</b>			
<b><i>Train Operations Management</i></b>			
Signalling and safeworking	Ident		
Train control and scheduling	Ident		
Operations management	Ident		
By Network	Ident		
By Operations	Ident	Ident (bal.)	
<b><i>Infrastructure Maintenance</i></b>			

	Below Rail Services	Above Rail Services	Other Services
Track	Ident	Ident	
Bridge	Ident	Ident	
Buildings and Facilities	Ident	Ident	
Signals	Ident	Ident	
Telecommunications			
Customer premises	Ident	Ident	
Network backbone	Ident		
Traction power distribution equipment	Ident	Ident	
Traction power supply equipment	Ident	Ident	
Infrastructure administration	Ident / Alloc	Ident / Alloc	
Other maintenance	Ident	Ident	
<b><i>Derailment / Flood Repairs</i></b>			
Derailments and collisions	Ident	Ident	
Flood Repairs	Ident	Ident	
Third party damage - infrastructure	Ident	Ident	
<b>Other Expenses</b>			
<b><i>Insurance and Accreditation Fees</i></b>			
Insurance Premium	Ident / Alloc	Ident / Alloc	
Insurance Excess	Ident	Ident	
Qld Transport Accreditation Fee	Ident	Ident	
<b><i>Other</i></b>			
Business Unit Management	Ident / Alloc	Ident / Alloc	
Group management	Ident		
By Network	Ident		
By PDO	Ident / Alloc	Ident / Alloc	
By Operations		Ident	
Queensland Competition Authority	Ident		
Early retirement schemes	Ident / Alloc	Ident / Alloc	
(Gain)/ Loss on disposal of assets #	Ident / Alloc	Ident / Alloc	
Outside work			Ident
Miscellaneous	Ident	Ident	Ident
<b>Corporate Overhead</b>	Allocated	Allocated	Allocated
<b>Depreciation and amortisation</b>	Ident / Alloc	Ident / Alloc	

# (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.

#### 4.3.1 Train Running Costs

- (a) These costs relate to the running of passenger trains and consist of the following cost categories:
- Train crew

- Train fuel
  - Locomotive maintenance
  - Self propelled passenger train maintenance (diesel and electric trains)
  - Carriage and wagon maintenance
  - Carriage cleaning
  - Fuel for train air-conditioning and refrigeration
  - On board service and catering
  - Alternative and connecting transport
- (b) Traction Electricity 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.

## **4.3.2 Train Operations Management**

### **4.3.2.1 Signalling and Safeworking**

This line item relates to the operation of signal cabins and panels at stations for the safeworking of trains along corridors and in yards. It also covers the time of station staff involved in the transmission of train orders and train working communications. It is a Below Rail function and is Identified in Queensland Rail's Costing System.

- (i) Performed by Network staff

The cost of yard control centres direct managed by Network are Identified in Queensland Rail's Costing System separate from other operations management functions.

- (ii) Performed by a third party on behalf of Queensland Rail

A third party provides signalling and safeworking services at certain regional stations on behalf of Queensland Rail. These services are managed by a Service Agreement between the parties. The Service Agreement specifies the stations performing below rail functions and the fixed price.

### **4.3.2.2 Train Control Scheduling**

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.

- (i) Performed by Network



Network 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 identifiable by cost centre.

- (ii) Performed by Queensland Rail Operations

The cost of train control centres that are managed by Queensland Rail Operations are to be Identified separately from the operation, crew and station management functions carried out by that operator group. The train control centre not directly managed by Network is Mayne Control Centre which controls all train movements in the area bounded by Tamaree, Acacia Ridge and Rosewood.

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.

#### 4.3.2.3 Operations Management

- (i) Performed by Network (100% Below Rail)

Operations management functions performed directly by Network are 100% Below Rail. This cost item shall be Identified in Queensland Rail's Costing System separate from other functions carried, for example:

- Train control
- Contract signalling and safeworking
- Signalling and safeworking
- Incident investigation and management

Any other significant item that are not of an administrative nature

- (ii) Performed by Queensland Rail Operations

This cost function in the Queensland Rail Operations refers to the management of operations activities such as train operations, train crew, loco power management, stations, terminal and yards and the Below Rail functions train control (4.3.2.2) and incident investigation and management. The Below Rail functions are a small but important proportion of the activities managed.

#### 4.3.3 Corridor/Regional Costs – Infrastructure

- (a) Queensland Rail uses a normal costing process within its SAP system for costing its internal maintenance and construction activities, i.e. the actual hours of labour and

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plant used is costed to jobs using standard unit labour and plant rates, plus the actual value of materials used. The standard unit rates are calculated to allow for direct costs and indirect costs (e.g. leave, training, downtime etc). The cost of individual jobs are collected on work orders in the SAP system that also record the asset being maintained and location of the job.

(b) At regular intervals the amounts costed to work orders are “settled” to cost centres, or projects in the case of capital works. Queensland Rail has created a series of structured work order settlement receiver cost centres to allow easy reporting of Above Rail maintenance costs separate from Below Rail maintenance costs and further reporting by geographic regions.

~~(b)~~

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#### 4.3.3.1 Maintenance of Track, Bridges, Signals and Traction Power Distribution Equipment

(a) The cost of these functions is identified by eCorridor, asset type and cost centre in Queensland Rail’s Costing System

(b) The majority of costs are Below Rail except for the following costs Identified from work orders:

(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)

(c) Costs associated with new construction of Queensland Rail infrastructure shall be capitalised.

(d) Costs associated with new construction of infrastructure not owned by Queensland Rail shall be treated as Other Services provided by Queensland Rail.

#### 4.3.3.2 Maintenance of Traction Power Supply Equipment

All maintenance of the traction power supply systems is Identified as a Below Rail cost.

#### 4.3.3.3 Maintenance of Buildings and Facilities

Maintenance of Queensland Rail’s building and facilities is derived in the Queensland Rail’s Costing Accounts from work order cost details recorded in Queensland Rail’s costing system, including location and type of building or facility and maintenance activity.

Maintenance costs are Identified with particular buildings or facilities, and Allocated to Below Rail, Above Rail or Other Services provided by Queensland Rail depending on the building or facilities use. Specific allocations are:

- (a) Maintenance of water, power and lighting facilities in Below Rail yards ~~(Identified in the Undertaking)~~ are Below Rail;
- (b) Maintenance of the infrastructure depots and associated amenities shall be Identified as Below Rail;
- (c) Maintenance of passenger stations, platforms and associated facilities (e.g. carparks, footbridges, subways and lifts), shall be identified as Above Rail; and
- (d) Buildings or facilities utilised for housing telecommunications backbone equipment are 100% Below Rail.

#### 4.3.3.4 Telecommunications

- (a) Telecommunications maintenance is to be separated into two categories, the Telecommunications Backbone Network and Customer Premises Equipment:

- (i) The Telecommunications Backbone Network

These core assets of the network include pole routes, optic fibre installations, microwave links, radio networks, exchanges and associated equipment. Most railways including Queensland Rail developed telecommunications networks for the purpose of linking train control centres to signals and other safe working communications. Over the years the backbone has been expanded in size, complexity and technical sophistication to cater for technical developments in train control and signalling but also for increasing use of the network for voice and data transmissions.

Maintenance costs of the backbone are separately Identified by work order. These costs are to be treated 100% Below Rail.

For the purposes of the Financial Statements, Below Rail is to be credited with internal revenue (see 4.4.3.2) for use of the backbone by other parts of Queensland Rail.

- (ii) Customer Premises Equipment (CPE)

CPE includes items such as:

- Train control telephone equipment
- Data terminals and personal computer links
- Locomotive radios
- Mobile radios

- Passenger information display systems
- Telephone and fax machines
- Portable radio and yard shunt system
- Public address systems

Costs are recorded by costs centre (customer) and equipment / system type. From this information, the costs shall be Attributed to Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail in accordance with the treatment of the cost centres.

#### **4.3.3.5 Infrastructure Administration**

- (a) This item refers to the administration of infrastructure and infrastructure maintenance by Network, and is identified by cost centre. The Costing Accounts shall generally exclude infrastructure administration in the direct infrastructure maintenance cost.

This cost is 100% Below Rail, except for Network SEQ cost centres which 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 high proportion of maintenance activities in Network SEQ that are related to passenger stations.

- (b) 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.

#### **4.3.3.6 Other Maintenance**

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, but exclude the cost of early retirement schemes. The costing variances are to be treated as 100% Below Rail, except for Network SEQ costing variance which is to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed.

#### **4.3.3.7 Derailments and Collisions**

Infrastructure repair cost arising from derailments, collisions and other accidents recorded in the accounts of Queensland Rail shall be treated as Below Rail.

#### **4.3.3.8 Flood Repairs**

Infrastructure repair cost arising flooding and other natural disasters shall be separately recorded in the accounts of Queensland Rail, and treated as Below Rail.

#### 4.3.3.9 Third Party Damage – Infrastructure

(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. A typical example is 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.

~~(b)~~

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#### 4.3.4 Business Management

##### 4.3.4.1 Group Management

(a) This cost function refers to the management of the activities of Network, Operations and Project Delivery Office and includes planning and research, finance and administration generally.

(b) Network management costs (as distinct from business unit management, operations management and infrastructure administration) are Identifiable in Queensland Rail's general ledger and are 100% Below Rail.

##### 4.3.4.2 Insurance

(a) Insurance premiums charged directly to Network are Below Rail unless specifically Identified with Other Services.

(b) Insurance premiums charged to corporate cost centres is to be allocated to Below Rail and Above Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable.

##### 4.3.4.3 Access Contracts Management

This cost function is separately Identified in Queensland Rail's Costing Accounts and relates to negotiation and management of access agreements with customers.

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##### 4.3.4.4 Transport Service Contracts Management

This cost function is separately Identified in Queensland Rail's Costing Accounts and relates to negotiation and management of Above Rail and Below Rail Transport Service Contracts with the Queensland Government.

Transport service contracts management charged to cost centres is to be allocated to Below Rail and Above Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable.

#### 4.3.5 Other Items

#### 4.3.5.1 Early Retirement Schemes

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.

#### 4.3.5.2 Queensland Competition Authority Levy

The QCA Levy is Identified in Queensland Rail's General Ledger and is Below Rail.

#### 4.3.5.3 ~~Department Of Transport and Main Roads (DTMR) Accreditation Fees~~

~~DTMR~~ accreditation fees that relate to Queensland Rail's role as a ~~Rail mManager~~ Railway Manager are Below Rail. Accreditation fees that relate to Queensland Rail's role as an ~~Rail Operator~~ operator are Above Rail. These fees are separately identifiable from an analysis of cost centres.

#### 4.3.5.4 Outside Work

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 or to ~~QR's Queensland Rail's~~ Operations and accordingly, are to be treated as Other Services provided by Queensland Rail. They are Identified separately in Queensland Rail's Costing system.

Queensland Rail also engages in project management, engineering and other technical work, for outside parties, which is to be treated as Other Services provided by Queensland Rail.

#### 4.3.5.5 Miscellaneous

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.

Costs incurred in respect to investments in other entities or joint ventures shall be Identified as Other Services provided by Queensland Rail.

### 4.3.6 Expenses not reported in financial statements

#### 4.3.6.1 Financing Costs

Financing costs of Queensland Rail are to be excluded from the Statement of Earnings before Interest and Tax.

#### 4.3.6.2 Income Tax Expense

Income tax expense of Queensland Rail is to be excluded from the Statement of Earnings before Interest and Tax.

#### 4.3.7 Depreciation and Amortisation

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

#### 4.3.8 Corporate Overhead

- (a) Corporate overhead is 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
- General Counsel and EGM Governance
- Chief Financial Officer and EGM Commercial and Strategy
- Chief Human Resources Officer

- (b) Corporate overhead, 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.

#### 4.4 Separation of Below Rail Revenue

Table 4.3 summarise the procedures for separating Queensland Rail revenue into Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail.

**Table 4.3 – Allocation of Queensland Rail revenue to Below Rail Services**

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

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#### 4.4.1 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 passenger services provided by Queensland Rail's Operations
- 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.

##### 4.4.1.1 External Access Charges

External access revenue is recorded by profit centre 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. Access charges for bulk coal trains shall comprise regulated tariffs AT1 and AT2, and any other non-regulated charges for these trains.

## **4.4.2 Other Revenue**

### **4.4.2.1 External Other Revenue**

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.

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.

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.

### **4.4.2.2 Treasury Operations**

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.

### **4.4.2.3 Other Items**

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.

## **4.4.3 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).

### **4.4.3.1 Internal Access Charges**

Internal access revenue is 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 year concerned.

### **4.4.3.2 Internal Telecommunications Backbone Charges**

This item is 100% Below Rail. These charges are nominal and determined by reference to internal agreements (including where necessary previous years agreements escalated).

#### **4.4.3.3 Traveltrain Internal Fares**

These items are recorded in Queensland Rail's accounts as the value of subsidised staff rail travel provided by Traveltrain. The value is sourced from the fare prices in QR's Reservations system, and is Above Rail.

## **4.5 Separation of Below Rail Investments**

### **4.5.1 Information Source**

Investments are to be classified as 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 group, 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.

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### **4.5.2 General Methodology for Classification**

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

- (a) Network 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) Projects of Operations are Above Rail with the exception of any projects relating to Below Rail assets or functions such as train control;
- (d) Projects of Queensland Rail's Project Delivery Office, corporate services and corporate overhead groups 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).

(e) Notwithstanding clause 4.5.1, the classification of costs to Below Rail investment projects must be fair and reasonable and reflect relevant underlying activity.

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### 4.5.3 Other Investments (non **f**ixed **a**ssets)

Investments by Queensland Rail in other entities or joint ventures will not usually be reported in the Investment Program Report as it deals with fixed assets. 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.

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## Part 5 Hierarchy of Below Rail Assets, Costs, Revenues and Investments

### 5.1 Introduction

This Manual sets out the process for identifying Below Rail assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to Corridors, Geographic Regions and Network Wide.

- (a) To report Below Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region ~~and-or~~ North Coast Region as applicable it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenue and investments to each relevant Geographic Region~~the West Moreton Region~~ as a whole.
- (b) The ~~regions~~ Geographic Regions are described in Schedule A “Description of Regions.” Details of the numerous eCorridors defined into regions are provided in Queensland Rail’s “Line Diagrams” report which is published on the Queensland Rail website and reviewed at least every six months.
- (c) The ~~regions~~ Geographic Regions 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 ~~regions~~ Geographic Regions 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.
- (d) The West Moreton Region, Mount Isa Region and North Coast Region are defined in Schedule A or as amended in accordance with (c) above.
- (e) The assets, costs, revenues and investments to be reported under the headings “West Moreton Region”, “Mount Isa Region” and “North Coast Region” (respectively) in the annual Financial Statements will be the sum of:
  - assets, costs and investments identified as attributable to eCorridors in the West Moreton Region, Mount Isa Region and North Coast Region (respectively).
  - assets, costs, revenues and investments identified as attributable to ~~regions~~ Geographic Regions in the West Moreton Region, Mount Isa Region and North Coast ~~Line~~ Region (respectively) and
  - the 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, such share being Allocated in accordance with 5.1 (~~f~~) of this Manual.
- (f) Assets, costs, revenues and investments identified as attributable to the network as a whole (i.e. ~~n~~ Network w ~~W~~ ide items) shall be Allocated to the West Moreton Region,

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Mount Isa Region ~~and or~~ North Coast Region, by applying the corresponding Standard Allocator (see Schedule C).

Standard Allocator “C”, “D” and “E” have been determined based on an empirical analysis of the West Moreton Region’s, Mount Isa Region’s and North Coast Region’s respective share of total Network Wide costs derived from the allocative process outlined in Table 5-A5.1.

Each year Queensland Rail will recalculate and calibrate the items in Table 5.1 to ensure the continuing validity of Standard Allocator “C”, “D” and “E” and, where necessary, recommend changes to the ratios to the QCA for approval. Changes to the Allocator will be identified in the notes to and forming part of the Financial Statements.

**Table 5.1 – Basis for Review of West Moreton Region, Mount Isa Region and North Coast Region Standard Allocator**

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

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## 5.2 Classification of Below Rail Assets to Geographic Regions

Assets are to be classified to Corridors, Geographic Regions or Network Wide by determining the function for which the assets are required. In some instances Attribution of assets may be required in order to align with the Identified geographical categories. Queensland Rail's major asset categories with their respective geographical categories are shown in Table 5.2.

**Table 5.2 Below Rail Asset Categories**

Fixed Assets	Corridor	Region	Network Wide
Land	XXX	XXX	XXX
Buildings	XXX	XXX	XXX
Rollingstock			XXX
Plant and equipment			
Infrastructure equipment		XXX	
Other plant and equipment		XXX	XXX
Motor vehicles		XXX	XXX
Computers & misc. equip.		XXX	XXX
Trackwork & civil works	XXX		
Signals			
Control systems	XXX	XXX	
Field signals	XXX		
Traction Power Equipment			
Distribution equipment	XXX		
Supply equipment		XXX	
Telecommunications			
Backbone network			XXX
Customer premises equipment		XXX	XXX
Facilities	XXX	XXX	
Assets under construction	XXX	XXX	XXX
<b>Other Assets</b>			
Intangible Assets		XXX	XXX
Receivables		XXX	XXX
Inventories			XXX
Prepayments		XXX	XXX
Investments			XXX
Cash, deferred income tax assets			XXX

### 5.2.1 Fixed Assets

- (a) Details of fixed assets are recorded on Queensland Rail's ~~Fixed Asset Register~~fixed asset register or where applicable Queensland Rail's ~~Fixed Asset Register~~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~~fixed asset register is to be the primary means of identifying assets to Corridors or Geographic Regions.
 

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- (b) Assets to be Identified to Corridors or Geographic Regions directly from ~~Fixed Asset Register~~fixed asset register location information are Permanent Way, Traction Power Distribution Equipment, Traction Power Supply Equipment, Infrastructure Facilities, Control Systems and Field Signals.
 

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- (c) Land assets are to be identified with Corridors except for land held for maintenance depots which are to be reported against Geographic Regions or as Network Wide.

(d) Buildings

Below Rail buildings to be reported against [eCorridors](#) include buildings whose function is to house corridor assets.

Below Rail buildings to be reported against [Geographic Regions](#) include buildings whose function is to house [Geographic Regional](#) assets (e.g. Train Control Buildings, maintenance depots).

Administration Buildings are Network Wide.

(e) Queensland Rail's Below Rail rollingstock are Network Wide.

Plant and equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each piece of equipment. The plant and equipment shall then be Attributed to [Geographic Regions](#) or Network Wide in a manner consistent with how the activities of that area relate to [a gGeographic fRegions](#).

(f) Below Rail motor vehicles shall be either:

- (i) Directly Identified with a [Geographic Region](#) from location information, or
- (ii) Where used for the performance of functions that relate to more than one [gGeographic fRegion](#), Attributed to the relevant [gGeographic fRegions](#) in a manner consistent with how the activities of that area relate to the provision of Below Rail Services in the relevant [gGeographic fRegions](#).

(g) Computers and miscellaneous equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre for each piece of equipment. The equipment is then Attributed to Corridors, [Geographic Regions](#) or Network Wide in a manner consistent with how the activities of that area relates to [gGeographic fRegions](#).

(h) Telecommunications

- (i) Telecommunications backbone assets are to be reported as Network Wide assets.
- (ii) Below Rail telecommunications customer premises equipment shall be Attributed to areas 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.

(i) Control Systems located at train control centres are to be Identified or Attributed to the [gGeographic fRegions](#) covered by the relevant train control centre. The Control Systems assets associated with provision of train control at those centres shall be Attributed to the relevant [gGeographic fRegions](#) on the basis of the train kilometres operated over the [eCorridors](#) controlled in each of those [gGeographical fRegions](#).

### 5.2.2 Assets Under Construction

Assets under construction shall be Attributed to Corridors, [Geographic](#) Regions or Network Wide in a manner consistent with how the category of asset being acquired or constructed is Attributed to Corridors, [Geographic](#) Regions or Network Wide and how the asset is expected to relate to [g](#)Geographic [#R](#)Regions.

### 5.2.3 Other Assets

All Other Assets are Network Wide unless otherwise specifically attributable.

## 5.3 Classification of Below Rail Expenses to Regions

The treatment of Below Rail Expenses as Corridor Specific, Region Specific or Network Wide is shown in Table 5.3.

**Table 5.3 Hierarchy of Below Rail Expenses**

Fixed Assets	Corridor	<a href="#">Geographic</a> Region	Network Wide
<b>Infrastructure Maintenance</b>			
Track	XXX		
Bridge	XXX		
Buildings & Facilities			
Wayside buildings	XXX		
Infrastructure Depots		XXX	
Administration buildings			XXX
Signals	XXX		
Telecommunications			
Customer premises equipment	XXX	XXX	XXX
Network Backbone			XXX
Electric overhead			
Traction power distribution equipment	XXX		
Traction power supply equipment		XXX	
Control Systems		XXX	XXX
Infrastructure administration		XXX	XXX
Other		XXX	XXX
<b>Derailment / Collision / Flood Repairs</b>			
Derailments and collisions – infrastructure		XXX	
Flood Repairs - infrastructure		XXX	
Third party damage - infrastructure		XXX	
<b>Train Operations Management</b>			
Signalling and safeworking		XXX	
Train control and scheduling		XXX	
Operations Management		XXX	XXX
<b>Other Expenses</b>			
Insurance Premiums			XXX
Insurance Excess		XXX	
Accreditation Fees			XXX
Network management			XXX
Access management		XXX	XXX
Early retirement schemes			XXX
Qld Competition Authority Levy		XXX	

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Fixed Assets	Corridor	Geographic Region	Network Wide
Utilities charges		XXX	XXX
Land tax		XXX	
(Gain)/ Loss on Disposal Of Assets		XXX	XXX
Miscellaneous		XXX	XXX
<b>Corporate Overhead</b>			XXX
<b>Depreciation And Amortisation</b>	XXX	XXX	XXX

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### 5.3.1 Corridor Specific

#### 5.3.1.1 Maintenance of Track, Bridge, Signal and Traction Power Distribution

Expenses relating to the maintenance of track and associated assets that are required for the provision of the mainline and common user yards are aAsset sSpecific and Identified to the eCorridor on which they are incurred. Corridor Specific maintenance expensesExpenses include:

- (i) Track maintenance
- (ii) Bridge maintenance
- (iii) Signal maintenance
- (iv) Traction power distribution equipment maintenance

#### 5.3.1.2 Maintenance of Corridor Specific Buildings and Facilities

Expenses relating to the maintenance of facilities that are identified as Aasset Sspecific are Corridor Specific operating costs and are Identified to the eCorridor on which they are incurred.

### 5.3.2 Region Specific

#### 5.3.2.1 Maintenance of Regional Buildings and Facilities

Maintenance costs associated with Region Specific facilities are Region Specific operating costs. Maintenance costs for Region Specific facilities that are used for the performance of functions related solely to a particular gGeographic rRegion are Identified to that gGeographic rRegion. Where material, maintenance costs for Region Specific facilities that are used for the performance of functions that relate to more than one gGeographic rRegion shall be Attributed to the relevant gGeographic rRegions in accordance with an assessment of usage of that facility for the purpose of provision of Below Rail Services in the relevant gGeographic rRegions.

#### 5.3.2.2 Maintenance of Power Supply Equipment

Maintenance costs associated with traction power supply assets (e.g. transformers, feeder stations, etc.) are Region Specific and shall be Identified to the **g**Geographic **r**Region in which they are incurred.

#### 5.3.2.3 Infrastructure Administration

The element of infrastructure administration Identified as a Below Rail cost can be further separated into regional infrastructure administration and **n**Network **w**Wide infrastructure administration based on the location recorded on the work order.

#### 5.3.2.4 Other Maintenance

Other maintenance includes minor maintenance items not otherwise categorised, and costing variances resulting from the normal maintenance job costing process. Costed items are to be identified to **g**Geographic **r**Regions, and the costing variance is to be allocated pro-rata on the sum of costed **e**Corridor and regional maintenance.

#### 5.3.2.5 Derailments and Collisions

The costs associated with derailments and collisions are considered to be a reflection of the risks associated with the Rail Infrastructure in that area and the nature of the train services operating on that Rail Infrastructure. These risks tend to be reasonably consistent throughout a **g**Geographic **r**Region. Therefore, although it is possible to identify the Corridor on which a particular derailment or collision occurred, the costs associated with derailments and collisions are more appropriately considered to be Region Specific.

#### 5.3.2.6 Signalling and Safeworking

Signalling and safeworking at stations relate primarily to the provision of safe train movements across the network. In certain regional locations Queensland Rail purchases these services from a third party. Although the costs can be identified to a specific location, safeworking costs are treated as being Region Specific Costs. The safeworking costs associated with stations that relate solely to a specific Geographical Region are identified to that Geographical Region.

#### 5.3.2.7 Signalling and Safeworking at Queensland Rail Yards

Network and Operations provide yard control services that relate primarily to the provision of safe train movements in that yard. Although the costs associated with the provision of yard control services are identified to a specific location, safeworking costs are treated as being Region Specific Costs. The safeworking costs associated with Queensland Rail yards that relate solely to a specific Geographical Region are identified to that Geographical Region.

### 5.3.2.8 Train Control and Scheduling

Train control costs are incurred in a small number of locations across Queensland. Although the boundaries for the individual train control centres do not necessarily directly align with the **g**Geographic **f**Regions, train control costs can be Identified or Attributed to the **g**Geographic **f**Regions covered by the relevant train control centre, as the function of train control is not considered to be **n**Network **w**Wide in nature. The costs associated with the provision of train control for those centres that relate to a specific **g**Geographic **f**Region shall be Identified to that **g**Geographic **f**Region. The costs associated with the provision of train control for those centres that manage the movement of trains across a number of **g**Geographic **f**Regions shall be Attributed to the relevant **g**Geographic **f**Regions based on either:

- (a) The control boards for each **g**Geographic **f**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;
- (b) The train kilometres operated over the **e**Corridors controlled in each of those **g**Geographical **f**Regions; or
- (c) A combination of (a) and (b).

### 5.3.2.9 Operations Management

The element of operations management Attributed as a Below Rail Cost can be further separated into regional operations administration and network wide operations administration. 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 **g**Geographic **f**Region or to a small number of **g**Geographic **f**Regions. Where the sphere of control relates to a single **g**Geographic **f**Region, the operations administration cost is Identified to that **g**Geographic **f**Region. Regional operations administration cost is Attributed to the relevant **g**Geographic **f**Regions based on the activities administered.

### 5.3.2.10 Loss on Disposal of Assets

Loss on disposal of assets shall be treated as a Region Specific cost where the assets being disposed are Corridor or Region Specific assets.

### 5.3.2.11 Queensland Competition Authority **LevyFee**

The QCA **Levy-Fee** is to be reported based on the amounts paid by each of West Moreton coal-carrying trains, and North Coast Region freight traffic and Mount Isa Region freight traffic, in the relevant financial year allocated to nominated Train Services based on a method approved by the QCA for the QCA Levy.

~~Allocated using a ratio of 33% to West Moreton coal trains, and 67% to North Coast Line and Mt Isa Line freight traffic pro rata on freight Gross Tonne Kilometres.~~

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#### 5.3.2.12 Miscellaneous

Any other identifiable regional costs such as miscellaneous items shall be Attributed to Geographic Regions as specifically as possible.

### 5.3.3 Network Wide Costs

#### 5.3.3.1 Network Wide

Network Wide items generally relate to network wide functions or the maintenance of network wide assets with the exception of maintenance of customer premises telecommunications equipment. "CPE" maintenance can be eCorridor specific, regional specific or network wide depending on the classification of the equipment being maintained.

Table 5.3 identifies the individual network wide cost categories and 5.1 (f) explains how network wide costs will be Allocated to the West Moreton Region, Mount Isa Region and North Coast Region.

### 5.3.4 Depreciation and Amortisation

- (a) The methodology specified in Section 5.2, Classification of Below Rail Assets To Regions, is to be used to attribute depreciation and amortisation costs into Corridors, geographic Regions or Network Wide.
- (b) The depreciation and amortisation costs applicable to costed maintenance, costing variances and overhead areas are generally included in the reported costs of those activities.

## 5.4 Classification of Below Rail Revenue to Regions

### 5.4.1 Sales Revenue

#### 5.4.1.1 Access Revenue

External and internal access revenue is to be apportioned by Queensland Rail in accordance with the underlying rate tables used to derive the charges reflecting any different rates per region and recorded in the accounts of Queensland Rail by region.

#### 5.4.1.2 Developer Contributions

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 identifiable by geographic Regionregion.

In the event that a developer's contribution relates to more than one [Geographic Region](#) then the amount shall be Allocated on route kilometres relating to the project.

#### **5.4.1.3 Transport Service Contracts (TSC's)**

Below Rail TSC revenue shall be Identified or Attributed to [Geographic Regions](#) in accordance with the TSC agreements.

Should a [Geographical Region](#) not be directly identifiable in the TSC agreement (e.g. 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.

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### **5.4.2 Other Revenue**

#### **5.4.2.1 Other Revenue**

Any material amounts of other revenue are to be investigated and Identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as [Network Wide](#).

If there are any material amounts which cannot be Identified to a specific [Geographic Region](#) but do not appear to be Attributable to all regions, then they shall be Allocated on a basis that is reasonable in the circumstances.

#### **5.4.2.2 Telecommunications Backbone Charges**

Internal telecommunications backbone revenue is to be treated as [Network Wide](#).

### **5.4.3 Network Wide Revenue**

Below Rail revenue classified as [Network Wide](#) is to be Allocated to the West Moreton Region, Mount Isa Region and North Coast Region by applying the corresponding Standard Allocator (see Schedule C) as explained in 5.1 (f).

## **5.5 Classification of Below Rail Investments to Regions**

- (a) Below Rail investments to be reported in the Financial Statements as West Moreton Region, Mount Isa Region ~~and or~~ North Coast Region [as applicable](#) are to be derived in the following manner.

(b) The investments classified as relating to Below Rail Services Provided by Queensland Rail in accordance with 4.6 are to be analysed individually and treated as follows:

- Investments specifically relating to the West Moreton Region, Mount Isa Region or North Coast Region are to be treated as such,
- Investments relating partly to the West Moreton Region, Mount Isa Region or North Coast Region and partly to other [Geographic Regions](#) are to be Attributed between West Moreton Region, Mount Isa Region and North Coast Region and those [other Geographic Regions](#) on a reasonable basis that is appropriate in the circumstances, and
- Investments relating to the network as a whole are to be Allocated between [the](#) West Moreton Region, Mount Isa Region and North Coast Region and the rest of the network using Standard Allocator “C” (see Schedule C) as explained in 5.1 (f).

## Part 6 Financial Statements

### 6.1 Format of Financial Statements

- (a) 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.”
- (b) The format to be used for the Financial Statements is specified in Schedule B to this Manual.

### 6.2 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.

### 6.3 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 general purpose financial statements 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; ~~and~~
- (viii) Provide explanation of material matters about which an informed reader would need to be aware to understand the Financial Statements; ~~i~~

~~(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.~~

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## Part 7 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 Costs"** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Above Rail Services;

**"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 ~~Railway 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 Costs"** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Below Rail Services;

**"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;

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**“Corridor Specific”** means assets, costs and investments able to be specifically Identified or Attributed to a Corridor;

**“Costing Manual”** or **“Manual”** means [this](#) document prepared in accordance with Section 159 of the Act ~~that identifies the matters outlined in Clause 10.1 of the Undertaking~~;

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**“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 4.2.

**“Geographic Region”** means the regions 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;

**“Mount Isa Region”** means the region defined as such in Schedule A;

**“Network SEQ”** means the organisational unit responsible for the management and maintenance of Queensland Rail infrastructure in Metropolitan Region (as described in Schedule A).

**“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 [Line Section](#)[Corridor](#) or a Geographic Region;

**“North Coast Region”** means the region defined as such in Schedule A;

**“Other Services ~~provided by Queensland Rail~~”** 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 as established by the Act;

“**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;

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“**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]) ~~(formerly QR Passenger Pty), a wholly owned subsidiary of the Queensland Rail Transit Authority, a statutory authority established under the Queensland Rail Transit Authority Act 2013 (Qld) Corporation fully owned by a Government Statutory Authority, responsible for delivery of passenger and non-coal network services in Queensland.~~

“**Queensland Transport**” means the Department of Transport and Main Roads for the State of Queensland;

“**Rail Infrastructure**” means Rail Transport Infrastructure (as defined in the Transport Infrastructure Act 1994 (Qld)) for which Queensland Rail is the Railway 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;

~~“**Rail Transport Infrastructure**” means rail transport infrastructure as defined in the Transport Infrastructure Act 1994 (Qld) for which Queensland Rail is the Railway Manager;~~

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

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~~“**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 not able to be Identified or Attributed to a specified Line Section Corridor, but able to be Identified or Attributed to a Geographic Region;

“**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:

- (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;

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.

"**West Moreton Region**" means the region defined as such in Schedule A;

## Queensland Rail Costing Manual

### Schedule A: Description of Regions

#### 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 Jct to Fisherman Islands (incl. dual gauge line)

Roma Street to Nambour  
Roma Street to Mayne via Exhibition  
Bowen Hills to Ferny Grove  
Eagle Jct to Pinkenba  
Airport Jct 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 Line**

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 Jct 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 Jctn) to Springsure  
Emerald to Clermont

**Mount Isa Line**

Stuart to Mount Isa  
Flynn to Phosphate Hill

**Tablelands**

Cairns to Forsayth  
Mareeba to Atherton  
Arriga Jct 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
<b>Revenue</b>										
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
<b>Total revenue</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Expenses</b>										
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 <a href="#">expenses</a> <a href="#">Expenses</a>	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
<b>Total <a href="#">expenses</a> <a href="#">Expenses</a></b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Earnings Before Interest and Tax</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>

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
<b>Current Assets</b>										
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
Inventories	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
<b>Total current assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Non-Current Assets</b>										
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
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
<b>Total Non-Current Assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Total Assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>



Below Rail Services Provided by Queensland Rail

**Statement of Investments**

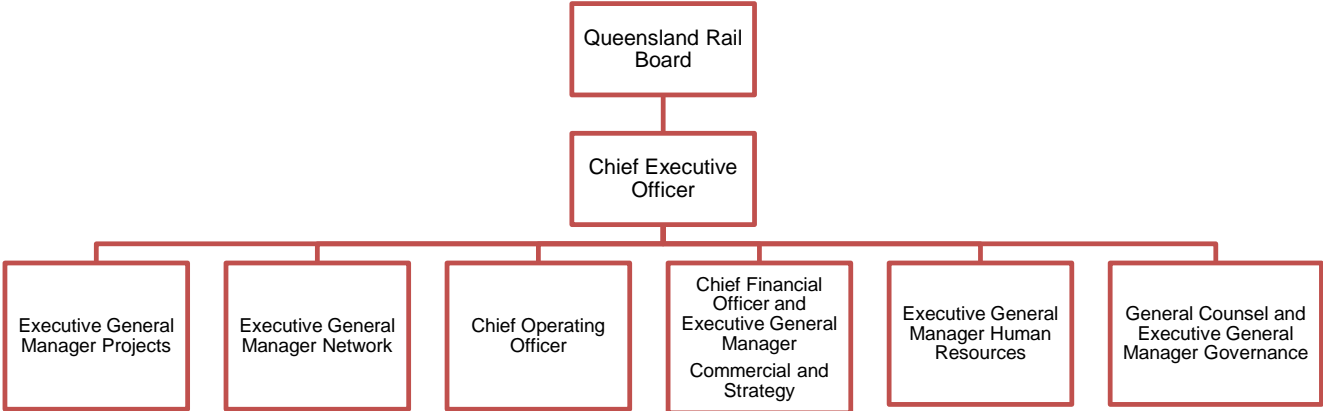
	For the year ended 30 June XXXX					For the year ended 30 June XXXX				
	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Mount Isa Region \$000's	North Coast Region \$000's	Rest of Network \$000's	Total Below Rail \$000's
<b>Expenditure on fixed assets</b>	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 Allocations

	Relevant Clauses in the Manual	Ratio	Amended Ratio	
			Ratio	First Year of Application
Standard Allocator "A" Share of Queensland Rail Wide Items Allocated to Below Rail Provided by Queensland Rail	4.1(b), 4.3.4.2, 4.65.2 (d)	45.0%		
Standard Allocator "B" Operations Management "Mark Up"	4.3.2.3(b)	5.0%	0.0%	2016/17
Standard Allocator "C" West Moreton Region's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	7.50%	6.5%	2016/17
Standard Allocator "D" Mt Isa Regions's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	n/a	12.5%	2016/17
Standard Allocator "E" North Coast Region's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	n/a	25.5%	2016/17

Schedule D: Queensland Rail Organisational Structure



Structure of Queensland Rail as at 14 September 2016

# Costing Manual

Submitted for Approval by the  
Queensland Competition Authority

2017

 QueenslandRail

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## **Part 1 Purpose 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 inter alia to ensure that Access negotiations are conducted expeditiously, on a commercial basis, and in a competitively neutral environment. 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 Manager and operates passenger services..
- (d) Queensland Rail is obligated, under the Act, to keep accounting records for the declared service (ie. the provision of Below Rail infrastructure services) separate from its accounting records for its other operations. Consistent with this obligation, the Undertaking contains a requirement for the production of separate Financial Statements for 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.
- (e) Under the Act the QCA may prepare a Costing Manual or ask Queensland Rail to do so. The QCA has exercised its powers under the Act and requested Queensland Rail to prepare and submit a Costing Manual (referred to as the “Manual”) to satisfy the accounting responsibilities under the Act and financial reporting obligations contained in the Undertaking.

### **1.2 Legislative Context**

This Manual has been prepared in accordance with the requirements of Section 159 of the Act.

### **1.3 Purpose**

The principal purpose of the Manual is to provide a framework for the Identification, Attribution and Allocation of assets, costs, revenues and investments relating to Queensland based Below Rail Services provided by Queensland Rail and the development of Financial Statements required in accordance with the Undertaking.

This Manual also acts as a means of informing the audit and review processes required by the QCA.

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.

## **Part 2 Scope and administration of costing manual**

### **2.1 Scope of Costing Manual**

- (a) This Manual is required to set out:
- a. The process for identifying, from Queensland Rail's audited general purpose financial statements and other accounting records, the cost base for Below Rail Services provided by Queensland Rail - separate from other services provided by Queensland Rail;
  - b. Within the cost base for Below Rail Services provided by Queensland Rail, the process for identifying:
    - (i) Assets and costs attributable to specified Corridors;
    - (ii) Assets, costs, revenue and investments not attributable to specified Corridors but attributable to specified Geographic Regions; and
    - (iii) Assets, costs, revenue and investments not attributable to specified Corridors or any specified Geographic Region; and
  - c. 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".
- Accordingly, this Manual is required to set out the process for identifying assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to Corridors, Geographic Regions and Network Wide.
- (c) Further, to report Below Rail Services provided by Queensland Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region and North Coast Region separately, it is necessary for the Manual to set out the methodology for allocating Network Wide assets, costs, revenues and investments to Geographic Regions including the West Moreton Region, Mount Isa Region and North Coast Region.
- (d) For the purposes of the preparation of the Financial Statements, passenger stations, platforms and associated facilities are to be treated as Above Rail.

## **2.2 Duration of 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 2020, 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.

## **2.3 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 does approve the amendments, the amended Manual will apply from:
  - (i) the date of the QCA’s approval; or
  - (ii) a date approved by the QCA.
- (d) The QCA may, from time to time, revise the Manual as set out in s. 159 of the Act.

## **Part 3 Costing Framework**

### **3.1 Organisational Structure**

- (a) Queensland Rail has established its organisational structure to separate the management of infrastructure from the operation of Passenger Train Services. Schedule D of this Manual shows an organisation chart for Queensland Rail.

Queensland Rail has three organisation units responsible for providing primary business functions, i.e.

- (i) (Executive General Manager Network (Network), responsible for Above Rail and Below Rail infrastructure and Train Control Services other than Mayne Control Centre,
- (ii) Chief Operating Officer Operations (Operations), responsible for the provision of Passenger train service delivery, rollingstock engineering and maintenance, South East Queensland (SEQ) and Far North Queensland operations, Travel Network operations, operations facilities and program coordination and Train Control Services at Mayne Control Centre
- (iii) Executive General Manager Projects (Project Delivery), responsible for the operational, commercial and strategic management and performance of Queensland Rail's project delivery and managing Transport Service Contracts.

All other organisation units shown on Schedule D are either corporate overhead or corporate service units.

- (b) Apart from as set out in paragraphs (c) to (e) below, Network is responsible for the provision of Below Rail Services.
- (c) Network is responsible for the provision or procurement of appropriate levels of maintenance and investment in stations and platforms. These items are not included in Below Rail Services provided by Queensland Rail.
- (d) The Chief Financial Officer and Executive General Manager Commercial and Strategy is responsible for Below Rail customer interface and other corporate enabling units.
- (e) In addition, Operations performs certain Below Rail Services as follows:
  - Train control from the Mayne Control Centre; and
  - Field incident management in south east Queensland.
- (f) The principles of cost Identification, Attribution and Allocation recognise that Queensland Rail's organisational structure may change over time. Therefore, 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. 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.

## **3.2 Costing Principles**

- (a) 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. 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.

- (b) 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.
- (c) In order to achieve the requirements under the Act whilst 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. Rather, costs, revenue and assets not Identified directly to Geographic Regions are Identified to the functions and hence, the type of activity for which they are incurred. For example, costs incurred in providing train control services are Identified as relating to the Geographic Region across which those train control services are provided – they are not Allocated to the provision of the individual Corridors within that Geographic Region. Any Allocation of Below Rail Costs to a more detailed geographic level is essentially arbitrary in nature.
- (d) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.

- (e) 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.

In certain circumstances this Manual adopts Standard Allocators. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.

### **3.3 Internal Costing Accounts**

- (a) Queensland Rail produces internal Costing Accounts on a regular basis. They interpret Queensland Rail's financial accounts to provide detailed information on the costs of various business activities.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities, and from this separate assets, costs and revenue into Below Rail, Above Rail or Other Services. The resulting information forms 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); and
  - (iii) (the responsible cost centre and manager.
- (d) This financial account coding is designed primarily around the requirements for construction of Queensland Rail's general ledger and the objectives of responsibility management. The network nature of a railway operation, where assets and activities serve more than one business or geographic sector, prevents responsibility-based accounting from providing direct Identification of all costs and assets to functions and, hence, to Below Rail, Above Rail or Other Services. However, the financial account coding and underlying information is collected and arranged such that it is suitable for functional cost analysis through the Queensland Rail's Costing Accounts process.
- (e) The functional cost analysis process re-presents 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 involve some reclassification of costs and assets in order to ensure that functional costs are accurately Identified.

- (g) Internal cost transfers recorded in the accounts of Queensland Rail shall, where applicable, be added to the costs, revenues and investments of 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 this Manual are to be excluded and replaced with amounts calculated in accordance with this 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 purposes of preparing the Financial Statements;
  - (v) If internal transfers do not include an Allocation for corporate service or corporate overhead costs, an Allocation is to be added to the cost base of Queensland Rail for the purposes 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 Corridor 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 and traffic statistics, in order 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.



### **3.4 Revenue Netting Off**

- (a) The internal Costing Accounts adopts the practice of netting off certain non-sales revenue against like expense items to obtain more reliable results for costing core Queensland Rail businesses.
- (b) Sales Revenue reported in Queensland Rail's audited general purpose financial statements is to be treated as revenue in Queensland Rail's Costing Accounts.
- (c) Other Revenue reported in Queensland Rail's audited general purpose financial statements is to be analysed by cost centre, account and (if necessary) transaction type and treated for Queensland Rail's Costing Accounts purposes as either:
  - (A) Revenue if it is in the nature of sales revenue; or
  - (B) Offset against costs in the following instances:
    - (i) Gain on sale of assets, (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 to be added to the Below Rail cost base for the purposes of preparing the Financial Statements, all non- sales revenue of corporate overhead areas and corporate service areas.

## **Part 4 Separation of below rail assets, costs, revenue and investments**

### **4.1 Introduction**

- (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."

This Manual sets out the process for identifying Below Rail assets, revenue and investments as well as costs, separately from other services provided by Queensland Rail.

- (b) In some situations, (for example, joint assets and functions such as administration buildings, corporate provisions and corporate projects), there is no information

available on Below Rail usage of the asset or function. 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.

## 4.2 Separation of below rail assets

### 4.2.1 Classification of Assets

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 4.1.

**Table 4.1 Queensland Rail Asset Categories**

	Below Rail Services	Above Rail Services	Other Service	Joint
<b>Fixed Assets</b>				
Land	Ident	Ident	Ident	
Buildings	Ident / attrib	Ident / attrib		Alloc
Rollingstock	Ident	Ident		
Plant and equipment <ul style="list-style-type: none"> <li>Infrastructure equipment</li> <li>Other plant &amp; equipment</li> </ul>	Ident Ident	Ident Ident	Ident Ident	Alloc
Motor vehicles	Ident	Ident	Ident	Alloc
Computers & misc.	Ident	Ident	Ident	Alloc
Trackwork & civil works	Ident	Ident		
Signals <ul style="list-style-type: none"> <li>Control systems</li> <li>Field signals</li> </ul>	Ident Ident	Ident Ident		
Traction Power Equipment <ul style="list-style-type: none"> <li>Distribution equipment</li> <li>Supply equipment</li> </ul>	Ident Ident	Ident Ident		
Telecommunications <ul style="list-style-type: none"> <li>Backbone network</li> <li>Customer premises equip.</li> </ul>	Ident Ident	Ident		Alloc
Facilities	Ident / attrib	Ident / attrib		Alloc
Assets under construction	Ident	Ident		Alloc
<b>Other Assets</b>				
Intangible Assets	Ident	Ident	Ident	Alloc
Receivables	Ident	Ident	Ident	Alloc
Inventories	Ident	Ident	Ident	Alloc
Prepayments	Ident	Ident	Ident	Alloc
Investments			Ident	

	Below Rail Services	Above Rail Services	Other Service Ident	Joint
Cash, deferred income tax assets, deferred leases				

## 4.2.2 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.
- (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 areas within Queensland Rail. 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, giving consideration to the asset class, description and location.
- (c) In analysing fixed asset's cost centre data the following general principles are to be followed:
- (i) Infrastructure assets managed by Network can be identified by the asset's cost centre as being Below Rail or Above Rail (e.g. stations, rollingstock depots, rollingstock stabling facilities);
  - (ii) Assets used by Network as an infrastructure maintainer are Below Rail, except as specified in (iii) below;
  - (iii) Assets used by Network SEQ as an infrastructure maintainer are to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed, unless otherwise attributable;
  - (iv) Assets of Queensland Rail Operations are Above Rail with the exception of control centres and associated equipment, which are Below Rail;
  - (v) 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.

### 4.2.2.1 Land

- (a) Land assets exclude Corridor land, as Queensland Rail subleases the Corridor land from Department Natural Resources and Mines and, hence, 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.

#### **4.2.2.2 Buildings**

- (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.

#### **4.2.2.3 Rollingstock**

- (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 (e.g. 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.

#### **4.2.2.4 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.

#### **4.2.2.5 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.

#### **4.2.2.6 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.

#### **4.2.2.7 Permanent Way**

- (a) Permanent Way assets are Identified to individual Corridors and are Identified according to cost centre and corridor codes. Queensland Rail's Permanent Way assets are managed by Network and are identified by cost centre as Below Rail or, in the case of rollingstock stabling facilities, Above Rail.

#### **4.2.2.8 Traction Power Distribution Equipment**

- (a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to specific Corridors 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.

#### **4.2.2.9 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.

#### **4.2.2.10 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.

#### **4.2.2.11 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).

#### **4.2.2.12 Field Signals**

- (a) Field signals include electrical signal interlocking, train order/DTC (field componentry), level crossing protection and tramway crossings.
- (b) Field signals shall be Identified as Below Rail or Above Rail assets from an analysis of asset cost centres.

#### **4.2.2.13 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, hand held radios, microwave.
- (b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.
- (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.

#### **4.2.2.14 Assets Under Construction**

- (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.
- (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.

#### **4.2.3 Intangible Assets**

- (a) Intangible assets are items such as computer software, patents or copyrights. Queensland Rail has computer software that is reported under the heading of intangible assets. Details of computer software is 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.

#### **4.2.4 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) For the purposes of the Financial Statements, Queensland Rail's deferred tax assets and deferred tax liabilities shall be offset and only reported as an asset if a net deferred tax asset, and treated as a liability if a net deferred tax liability. Any resulting net deferred tax asset shall be identified as Other Services.
- (f) Investments in other entities or joint ventures shall be Identified as Other Services.

#### **4.3 Separation of below rail Expenses**

- (a) Expenses shall only include those items recorded in the accounts of Queensland Rail, except for the following:
  - (i) If Queensland Rail's SAP Costing Accounts do not include an Attribution or Allocation for Below Rail services provided by Operations, an Attribution or Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements;
  - (ii) If Queensland Rail's SAP Costing Accounts do not include an Allocation for corporate services, an Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements; and
  - (iii) If Queensland Rail's SAP Costing Accounts do not include an Allocation for corporate overhead, an Allocation is to be calculated and added to the cost

base of Below Rail Services for the purposes of preparing the Financial Statements.

- (b) 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 4.2 which lists the cost functions and summarises their assignment to the three categories.

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 4.2 Summary of Procedures for Assigning Expenses**

	Below Rail Services	Above Rail Services	Other Services
<b>Train Running (Passenger Trains)</b>			
Train running costs		Ident	
Nominal Access Charges		Ident	
Station Costs		Ident	
Traction electricity energy cost		Ident	
<b>Corridor/ Regional Costs</b>			
<b>Train Operations Management</b>			
Signalling and safeworking	Ident		
Train control and scheduling	Ident		
Operations management	Ident		
By Network	Ident		
By Operations	Ident	Ident (bal.)	
<b>Infrastructure Maintenance</b>			
Track	Ident	Ident	
Bridge	Ident	Ident	
Buildings and Facilities	Ident	Ident	
Signals	Ident	Ident	
Telecommunications			
Customer premises	Ident	Ident	
Network backbone	Ident		
Traction power distribution equipment	Ident	Ident	
Traction power supply equipment	Ident	Ident	
Infrastructure administration	Ident / Alloc	Ident / Alloc	
Other maintenance	Ident	Ident	
<b>Derailment / Flood Repairs</b>			
Derailments and collisions	Ident	Ident	
Flood Repairs	Ident	Ident	
Third party damage - infrastructure	Ident	Ident	



	Below Rail Services	Above Rail Services	Other Services
<b>Other Expenses</b>			
<b>Insurance and Accreditation Fees</b>			
Insurance Premium	Ident / Alloc	Ident / Alloc	
Insurance Excess	Ident	Ident	
Accreditation Fee	Ident	Ident	
<b>Other</b>			
Business Unit Management	Ident / Alloc	Ident / Alloc	
Group management	Ident		
By Network	Ident		
By PDO	Ident / Alloc	Ident / Alloc	
By Operations		Ident	
Queensland Competition Authority	Ident		
Early retirement schemes	Ident / Alloc	Ident / Alloc	
(Gain)/ Loss on disposal of assets #	Ident / Alloc	Ident / Alloc	
Outside work			Ident
Miscellaneous	Ident	Ident	Ident
<b>Corporate Overhead</b>	Allocated	Allocated	Allocated
<b>Depreciation and amortisation</b>	Ident / Alloc	Ident / Alloc	

# (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.

#### 4.3.1 Train Running Costs

- (a) These costs relate to the running of passenger trains and consist of the following cost categories:
- Train crew
  - Train fuel
  - Locomotive maintenance
  - Self propelled passenger train maintenance (diesel and electric trains)
  - Carriage and wagon maintenance
  - Carriage cleaning
  - Fuel for train air-conditioning and refrigeration
  - On board service and catering
  - Alternative and connecting transport
- (b) Traction Electricity 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.

## **4.3.2 Train Operations Management**

### **4.3.2.1 Signalling and Safeworking**

This line item relates to the operation of signal cabins and panels at stations for the safeworking of trains along corridors and in yards. It also covers the time of station staff involved in the transmission of train orders and train working communications. It is a Below Rail function and is Identified in Queensland Rail's Costing System.

- (i) Performed by Network staff

The cost of yard control centres direct managed by Network are Identified in Queensland Rail's Costing System separate from other operations management functions.

- (ii) Performed by a third party on behalf of Queensland Rail

A third party provides signalling and safeworking services at certain regional stations on behalf of Queensland Rail. These services are managed by a Service Agreement between the parties. The Service Agreement specifies the stations performing below rail functions and the fixed price.

### **4.3.2.2 Train Control Scheduling**

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.

- (i) Performed by Network

Network 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 identifiable by cost centre.

- (ii) Performed by Queensland Rail Operations

The cost of train control centres that are managed by Queensland Rail Operations are to be Identified separately from the operation, crew and station management functions carried out by that operator group. The train control centre not directly managed by Network is Mayne Control Centre which controls all train movements in the area bounded by Tamaree, Acacia Ridge and Rosewood.

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.

#### **4.3.2.3 Operations Management**

- (i) Performed by Network (100% Below Rail)

Operations management functions performed directly by Network are 100% Below Rail. This cost item shall be Identified in Queensland Rail's Costing System separate from other functions carried, for example:

- Train control
- Contract signalling and safeworking
- Signalling and safeworking
- Incident investigation and management

Any other significant item that are not of an administrative nature

- (ii) Performed by Queensland Rail Operations

This cost function in the Queensland Rail Operations refers to the management of operations activities such as train operations, train crew, loco power management, stations, terminal and yards and the Below Rail functions train control (4.3.2.2) and incident investigation and management. The Below Rail functions are a small but important proportion of the activities managed.

#### **4.3.3 Corridor/Regional Costs – Infrastructure**

- (a) Queensland Rail uses a normal costing process within its SAP system for costing its internal maintenance and construction activities, i.e. the actual hours of labour and plant used is costed to jobs using standard unit labour and plant rates, plus the actual value of materials used. The standard unit rates are calculated to allow for direct costs and indirect costs (e.g. leave, training, downtime etc). The cost of individual jobs are collected on work orders in the SAP system that also record the asset being maintained and location of the job.
- (b) At regular intervals the amounts costed to work orders are “settled” to cost centres, or projects in the case of capital works. Queensland Rail has created a series of structured work order settlement receiver cost centres to allow easy reporting of Above Rail maintenance costs separate from Below Rail maintenance costs and further reporting by geographic regions.

#### **4.3.3.1 Maintenance of Track, Bridges, Signals and Traction Power Distribution Equipment**

- (a) The cost of these functions is identified by Corridor, asset type and cost centre in Queensland Rail's Costing System
- (b) The majority of costs are Below Rail except for the following costs Identified from work orders:
  - (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)
- (c) Costs associated with new construction of Queensland Rail infrastructure shall be capitalised.
- (d) Costs associated with new construction of infrastructure not owned by Queensland Rail shall be treated as Other Services provided by Queensland Rail.

#### **4.3.3.2 Maintenance of Traction Power Supply Equipment**

All maintenance of the traction power supply systems is Identified as a Below Rail cost.

#### **4.3.3.3 Maintenance of Buildings and Facilities**

Maintenance of Queensland Rail's building and facilities is derived in the Queensland Rail's Costing Accounts from work order cost details recorded in Queensland Rail's costing system, including location and type of building or facility and maintenance activity.

Maintenance costs are Identified with particular buildings or facilities, and Allocated to Below Rail, Above Rail or Other Services provided by Queensland Rail depending on the building or facilities use. Specific allocations are:

- (a) Maintenance of water, power and lighting facilities in Below Rail yards are Below Rail;
- (b) Maintenance of the infrastructure depots and associated amenities shall be Identified as Below Rail;
- (c) Maintenance of passenger stations, platforms and associated facilities (e.g. carparks, footbridges, subways and lifts), shall be identified as Above Rail; and

- (d) Buildings or facilities utilised for housing telecommunications backbone equipment are 100% Below Rail.

#### **4.3.3.4 Telecommunications**

- (a) Telecommunications maintenance is to be separated into two categories, the Telecommunications Backbone Network and Customer Premises Equipment:

- (i) The Telecommunications Backbone Network

These core assets of the network include pole routes, optic fibre installations, microwave links, radio networks, exchanges and associated equipment. Most railways including Queensland Rail developed telecommunications networks for the purpose of linking train control centres to signals and other safe working communications. Over the years the backbone has been expanded in size, complexity and technical sophistication to cater for technical developments in train control and signalling but also for increasing use of the network for voice and data transmissions.

Maintenance costs of the backbone are separately Identified by work order. These costs are to be treated 100% Below Rail.

For the purposes of the Financial Statements, Below Rail is to be credited with internal revenue (see 4.4.3.2) for use of the backbone by other parts of Queensland Rail.

- (ii) Customer Premises Equipment (CPE)

CPE includes items such as:

- Train control telephone equipment
- Data terminals and personal computer links
- Locomotive radios
- Mobile radios
- Passenger information display systems
- Telephone and fax machines
- Portable radio and yard shunt system
- Public address systems

Costs are recorded by costs centre (customer) and equipment / system type. From this information, the costs shall be Attributed to Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail in accordance with the treatment of the cost centres.

#### **4.3.3.5 Infrastructure Administration**

- (a) This item refers to the administration of infrastructure and infrastructure maintenance by Network, and is identified by cost centre. The Costing Accounts shall generally exclude infrastructure administration in the direct infrastructure maintenance cost.

This cost is 100% Below Rail, except for Network SEQ cost centres which 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 high proportion of maintenance activities in Network SEQ that are related to passenger stations.

- (b) 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.

#### **4.3.3.6 Other Maintenance**

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, but exclude the cost of early retirement schemes. The costing variances are to be treated as 100% Below Rail, except for Network SEQ costing variance which is to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed.

#### **4.3.3.7 Derailments and Collisions**

Infrastructure repair cost arising from derailments, collisions and other accidents recorded in the accounts of Queensland Rail shall be treated as Below Rail.

#### **4.3.3.8 Flood Repairs**

Infrastructure repair cost arising flooding and other natural disasters shall be separately recorded in the accounts of Queensland Rail, and treated as Below Rail.

#### **4.3.3.9 Third Party Damage – Infrastructure**

- (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. A typical example is 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.

## **4.3.4 Business Management**

### **4.3.4.1 Group Management**

- (a) This cost function refers to the management of the activities of Network, Operations and Project Delivery Office and includes planning and research, finance and administration generally.
- (b) Network management costs (as distinct from business unit management, operations management and infrastructure administration) are Identifiable in Queensland Rail's general ledger and are 100% Below Rail.

### **4.3.4.2 Insurance**

- (a) Insurance premiums charged directly to Network are Below Rail unless specifically Identified with Other Services.
- (b) Insurance premiums charged to corporate cost centres is to be allocated to Below Rail and Above Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable.

### **4.3.4.3 Access Contracts Management**

This cost function is separately Identified in Queensland Rail's Costing Accounts and relates to negotiation and management of access agreements with customers.

### **4.3.4.4 Transport Service Contracts Management**

This cost function is separately Identified in Queensland Rail's Costing Accounts and relates to negotiation and management of Above Rail and Below Rail Transport Service Contracts with the Queensland Government.

Transport service contracts management charged to cost centres is to be allocated to Below Rail and Above Rail using Standard Allocator "A" (see Schedule C) unless otherwise attributable.

## **4.3.5 Other Items**

### **4.3.5.1 Early Retirement Schemes**

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.

#### **4.3.5.2 Queensland Competition Authority Levy**

The QCA Levy is Identified in Queensland Rail's General Ledger and is Below Rail.

#### **4.3.5.3 Accreditation Fees**

Accreditation fees that relate to Queensland Rail's role as a Railway Manager are Below Rail. Accreditation fees that relate to Queensland Rail's role as an operator are Above Rail. These fees are separately identifiable from an analysis of cost centres.

#### **4.3.5.4 Outside Work**

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 or to Queensland Rail's Operations and accordingly, are to be treated as Other Services provided by Queensland Rail. They are Identified separately in Queensland Rail's Costing system.

Queensland Rail also engages in project management, engineering and other technical work, for outside parties, which is to be treated as Other Services provided by Queensland Rail.

#### **4.3.5.5 Miscellaneous**

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.

Costs incurred in respect to investments in other entities or joint ventures shall be Identified as Other Services provided by Queensland Rail.

### **4.3.6 Expenses not reported in financial statements**

#### **4.3.6.1 Financing Costs**

Financing costs of Queensland Rail are to be excluded from the Statement of Earnings before Interest and Tax.

#### **4.3.6.2 Income Tax Expense**

Income tax expense of Queensland Rail is to be excluded from the Statement of Earnings before Interest and Tax.



### 4.3.7 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.

### 4.3.8 Corporate Overhead

- (a) Corporate overhead is 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
- General Counsel and EGM Governance
- Chief Financial Officer and EGM Commercial and Strategy
- Chief Human Resources Officer

- (b) Corporate overhead, 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.

## 4.4 Separation of Below Rail Revenue

Table 4.3 summarise the procedures for separating Queensland Rail revenue into Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail.

**Table 4.3 – Allocation of Queensland Rail revenue to Below Rail Services**

	Below Rail	Above Rail	Other Services
<b>External Sales Revenue</b>			
Access charges - Coal	Ident		
Access charges - Other	Ident		
Passenger services		Ident	
Transport Service Contracts	Ident	Ident	
Contributions from developers	Ident	Ident	
<b>Other revenue</b>			
Property revenue	Ident	Ident	
Telecommunications revenue (external)	Ident		
Construction works revenue	Ident	Ident	Ident

	Below Rail	Above Rail	Other Services
External sales	Ident	Ident	Ident
Insurance claims revenue	Ident	Ident	
Other	Ident	Ident	
Corporate interest revenue			Ident
Internal revenue			
Access charges – Other	Ident		
Telecommunications revenue (internal)	Ident		

#### 4.4.1 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 passenger services provided by Queensland Rail's Operations
- 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.

##### 4.4.1.1 External Access Charges

External access revenue is recorded by profit centre 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. Access charges for bulk coal trains shall comprise regulated tariffs AT1 and AT2, and any other non-regulated charges for these trains.

#### 4.4.2 Other Revenue

##### 4.4.2.1 External Other Revenue

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.

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.

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.

#### **4.4.2.2 Treasury Operations**

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.

#### **4.4.2.3 Other Items**

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.

### **4.4.3 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).

#### **4.4.3.1 Internal Access Charges**

Internal access revenue is 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 year concerned.

#### **4.4.3.2 Internal Telecommunications Backbone Charges**

This item is 100% Below Rail. These charges are nominal and determined by reference to internal agreements (including where necessary previous years agreements escalated).

#### **4.4.3.3 Traveltrain Internal Fares**

These items are recorded in Queensland Rail's accounts as the value of subsidised staff rail travel provided by Traveltrain. The value is sourced from the fare prices in QR's Reservations system, and is Above Rail.

## **4.5 Separation of Below Rail Investments**

### **4.5.1 Information Source**

Investments are to be classified as 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 group, 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.

### **4.5.2 General Methodology for Classification**

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

- (a) Network 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) Projects of Operations are Above Rail with the exception of any projects relating to Below Rail assets or functions such as train control;
- (d) Projects of Queensland Rail’s Project Delivery Office, corporate services and corporate overhead groups 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).
- (e) Notwithstanding clause 4.5.1, the classification of costs to Below Rail investment projects must be fair and reasonable and reflect relevant underlying activity.

### **4.5.3 Other Investments (non fixed assets)**

Investments by Queensland Rail in other entities or joint ventures will not usually be reported in the investment program report as it deals with fixed assets. 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 5 Hierarchy of Below Rail Assets, Costs, Revenues and Investments**

### **5.1 Introduction**

This Manual sets out the process for identifying Below Rail assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to Corridors, Geographic Regions and Network Wide.

- (a) To report Below Rail assets, costs, revenues, and investments separately for the West Moreton Region, Mount Isa Region or North Coast Region as applicable it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenue and investments to each relevant Geographic Region as a whole.
- (b) The Geographic Regions are described in Schedule A “Description of Regions.” Details of the numerous Corridors defined into regions are provided in Queensland Rail’s “Line Diagrams” report which is published on the Queensland Rail website and reviewed at least every six months.
- (c) The Geographic Regions 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 Geographic Regions 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.
- (d) The West Moreton Region, Mount Isa Region and North Coast Region are defined in Schedule A or as amended in accordance with (c) above.
- (e) The assets, costs, revenues and investments to be reported under the headings “West Moreton Region”, “Mount Isa Region” and “North Coast Region” (respectively) in the annual Financial Statements will be the sum of:
  - assets, costs and investments identified as attributable to Corridors in the West Moreton Region, Mount Isa Region and North Coast Region (respectively),
  - assets, costs, revenues and investments identified as attributable to Geographic Regions in the West Moreton Region, Mount Isa Region and North Coast Region (respectively) and
  - the 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, such share being Allocated in accordance with 5.1 (f) of this Manual.

- (f) 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 Region, Mount Isa Region or North Coast Region, by applying the corresponding Standard Allocator (see Schedule C).

Standard Allocator “C”, “D” and “E” have been determined based on an empirical analysis of the West Moreton Region’s, Mount Isa Region’s and North Coast Region’s respective share of total Network Wide costs derived from the allocative process outlined in Table 5.1.

Each year Queensland Rail will recalculate and calibrate the items in Table 5.1 to ensure the continuing validity of Standard Allocator “C”, “D” and “E” and, where necessary, recommend changes to the ratios to the QCA for approval. Changes to the Allocator will be identified in the notes to and forming part of the Financial Statements.

**Table 5.1 – Basis for Review of West Moreton Region, Mount Isa Region and North Coast Region Standard Allocator**

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

## 5.2 Classification of Below Rail Assets to Geographic Regions

Assets are to be classified to Corridors, Geographic Regions or Network Wide by determining the function for which the assets are required. In some instances Attribution of assets may be required in order to align with the Identified geographical categories. Queensland Rail's major asset categories with their respective geographical categories are shown in Table 5.2.

**Table 5.2 Below Rail Asset Categories**

<b>Fixed Assets</b>	<b>Corridor</b>	<b>Region</b>	<b>Network Wide</b>
Land	XXX	XXX	XXX
Buildings	XXX	XXX	XXX
Rollingstock			XXX
Plant and equipment			
Infrastructure equipment		XXX	
Other plant and equipment		XXX	XXX
Motor vehicles		XXX	XXX
Computers & misc. equip.		XXX	XXX
Trackwork & civil works	XXX		
Signals			
Control systems	XXX	XXX	
Field signals	XXX		
Traction Power Equipment			
Distribution equipment	XXX		
Supply equipment		XXX	
Telecommunications			
Backbone network			XXX
Customer premises equipment		XXX	XXX
Facilities	XXX	XXX	
Assets under construction	XXX	XXX	XXX
<b>Other Assets</b>			
Intangible Assets		XXX	XXX
Receivables		XXX	XXX
Inventories			XXX
Prepayments		XXX	XXX
Investments			XXX
Cash, deferred income tax assets			XXX

### 5.2.1 Fixed Assets

- (a) Details of fixed assets are recorded on Queensland Rail's fixed asset register or where applicable 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) 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.
- (c) Land assets are to be identified with Corridors except for land held for maintenance depots which are to be reported against Geographic Regions or as Network Wide.

(d) Buildings

Below Rail buildings to be reported against Corridors include buildings whose function is to house corridor assets.

Below Rail buildings to be reported against Geographic Regions include buildings whose function is to house Geographic Regional assets (e.g. Train Control Buildings, maintenance depots).

Administration Buildings are Network Wide.

(e) Queensland Rail's Below Rail rollingstock are Network Wide.

Plant and equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each piece of equipment. The plant and equipment shall then be Attributed to Geographic Regions or Network Wide in a manner consistent with how the activities of that area relate to a Geographic Regions.

(f) Below Rail motor vehicles shall be either:

- (i) Directly Identified with a Geographic Region from location information, or
- (ii) Where used for the performance of functions that relate to more than one Geographic Region, Attributed to the relevant Geographic Regions in a manner consistent with how the activities of that area relate to the provision of Below Rail Services in the relevant Geographic Regions.

(g) Computers and miscellaneous equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre for each piece of equipment. The equipment is then Attributed to Corridors, Geographic Regions or Network Wide in a manner consistent with how the activities of that area relates to Geographic Regions.

(h) Telecommunications

- (i) Telecommunications backbone assets are to be reported as Network Wide assets.
  - (ii) Below Rail telecommunications customer premises equipment shall be Attributed to areas 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.
- (i) 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 provision of train control at those centres shall be Attributed to the relevant Geographic Regions on the basis of the train kilometres operated over the Corridors controlled in each of those Geographical Regions.



## 5.2.2 Assets Under Construction

Assets under construction shall be Attributed to Corridors, Geographic Regions or Network Wide in a manner consistent with how the category of asset being acquired or constructed is Attributed to Corridors, Geographic Regions or Network Wide and how the asset is expected to relate to Geographic Regions.

## 5.2.3 Other Assets

All Other Assets are Network Wide unless otherwise specifically attributable.

## 5.3 Classification of Below Rail Expenses to Regions

The treatment of Below Rail Expenses as Corridor Specific, Region Specific or Network Wide is shown in Table 5.3.

**Table 5.3 Hierarchy of Below Rail Expenses**

Fixed Assets	Corridor	Geographic Region	Network Wide
<b>Infrastructure Maintenance</b>			
Track	XXX		
Bridge	XXX		
Buildings & Facilities			
Wayside buildings	XXX		
Infrastructure Depots		XXX	
Administration buildings			XXX
Signals	XXX		
Telecommunications			
Customer premises equipment	XXX	XXX	XXX
Network Backbone			XXX
Electric overhead			
Traction power distribution equipment	XXX		
Traction power supply equipment		XXX	
Control Systems		XXX	XXX
Infrastructure administration		XXX	XXX
Other		XXX	XXX
<b>Derailment / Collision / Flood Repairs</b>			
Derailments and collisions – infrastructure		XXX	
Flood Repairs - infrastructure		XXX	
Third party damage - infrastructure		XXX	
<b>Train Operations Management</b>			
Signalling and safeworking		XXX	
Train control and scheduling		XXX	
Operations Management		XXX	XXX
<b>Other Expenses</b>			
Insurance Premiums			XXX
Insurance Excess		XXX	
Accreditation Fees			XXX
Network management			XXX
Access management		XXX	XXX
Early retirement schemes			XXX
Qld Competition Authority Levy		XXX	

Fixed Assets	Corridor	Geographic Region	Network Wide
Utilities charges		XXX	XXX
Land tax		XXX	
(Gain)/ Loss on Disposal Of Assets		XXX	XXX
Miscellaneous		XXX	XXX
<b>Corporate Overhead</b>			XXX
<b>Depreciation And Amortisation</b>	XXX	XXX	XXX

### 5.3.1 Corridor Specific

#### 5.3.1.1 Maintenance of Track, Bridge, Signal and Traction Power Distribution

Expenses relating to the maintenance of track and associated assets that are required for the provision of the mainline and common user yards are asset specific and Identified to the Corridor on which they are incurred. Corridor Specific maintenance Expenses include:

- (i) Track maintenance
- (ii) Bridge maintenance
- (iii) Signal maintenance
- (iv) Traction power distribution equipment maintenance

#### 5.3.1.2 Maintenance of Corridor Specific Buildings and Facilities

Expenses relating to the maintenance of facilities that are identified as asset specific are Corridor Specific operating costs and are Identified to the Corridor on which they are incurred.

### 5.3.2 Region Specific

#### 5.3.2.1 Maintenance of Regional Buildings and Facilities

Maintenance costs associated with Region Specific facilities are Region Specific operating costs. Maintenance costs for Region Specific facilities that are used for the performance of functions related solely to a particular Geographic Region are Identified to that Geographic Region. Where material, maintenance costs for Region Specific facilities that are used for the performance of functions that relate to more than one Geographic Region shall be Attributed to the relevant Geographic Regions in accordance with an assessment of usage of that facility for the purpose of provision of Below Rail Services in the relevant Geographic Regions.

### **5.3.2.2 Maintenance of Power Supply Equipment**

Maintenance costs associated with traction power supply assets (e.g. transformers, feeder stations, etc.) are Region Specific and shall be Identified to the Geographic Region in which they are incurred.

### **5.3.2.3 Infrastructure Administration**

The element of infrastructure administration Identified as a Below Rail cost can be further separated into regional infrastructure administration and Network Wide infrastructure administration based on the location recorded on the work order.

### **5.3.2.4 Other Maintenance**

Other maintenance includes minor maintenance items not otherwise categorised, and costing variances resulting from the normal maintenance job costing process. Costed items are to be identified to Geographic Regions, and the costing variance is to be allocated pro-rata on the sum of costed Corridor and regional maintenance.

### **5.3.2.5 Derailments and Collisions**

The costs associated with derailments and collisions are considered to be a reflection of the risks associated with the Rail Infrastructure in that area and the nature of the train services operating on that Rail Infrastructure. These risks tend to be reasonably consistent throughout a Geographic Region. Therefore, although it is possible to identify the Corridor on which a particular derailment or collision occurred, the costs associated with derailments and collisions are more appropriately considered to be Region Specific.

### **5.3.2.6 Signalling and Safeworking**

Signalling and safeworking at stations relate primarily to the provision of safe train movements across the network. In certain regional locations Queensland Rail purchases these services from a third party. Although the costs can be identified to a specific location, safeworking costs are treated as being Region Specific Costs. The safeworking costs associated with stations that relate solely to a specific Geographical Region are identified to that Geographic Region.

### **5.3.2.7 Signalling and Safeworking at Queensland Rail Yards**

Network and Operations provide yard control services that relate primarily to the provision of safe train movements in that yard. Although the costs associated with the provision of yard control services are identified to a specific location, safeworking costs are treated as being Region Specific Costs. The safeworking costs associated with Queensland Rail yards that relate solely to a specific Geographical Region are identified to that Geographic Region.

### **5.3.2.8 Train Control and Scheduling**

Train control costs are incurred in a small number of locations across Queensland. Although the boundaries for the individual train control centres do not necessarily directly align with the Geographic Regions, train control costs can be Identified or Attributed to the Geographic Regions covered by the relevant train control centre, as the function of train control is not considered to be Network Wide in nature. The costs associated with the provision of train control for those centres that relate to a specific Geographic Region shall be Identified to that Geographic Region. The costs associated with the provision of train control for those centres that manage the movement of trains across a number of Geographic Regions shall be Attributed to the relevant Geographic Regions based on either:

- (a) 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;
- (b) The train kilometres operated over the Corridors controlled in each of those Geographical Regions; or
- (c) A combination of (a) and (b).

### **5.3.2.9 Operations Management**

The element of operations management Attributed as a Below Rail Cost can be further separated into regional operations administration and network wide operations administration. 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 Identified to that Geographic Region. Regional operations administration cost is Attributed to the relevant Geographic Regions based on the activities administered.

### **5.3.2.10 Loss on Disposal of Assets**

Loss on disposal of assets shall be treated as a Region Specific cost where the assets being disposed are Corridor or Region Specific assets.

### **5.3.2.11 Queensland Competition Authority Fee**

The QCA Fee is to be allocated to nominated Train Services based on a method approved by the QCA for the QCA Levy.

### **5.3.2.12 Miscellaneous**

Any other identifiable regional costs such as miscellaneous items shall be Attributed to Geographic Regions as specifically as possible.

### **5.3.3 Network Wide Costs**

#### **5.3.3.1 Network Wide**

Network Wide items generally relate to network wide functions or the maintenance of network wide assets with the exception of maintenance of customer premises telecommunications equipment. "CPE" maintenance can be Corridor Specific, Regional specific or Network Wide depending on the classification of the equipment being maintained.

Table 5.3 identifies the individual network wide cost categories and 5.1 (f) explains how network wide costs will be Allocated to the West Moreton Region, Mount Isa Region and North Coast Region.

### **5.3.4 Depreciation and Amortisation**

- (a) The methodology specified in Section 5.2, Classification of Below Rail Assets To Regions, is to be used to attribute depreciation and amortisation costs into Corridors, Geographic Regions or Network Wide.
- (b) The depreciation and amortisation costs applicable to costed maintenance, costing variances and overhead areas are generally included in the reported costs of those activities.

## **5.4 Classification of Below Rail Revenue to Regions**

### **5.4.1 Sales Revenue**

#### **5.4.1.1 Access Revenue**

External and internal access revenue is to be apportioned by Queensland Rail in accordance with the underlying rate tables used to derive the charges reflecting any different rates per region and recorded in the accounts of Queensland Rail by region.

#### **5.4.1.2 Developer Contributions**

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 identifiable by Geographic Region. In the event that a developer's contribution relates to more than one Geographic Region then the amount shall be Allocated on route kilometres relating to the project.

### **5.4.1.3 Transport Service Contracts (TSCs)**

Below Rail TSC revenue shall be Identified or Attributed to Geographic Regions in accordance with the TSC agreements.

Should a Geographical Region not be directly identifiable in the TSC agreement (e.g. 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.

## **5.4.2 Other Revenue**

### **5.4.2.1 Other Revenue**

Any material amounts of other revenue are to be investigated and Identified to specific regions as much as possible. Unidentifiable and minor amounts are to be treated as Network Wide.

If there are any material amounts which cannot be Identified to a specific Geographic Region but do not appear to be Attributable to all regions, then they shall be Allocated on a basis that is reasonable in the circumstances.

### **5.4.2.2 Telecommunications Backbone Charges**

Internal telecommunications backbone revenue is to be treated as Network Wide.

## **5.4.3 Network Wide Revenue**

Below Rail revenue classified as Network Wide is to be Allocated to the West Moreton Region, Mount Isa Region and North Coast Region by applying the corresponding Standard Allocator (see Schedule C) as explained in 5.1 (f).

## **5.5 Classification of Below Rail Investments to Regions**

- (a) Below Rail investments to be reported in the Financial Statements as West Moreton Region, Mount Isa Region or North Coast Region as applicable are to be derived in the following manner.
- (b) The investments classified as relating to Below Rail Services Provided by Queensland Rail in accordance with 4.6 are to be analysed individually and treated as follows:
  - Investments specifically relating to the West Moreton Region, Mount Isa Region or North Coast Region are to be treated as such,

- Investments relating partly to the West Moreton Region, Mount Isa Region or North Coast Region and partly to other Geographic Regions are to be Attributed between West Moreton Region, Mount Isa Region and North Coast Region and those other Geographic Regions on a reasonable basis that is appropriate in the circumstances, and
- Investments relating to the network as a whole are to be Allocated between the West Moreton Region, Mount Isa Region and North Coast Region and the rest of the network using Standard Allocator “C” (see Schedule C) as explained in 5.1 (f).

## **Part 6 Financial Statements**

### **6.1 Format of Financial Statements**

- (a) 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.”
- (b) The format to be used for the Financial Statements is specified in Schedule B to this Manual.

### **6.2 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.

### **6.3 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 general purpose financial statements 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;

## Part 7 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 Costs”** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Above Rail Services;

**“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 Costs”** means the assets and/or costs, revenue and investments (as the context implies) associated with the provision of Below Rail Services;



**"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;

**"Corridor Specific"** means assets, costs and investments able to be specifically Identified or Attributed to a Corridor;

**"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 4.2.

**"Geographic Region"** means the regions 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;

**"Mount Isa Region"** means the region defined as such in Schedule A;

**"Network SEQ"** means the organisational unit responsible for the management and maintenance of Queensland Rail infrastructure in Metropolitan Region (as described in Schedule A).

**"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 Corridor or a Geographic Region;

**“North Coast Region”** means the region defined as such in Schedule A;

**“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 as established by the Act;

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

**“Region Specific”** means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a specified Corridor, but able to be Identified or Attributed to a Geographic Region;

**“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:

- (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;

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.

"**West Moreton Region**" means the region defined as such in Schedule A;

## **Schedule A: Description of Regions**

### **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 Jct to Fisherman Islands (incl. dual gauge line)

Roma Street to Nambour  
Roma Street to Mayne via Exhibition  
Bowen Hills to Ferny Grove  
Eagle Jct to Pinkenba  
Airport Jct 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 Line**

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 Jct 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 Jctn) to Springsure  
Emerald to Clermont

### **Mount Isa Line**

Stuart to Mount Isa  
Flynn to Phosphate Hill

### **Tablelands**

Cairns to Forsayth  
Mareeba to Atherton  
Arriga Jct 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
<b>Revenue</b>										
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
<b>Total revenue</b>	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
<b>Expenses</b>	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
<b>Total Expenses</b>	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
<b>Earnings Before Interest and Tax</b>	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
<b>Current Assets</b>										
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
Inventories	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
<b>Total current assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Non-Current Assets</b>										
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
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
<b>Total Non-Current Assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>
<b>Total Assets</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>	<b>X,XXX</b>

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
<b>Expenditure on fixed assets</b>	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

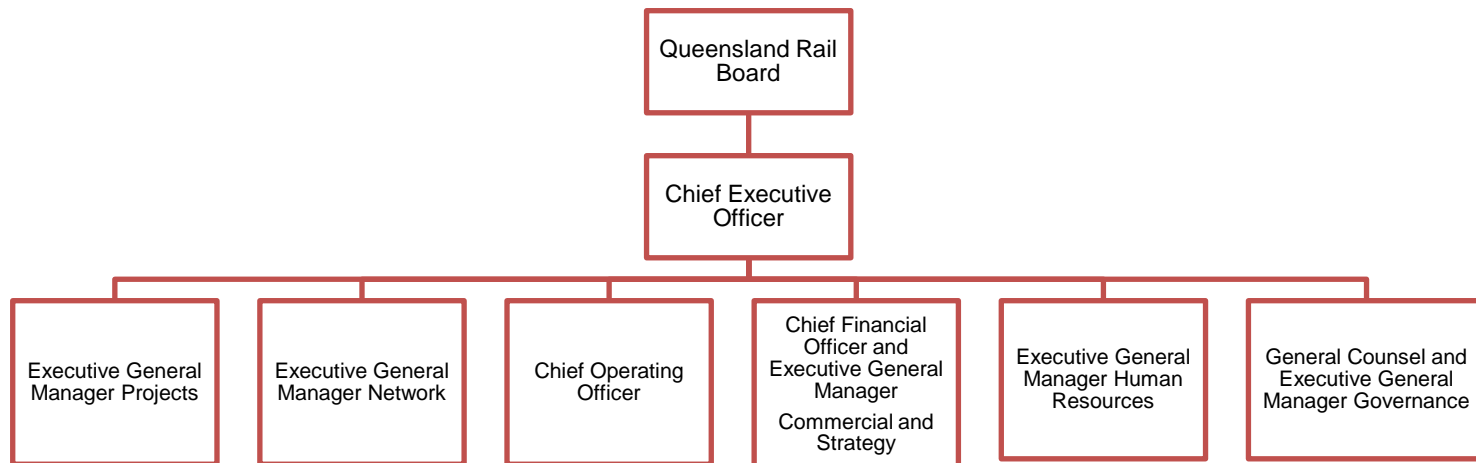
Notes to and forming part of the financial statements



## Schedule C: Standard Allocations

	Relevant Clauses in the Manual	Ratio	Amended Ratio	
			Ratio	First Year of Application
Standard Allocator "A" Share of Queensland Rail Wide Items Allocated to Below Rail Provided by Queensland Rail	4.1(b), 4.3.4.2, 4.5.2 (d)	45.0%		
Standard Allocator "B" Operations Management "Mark Up"	4.3.2.3(b)	5.0%	0.0%	2016/17
Standard Allocator "C" West Moreton Region's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	7.50%	6.5%	2016/17
Standard Allocator "D" Mt Isa Regions's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	n/a	12.5%	2016/17
Standard Allocator "E" North Coast Region's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	n/a	25.5%	2016/17

## Schedule D: Queensland Rail Organisational Structure



Structure of Queensland Rail as at 14 September 2016