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PART 1. PURPOSE OF COSTING MANUAL

1.1 Background

- (a) QR Network Pty. Ltd. (QR Network) has developed an Undertaking that provides the framework for negotiations with access seekers for Access to Rail Infrastructure for the purpose of operating Train Services. QR Network is a wholly owned subsidiary of QR Limited (QR).
- (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) The QR group of companies is an integrated railway provider, in that it provides both Below Rail Services as a Railway Manager and Above Rail Services as a Railway Operator. QR is obligated, under the Act, to keep accounting records for Below Rail Services separate from its accounting records for its other operations. Consistent with this obligation, QR Network has been created as a wholly owned subsidiary of QR and the Undertaking contains a requirement for the production of separate Financial Statements for Below Rail Services provided by QR Network. 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, and which separately identify the Central Queensland Coal Region (CQCR) from the rest of the network.
- (d) Under the Act the QCA may prepare a Costing Manual or ask QR to do so. The QCA has exercised their powers under the Act in this regard, and requested QR 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

- (a) 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 QR Network and the development of Financial Statements required in accordance with the Undertaking.

PART 2. SCOPE AND ADMINISTRATION OF COSTING MANUAL

2.1 Scope of Costing Manual

2.1.1. This Manual is required to set out:

- (a) The process for identifying, from QR's audited general purpose financial statements, the cost base for Below Rail Services provided by QR Network separate from other services provided by QR Network;
- (b) Within the cost base for Below Rail Services provided by QR Network, the process for identifying:
 - (i) Assets and costs attributable to specified Line Sections;
 - (ii) Assets, costs, revenue and investments not attributable to specified Line Sections but attributable to specified Geographic Regions; and
 - (iii) Assets, costs, revenue and investments not attributable to specified Line Sections or any specified Geographic Region; and
- (c) The format of the Financial Statements.

2.1.2. Paragraph 3.2.1(a) of the Undertaking requires QR Network to "*develop, on an annual basis:*

- (i) *if QR prepares consolidated financial statements for itself and Related Parties of QR (including QR Network), financial statements for Below Rail Services provided by QR Network, as identified in Paragraph 3.1(b); or*
- (ii) *if QR does not prepare such consolidated financial statements:*
 - (A) *audited general purpose financial statements in accordance with relevant legislation and applicable Australian accounting standards; and*
 - (B) *if necessary, an audited supplementary financial statement, (referred to as the "Financial Statements")*

which separately identify the Central Queensland Coal Region from the rest of the network and are otherwise developed in accordance with the methodology and format set out in the Costing Manual."

QR prepares consolidated financial statements for itself and subsidiaries, therefore paragraph 3.2.1(a)(ii) of the Undertaking does not apply.

Accordingly, this Manual is required to set out the process for identifying assets, costs, revenues and investments for Below Rail Services provided by QR Network attributable to line sections, regions and network wide. Furthermore, to report Below Rail Services provided by QR Network assets, costs, revenues, and investments separately for the CQCR, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenues and investments to regions including the CQCR.

2.1.3. QR Operator Business Groups are responsible for the provision of certain Below Rail Services, being the management of stations and platforms and the provision or procurement of appropriate levels of maintenance and investment in those stations and platforms. This Manual does not include the process for identifying the costs of Below Rail Services other than those provided by QR Network; i.e. station and platform services provided by QR Operator Business Groups

2.2 Duration of Costing Manual

- (a) The Manual will take effect on the date it is approved by the QCA (herein referred to as the “Commencing Date”).
- (b) QR must publish the current approved Costing Manual.
- (c) 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 2009, subject to paragraph (d) and (f).
- (d) If, at any time during the term of the Manual, the QCA ceases to be the regulator of QR’s below rail services, QR may withdraw the Manual.
- (e) If, at any time during the term of the Manual, QR does not have an approved Undertaking, QR may elect not to publish the annual Financial Statements in accordance with paragraph 9.2 of the Undertaking and Part 6 of the Manual.
- (f) Apart from the circumstances identified in Paragraph (d), QR 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, QR is of the view that changes to the Manual are desirable, QR 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 later date approved by the QCA.
- (d) QR must publish any amendments to the Costing Manual including the date the amendments come in to force.

2.4 Application of Costing Manual to Queensland Rail after Restructure

2.4.1 The Queensland Government announced a restructure of QR on 8 December 2009, which included the transfer of the passenger and non-coal network businesses to a separate Government Owned Corporation, Queensland Rail. The assets and liabilities related to Queensland Rail were transferred at net book value on 30 June 2010.

2.4.2 Until the Authority approves a separate cost allocation manual for Queensland Rail, this Costing Manual shall be applicable to Queensland Rail, except as follows:

- (a) unless the context requires otherwise, references to QR or QR Network shall be read as if they were references to Queensland Rail; and
- (b) unless the context requires otherwise, references to the Undertaking shall be read as if they were references to the Access Undertaking applicable to Queensland Rail and references to the provisions of the Undertaking will be read as if they

were references to the corresponding provisions of the Access Undertaking applicable to Queensland Rail.

Any meaning or intent implied by the use of “QR Network” in the QR Network Costing Manual to identify below rail assets, revenues, expenses or investments shall have a similar meaning or intent when applicable to Queensland Rail. For example, the meaning of “Below Rail services provided by QR Network” shall have a similar meaning when applied to Queensland Rail in that stations and platforms are excluded from the reporting of below rail assets, cost and revenues.

2.5 Queensland Rail Financial Statements 2009/10

2.5.1 Queensland Rail shall publish Financial Statements for Below Rail services provided for the year ended 30 June 2010 in accordance with this clause.

2.5.2 For the year ended 30 June 2010 only, the Financial Statements for Below Rail services provided by Queensland Rail shall include a statement of assets and a statement of investments, but shall not include:

- (a) a statement of earnings before interest and tax; or
- (b) comparative information.

2.5.3 For the purposes of the statement of assets as at 30 June 2010, below rail assets shall only include assets transferred to Queensland Rail on 30 June 2010 from either:

- (a) QR Network; or
- (b) QR assets previously held by QR on behalf of QR Network.

2.5.4 For the purposes of the statement of investments for the year ended 30 June 2010, investments shall relate only to projects that were transferred to Queensland Rail from QR Network on 30 June 2010.

2.5.5 Corridor specific or regional assets and investments are to be attributed to Rest of Network, unless they can be specifically identified as relating to the Central Queensland Coal systems. Assets or investments previously treated as system wide in the Costing Manual are to be reported as Rest of Network.

PART 3. COSTING FRAMEWORK

3.1 Organisational Structure

- (a) QR has established its organisational structure to facilitate the separation of the management of Rail Infrastructure from the operation of Train Services.
- (b) QR Network has been established as a business group of QR, separate from QR Operator Business Groups. Apart from as set out in paragraph (c) and (d) below, QR Network is responsible for the provision of Below Rail Services. In addition, there are service groups whose purpose is to provide support activities for both QR Network and QR Operator Business Groups.
- (c) QR Network also operates a common user freight terminal at Acacia Ridge. This is an Above Rail service.
- (d) QR Operator Business Groups are responsible for the provision of certain Below Rail Services, being the management of stations and platforms and the provision or procurement of appropriate levels of maintenance and investment in those stations and platforms. These items are outside the scope of this Manual as they are not included in Below Rail Services provided by QR Network.
- (e) In addition, QR Operator Business Groups perform certain Below Rail Services on behalf of QR Network as follows:
 - Field incident management; and
 - Signalling and safeworking and yard control services.
- (f) The principles of cost Identification, Attribution and Allocation recognise that QR'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 QR 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 QR's current organisational structure.

3.2 Costing Principles

- (a) The fundamental principle underlying QR Network'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 provided by QR Network or Other Service provided by QR Network. 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. Rather, it requires a detailed process to be put in place to analyse the assets owned, and the costs incurred, by QR Network.
- (b) Assets shall only include those items recorded in the accounts of QR Network, except for fixed assets recorded in QR's Fixed Asset Register that are held specifically for QR Network (i.e. freehold land and motor vehicles) which shall be added to the assets of QR Network for the purposes of preparing the Financial Statements.
- (c) All inter-company transfers recorded in the accounts of QR Network shall be added to the costs, revenues and investments of QR Network with the exception of:

- (i) Where fixed assets recorded in QR's Fixed Asset Register are added to the assets of QR Network for the purposes of preparing the Financial Statements, any inter-company lease/capital charge associated with these assets is to be excluded;
 - (ii) If the intercompany transfers between QR and QR Network do not include an Allocation for corporate overhead, an Allocation is to be calculated outside QR's SAP Costing Accounts and added to the cost base of QR Network for the purposes of preparing the Financial Statements;
- (d) The general approach described in the Manual is based on the following:
- (i) Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services provided by QR Network, 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 Services provided by QR Network and/or Other Services, and where there is a causal relationship between the resources used for Below Rail Services provided by QR Network 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 Services provided by QR Network and/or Other Services, and where there is no direct causal relationship between the resources used for Below Rail Services provided by QR Network or Other Services, these costs are Allocated on a reasonable basis.
- (e) In order to achieve the requirements under the Act whilst operating within the fundamental principle identified in Paragraph (a), QR Network applies this costing methodology so that:
- (i) All assets, costs, revenues and investments must be Identified, Attributed or Allocated as Below 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 region across which those train control services are provided – they are not Allocated to the provision of the individual line sections within that region. Any Allocation of Below Rail Costs to a more detailed geographic level is essentially arbitrary in nature.
- (f) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (g) The Manual establishes a methodology for the Identification, Attribution and Allocation of costs based on the accounting information available and methodologies applicable at the time of its development. Where, in the future, costs or assets are identified for which the Identification, Attribution or Allocation methodology has not been explicitly defined within this Manual, QR Network will, as far as reasonably possible, Identify, Attribute or Allocate these costs and assets in a manner consistent with the methodology and principles defined within the Manual.
- (h) In certain circumstances this Manual adopts Standard Allocators. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.

3.3 Internal Costing Accounts

- (a) QR produces internal Costing Accounts on a regular basis. They interpret QR's financial accounts to provide detailed information on the costs of various business activities and reconcile to QR's audited general purpose financial statements.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities, and from this separate QR Network's assets, costs and revenue into Below 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 QR's general ledger based on 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 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 QR'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) The amount of internal charges, e.g. Traveltrain internal fares, Traveltrain internal catering, internal freight and internal telecommunication charges, shall be included in the cost base of the users of those services as recorded in QR's General Ledger. Such charges are to be included in the QR's Costing Accounts process with the transfer of other internal service costs.
- (g) The QR's Costing Accounts involve some reclassification of costs and assets in order to ensure that functional costs are accurately Identified.
- (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 location, eg Line Section code, station code, etc;
- (i) For activities other than maintenance of Rail Infrastructure, information is drawn from the account code (primarily the responsible cost centre and manager) and supporting information, such as supporting transaction explanations 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, QR 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 or Other Services in accordance with the process set out in Part 4 of the Manual.

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 QR businesses.
- (b) Sales Revenue reported in QR's audited general purpose financial statements is to be treated as revenue in QR's Costing Accounts.
- (c) Other Revenue reported in QR's audited general purpose financial statements is to be analysed by cost centre, account and (if necessary) transaction type and treated for QR'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) Revenue that is by nature direct recovery of costs incurred, e.g. grants received for traineeships and apprenticeships, certain works for other parties relating to relocation etc of QR infrastructure;
 - (ii) Proceeds from the sale of scrap materials, (which is to be offset against the cost of material purchases);
 - (iii) Revenue arising from accounting transactions rather than commercial transactions, e.g. certain sale and leaseback transactions;
 - (iv) Gain on sale of assets, (which are to be offset against loss on disposal); and
 - (v) Where an Allocation for corporate overhead is to be added to the cost base of QR Network for the purposes of preparing the Financial Statements, other non-sales revenue of corporate overhead areas.

PART 4. SEPARATION OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS

4.1 INTRODUCTION

- (a) Paragraph 3.2.1 (a) of the Undertaking requires QR Network to “*develop, on an annual basis,... financial statements for Below Rail Services provided by QR Network, as identified in Paragraph 3.1 (b) ... which separately identify the Central Queensland Coal Region from the rest of the network and are otherwise developed in accordance with the methodology and format set out in the Costing Manual.*”

Accordingly, this Manual is required to set out the process for identifying Below Rail assets, revenue and investments as well as costs, separately from other services provided by QR Network.

- (b) Assets, costs, revenue and investments shall only include those items recorded in the accounts of QR Network, except for the following:
- (i) Fixed assets recorded in QR’s Fixed Asset Register held specifically for QR Network (i.e. freehold land and some motor vehicles) shall be added to the assets of QR Network for the purposes of preparing the Financial Statements;
 - (ii) If the intercompany transfers between QR and QR Network do not include an Allocation for corporate overhead, an Allocation is to be calculated outside QR’s SAP Costing Accounts and added to the cost base of QR Network for the purposes of preparing the Financial Statements;
 - (iii) In respect to the 2008/09 financial year only, the costs, revenue and investments of the QR Network group recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network), shall be added to the cost and revenue base of QR Network for the purposes of preparing the Financial Statements; and
 - (iv) In respect to the 2008/09 financial year only, an Allocation for corporate overhead shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements, in respect to the QR Network group costs recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network).

4.2 SEPARATION OF BELOW RAIL ASSETS

4.2.1 Classification of Assets

- (a) Assets shall only include those items recorded in the accounts of QR Network, except for fixed assets recorded in QR's Fixed Asset Register held specifically for QR Network (i.e. freehold land and some motor vehicles), which shall be added to the assets of QR Network for the purposes of preparing the Financial Statements.
- (b) Assets shall be classified as Below Rail services provided by QR Network or Other Services provided by QR Network 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. QR Network's major asset categories are shown in Table 4.1.

Table 4.1 QR Network Asset Categories

	QR Network		QR	
	Below Rail Services	Other Services	Below Rail Services	Other Services
Fixed Assets				
Land	Ident	Ident	Ident	Ident
Buildings	Ident	Ident		
Rollingstock	Ident	Ident		
Plant and equipment	Ident	Ident		
Motor vehicles	Ident	Ident	Ident	Ident
Computers & misc. equipment	Ident	Ident		
Trackwork & civil works	Ident	Ident		
Signals				
Control systems	Ident			
Field signals	Ident	Ident		
Traction Power Equipment				
Distribution equipment	Ident			
Supply equipment	Ident			
Telecommunications				
Backbone network	Ident			
Customer premises equip.	Ident	Ident		
Facilities	Ident	Ident		
Assets under construction	Ident	Ident		
Other Assets				
Intangible Assets	Ident	Ident		
Receivables	Ident	Ident		
Inventories	Ident	Ident		
Prepayments	Ident	Ident		
Investments		Ident		
Cash, deferred income tax assets,	Ident	Ident		

4.2.2 Fixed Assets

- (a) Details of fixed assets are recorded on QR Network's Fixed Asset Register, or QR's Fixed Asset Register in respect to some freehold land and motor vehicles, including each asset's cost centre, class, description and physical location.
- (b) Separation of the fixed assets into Below Rail services provided by QR Network or Other Services provided by QR Network shall be based on an analysis of cost centre data in QR Network's or QR's Fixed Asset Registers to identify assets to areas within QR Network. These assets are associated with the functions provided by those areas within QR Network and then Identified, Attributed or Allocated in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail services provided by QR Network or Other Services provided by QR Network, 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) QR Network assets are Below Rail, except those attributed to Terminal Access Services;
 - (ii) QR assets specifically held on behalf of QR Network (freehold land and motor vehicles) are Below Rail, except those attributed to Terminal Access Services.

4.2.2.1 Land

- (a) Land assets include any parcels of land owned by QR and held on behalf of QR Network and parcels of land owned directly by QR Network. Land assets exclude corridor land, as QR subleases the corridor land from Queensland Transport and, hence, QR or QR Network does not own the corridor land.
- (b) Land assets shall be Identified to areas within QR Network through analysis of the cost centre and responsible manager for each parcel of land. Once land assets are Identified to areas within QR Network, these assets become associated with the functions provided by those areas within QR Network. The land is then Identified as Below Rail services provided by QR Network or Other Services provided by QR Network in a manner consistent with how that function is Identified to Below Rail services provided by QR Network or Other Services provided by QR Network.

4.2.2.2 Buildings

- (a) Buildings recorded in QR Network'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) QR Network buildings, or portions thereof, shall be then Attributed or Allocated to Below Rail services provided by QR Network or Other Services provided by QR Network in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail Services Rail services provided by QR Network or Other Services provided by QR Network.

4.2.2.3 Rollingstock

- (a) Rollingstock assets recorded on QR Network's Fixed Asset Register are special purpose non-revenue vehicles used for infrastructure inspection including survey and profile vehicles. All of QR Network's rollingstock are Below Rail.

4.2.2.4 Plant and Equipment

- (a) Plant and equipment assets shall be Identified to areas within QR Network through analysis of the cost centre for each piece of equipment. Once plant and equipment assets are Identified to areas within QR Network, these assets become associated with the functions provided by those areas within QR Network. The plant and equipment assets are then Identified, Attributed or Allocated as Below Rail or Other Services provided by QR Network in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail Services or Other Services provided by QR Network.

4.2.2.5 Motor Vehicles

- (a) The majority of QR Network's motor vehicle Assets are controlled within a central fleet. QR's Fixed Asset Register and QR Network's Fixed Asset Register (for those vehicles owned directly by QR Network) contain the cost centre of the vehicle, allowing Identification to areas within QR Network.
- (b) Once motor vehicles are Identified to areas within QR Network, these assets become associated with the functions provided by those areas of QR Network. The motor vehicles shall then be Identified, Attributed or Allocated as Below Rail or Other Services provided by QR Network in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail Services or Other Services provided by QR Network.

4.2.2.6 Computers and Miscellaneous Equipment

- (a) Computers and miscellaneous equipment assets shall be Identified to areas within QR Network through analysis of the cost centre and responsible manager for each piece of equipment recorded on QR Network's Fixed Asset Register.
- (b) Once computers and miscellaneous equipment are Attributed to areas within QR Network, these assets become associated with the functions provided by those areas within QR Network. The equipment shall then be Attributed or Allocated as Below Rail or Other Services provided by QR Network 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 Line Sections and are Identified according to cost centre and Line Section codes. QR Network's Permanent Way assets are Below Rail except for those Identified to the Acacia Ridge freight terminal which are for Other Services provided by QR Network

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 line sections and to cost centres. All QR Network's traction power distribution assets are Identified as Below 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) Given that energy is taken from QR Network's electric overhead system by all electric trains in common, all traction power supply equipment shall be Identified as Below Rail assets.

4.2.2.10 Facilities

- (a) Each facility is described in QR Network'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 Services provided by QR Network or Other Services provided by QR Network in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail Services provided by QR Network or Other Services provided by QR Network.

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 all such QR Network assets other than Terminal Access Services, shall be treated as Below Rail, (typically wayside and control centre equipment).

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 services provided by QR Network or Other Services provided by QR Network assets from an analysis of asset cost centres. All QR Network field signals are Below Rail other than those of Terminal Access Services,

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, eg 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 QR Network by an analysis of cost centres, and associated with the functions provided by those areas within QR Network. The equipment shall then be Attributed or Allocated as Below Rail or Other Services provided by QR Network in a manner consistent with how that function is Attributed or Allocated to Below Rail Services or Other Services provided by QR Network.

4.2.2.14 Assets Under Construction

- (a) QR Network 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 Other Services provided by QR Network.
- (b) Assets under construction shall be Attributed as Below Rail or Other Services provided by QR Network based on an identification of each project currently underway and the extent to which the individual projects are related to Below Rail Services or Other Services provided by QR Network.
- (c) In respect to the 2008/09 financial year only, the capital expenditure of the QR Network group recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network), shall be added to the Assets under Construction of QR Network for the purposes of preparing the Financial Statements.

4.2.3 Intangible Assets

Intangible assets are items such as computer software, patents or copyrights. QR Network has computer software that is reported under the heading of intangible assets. Details of computer software is recorded on QR Network's fixed asset register and amortised over its expected useful life.

4.2.4 Other Assets

- (a) Receivables recorded in the accounts of QR Network 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 or Other Services provided by QR Network in a manner consistent with the way that service is Identified, Attributed or Allocated to Below Rail or Other Services provided by QR Network.
QR Network'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.
- (b) Inventories recorded in the accounts of QR Network shall be Identified in terms of store location and cost centre that holds them.
- (c) Prepayments recorded in the accounts of QR Network 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 provided by QR Network or Other Services provided by QR Network in a manner consistent with the way in which that function is Identified, Attributed or Allocated to Below Rail Services provided by QR Network or Other Services provided by QR Network.
- (d) For the purposes of the Financial Statements, QR Network'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 Below Rail.

- (e) Investments in other entities or joint ventures shall be Identified as Other Services provided by QR Network.

4.3 SEPARATION OF BELOW RAIL DEPRECIATION AND AMORTISATION

This section has been moved to Section 4.4 **Separation Of Below Rail Expenses**.

4.4 SEPARATION OF BELOW RAIL EXPENSES

- (a) Expenses shall only include those items recorded in the accounts of QR Network, except for the following:
- (i) If the intercompany transfers between QR and QR Network do not include an Allocation for corporate overhead, an Allocation is to be calculated outside QR's SAP Costing Accounts and added to the cost base of QR Network for the purposes of preparing the Financial Statements;
 - (ii) In respect to the 2008/09 financial year only, the expenses of the QR Network group recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network), shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements; and
 - (iii) In respect to the 2008/09 financial year only, an Allocation for corporate overhead shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements, in respect to the QR Network group costs recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network).
- (b) Expenses shall be classified as relating to Below Rail Services provided by QR Network or Other Services provided by QR Network 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. QR Network'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

QR Network Cost	QR Network		QR	
	Below Rail Services	Other Services	Below Rail Services	Other Services
Corridor/ Regional Costs				
<i>Train Operations Management</i>				
Signalling and safeworking	Ident	Ident		
Train control and scheduling	Ident			
Operations management – QR Network	Ident			
By QR Network	Ident			
<i>Infrastructure Maintenance</i>				
Track	Ident	Ident		
Bridge	Ident			
Buildings and Facilities	Ident	Ident		
Signals	Ident	Ident		
Telecommunications				
Customer premises	Ident	Ident		
Network backbone	Ident			
Traction power distribution equipment	Ident			
Traction power supply equipment	Ident			
Inventory adjustments	Ident	Ident		
Infrastructure administration	Ident	Ident		

QR Network Cost	QR Network		QR	
	Below Rail Services	Other Services	Below Rail Services	Other Services
Infrastructure management	Ident	Ident		
Other maintenance	Ident	Ident		
<i>Derailment / Flood Repairs</i>				
Derailments and collisions	Ident	Ident		
Flood Repairs	Ident	Ident		
<i>Insurance and Accreditation Fees</i>				
Insurance Premium	Ident	Ident		
Insurance Excess	Ident	Ident		
Qld Transport Accreditation Fee	Ident			
<i>Other</i>				
QR Network Business Unit Management	Ident / Alloc	Ident / Alloc		
Traction electricity energy cost	Ident			
NETWORK WIDE COSTS				
QR Network Group management	Ident			
Qld Competition Authority Levy	Ident			
Early retirement schemes	Ident	Ident		
Infrastructure management	Ident			
Operations management	Ident / Alloc			
Telecommunications				
Customer premises	Ident	Ident		
Network backbone	Ident			
Other Items				
Land tax	Attrib	Attrib		
(Gain)/ Loss on disposal of assets #	Ident / Alloc	Ident / Alloc		
Outside work		Ident		
QR Network Terminal Access Services		Ident		
Miscellaneous	Ident	Ident	Ident	Ident
Corporate Overhead	Allocated	Allocated	Allocated	Allocated
Depreciation and amortisation	Ident / Alloc	Ident / Alloc		

(Gain)/ Loss on Disposal of Assets may be either included in revenue or expenses depending upon whether QR Network's total is a net gain or a net loss.

4.4.1 CORRIDOR / REGIONAL COSTS – OPERATIONS

4.4.1.1 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 QR's Costing System.

- (a) Performed by QR Network staff

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

- (b) Performed by QR Operator Business Groups on behalf of QR Network

Signalling and safeworking at stations managed by QR Operator Business Groups on behalf of QR Network is managed by a Train Operations Management Agreement between the parties. The Train Operations Management Agreement specifies the stations performing below rail functions and includes an estimate of the cost.

QR Operator Business Groups also perform incident management duties on behalf of QR Network for incidents occurring in the declared network. The Train Operations Management Agreement between QR Network and the QR Operator Business Group identifies stations where qualified staff are available. The costs for this service are included in signalling and safeworking identified in QR's costing System.

4.4.1.2 Train Control Scheduling

This cost item is performed by QR Network staff, is 100% Below Rail and is Identified in QR's Costing System. The cost of the train control centres is Identified in QR's Costing System separate from the operations management functions directly carried out by QR Network.

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 QR's Costing System.

4.4.1.3 Operations Management

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

- Train control
- Signalling and safeworking
- Any other significant item that is not of an administrative nature.

4.4.2 CORRIDOR/REGIONAL COSTS – INFRASTRUCTURE

4.4.2.1 Maintenance of Track, Bridges, Signals and Traction Power Distribution Equipment

- (a) The cost of these functions is identified by line section and cost centre in QR's Costing System by utilising work orders with standard unit rates that allow for direct costs, indirect costs (leave, training, downtime etc) and a share of infrastructure administration costs.
- (b) All the costs are Below Rail except for the following costs Identified from work orders:
- (i) Maintenance of the Acacia Ridge freight terminal and locomotive provisioning facility managed by QR Network; and
 - (ii) Maintenance of lines which are not part of the declared network and are maintained by QR Network under contracts with the relevant infrastructure

owner (these costs should be treated as Other Services provided by QR Network).

- (c) Costs associated with new construction on the declared QR network shall be capitalised.
- (d) Costs associated with new construction on lines that are not part of QR Network's declared network shall be treated as Other Services provided by QR Network.

4.4.2.2 Maintenance of Traction Power Supply Equipment

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

4.4.2.3 Maintenance of Buildings and Facilities

Maintenance of QR Network's building and facilities is derived in the QR's Costing Accounts from work order cost details recorded in QR'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 Services provided by QR Network or Other Services provided by QR Network 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 100% Below Rail;
- (b) Maintenance of the Acacia Ridge freight terminal and locomotive provisioning facility managed by QR Network shall be Identified as Other Services provided by QR Network
- (c) Buildings or facilities utilised for housing telecommunications backbone equipment are 100% Below Rail;

4.4.2.4 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 QR 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.

QR Network is the "owner" of the backbone assets and maintenance costs of the backbone are separately Identified by work order. These costs are to be treated 100% Below Rail.

QR Network is credited with internal revenue (see 4.5.3.4) for use of the backbone by other parts of QR.

- (ii) Customer Premises Equipment

CPE includes items such as:

- Train control telephone equipment
- Traction electricity distribution control 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 QR Network or Other Services provided by QR Network in accordance with the treatment of the cost centres.

4.4.2.5 Infrastructure Administration

- (a) This item refers to the administration of infrastructure maintenance by QR Networks internal service provider – QR Services Group. In some other states, all infrastructure maintenance is contracted out and administration charges of the contractor are included with the cost of infrastructure maintenance. QR's Costing Accounts shall generally include infrastructure administration in the infrastructure maintenance cost.
- (b) Any significant items in the infrastructure administration costs which can be Identified specifically as Below Rail Services provided by QR Network or Other Services provided by QR Network shall be separated and Identified accordingly.

4.4.2.6 Infrastructure Management

- (a) This item refers to the management of the Below Rail infrastructure by QR Network. This includes Regional Managers in major regional locations responsible for maintenance strategies. All this cost is 100% Below Rail.
- (b) QR's Costing Accounts shall separate QR Network's infrastructure management costs from specific infrastructure maintenance costs in the QR Network cost centres such as:
- (i) Inventory adjustments
 - (ii) Contract payments for maintenance of infrastructure
 - (iii) Capital works expensed
 - (iv) Any other significant items which should be reported separately or as part of another cost function.

4.4.3 CORRIDOR/REGIONAL COSTS – OTHER ITEMS

4.4.3.1 Derailments and Collisions

- (a) Infrastructure repair and other cost arising from derailments, collisions and other accidents recorded in the accounts of QR Network shall be treated as Below Rail except repair to infrastructure at QR Network's Acacia Ridge freight terminal.

4.4.3.2 Flood Repairs

- (a) Infrastructure repair and other cost arising flooding and other natural disasters shall be separately recorded in the accounts of QR Network, and treated as Below Rail except repair to infrastructure at QR Network's Acacia Ridge freight terminal.

4.4.3.3 Inventory Adjustments

- (a) This item consists of two items:
- (a) Adjustments resulting from stocktakes of inventory;
 - (b) Credits to cost resulting from the "netting off" of revenue arising from inventory price fluctuations.

Inventory adjustments are Identified with cost centres and can be Identified with Below Rail Services provided by QR Network or Other Services provided by QR Network from an analysis of cost centres.

4.4.3.4 Traction Electricity Energy Costs

Traction Electricity Energy cost is the actual cost of electric energy for motive power traction. It shall be treated as a Below Rail cost, because the electricity is taken from QR Network's electric overhead system by all electric trains in common. Therefore, it is necessary for rail operators to purchase traction electricity from QR Network.

QR Network is responsible for the traction electricity supply contract. The cost can be Identified in the accounts of QR Network.

4.4.4 BUSINESS MANAGEMENT

4.4.4.1 Group Management

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

4.4.4.2 Insurance

Insurance premiums charged directly to QR Network are Below Rail unless specifically Identified with Other Services provided by QR Network.

4.4.4.3 QR Network Business Unit Management

This 100% Below Rail cost function is separately Identified in the QR's Costing Accounts and relates to negotiation of access agreements with customers and Transport Service contracts with the Queensland Government.

4.4.4.4 QR Network Systems and Capabilities

- (a) This item refers to the Systems and Capabilities division of QR Network responsible for QR Network's network wide information systems, asset management strategies and operational safety. All this cost is 100% Below Rail.
- (b) QR's Costing Accounts shall separate QR Network's Systems and Capabilities costs from specific cost functions in this division such as:

- (i) Infrastructure maintenance
- (ii) Infrastructure management
- (iii) Operations management
- (iv) Any other significant items which should be reported separately or as part of another cost function.

4.4.5 OTHER ITEMS

4.4.5.1 Land Tax

Land tax is to be Attributed to Below Rail services provided by QR Network or Other Services provided by QR Network pro rata on the Attributed or Allocated value of QR Network's land holdings, as recorded in QR's and QR Network's Fixed Asset Register, (refer paragraph 4.2.2.1).

4.4.5.2 Early Retirement Schemes

- (a) The cost of employees retiring under early retirement schemes (excluding accrued leave entitlements which are charged against the accrued leave provisions) are to be separately recorded in the accounts of QR Network.
- (b) Separation of QR Network's cost of early retirement schemes shall be based on an analysis of cost centre data. In analysing cost centre data all early retirement scheme costs in QR Network are Below Rail, except those Identified to Terminal Access Services which shall be treated as Other Services provided by QR Network.

4.4.5.3 Qld Competition Authority Levy

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

4.4.5.4 Qld Transport Accreditation Fees

Qld Transport accreditation fees are Identified in the accounts of QR Network and relate to QR Network's role as a Rail Manager, and therefore are Below Rail.

4.4.5.5 Outside Work

QR Network engages in some railway construction and maintenance work for external customers. These activities do not relate to the maintenance and management of QR's declared infrastructure or to QR's operator groups and accordingly, are to be treated as Below Rail Services provided by QR Network or Other Services provided by QR Network. They are Identified separately in QR's Costing system.

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

4.4.5.6 Miscellaneous

Other items occurring in the cost centres of QR Network will be Below Rail Services provided by QR Network or Other Services provided by QR Network 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 QR Network.

4.4.6 EXPENSES NOT REPORTED IN FINANCIAL STATEMENTS

4.4.6.1 Financing Costs

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

4.4.6.2 Income Tax Expense

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

4.4.7 DEPRECIATION AND AMORTISATION

- (a) Depreciation and amortisation expenses shall only include those items recorded in the accounts of QR Network, except for the following:
- (i) In respect to the 2008/09 financial year only, the expenses of the QR Network group recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network), shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements; and
 - (ii) In respect to the 2008/09 financial year only, an Allocation for corporate overhead shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements, in respect to the QR Network group costs recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network).
- (b) Depreciation and amortisation expenses are recorded against cost centres of QR Network which by analysis allow Identification, Attribution or Allocation of these expenses to Below Rail or Other Services provided by QR Network. As a guide, the methodology specified in Section 4.2.2, **Fixed Assets**, can also be used to separate depreciation and amortisation costs into Below Rail or Other Services provided by QR Network.

4.4.8 CORPORATE OVERHEAD

- (a) Corporate overhead is defined as “those activities concerned with the overall management, control and direction of the QR Group and which do not involve any significant costs relating specifically to a business.” Corporate services (e.g. payroll, HR services, computer services, admin building services, motor vehicle fleet management, legal services and most engineering services) are not to be included in corporate overhead.

Corporate overhead typically consists of the following corporate functions:

- Chief Executive Officer and Board
- Corporate relations
- Corporate Risk
- Internal Audit
- Corporate strategy and planning

- Corporate finance
 - IT strategy
 - Human resources management
 - Property management
 - External audit fees
- (b) Corporate overhead shall only include amounts recorded in the accounts of QR Network, except for the following:
- (i) If the intercompany transfers between QR and QR Network do not include an Allocation for corporate overhead, an Allocation is to be calculated outside QR's SAP Costing Accounts and added to the cost base of QR Network for the purposes of preparing the Financial Statements;
 - (ii) In respect to the 2008/09 financial year only, an Allocation for corporate overhead shall be added to the cost base of QR Network for the purposes of preparing the Financial Statements, in respect to the QR Network group costs recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network).
- (c) Where it is necessary to calculate corporate overhead outside of QR's SAP Costing Accounts, Corporate overhead is to be Allocated to QR's businesses, and further, in respect to the QR Network share, to Below Rail Services Provided by QR Network or Other Services provided by QR Network pro rata on the total of all other Identified, Attributed and Allocated costs excluding:
- The cost of motive power fuel and electric traction energy.
 - Internal charges for access and traction electricity
 - Depreciation and amortisation
 - (Gain) Loss on disposal and revaluation of assets
 - Asset impairment gains or losses
 - Interest expense
 - Tax expense

4.5 SEPARATION OF BELOW RAIL REVENUE

- (a) Revenue shall only include those items recorded in the accounts of QR Network, except in respect to the 2008/09 financial year only, the revenue of the QR Network recorded in the accounts of QR (i.e. incurred in 2008/09 before the separate incorporation of QR Network), shall be added to the revenue base of QR Network for the purposes of preparing the Financial Statements.

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

	Below Rail Services provided by QR Network	Other Services provided by QR Network
SALES REVENUE		
Access charges - Coal	Ident	
Access charges - Other	Ident	Ident
Electric traction energy charges	Ident	
Qld Transport – Transport Service Contracts	Ident	
Contributions from developers	Ident	Ident
OTHER REVENUE		
Property revenue	Ident	Ident
Telecommunications revenue (internal and external)	Ident	
Construction works revenue	Ident	Ident
Insurance claims revenue	Ident	Ident
Other	Ident	Ident

4.5.1 SALES REVENUE

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

Revenue items in this category are:

- External and internal below rail access revenue for QR Network
- External and internal above rail access revenue for QR Network in respect to the Acacia Ridge freight terminal
- Electric traction energy charges
- Developer contributions (cash and amortised)
- Transport Services Contract revenue earned by QR Network 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.

4.5.1.1 Access Charges

External and internal access revenue is recorded by cost centre in the accounts of QR Network. These items are to be the amounts advised by QR Network as being in accordance with 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 to AT5, and any other non-regulated charges for these trains.

4.5.1.2 Electric Traction Energy Charges

This item relates to the EC charge only in respect to electric coal trains, and for passenger trains the amount charged by way of cost recovery for traction electricity costs (including any administration charge). These items are in the accounts of QR Network with the amounts being in accordance with the access agreements for the year concerned.

4.5.2 OTHER REVENUE

4.5.2.1 External Other Revenue

Any external other revenue for QR Network remaining after netting off is Identifiable as Below Rail Services provided by QR Network or Other Services provided by QR Network from an analysis of cost centre data.

Typical Below Rail items include advertising and property leasing revenue relating to corridor sites, sale of Preliminary Information items and other fees, telecommunications revenue relating to the backbone and ascertained and liquidated damages relating to QR infrastructure.

External other revenue for Terminal Access Services remaining after netting off is Identifiable as Other Services provided by QR Network revenue.

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 QR Network revenue.

4.5.2.2 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.

4.5.2.3 Telecommunications Backbone Charges to QR Operator Groups

This item is recorded in the accounts of QR Network and is 100% Below Rail.

4.6 SEPARATION OF BELOW RAIL INVESTMENTS

4.6.1 Information Source

Investments relate only to capital projects recorded in the accounts of QR Network and are to be classified as Below Rail Services provided by QR Network or Other Services provided by QR Network by reference to the June "Investment Program 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.

4.6.2 General Methodology for Classification

The general principle to be followed in analysing the capital projects of QR Network is they are all considered to relate to Below Rail Services provided by QR Network, except those projects attributed to Terminal Access Services.

4.6.3 Other Investments (non Fixed Assets)

Investments by QR Network 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 QR Network or Other Services provided by QR Network 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, REVENUE AND INVESTMENTS

5.1 INTRODUCTION

- (a) Clause 10.1 of QR's Access Undertaking defines this Costing Manual as setting out the process for identifying Below Rail costs attributable to line sections, regions and to the network as a whole. The Access Undertaking (paragraph 3.2.1 (a)) also requires QR to "develop, on an annual basis:
- (i) if QR prepares consolidated financial statements for itself and Related Parties of QR (including QR Network), financial statements for Below Rail Services provided by QR Network, as identified in Paragraph 3.1(b); or
 - (ii) if QR does not prepare such consolidated financial statements:
 - (A) audited general purpose financial statements in accordance with relevant legislation and applicable Australian accounting standards; and
 - (B) if necessary, an audited supplementary financial statement, (referred to as the "Financial Statements")
- which separately identify the Central Queensland Coal Region from the rest of the network and are otherwise developed in accordance with the methodology and format set out in the Costing Manual."

QR prepares consolidated financial statements for itself and subsidiaries, therefore paragraph 3.2.1(a)(ii) of the Undertaking does not apply.

Accordingly, this Manual is required to set out the process for identifying Below Rail assets, costs, revenues and investments for Below Rail Services provided by QR Network attributable to line sections, regions and network wide. Furthermore, to report Below Rail assets, costs, revenues, and investments separately for the CQCR, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenue and investments to the CQCR as a whole.

- (b) The regions are described in Schedule A "Description of Regions." Details of the numerous line sections defined into regions are provided in QR's "Line Sections" report which is published annually.
- (c) The 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 as specified in Schedule A subject to the approval of the QCA. Any such changes shall be included in QR's annual Line Section report and reported as a note to the Financial Statements of the year of the change.
- (d) The CQCR is defined in Schedule A or as amended in accordance with (c) above.
- (e) The assets, costs, revenues and investments to be reported under the heading "CQCR" in the annual Financial Statements will be the sum of:
- assets, costs and investments identified as attributable to line sections in the CQCR,
 - assets, costs, revenues and investments identified as attributable to regions in the CQCR, and
 - the CQCR's 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 shall be Allocated to the CQCR by applying Standard Allocator “C” (see Schedule C).

Standard Allocator “C” has been determined based on an empirical analysis of the CQCR’s share of total Network Wide costs derived from the allocative process outlined in Table 5 A.

Each year QR will recalculate and calibrate the items in Table 5A to ensure the continuing validity of Standard Allocator “C” 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 A – Basis for Review of CQCR Standard Allocator

Network Wide Cost Category	Allocation Basis
Business Management	
QR Network Group Management	50% Train km + 50% GTK
QR Network Systems and Capabilities	
Electrical Engineering	50% Electrified Track km + 50% Electric GTK
Other	50% Train km + 50% GTK
Group Insurance	50% Train km + 50% GTK
Other	
Voluntary Early Retirement Scheme	QR Services Group Below Rail expenses
R&D projects	Allocator to be related to activities that benefit from expenditure
Operations Administration	
Ex QR Network	Regional Train km
Infrastructure	
Administration Buildings Maintenance	Allocate according to activities at each location.
Telecommunications Maintenance	
Backbone Network	75% Train km + 25% Route km.
Customer premises equip	Allocate according to activities at each location; e.g. for train control centres allocate on train km.
Infrastructure Administration	
Ex QR Network	50% Train km + 50% GTK
Ex QR Services Group	Regional totals of Line Section and Region specific QR Services Group Below Rail expenses
Corporate Overhead	Regional totals of all identified attributed or allocated Below Rail expenses, excluding traction electricity and derailment costs.
Depreciation and Amortisation	
Telecomms backbone	75% Train km + 25% Route km.
Other	Allocated Fixed Assets excluding Land and Assets Under Construction
Loss on Disposal of Assets	Allocated Fixed Assets excluding Land and Assets Under Construction

5.2 CLASSIFICATION OF BELOW RAIL ASSETS TO REGIONS

Assets are to be classified to Line Sections, 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. QR's major asset categories with their respective geographical categories are shown in Table 5.1.

Table 5.1 Below Rail Asset Categories

	Line Section	Region	Network Wide
Fixed Assets			
Land	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
Other Assets			
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 QR Network's Fixed Asset Register or where applicable QR'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 Line Sections or Regions.
- (b) Assets to be Identified to Line Sections or 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 Line Sections except for land held for possible future use and surplus land which are to be reported as Network Wide.

- (d) Buildings

Below Rail buildings to be reported against Line Sections include buildings whose function is to house Line Section assets.

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

Administration Buildings are Network Wide.

- (e) Rollingstock

QR Network's Below Rail rollingstock are Network Wide.

- (f) Plant and Equipment

Plant and equipment assets shall be Identified to areas within QR Network through analysis of the cost centre and responsible manager for each piece of equipment.

The plant and equipment shall then be Attributed to Line Sections, Regions or Network Wide in a manner consistent with how the activities of that area relate to geographic regions.

Motor Vehicles

Below Rail motor vehicles shall be either:

- (i) Directly Identified with a 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.
- (h) Computers and Miscellaneous Equipment

Computers and miscellaneous equipment assets shall be Identified to areas within QR Network through analysis of the cost centre for each piece of equipment.

The equipment is then Attributed to Line Sections, Regions or Network Wide in a manner consistent with how the activities of that area relates to geographic regions.

- (i) Telecommunications

Telecommunications backbone assets are to be reported as Network Wide assets.

Below Rail telecommunications customer premises equipment shall be Attributed to areas within QR Network by an analysis of Cost Centres. The equipment is then Attributed to Regions or Network Wide in a manner consistent with that area's activities.

- (j) Control Systems at Train Control Centres

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 line sections controlled in each of those geographical regions.

5.2.2 Assets Under Construction

Assets under construction shall be Attributed to Line Sections, Regions or Network Wide in a manner consistent with how the category of asset being acquired or constructed is Attributed to Line Sections, 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 DEPRECIATION AND AMORTISATION TO REGIONS

This section has been moved to 5.4 **CLASSIFICATION OF BELOW RAIL EXPENSES TO REGIONS**

5.4 CLASSIFICATION OF BELOW RAIL EXPENSES TO REGIONS

The treatment of Below Rail Expenses as Line Section Specific, Region Specific or Network Wide is shown in Table 5.2.

Table 5.2 Hierarchy of Below Rail Expenses

				Line Section Specific	Regional	Network Wide
Corridor/Regional Costs						
Train Operations Management						
			Signalling and safeworking		XXX	
			Train control and scheduling		XXX	
			Incident management		XXX	
			Operations Management		XXX	XXX
Infrastructure Maintenance						
			Track	XXX		
			Bridge	XXX		
			Buildings & Facilities			
			Lineside buildings	XXX		
			Admin 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	
					XXX	
			Infrastructure admin (service provider)		XXX	XXX
			Infrastructure management – QR Network		XXX	XXX
Derailment / Collision / Flood Repairs						
			Derailments and collisions – infrastructure		XXX	
			Flood Repairs - infrastructure		XXX	
Insurance and Accreditation						
			Insurance Premiums			XXX
			Insurance Excess		XXX	
			Accreditation Fees		XXX	XXX
Other Expenses						
			QR Network group management (EGM, Finance, HR, Strategic issues, systems & capabilities)			XXX
			QR Network Business Unit Management		XXX	XXX
			Early retirement schemes			XXX
			Qld Competition Authority Levy			XXX
			Traction electricity energy cost		XXX	
			Inventory adjustments		XXX	
			Land tax		XXX	
			(Gain)/ Loss An Disposal Of Assets		XXX	XXX

	Line Section Specific	Regional	Network Wide
Miscellaneous		XXX	XXX
Corporate Overhead			XXX
Depreciation And Amortisation	XXX	XXX	XXX

5.4.1 LINE SECTION SPECIFIC

5.4.1.1 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 Line Section Specific and Identified to the line section on which they are incurred. Line Section Specific maintenance expenses include:

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

5.4.1.2 Maintenance of Line Section Specific Buildings and Facilities

Expenses relating to the maintenance of facilities that are identified as Line Section Specific are Line Section Specific operating costs and are Identified to the line section on which they are incurred.

5.4.2 REGION SPECIFIC

5.4.2.1 Signalling and Safeworking

Signalling and safeworking costs at stations relate primarily to the provision of safe train movements across the network. Therefore, although the costs associated with the provision of station facilities 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.

5.4.2.1 Signalling and Safeworking at QR Network Yards

QR Network directly provides 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 QR Network yards that relate solely to a specific Geographical Region are Identified to that Geographic Region.

5.4.2.2 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 on the basis of the train kilometres operated over the line sections controlled in each of those geographical regions.

5.4.2.3 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. Where the sphere of control relates to a small number of geographic regions, the operations administration cost is Attributed to the relevant geographic region based on ratios advised by Network Access Operations.

5.4.2.4 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.

5.4.2.5 Maintenance of Power Supply Equipment

Maintenance costs associated with traction power supply assets (eg. Transformers, feeder stations, etc.) are Region Specific and shall be Identified to the geographic region in which they are incurred.

5.4.2.6 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.

5.4.2.7 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 Line Section on which a particular derailment or collision occurred, the costs associated with derailments and collisions are more appropriately considered to be Region Specific.

5.4.2.8 Inventory Adjustments

Inventory adjustments are Attributed to Regions based on track maintenance expenditure.

5.4.2.9 Loss on Disposal of Assets

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

5.4.2.10 Miscellaneous

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

5.4.2.11 Traction Electricity Energy Costs

Traction electricity energy costs and the associated kilowatt hours can be Identified from suppliers' invoices into four electrification stages:

- Brisbane suburban area - south of Caboolture
- North coast line – Caboolture to Gladstone (Parana)
- Blackwater system – Parana to Emerald and Burngrove to German Creek incl. branches
- Goonyella system – German Creek to Hay Point incl. branches

These “stages” are determined by the locations of the feeder stations and meters and only minor adjustments are necessary to attribute the costs to the Regions described in Schedule A. For example, electricity consumption and cost for only one line section - Caboolture to Nambour - has to be calculated and transferred from the data for the North coast line electrification stage to the Brisbane suburban area electrification stage to derive the traction electricity energy cost for the Metropolitan Area.

These adjustments can be made by Attributing the traction electricity energy costs to the “overlapping” line sections on the basis of estimated kilowatt hours for the line sections derived from the electric gross tonne kilometres for the line sections weighted for different power consumption rates for different traffic types.

5.4.3 NETWORK WIDE COSTS

5.4.3.1 Qld Competition Authority Levy

The QCA Levy is to be Allocated using a ratio of 90% to CQCR and 10% to the rest of the network.

5.4.3.2 Other Network Wide

All the remaining items 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 line section specific, regional specific or network – wide depending on the classification of the equipment being maintained.

Table 5.2 identifies the individual network wide cost categories and 5.1 (f) explains how network wide costs will be Allocated to the CQCR.

5.4.4 DEPRECIATION AND AMORTISATION

- (a) The methodology specified in Section 5.2, Attribution Of Below Rail Assets To Regions, is to be used to attribute depreciation and amortisation costs into Line Sections, Regions or Network Wide.

5.5 CLASSIFICATION OF BELOW RAIL REVENUE TO REGIONS

There is no requirement to assign revenue to line sections. This would be highly arbitrary and not appropriate for a large infrastructure provider. Most revenue is recorded in the accounts of QR Network at the Region level.

5.5.1 SALES REVENUE

5.5.1.1 Access Revenue

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

5.5.1.2 Electric Traction Charges

Electric traction revenue is to be apportioned by to regions in accordance with the gross tonne kilometres of electric trains, reflecting any different rates for electrification stages and recorded in the accounts of QR Network by region.

5.5.1.3 Developer Contributions

Below Rail revenue from amortised and cash developer contributions is to be Identified by developers from QR Network accounting records. In most cases the amounts per developer will be readily identifiable by region. In the event that a developer's contribution relates to more than one region then the amount shall be Allocated on route kilometres relating to the project.

5.5.1.4 Transport Service Contracts (TSC's)

QR Network TSC revenue shall be Identified or Attributed to regions by QR Network in accordance with the TSC agreements.

5.5.2 OTHER REVENUE

5.5.2.1 QR Network

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.

Below Rail property revenue (eg leasing and advertising) is to be Attributed to regions based on information relating to the location of the sites earning the revenue.

If there are any material amounts which cannot be Identified to a specific 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.

5.5.2.2 Telecommunications Backbone Charges

Internal telecommunications backbone revenue is to be treated as network wide.

5.5.2.3 Any 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 region but do not appear to be Attributable to all regions, then they shall be Allocated to regions on a basis that is reasonable in the circumstances.

5.5.3 NETWORK WIDE REVENUE

Below Rail revenue classified as network wide is to be Allocated to the CQCR by applying Standard Allocator "C" (see Schedule C) as explained in 5.1 (f).

5.6 CLASSIFICATION OF BELOW RAIL INVESTMENTS TO REGIONS

Below Rail investments to be reported in the Financial Statements as (CQCR) are to be derived in the following manner.

The investments classified as relating to Below Rail Services Provided by QR Network in accordance with 4.6 are to be analysed individually and treated as follows:

- Investments specifically relating to the CQCR are to be treated as such,
- Investments relating partly to the CQCR and partly to other regions are to be Attributed between CQCR and those 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 CQCR 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) Paragraph 3.2.1(a) of the Undertaking requires QR Network to “develop, on an annual basis:
- (i) if QR prepares consolidated financial statements for itself and Related Parties of QR (including QR Network), financial statements for Below Rail Services provided by QR Network, as identified in Paragraph 3.1(b); or
 - (ii) if QR does not prepare such consolidated financial statements:
 - (A) audited general purpose financial statements in accordance with relevant legislation and applicable Australian accounting standards; and
 - (B) if necessary, an audited supplementary financial statement, (referred to as the “Financial Statements”)
- which separately identify the Central Queensland Coal Region from the rest of the network and are otherwise developed in accordance with the methodology and format set out in the Costing Manual.”*

QR prepares consolidated financial statements for itself and subsidiaries, therefore paragraph 3.2.1(a)(ii) of the Undertaking does not apply.

- (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:

- (a) Refer to this Manual as the methodological basis of preparation of the Financial Statements;
- (b) Refer to the underlying records for QR Network and where applicable QR as being the source of information for preparation of the Financial Statements;
- (c) Refer to (but not repeat) the notes accompanying the QR general purpose financial statements for explanation of QR Network’s accounting policies;
- (d) Explain the terms “Below Rail Services Provided by QR Network” and “CQCR”;
- (e) Disclose amendments made to “CQCR” in Schedule A of the Manual during the year;
- (f) Disclose changes made to the Standard Allocators in Schedule C during the year;
- (g) 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
- (h) 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, rollingstock maintenance, non Train Control related communications, train crewing, terminal provision and services, freight handling 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 a 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;

"Central Queensland Coal Region" means the region defined as such in Schedule A;

"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 QR and include, for example, payroll, HR services, computer services, administration building services, motor vehicle fleet management, legal services and most engineering services;

“Costing Manual” or **“Manual”** means the document prepared in accordance with Section 159 of the Act that identifies the matters outlined in Clause 10.1 of the Undertaking;

“Financial Statements” means the statement of assets, statement of earnings before interest and tax and statement of investments, which separately identify the Central Queensland Coal 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;

“Line Section” means a section of railway route as defined by QR’s Survey Section from time to time and that is identified for the purpose of classifying the Rail Infrastructure into line sections with reasonably consistent traffic (in terms of type of traffic and density of traffic) and reasonably consistent track standards;

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

“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 or a Geographic Region;

“Other Below Rail Services” means the activities associated with the provision and management of Rail Infrastructure outside 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 outside Queensland, including Train Control Services and the implementation of safeworking procedures;

“Other Services provided by QR Network” means the activities of QR Network other than those associated with the provision and management of Rail Infrastructure in Queensland, including the provision of services at the Acacia Ridge freight terminal and locomotive provisioning facility;

“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;

“Queensland Rail” means [Queensland Rail Limited \[ABN 71 132 181 090\] \(formerly QR Passenger Pty\)](#), a Government Owned Corporation 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;

“QR Network” means the business group established within QR to:

- (a) manage the provision of Below Rail Services with the exception of stations and platforms, and
- (b) manage common user freight terminals;

“QR Operator Business Group” means business groups within QR that are separate from QR Network and that undertake the operation of Train Services for transporting passengers or freight for reward;

“QR Services Group” means QR Services Australia Pty Ltd, a wholly owned subsidiary of QR Limited, which provides infrastructure maintenance services to QR Network;

“Rail Infrastructure” means Rail Transport Infrastructure, except that the term does not include the track and associated infrastructure on those parts of the network not identified as the responsibility of QR Network 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 QR is the Railway Manager;

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

“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, 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 QR’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;

“Terminal Access Services” means the business unit established within **QR Network** to manage common user freight terminals;

“Undertaking” refers to QR’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.

“Expenses” means all operating expenses including intercompany transfers.

QR COSTING MANUAL

SCHEDULE A

DESCRIPTION OF REGIONS

CENTRAL QUEENSLAND COAL REGION

Barney Point and QAL to North Coast Line Jct (Parana) via flyover

Parana to Callemondah via Moura Short Line

Callemondah to Moura Mine

Annandale to Boundary Hill

Earlsfield to Callide Coalfields

Gladstone Station to Callemondah

Callemondah to Powerhouse and Golding (RG Tanna Terminal)

Callemondah to Rocklands

Mount Miller to Fishermans Landing

Aldoga to East End

Rocklands to Burngrove and branches

Burngrove to Gregory mine and branches

Hay Point/ Dalrymple Bay to Coppabella and branches

Coppabella to North Goonyella and branches

Wotonga to Blair Athol Mine Balloon Loop

Coppabella to Gregory Junction and branches

Newlands to Abbot Point

Pring to Merinda

Collinsville to McNaughton

OTHER REGIONS

Metropolitan

- Roma Street to Rosewood
- Bundamba to Box Flat
- Ipswich to Workshops
- Ipswich to Churchill
- Yarrowlea to Ebenezer Mine

- Roma Street to Robina (incl. dual gauge lines)
- Yeerongpilly to Corinda
- Salisbury to Acacia Ridge (incl. dual gauge lines)

- 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
- Caboolture to Wamuran

Standard Gauge

- Acacia Ridge to N.S.W. Border (standard gauge lines)

South West

- All lines beyond Rosewood

North Coast Line

- Nambour to Gladstone Station
- Gympie North to Gympie
- Owanyilla Balloon Loop

- Rocklands to Durroburra
- Glenmore to Yeppoon
- (Durroburra to Kaili (5.6 km) – incl. in Coal Region)

- Kaili to Townsville
- Mackay to Marian
- Erakala to Mackay Harbour
- Bowen Jct to Bowen
- SunMetal Jct to SunMetal Balloon Loop
- Townsville Jetty Branch

- Townsville to Cairns
- Cobarra Balloon

OTHER REGIONS (Cont.)

North Coast Line Branches

- Theebine to Kingaroy
- Murgon to Byee
- Mungar to Monto
- Maryborough West to Maryborough
- Colton to Takura
- Graham – Taragoola – Monto
- Dakenba to Biloela
- Earlsfield to Koorngoo
- Koorngoo to Kooemba
- Moura Mine Jct to Goolara

Central West

- Burngrove – Winton – Hughenden
- Nogoa to Springsure
- Emerald to Blair Athol Mine Jct
- Jericho to Yaraka

Mount Isa Line

- Stuart to Mount Isa
- Yurbi (Cannington Mine) Balloon Loop
- Flynn to Phosphate Hill

Tablelands

- Cairns to Forsayth
- Mareeba to Atherton
- Arriga Jct to Arriga
- Almaden to Mungana

Normanton to Croydon

COSTING MANUAL – SCHEDULE B

PRO FORMA FINANCIAL STATEMENTS

FINANCIAL STATEMENTS PURSUANT TO THE ACCESS UNDERTAKING

BELOW RAIL SERVICES PROVIDED BY QR NETWORK

STATEMENT OF EARNINGS BEFORE INTEREST AND TAX

	FOR THE YEAR ENDED 30 JUNE XXXX			FOR THE YEAR ENDED 30 JUNE XXXX		
	Central QLD Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	Central QLD Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's
REVENUE						
Access charges – Coal	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Access charges – Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Electric traction energy charges	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Transport Service Contracts		X,XXX	X,XXX		X,XXX	X,XXX
Contributions from developers	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
Total revenue	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
EXPENSES						
Infrastructure maintenance	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
Train operations management	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Insurance and accreditation	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
Overhead transfers from QR Ltd	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
Total expenses	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
EARNINGS BEFORE INTEREST AND TAX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

COSTING MANUAL – SCHEDULE B (cont)

PRO FORMA FINANCIAL STATEMENTS

BELOW RAIL SERVICES PROVIDED BY QR NETWORK

STATEMENT OF ASSETS

	AS AT 30 JUNE XXXX			AS AT 30 JUNE XXXX		
	Central QLD			Central QLD		
	Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's
CURRENT ASSETS						
Cash						
Receivables	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
Other	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Total Current Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
NON – CURRENT ASSETS						
Receivables	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Fixed Assets						
Property (Land and Buildings)	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
Infrastructure						
Permanent way	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
Assets under construction	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Intangibles Assets	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
Total Non-Current Assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
TOTAL ASSETS	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

BELOW RAIL SERVICES PROVIDED BY QR NETWORK

STATEMENT OF INVESTMENTS

	FOR THE YEAR ENDED 30 JUNE XXXX			FOR THE YEAR ENDED 30 JUNE XXXX		
	Central QLD Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	Central QLD Coal Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's
Expenditure on fixed assets	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

QR COSTING MANUAL
SCHEDULE C
STANDARD ALLOCATORS

	Relevant Clauses in the Manual	Ratio in Original Manual (June 2006)	Amended Ratio	
			Ratio	First Year of Application
Standard Allocator “A”				
Share of QR Wide Items Allocated to Below Rail Provided by QR Network	4.1 (c), 4.2.2 (c), 4.4.5.3 (h), 4.4.8.2, 4.5.2.7, 4.6.2(d), Table 4.3	30.0%	Not Applicable	2008/09
Standard Allocator “B”				
Operations Management “Mark Up”	4.4.4.3 (b)	6.0%	Not Applicable	2007/08
Standard Allocator “C”				
Central QLD Coal Regions’ Share of Network Wide Items	5.1 (f), 5.4.3, 5.5.3, 5.6	36.0%	40% 43%	2006/07 2008/09