

Queensland Competition Authority

Decision notice

Queensland Rail 2021–22 capital expenditure claim

23 March 2023

The Queensland Competition Authority has accepted the amounts in Queensland Rail's 2021–22 capital expenditure claim for inclusion into its regulatory asset base. The reasons are set out in this decision, in accordance with the 2020 access undertaking (AU2).

Queensland Rail capital expenditure

Queensland Rail's provision of below-rail services is governed by its 2020 access undertaking (AU2). Under schedule E of AU2, we conduct an annual ex post assessment of the prudence of Queensland Rail's capital expenditure for inclusion in its regulatory asset base (RAB).

Queensland Rail submitted its 2021–22 capital expenditure claim for the West Moreton system on 18 January 2023. The submitted claim totalled \$17.1 million (plus \$1.6 million in interest during construction (IDC)), comprising six projects in the West Moreton system and a claim for ballast undercutting works completed.

The 2021–22 claim did not include \$14.7 million (excl. IDC) of expenditure for works commissioned in 2021–22 that we had previously assessed, and approved to be incorporated into the RAB, as part of our assessment of Queensland Rail's 2020–21 capital expenditure claim.¹

Assessment approach

We have assessed Queensland Rail's 2021–22 capital expenditure claim in accordance with schedule E of AU2.²

We have assessed the prudence of expenditures included in the claim against the criteria set out in schedule E of AU2, focusing on the scope, standard of works and cost (cls. 3–5). We have also confirmed that Queensland Rail has calculated IDC consistent with past practice. In forming our views, we had regard to information that Queensland Rail provided initially and in responses to requests for information, as well as engineering advice previously provided to us.

¹ QCA, [Queensland Rail capital expenditure claim](#), decision notice, 29 August 2022.

² All clause references in this decision notice refer to schedule E of AU2, unless otherwise stipulated.

Consultation

We provided stakeholders with an opportunity to comment on Queensland Rail's claim. However, we did not receive any submissions in response.

Assessment and decision

Based on the information available to us, including our previous assessments and engineering advice, we consider that Queensland Rail's claims for \$17.1 million (excl. IDC) in capital expenditure meet the criteria for prudence under AU2 (Table 1).

We consider that the scope and standard of the works are prudent, as many are continuations of existing programs of works that have been assessed previously, or they reflect works that are necessary to maintain the safe operation of the network. We consider the projects have been undertaken having regard to the current demand outlook and operating conditions and note Queensland Rail continues to use largely operational restrictions to manage network issues.

We also consider that the costs of the works are prudent based on consideration of industry benchmarks, our previous assessments, and the nature of the works. Where projects are continuing, the 2021–22 costs fall within the overall budget. Where the 2021–22 costs are higher than for similar previous works, these can be explained by the nature of the works undertaken, including remoteness, geotechnical challenges and specific engineering requirements.

We therefore accept total of \$33.3 million (incl. IDC) for inclusion in Queensland Rail's RAB—comprising \$17.1 million (excl. IDC) for works assessed under the 2021–22 claim, \$14.7 million (excl. IDC) for works we had previously approved plus approved IDC (Table 1).

Table 1 Approved 2021–22 capital expenditure amounts for inclusion in RAB

<i>Project</i>	<i>Amount (\$)</i>
West Moreton Minor Signalling Renewals	3,360,582
Concrete Sleepers with gauge issues	1,674,064
Reconditioning West Moreton	10,350,739
Culvert Renewal West Moreton	255,204
Level Crossing Upgrades West Moreton	291,395
Weather Monitoring Station Replacement Regional	270,854
Ballast Undercutting	861,745
Total approved amount (2021–22 claim) (excl IDC)	17,064,582
Previously approved amount (2020–21 claim) (excl IDC)	14,657,211
IDC	1,626,337
Total approved for inclusion in RAB (incl IDC)	33,348,130

Note: All amounts exclude interest during construction.