

COSTING MANUAL

Approved by the

Queensland Competition Authority

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PART 1. PURPOSE OF THE COSTING MANUAL

1.1 Background

- (a) Queensland Rail Limited [ABN 71 132 181 090] (Queensland Rail) has an Undertaking that provides the framework for negotiations with access seekers for Access to Rail Infrastructure for the purpose of operating Train Services.
- (b) The intent of the Undertaking is *inter alia* to ensure that Access negotiations are conducted expeditiously on a commercial basis, and in a competitively neutral environment. The Undertaking seeks to ensure that there will be no cross subsidy between individual Train Services or between combinations of Train Services. It also outlines pricing principles to be employed in determining applicable Access Charges.
- (c) Queensland Rail is an integrated railway provider, in that it provides both Below Rail Services as a Railway Manager and Above Rail Services as a Railway Operator. Queensland Rail 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, the Undertaking contains a requirement for the production of separate Financial Statements for Below Rail Services provided by Queensland Rail. These Financial Statements will take the form of a statement of assets, a statement of earnings before interest and tax and a statement of investments.
- (d) Under the Act the QCA may prepare a Costing Manual or ask Queensland Rail to do so. The QCA has exercised their powers under the Act in this regard, and requested Queensland Rail to prepare and submit a Costing Manual (referred to as the "Manual") to satisfy the accounting responsibilities under the Act and financial reporting obligations contained in the Undertaking.

1.2 Legislative Context

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

1.3 Purpose

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

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 Queensland Rail's audited general purpose financial statements and other accounting records, the cost base for Below Rail Services provided by Queensland Rail separate from other services provided by Queensland Rail;
- (b) Within the cost base for Below Rail Services provided by Queensland Rail, the process for identifying:
 - (i) Assets and costs attributable to specified 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 Queensland Rail to "*develop, on an annual basis ... financial statements for Below Rail Services provided by Queensland Rail, ... 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 assets, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to line sections, regions and network wide. Furthermore, to report Below Rail Services provided by Queensland Rail assets, costs, revenues, and investments separately for the West Moreton Region, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenues and investments to regions including the West Moreton Region.

2.1.3 For the purposes of the preparation of the Financial Statements, passenger stations, platforms and associated facilities are to be treated as Above Rail.

2.2 Duration of Costing Manual

- (a) The Manual will take effect on the date it is approved by the QCA (herein referred to as the "Commencing Date").
- (b) The Manual will apply to the annual Financial Statements prepared for each financial year commencing from the financial year in which the Manual is approved, and will expire on 30 June 2013, subject to paragraph (d).
- (c) If, at any time during the term of the Manual, the QCA ceases to be the regulator of Queensland Rail's below rail services, Queensland Rail may withdraw the Manual.
- (d) If, at any time during the term of the Manual, Queensland Rail does not have an approved Undertaking, Queensland Rail may elect not to publish the annual Financial Statements in accordance with paragraph 9.2 of the Undertaking and Part 6 of the Manual.

- (e) Apart from the circumstances identified in Paragraph (d), Queensland Rail may withdraw the Manual at any time, provided it has received written agreement to such withdrawal by the QCA.

2.3 Review of Costing Manual

- (a) If, at any time during the term of the Manual, Queensland Rail is of the view that changes to the Manual are desirable, Queensland Rail may submit amendments to the QCA including changes to the Standard Allocators specified in Schedule C.
- (b) Where amendments to the Manual are submitted to the QCA, the QCA must consider the amendments to the Manual, and approve, or not approve them. If the QCA does not approve the amendments to the Manual, the previously approved Manual will continue to apply.
- (c) If the QCA does approve the amendments, the amended Manual will apply from:
 - (i) the date of the QCA's approval; or
 - (ii) a date approved by the QCA.

PART 3. COSTING FRAMEWORK

3.1 Organisational Structure

- (a) Queensland Rail has established its organisational structure to separate the management of infrastructure from the operation of Train Services. Schedule D of this Manual shows an organisation chart for Queensland Rail. Queensland Rail has four organisation units responsible for providing primary business functions, i.e.
- (i) Executive General Manager Network (Network), responsible for Above Rail and Below Rail infrastructure,
 - (ii) Executive General Manager Operations (Operations), responsible for the provision of train services, rollingstock maintenance and Train Control Services at Mayne Control Centre
 - (iii) Executive General Manager Customer Service (Customer Service), responsible for the Above Rail customer interface, including at stations and on train services, and
 - (iv) Executive General Manager Access and Business Strategy (Access & Business Strategy), responsible for Train Control Services other than Mayne Control Centre and the Below Rail customer interface.

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

- (b) Apart from as set out in paragraphs (c) to (e) below, Network and Access & Business Strategy are responsible for the provision of Below Rail Services.
- (c) Network is responsible for the provision or procurement of appropriate levels of maintenance and investment in stations and platforms. These items are not included in Below Rail Services provided by Queensland Rail.
- (d) Access & Business Strategy is also responsible for Above Rail and corporate activities as follows:
- Planning and management of Above Rail Transport Service Contracts; and
 - Corporate business strategy.
- (e) In addition, the Operations Group performs certain Below Rail Services as follows:
- Train control from the Mayne Control Centre; and
 - Field incident management in south east Queensland.
- (f) The principles of cost Identification, Attribution and Allocation recognise that Queensland Rail's organisational structure may change over time. Therefore, the Identification, Attribution and Allocation of assets, costs, revenues and investments are based on functions regardless of the area within Queensland Rail that provides them. The principles in the Manual have been developed on this basis, however at any point in time costing information will be drawn from responsibility-based accounts reflecting Queensland Rail's current organisational structure.

3.2 Costing Principles

- (a) The fundamental principle underlying Queensland Rail's approach to costing is that, wherever possible, assets, costs, revenues and investments are directly Identified or Attributed to a function, and functions are directly Identified or Attributed as a Below

Rail Service, Above Rail Service or Other Service provided by Queensland Rail. Assets, costs, revenues and investments are only Allocated to a function/service where it is not possible or practical to disaggregate those costs and assets in a manner that allows for them to be directly Identified or Attributed to a function/service. This principle avoids the application of general rules of Allocation applying to all circumstances.

- (b) The general approach described in the Manual is based on the following:
- (i) Where costs are directly incurred, or assets directly used, in the performance of Below Rail Services, those costs and assets are directly Identified as Below Rail Costs;
 - (ii) Where costs are incurred, or assets are used, in common for the provision of Below Rail, Above Rail and/or Other Services, and where there is a causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Attributed on a reasonable basis of cost causality; and
 - (iii) Where assets, costs, revenues and investments are used jointly for the provision of Below Rail, Above Rail and/or Other Services, and where there is no direct causal relationship between the resources used for Below Rail, Above Rail or Other Services, these costs are Allocated on a reasonable basis.
- (c) In order to achieve the requirements under the Act whilst operating within the fundamental principle identified in Paragraph (a), Queensland Rail applies this costing methodology so that:
- (i) All assets, costs, revenues and investments must be Identified, Attributed or Allocated as Below Rail, Above Rail or Other Services;
 - (ii) Within each of these overarching categories, allocation of costs and assets is minimised. Rather, costs, revenue and assets not Identified directly to geographic regions are Identified to the functions and hence, the type of activity for which they are incurred. For example, costs incurred in providing train control services are Identified as relating to the 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.
- (d) In Identifying, Attributing and Allocating assets, costs, revenue and investments, rigid application of the methodologies in the Manual is not necessary for immaterial amounts.
- (e) The Manual establishes a methodology for the Identification, Attribution and Allocation of costs based on the accounting information available and methodologies applicable at the time of its development. Where, in the future, costs or assets are identified for which the Identification, Attribution or Allocation methodology has not been explicitly defined within this Manual, Queensland Rail will, as far as reasonably possible, Identify, Attribute or Allocate these costs and assets in a manner consistent with the methodology and principles defined within the Manual.
- (f) In certain circumstances this Manual adopts Standard Allocators. These Standard Allocators are specified in Schedule C together with a reference to the relevant clauses.

3.3 Internal Costing Accounts

- (a) Queensland Rail produces internal Costing Accounts on a regular basis. They interpret Queensland Rail's financial accounts to provide detailed information on the costs of various business activities.
- (b) The Costing Accounts associate assets, costs and revenue to functional activities, and from this separate assets, costs and revenue into Below Rail, Above Rail or Other Services. The resulting information forms the basis for the Financial Statements.
- (c) For financial accounting purposes all transactions are booked to an appropriate account code. The account code is constructed to allow identification of:
 - (i) the nature of the activity requiring the transaction;
 - (ii) the element of activity (eg labour, materials); and
 - (iii) the responsible cost centre and manager.
- (d) This financial account coding is designed primarily around the requirements for construction of Queensland Rail's general ledger and the objectives of responsibility management. The network nature of a railway operation, where assets and activities serve more than one business or geographic sector, prevents responsibility-based accounting from providing direct Identification of all costs and assets to functions and, hence, to Below Rail, Above Rail or Other Services. However, the financial account coding and underlying information is collected and arranged such that it is suitable for functional cost analysis through the Queensland Rail's Costing Accounts process.
- (e) The functional cost analysis process re-presents the financial accounts to reflect the functional activities that give rise to the costs and assets, using physical resource and empirical measures to Attribute and Allocate those costs and assets that cannot be directly Identified to a function.
- (f) Queensland Rail's Costing Accounts involve some reclassification of costs and assets in order to ensure that functional costs are accurately Identified.
- (g) Internal cost transfers recorded in the accounts of Queensland Rail shall, where applicable, be added to the costs, revenues and investments of Below Rail Services with the following exceptions:
 - (i) Any internal lease/capital charge associated with Queensland Rail assets is to be excluded;
 - (ii) Internal charges or transfers calculated using a methodology that is inconsistent with this Manual are to be excluded and replaced with amounts calculated in accordance with this Manual;
 - (iii) Internal Access charges not included in the internal transfers are to be added as Below Rail Revenue and added to the cost base of Above Rail Services for the purposes of preparing the Financial Statements;
 - (iv) Internal Telecommunications backbone charges not included in the internal transfers are to be added as Below Rail Revenue and added to the cost base of Queensland Rail for the purposes of preparing the Financial Statements;
 - (v) If internal transfers do not include an Allocation for corporate service or corporate overhead costs, an Allocation is to be added to the cost base of Queensland Rail for the purposes of preparing the Financial Statements.
- (h) For maintenance of Rail Infrastructure, a standard costing system using work orders underlies and balances to the general ledger. The work order system allows for the identification of costing information at an activity level, which then permits a functional

analysis of such costs. Work orders typically incorporate a description of the nature of the activity undertaken and the 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, Queensland Rail may undertake surveys in order to gain such detailed information.
- (j) The assets, costs and revenue associated with each function are then separated into Below Rail, Above Rail or Other Services in accordance with the process set out in Part 4 of the Manual.

3.4 Revenue Netting Off

- (a) The internal Costing Accounts adopts the practice of netting off certain non-sales revenue against like expense items to obtain more reliable results for costing core Queensland Rail businesses.
- (b) Sales Revenue reported in Queensland Rail's audited general purpose financial statements is to be treated as revenue in Queensland Rail's Costing Accounts.
- (c) Other Revenue reported in Queensland Rail's audited general purpose financial statements is to be analysed by cost centre, account and (if necessary) transaction type and treated for Queensland Rail's Costing Accounts purposes as either:
 - (A) Revenue if it is in the nature of sales revenue; or
 - (B) Offset against costs in the following instances:
 - (i) Gain on sale of assets, (which are to be offset against loss on disposal);
 - (ii) Government grants for apprentice and trainee training;
 - (iii) Diesel fuel excise credits received;
 - (iv) Revenue from the sale of scrap material; and
 - (v) Where an Allocation for corporate overhead is to be added to the Below Rail cost base for the purposes of preparing the Financial Statements, all non-sales revenue of corporate overhead areas and corporate service areas.

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

4.1 INTRODUCTION

- (a) Paragraph 3.2.1 (a) of the Undertaking requires Queensland Rail to “*develop, on an annual basis,... financial statements for Below Rail Services provided by Queensland Rail, as identified in Paragraph 3.1 (b) ... 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 Queensland Rail.

- (b) In some situations, (for example, joint assets and functions such as administration buildings, corporate provisions and corporate projects), there is no information available on Below Rail usage of the asset or function. In these circumstances, it is appropriate to use Standard Allocator “A” (see Schedule C) for allocating a share of the asset or function to Below Rail Services.

4.2 SEPARATION OF BELOW RAIL ASSETS

4.2.1 Classification of Assets

Assets shall be classified as Below Rail, Above Rail or Other Services by determining the function for which the assets are required. In some instances, Attribution or Allocation of assets may be required in order to align with the Identified functions. Queensland Rail's major asset categories are shown in Table 4.1.

Table 4.1 Queensland Rail Asset Categories

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

4.2.2 Fixed Assets

- (a) Details of fixed assets are recorded on Queensland Rail's Fixed Asset Register, including each asset's cost centre, class, description and physical location.
- (b) Separation of the fixed assets into Below Rail, Above Rail or Other Services provided by Queensland Rail shall be based on an analysis of cost centre data in Queensland Rail's Fixed Asset Register to identify assets to areas within Queensland Rail. These assets are associated with the functions provided by those areas within Queensland Rail and then Identified, Attributed or Allocated in a manner consistent with how that function is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services, giving consideration to the asset class, description and location.
- (c) In analysing fixed asset's cost centre data the following general principles are to be followed:
 - (i) Infrastructure assets managed by Network can be identified by the asset's cost centre as being Below Rail or Above Rail (e.g. stations, rollingstock depots, rollingstock stabling facilities);

- (ii) Assets used by Network as an infrastructure maintainer are Below Rail, except as specified in (iii) below;
- (iii) Assets used by Network SEQ as an infrastructure maintainer are to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed, unless otherwise attributable;
- (iv) Assets of Queensland Rail Operator Groups are Above Rail with the exception of control centres and associated equipment, which are Below Rail;
- (v) Assets of Corporate Overhead / corporate services areas are Allocated to Above Rail and Below Rail using Standard Allocator "A" (see Schedule C), unless otherwise attributable; and
- (vi) Assets of Access & Business Strategy can be identified by cost centre to Below Rail, Above Rail or corporate overhead. Corporate overhead assets are Allocated to Above Rail and Below Rail using Standard Allocator "A" (see Schedule C), unless otherwise attributable

4.2.2.1 Land

- (a) Land assets exclude corridor land, as Queensland Rail subleases the corridor land from Department of Environment & Resource Management and, hence, Queensland Rail does not own the corridor land.
- (b) Land assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each parcel of land. Once land assets are Identified to areas within Queensland Rail, these assets become associated with the functions provided by those areas within Queensland Rail. Land identified in the Fixed Asset Register as surplus shall be treated as Other Services.

4.2.2.2 Buildings

- (a) Buildings recorded in Queensland Rail's Asset Register are described according to the type of building and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each building. To the extent that more than one function is associated with a building, that building is Attributed between those functions.
- (b) Queensland Rail buildings, or portions thereof, shall be then Attributed or Allocated to Below Rail or Above Rail Services provided by Queensland Rail in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail or Above Rail Services provided by Queensland Rail.

4.2.2.3 Rollingstock

- (a) Rollingstock assets recorded on Queensland Rail's Fixed Asset Register are generally for the conveyance of passengers and are therefore Above Rail. Certain special purpose non-revenue vehicles used for infrastructure maintenance (e.g. ballast, sleeper and rail wagons) or inspection are Below Rail. All Below Rail rollingstock has been identified with Network cost centres in Queensland Rail's Fixed Asset Register.

4.2.2.4 Plant and Equipment

- (a) Plant and equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre for each piece of equipment, and associated with the functions provided by those areas within Queensland Rail.

4.2.2.5 Motor Vehicles

- (a) Queensland Rail's Fixed Asset Register contains the cost centre of the user of motor vehicles, allowing Identification to areas within Queensland Rail.
- (b) Once motor vehicles are Identified to areas within Queensland Rail, these assets become associated with the functions provided by those areas of Queensland Rail.

4.2.2.6 Computers and Miscellaneous Equipment

- (a) Computers and miscellaneous equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each piece of equipment recorded on Queensland Rail's Fixed Asset Register.
- (b) Once computers and miscellaneous equipment are Attributed to areas within Queensland Rail, these assets become associated with the functions provided by those areas within Queensland Rail. The equipment shall then be Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how that function is Attributed or Allocated.

4.2.2.7 Permanent Way

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

4.2.2.8 Traction Power Distribution Equipment

- (a) Traction power distribution equipment includes contact wire and the overhead support structure. Traction power distribution assets are Identified to specific line sections and to cost centres. All Queensland Rail's traction power distribution assets are Identified by cost centre as Below Rail or, in the case of rollingstock maintenance and stabling facilities, Above Rail assets.

4.2.2.9 Traction Power Supply Equipment

- (a) Traction power supply equipment is used to supply electric energy for traction over the overhead traction power distribution system. Traction power supply equipment includes traction substation switchboards and transformers, power distribution assets and earthing and bonding equipment. Traction power supply equipment is Identified separately to any power supply assets that are used to provide electricity to facilities and buildings.
- (b) Traction power supply equipment shall be Identified by cost centre as Below Rail or Above Rail assets.

4.2.2.10 Facilities

- (a) Each facility is described in Queensland Rail's asset register according to the type of facility and its location. Based on an analysis of this information, an assessment shall be made of the function/s associated with each facility. To the extent that more than one function is associated with a facility, that facility shall be Attributed between those functions.

- (b) Facilities, or portions thereof, shall then be Attributed or Allocated to Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how the relevant function is Attributed or Allocated to Below Rail, Above Rail or Other Services.

4.2.2.11 Control Systems

- (a) Control systems include real time information systems, signal control systems, traction power control systems and Train/Track monitoring systems.
- (b) Control systems shall be assessed according to cost centre and treated as Below Rail, (typically wayside and control centre equipment) or Above Rail (if related to rollingstock maintenance or stabling facilities).

4.2.2.12 Field Signals

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

4.2.2.13 Telecommunications

- (a) Telecommunications assets can be Identified as those required for the “backbone” telecommunication systems and those required for customer premises. In addition, both backbone and customer premises assets can be categorised by type of asset, e.g. cable, hand held radios, microwave.
- (b) Telecommunications backbone assets have a primary purpose of providing train control services as part of Below Rail Services.
- (c) Telecommunications customer premises equipment shall be Attributed to areas within Queensland Rail by an analysis of cost centres, and associated with the functions provided by those areas within Queensland Rail.

4.2.2.14 Assets Under Construction

- (a) Queensland Rail capital projects are assessed in terms of whether, and to what extent, the project is being undertaken for the purpose of providing Below Rail Services or Above Rail Services.
- (b) Assets under construction shall be Attributed as Below Rail or Above Rail based on an identification of each project currently underway and the extent to which the individual projects are related to Below Rail Services or Above Rail Services provided by Queensland Rail.

4.2.3 Intangible Assets

- (a) Intangible assets are items such as computer software, patents or copyrights. Queensland Rail has computer software that is reported under the heading of intangible assets. Details of computer software is recorded on Queensland Rail’s fixed asset register and amortised over its expected useful life.
- (b) Intangible assets shall be Attributed to areas within Queensland Rail by an analysis of cost centres, and associated with the functions provided by those areas within

Queensland Rail. The assets shall then be Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with how that function is Attributed or Allocated to Below Rail, Above Rail or Other Services.

4.2.4 Other Assets

- (a) Receivables recorded in the accounts of Queensland Rail shall be assessed and Identified to business areas through an analysis of the customer and the nature of the service that is provided to that customer. Once Identified to business areas, these assets shall be Identified Attributed or Allocated as Below Rail, Above Rail or Other Services provided by Queensland Rail in a manner consistent with the way that service is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services.

Queensland Rail's GST receivable and GST payable shall be offset and reported as an asset if a net receivable or treated as a liability if a net payable.

- (b) Inventories recorded in the accounts of Queensland Rail shall be Identified in terms of store location and cost centre that holds them.
- (c) Prepayments recorded in the accounts shall be assessed and Identified to business areas through an analysis of the service provider and the nature of the service that is received from that service provider. Once Identified to business areas, these assets shall be Identified, Attributed or Allocated as Below Rail Services, Above Rail or Other Services provided by Queensland Rail in a manner consistent with the way in which that function is Identified, Attributed or Allocated to Below Rail, Above Rail or Other Services.
- (d) For the purposes of the Financial Statements, Queensland Rail's deferred tax assets and deferred tax liabilities shall be offset and only reported as an asset if a net deferred tax asset, and treated as a liability if a net deferred tax liability. Any resulting net deferred tax asset shall be Identified as Other Services.
- (e) Investments in other entities or joint ventures shall be Identified as Other Services.

4.3 Deleted

4.4 SEPARATION OF BELOW RAIL EXPENSES

- (a) Expenses shall only include those items recorded in the accounts of Queensland Rail, except for the following:
- (i) If Queensland Rail’s SAP Costing Accounts do not include an Attribution or Allocation for Below Rail services provided by Operator Groups, an Attribution or Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements;
 - (ii) If Queensland Rail’s SAP Costing Accounts do not include an Allocation for corporate services, an Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements; and
 - (iii) If Queensland Rail’s SAP Costing Accounts do not include an Allocation for corporate overhead, an Allocation is to be calculated and added to the cost base of Below Rail Services for the purposes of preparing the Financial Statements.
- (b) Expenses shall be classified as relating to Below Rail, Above Rail or Other Services provided by Queensland Rail by determining the function for which the costs are incurred. In some instances, Attribution or Allocation of expenses may be required in order to align with the Identified functions. Queensland Rail’s major expense categories are shown in Table 4.2 which lists the cost functions and summarises their assignment to the three categories.

The costs associated with these functions (except a net Gain on Disposal of Assets) shall be aggregated and reported as “Expenses” in the Statement of Earnings Before Interest and Tax.

Table 4.2 Summary of Procedures for Assigning Expenses

	Below Rail Services	Above Rail Services	Other Services
Train Running (Passenger Trains)			
Train running costs		Ident	
Nominal Access Charges		Ident	
Station Costs		Ident	
Traction electricity energy cost		Ident	
Corridor/ Regional Costs			
Train Operations Management			
Signalling and safeworking	Ident		
Train control and scheduling	Ident		
Operations management	Ident		
By Access & business strategy	Ident		
By Operations	5% Mark-up	Ident (bal.)	
Infrastructure Maintenance			
Track	Ident	Ident	
Bridge	Ident	Ident	
Buildings and Facilities	Ident	Ident	
Signals	Ident	Ident	
Telecommunications			
Customer premises	Ident	Ident	
Network backbone	Ident		
Traction power distribution equipment	Ident	Ident	

	Below Rail Services	Above Rail Services	Other Services
Traction power supply equipment	Ident	Ident	
Infrastructure administration	Ident / Alloc	Ident / Alloc	
Other maintenance	Ident	Ident	
<i>Derailment / Flood Repairs</i>			
Derailments and collisions	Ident	Ident	
Flood Repairs	Ident	Ident	
Third party damage - infrastructure	Ident	Ident	
Other Expenses			
<i>Insurance and Accreditation Fees</i>			
Insurance Premium	Ident / Alloc	Ident / Alloc	
Insurance Excess	Ident	Ident	
Qld Transport Accreditation Fee	Ident	Ident	
<i>Other</i>			
Business Unit Management	Ident / Alloc	Ident / Alloc	
Group management	Ident		
By Network	Ident		
By Access & business strategy	Ident / Alloc	Ident / Alloc	
By Operator Groups		Ident	
Queensland Competition Authority Levy	Ident		
Early retirement schemes	Ident / Alloc	Ident / Alloc	
(Gain)/ Loss on disposal of assets #	Ident / Alloc	Ident / Alloc	
Outside work			Ident
Miscellaneous	Ident	Ident	Ident
Corporate Overhead	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 Queensland Rail's total is a net gain or a net loss.

4.4.1 Train Running Costs

- (a) These costs relate to the running of passenger trains and consist of the following cost categories:
- Train crew
 - Train fuel
 - Locomotive maintenance
 - Self propelled passenger train maintenance (diesel and electric trains)
 - Carriage and wagon maintenance
 - Carriage cleaning
 - Fuel for train air-conditioning and refrigeration
 - On board service and catering
 - Alternative and connecting transport
- (b) Traction Electricity Energy cost is the actual cost of electric energy for motive power traction. Currently the only electric trains operating on Queensland Rail's network are its own passenger trains. The cost can be Identified in the accounts of Queensland Rail and shall be treated as an Above Rail expense.

4.4.2 Train Operations Management

4.4.2.1 Signalling and Safeworking

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

- (a) Performed by Access & Business Strategy staff

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

- (b) Performed by Aurizon on behalf of Queensland Rail

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

4.4.2.2 Train Control Scheduling

This cost item is 100% Below Rail and is Identified in Queensland Rail's Costing System. The cost of the train control centres is Identified in Queensland Rail's Costing System separate from the operations management functions.

- (a) Performed by Access & Business Strategy

Access & Business Strategy has direct responsibility for the Townsville Control Centre, and Brisbane Control Centre which controls all train movements west of Ipswich and in the area bounded by Tamaree and the Aurizon Interface Point at Parana. This cost is separately identifiable by cost centre.

- (b) Performed by Queensland Rail Operator Groups

The cost of train control centres that are managed by Queensland Rail Operator Groups are to be Identified separate from the operation, crew and station management functions carried out by that operator group. The train control centre not directly managed by Access & Business Strategy is Mayne Control Centre which controls all train movements in the area bounded by Tamaree, Acacia Ridge and Ipswich.

Some Above Rail functions are carried out at train control centres such as station surveillance via close circuit TV and suburban passenger train management. The Above Rail component is separately Identified in Queensland Rail's Costing System.

4.4.2.3 Operations Management

- (a) Performed by Access & Business Strategy (100% Below Rail)

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

- Train control
- Contract signalling and safeworking
- Signalling and safeworking
- Incident investigation and management
- Any other significant item that are not of an administrative nature

(b) Performed by Queensland Rail Operator Groups

This cost function in the Queensland Rail Operator Groups refers to the management of operations activities such as train operations, train crew, loco power management, stations, terminal and yards and the Below Rail functions train control (4.4.4.2) and incident investigation and management. The Below Rail functions are a small but important proportion of the activities managed.

Accordingly, operations management of Queensland Rail Operator Groups allocated to Below Rail shall be limited to a "mark up" by applying Standard Allocator "B" (see Schedule C) to the Below Rail costs derived in 4.4.4.2 (b).

4.4.3 Corridor/Regional Costs – Infrastructure

Queensland Rail uses a normal costing process within its SAP system for costing its internal maintenance and construction activities, i.e. the actual hours of labour and plant used is costed to jobs using standard unit labour and plant rates, plus the actual value of materials used. The standard unit rates are calculated to allow for direct costs and indirect costs (e.g. leave, training, downtime etc). The cost of individual jobs are collected on work orders in the SAP system that also record the location of the job and, where applicable, the item of equipment being maintained.

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

4.4.3.1 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 Queensland Rail's Costing System.
- (b) The majority of costs are Below Rail except for the following costs Identified from work orders:
- (i) Maintenance of Above Rail yards, rollingstock maintenance and stabling facilities; and
 - (ii) Maintenance of lines which are not part of the declared network and are maintained by Queensland Rail under contracts with the relevant infrastructure owner (these costs should be treated as Other Services provided by Queensland Rail).

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

4.4.3.2 Maintenance of Traction Power Supply Equipment

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

4.4.3.3 Maintenance of Buildings and Facilities

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

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

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

4.4.3.4 Telecommunications

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

- (i) The Telecommunications Backbone Network

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

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

For the purposes of the Financial Statements, Below Rail is to be credited with internal revenue (see 4.5.3.4) for use of the backbone by other parts of Queensland Rail.

- (ii) Customer Premises Equipment

CPE includes items such as:

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

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

4.4.3.5 Infrastructure Administration

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

This cost is 100% Below Rail, except for Network SEQ cost centres which are to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed. This is to account for the high proportion of maintenance activities in Network SEQ that are related to passenger stations.

- (b) Any significant items in the infrastructure administration costs which can be Identified specifically as Below Rail, Above Rail or Other Services shall be separated and Identified accordingly.

4.4.3.6 Other Maintenance

Other maintenance includes minor costed maintenance items, e.g. inventory handling and management costs, and costing variances resulting from the normal maintenance job costing process. The calculation of the costing variance is to be inclusive of any related depreciation expense, but exclude the cost of early retirement schemes. The costing variances are to be treated as 100% Below Rail, except for Network SEQ costing variance which is to be Attributed to Below Rail or Above Rail based on the value of Below Rail and Above Rail maintenance performed.

4.4.3.7 Derailments and Collisions

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

4.4.3.8 Flood Repairs

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

4.4.3.9 Third Party Damage - Infrastructure

Third party infrastructure repair costs arise from wilful or accidental acts of parties who are not employees or customers of the infrastructure manager or rail operators. A typical example is damage to level crossing protection by motor vehicle collision.

Infrastructure repair costs are Identified with cost centres and can be Identified with Below Rail, Above Rail or Other Services provided by Queensland Rail from an analysis of cost centres.

4.4.4 Business Management

4.4.4.1 Group Management

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

4.4.4.2 Insurance

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

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

4.4.4.3 Access & Business Strategy Business Management

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

This cost function is identified by cost centre and where necessary can be further attributed to Above Rail or Below Rail based on an analysis of activities performed by individuals.

4.4.5 Other Items

4.4.5.1 Land Tax

Deleted

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 Queensland Rail.
- (b) Separation of Queensland Rail's cost of early retirement schemes shall be based on an analysis of cost centre data.

4.4.5.3 Queensland Competition Authority Levy

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

4.4.5.4 Depart. Of Transport and Main Roads Accreditation Fees

Dept. Of Transport and Main Roads accreditation fees that relate to Queensland Rail's role as a Rail Manager are Below Rail. Accreditation fees that relate to Queensland Rail's role as a Rail Operator are Above Rail. These fees are separately identifiable from an analysis of cost centres.

4.4.5.5 Outside Work

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

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

4.4.5.6 Miscellaneous

Other items occurring in the cost centres of Queensland Rail will be Below Rail, Above Rail or Other Services provided by Queensland Rail by Identification, depending on their specific nature.

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

4.4.6 Expenses Not Reported In Financial Statements

4.4.6.1 Financing Costs

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

4.4.6.2 Income Tax Expense

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

4.4.7 Depreciation And Amortisation

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

4.4.8 Corporate Overhead

- (a) Corporate overhead is defined as “those activities concerned with the overall management, control and direction of Queensland Rail and which do not involve any significant costs relating specifically to a business.”

Corporate overhead typically consists of the following corporate functions:

- Chief Executive Officer and Board
 - Company Secretary / General Counsel
 - Chief Communications Officer
 - Chief Safety and Environment Officer
 - Chief Strategy and Corporate Services Officer
 - Chief Financial Officer
 - Chief Human Resources Officer
- (b) Corporate overhead is to be Allocated to Below Rail Services or Above Rail Services provided by Queensland Rail pro rata on the total of all other Identified, Attributed and Allocated costs excluding:
- Internal charges for access
 - Depreciation and amortisation
 - Asset impairment gains or losses
 - Interest expense
 - Tax expense

4.5 SEPARATION OF BELOW RAIL REVENUE

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

	Below Rail	Above Rail	Other Services
EXTERNAL SALES REVENUE			
Access charges - Coal	Ident		
Access charges - Other	Ident		
Passenger services		Ident	
Transport Service Contracts	Ident	Ident	
Contributions from developers	Ident	Ident	
OTHER REVENUE			
Property revenue	Ident	Ident	
Telecommunications revenue (external)	Ident		
Construction works revenue	Ident	Ident	Ident
External sales	Ident	Ident	Ident
Insurance claims revenue	Ident	Ident	
Other	Ident	Ident	
Corporate interest revenue			Ident
INTERNAL REVENUE			
Access charges – Other (Passenger)	Ident		
Telecommunications revenue (internal)	Ident		

4.5.1 External Sales Revenue

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

Revenue items in this category are:

- Revenue from the operation of passenger services provided by Queensland Rail's Operator Groups
- External below rail access revenue
- Developer contributions (cash and amortised)
- Transport Services Contract revenue earned by Operator Groups, Network or Access & Business Strategy 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 External Access Charges

External access revenue is recorded by profit centre in the accounts of Queensland Rail. These amounts relate to the access agreements for the year concerned. Revenue from access charges for bulk coal trains shall be reported separately in the Financial Statements. Access charges for bulk coal trains shall comprise regulated tariffs AT1 and AT2, and any other non-regulated charges for these trains.

4.5.2 Other Revenue

4.5.2.1 External Other Revenue

Any external other revenue remaining after netting off is Identifiable as Below Rail, Above Rail or Other Services provided by Queensland Rail from an analysis of profit centre data.

Typical Below Rail items include advertising and property leasing revenue relating to corridor sites, Preliminary Information fees, telecommunications revenue and insurance recoveries relating to damage to Queensland Rail infrastructure.

Other revenue remaining after netting off that is related to work on private railways/sidings or non-rail infrastructure is Identifiable as Other Services provided by Queensland Rail revenue.

4.5.2.2 Treasury Operations

Interest revenue, unrealised foreign exchange gains/losses and other revenue derived from the management of Queensland Rail's finances are to be treated as Other Services. The Financial Statements are on an Earnings before Interest and Tax basis, and interest expense is not Allocated. Accordingly, financing revenue is not Allocated.

4.5.2.3 Other Items

From time to time other revenue items may occur which this manual does not specifically anticipate. In such cases the general principles in Part 3 shall be followed.

4.5.3 Internal Revenue

Internal revenue may not be recorded in the accounts of Queensland Rail but for the purposes of preparing the Financial Statements revenue items are to be included. These amounts are nominal and are to be determined by reference to internal agreements (including where necessary prior years agreements excalated).

4.5.3.1 Internal Access Charges

Internal access revenue is to be reported as Access Charges – Other revenue for the purposes of the Financial Statements These items are to be the amounts advised by Access & Business Strategy as being in accordance with the access agreements and actual traffic for the year concerned.

4.5.3.2 Internal Telecommunications Backbone Charges

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

4.5.3.3 Traveltrain Internal Fares

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

4.6 SEPARATION OF BELOW RAIL INVESTMENTS

4.6.1 Information Source

Investments are to be classified as Below Rail, Above Rail or Other Services provided by Queensland Rail by reference to the June "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

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

- (a) Network projects are Below Rail except those projects attributed to Above Rail activities, i.e. passenger stations and associated facilities, rollingstock stabling or maintenance facilities;
- (b) Projects relating to infrastructure maintenance equipment are Below Rail;
- (c) Projects of Operator Groups are Above Rail with the exception of any projects relating to Below Rail assets or functions such as train control;
- (d) Projects of Queensland Rail's Access & Business Strategy, corporate services and corporate overhead groups are to be analysed individually and treated as follows:
 - (i) Projects which can be identified completely as Above Rail, Below Rail or Other Services shall be classified accordingly;
 - (ii) Projects which can be Attributed on the basis of some underlying activity will be classified accordingly;
 - (iii) Joint projects which cannot be readily classified by Identification or Attribution will be Allocated to Above Rail and Below Rail using the Standard Allocator "A" (see Schedule C).

4.6.3 Other Investments (non Fixed Assets)

Investments by Queensland Rail in other entities or joint ventures will not usually be reported in the Investment Program Report as it deals with fixed assets. Any such investments occurring in a year will be classified Below Rail Services provided by Queensland Rail or Other Services provided by Queensland Rail on the basis of specific information for each investment and application of the general principles of this Manual.

PART 5. HIERARCHY OF BELOW RAIL ASSETS, COSTS, REVENUE AND INVESTMENTS

5.1 INTRODUCTION

Clause 10.1 of Queensland Rail'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 Queensland Rail to "*develop, on an annual basis ... financial statements for Below Rail Services provided by Queensland Rail ... 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, costs, revenues and investments for Below Rail Services provided by Queensland Rail attributable to line sections, regions and network wide. Furthermore, to report Below Rail assets, costs, revenues, and investments separately for the West Moreton Region, it is necessary for the Manual to set out the methodology for allocating network wide assets, costs, revenue and investments to the West Moreton Region 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 Queensland Rail'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 as a note to the Financial Statements of the year of the change.
- (d) The West Moreton Region 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 "West Moreton Region" in the annual Financial Statements will be the sum of:
 - assets, costs and investments identified as attributable to line sections in the West Moreton Region,
 - assets, costs, revenues and investments identified as attributable to regions in the West Moreton Region, and
 - the West Moreton Region'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 (i.e. network wide items) shall be Allocated to the West Moreton Region by applying Standard Allocator "C" (see Schedule C).

Standard Allocator "C" has been determined based on an empirical analysis of the West Moreton Region's share of total Network Wide costs derived from the allocative process outlined in Table 5 A.

Each year Queensland Rail 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 West Moreton Region Standard Allocator

Network Wide Cost Category	Allocation Basis
Business Management	
Group Management	50% Train km + 50% GTK
Access & business strategy Business Management	50% Train km + 50% GTK
Insurance Premium	50% Train km + 50% GTK
Other	
Voluntary Early Retirement Scheme	Below Rail expenses
R&D projects	Allocator to be related to activities that benefit from expenditure
Operations Administration	Regional Train km
Infrastructure	
Administration Buildings Maintenance	Allocate according to activities at each location.
Telecommunications Maintenance	
Backbone Network	Train Km
Customer premises equip	Allocate according to activities at each location; e.g. for train control centres allocate on train km.
Infrastructure Administration	
Engineering services	
Electrical Engineering	50% Electrified Track km + 50% Electric GTK
Other Engineering	50% Train km + 50% GTK
Other	Regional totals of Line Section and Region specific 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	Train 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. Queensland Rail'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	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 Queensland Rail's Fixed Asset Register or where applicable Queensland Rail's Fixed Asset Register, including each asset's cost centre, class, description and physical location. The location of assets as recorded on the Fixed Asset Register is to be the primary means of identifying assets to 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 maintenance depots which are to be reported against Regions or 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, maintenance depots).
- Administration Buildings are Network Wide.
- (e) Queensland Rail's Below Rail rollingstock are Network Wide.
- (e) Plant and equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre and responsible manager for each piece of equipment. The plant and equipment shall then be Attributed to Regions or Network Wide in a manner consistent with how the activities of that area relate to geographic regions.
- (g) 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.
- (f) Computers and miscellaneous equipment assets shall be Identified to areas within Queensland Rail through analysis of the cost centre for each piece of equipment. The equipment is then Attributed to 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 Queensland Rail 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 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 Deleted

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
Infrastructure Maintenance			
Track	XXX		
Bridge	XXX		
Buildings & Facilities			
Wayside buildings	XXX		
Infrastructure Depots		XXX	
Administration buildings			XXX
Signals	XXX		
Telecommunications			
Customer premises equipment	XXX	XXX	XXX
Network Backbone			XXX
Electric overhead			
Traction power distribution equipment	XXX		
Traction power supply equipment		XXX	
Control Systems		XXX	XXX
Infrastructure administration		XXX	XXX
Other		XXX	XXX
Derailment / Collision / Flood Repairs			
Derailments and collisions – infrastructure		XXX	
Flood Repairs - infrastructure		XXX	
Third party damage - infrastructure		XXX	
Train Operations Management			
Signalling and safeworking		XXX	
Train control and scheduling		XXX	
Operations Management		XXX	XXX
Other Expenses			
Insurance Premiums			XXX
Insurance Excess		XXX	
Accreditation Fees			XXX
Network management			XXX
Access & business strategy management		XXX	XXX
Early retirement schemes			XXX
Qld Competition Authority Levy		XXX	
Utilities charges		XXX	XXX
Land tax		XXX	
(Gain)/ Loss An Disposal Of Assets		XXX	XXX
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 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.

5.4.2.2 Maintenance of Power Supply Equipment

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

5.4.2.3 Infrastructure Administration

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

5.4.2.4 Other Maintenance

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

5.4.2.4 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.

5.4.2.5 Signalling and Safeworking

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

5.4.2.6 Signalling and Safeworking at Queensland Rail Yards

Access & Business Strategy 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 Queensland Rail yards that relate solely to a specific Geographical Region are Identified to that Geographical Region.

5.4.2.7 Train Control and Scheduling

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

- (a) The control boards for each geographic region weighted for the base salary level of the train controller classification required to man each board. Control boards are required to be manned by train controllers of specified classification and competency based on complexity and traffic levels of the board;
- (b) The train kilometres operated over the line sections controlled in each of those geographical regions; or
- (c) A combination of (a) and (b).

5.4.2.8 Operations Management

The element of operations management Attributed as a Below Rail Cost can be further separated into regional operations administration and network wide operations administration. Regional operations administration is identified as all operations administration related to cost centres where the responsible manager's sphere of

control relates to a single geographic region or to a small number of geographic regions. Where the sphere of control relates to a single geographic region, the operations administration cost is Identified to that geographic region. Regional operations administration cost is Attributed to the relevant geographic regions based on the activities administered.

5.4.2.9 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 Queensland Competition Authority Levy

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

5.4.2.11 Miscellaneous

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

5.4.3 Network Wide Costs

5.4.3.1 Network Wide

Network Wide items generally relate to network wide functions or the maintenance of network wide assets with the exception of maintenance of customer premises telecommunications equipment. "CPE" maintenance can be 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 West Moreton Region.

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.
- (b) The depreciation and amortisation costs applicable to costed maintenance, costing variances and overhead areas may be included in the reported costs of those activities.

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 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 Queensland Rail in accordance with the underlying rate tables used to derive the charges reflecting any different rates per region and recorded in the accounts of Queensland Rail by region.

5.5.1.2 Electric Traction Charges

Deleted

5.5.1.3 Developer Contributions

Below Rail revenue from amortised and cash developer contributions is to be Identified by developers from Queensland Rail accounting records. In most cases the amounts per developer will be readily identifiable by 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)

Below Rail TSC revenue shall be Identified or Attributed to regions by Access & Business Strategy and Network in accordance with the TSC agreements.

Should a geographical region not be directly identifiable in the TSC agreement (e.g. due to a change in the region boundaries), TSC revenue is to be Attributed on a basis that is reasonable in the circumstances.

5.5.2 Other Revenue

5.5.2.1 Other Revenue

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

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

5.5.3 Network Wide Revenue

Below Rail revenue classified as network wide is to be Allocated to the West Moreton Region 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 West Moreton Region are to be derived in the following manner.

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

- Investments specifically relating to the West Moreton Region are to be treated as such,
- Investments relating partly to the West Moreton Region and partly to other regions are to be Attributed between West Moreton Region 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 West Moreton Region and the rest of the network using Standard Allocator "C" (see Schedule C) as explained in 5.1 (f).

PART 6. FINANCIAL STATEMENTS

6.1 Format of Financial Statements

- (a) Paragraph 3.2.1(a) of the Undertaking requires Queensland Rail to “*develop, on an annual basis ... financial statements for Below Rail Services provided by Queensland Rail ... in accordance with the methodology and format set out in the Costing Manual.*”
- (b) The format to be used for the Financial Statements is specified in Schedule B to this Manual.

6.2 Minor Changes to the Format

Minor changes to the wording, line items and columns in the Financial Statements can be made to meet changing circumstances subject to the approval of the QCA.

6.3 Notes to the Financial Statements

The Financial Statements shall be accompanied by notes which shall:

- (a) Refer to this Manual as the methodological basis of preparation of the Financial Statements;
- (b) Refer to the underlying records for Queensland Rail as being the source of information for preparation of the Financial Statements;
- (c) Refer to (but not repeat) the notes accompanying the Queensland Rail general purpose financial statements for explanation of Queensland Rail’s accounting policies;
- (d) Explain the terms “Below Rail Services Provided by Queensland Rail” and “West Moreton”;
- (e) Disclose amendments made to West Moreton Region 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 and stabling, 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;

"Aurizon" means Aurizon Holdings Limited, a public company listed on the Australian Securities Exchange, and the ultimate holding company of Aurizon Network Pty Ltd which operates as a Rail Manager in the Central Queensland Coal Regions;

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

"Below Rail Services" means the activities associated with the provision and management of Rail Infrastructure within Queensland, including the construction, maintenance and renewal of Rail Infrastructure assets, and the network management services required for the safe operation of Train Services on the Rail Infrastructure within Queensland, including Train Control Services and the implementation of safeworking procedures and **"Below Rail"** has a similar meaning;

"Corporate Overhead" costs are the cost of those activities that relate predominantly to the overall management, strategy and governance of the corporation and which do not involve any significant costs relating specifically to a business;

"Corporate Services" costs are the costs of services that are provided at the corporation wide level to groups and divisions within Queensland Rail and include, for example, payroll,

HR services, computer services, administration building services, motor vehicle fleet management, and legal services;

“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;

“Expenses” means all operating expenses including internal transfers.

“Financial Statements” means the statement of assets, statement of earnings before interest and tax and statement of investments, which separately identify the West Moreton Region 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 Queensland Rail’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 SEQ” means the organisational unit responsible for the management and maintenance of Queensland Rail infrastructure in Metropolitan Region (as described in Schedule A).

“Network Wide” means assets, costs, revenue and investments associated with the provision of Below Rail Services not able to be Identified or Attributed to a Line Section or a Geographic Region;

“Other Services provided by Queensland Rail” means the activities of Queensland Rail other than those associated with the provision and management of Rail Infrastructure or the provision of services as a Rail Operator ;

“Permanent Way” means track and bridge assets including formation, retaining walls, drainage systems, access roads, cuttings, embankments, tunnels, subways, fences along the rail corridor, ballast, sleepers, rails, rail fastenings, points and crossings, culverts and pipes (major), rail bridges and road overbridges (excluding footbridges). The term excludes fences surrounding other assets such as stations, freight terminals, workshops, depots and buildings.

“QCA” means the Queensland Competition Authority as established by the Act;

“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;

“Queensland Rail Operator Groups” means organisation units within Queensland Rail that undertake the operation of Train Services for transporting passengers for reward; i.e. Operations and Customer Service;

“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 Queensland Rail in the Undertaking, but for the purpose of clarity, does include all stations and platforms;

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

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

“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 Queensland Rail’s information systems;
- (ii) reporting of incidents occurring on the Rail Infrastructure;
- (iii) managing incidents occurring on the Rail Infrastructure from within a Train Control centre; and
- (iv) exchanging information with access holders;

and **“Train Control”** has a related meaning;

“Train Service” means the operation of a Train between specified origins and destinations on the Rail Infrastructure;

“Undertaking” refers to Queensland Rail’s access undertaking approved by the QCA in accordance with the Act in respect to the provision of Rail Infrastructure for the purpose of operating Train Services.

“West Moreton Region” means the region defined as such in Schedule A;

QUEENSLAND RAIL COSTING MANUAL

SCHEDULE A

DESCRIPTION OF REGIONS

Metropolitan

Roma Street to Rosewood
Darra to Richlands
Bundamba to Box Flat
Ipswich to Workshops
Yarrowlea to Ebenezer Mine

Roma Street to Varsity Lakes (incl. dual gauge lines)
Yeerongpilly to Corinda
Salisbury to Acacia Ridge (incl. dual gauge lines)
Acacia Ridge to ARTC Interface (standard gauge line)

Park Road/ Dutton Park to Cleveland (incl. dual gauge line)
Lytton Jct to Fisherman Islands (incl. dual gauge line)

Roma Street to Nambour
Roma Street to Mayne via Exhibition
Bowen Hills to Ferny Grove
Eagle Jct to Pinkenba
Airport Jct to start of Airport Line
Northgate to Shorncliffe

West Moreton

Rosewood to Miles
Columboola to Cameby Downs

South West

Toowoomba to Thallon
Warwick to Wallangarra
Wyreema to Millmerran

Western

Miles to Cunnamulla
Dalby to Glenmorgan
Miles to Wondoan
Tycanba to Jandowae
Westgate to Quilpie

North Coast Line

Nambour to Aurizon Interface Point 11 (Parana)

Gympie North to Gympie
Owanyilla Balloon Loop
Auckland Point

Aurizon Interface Point 7 (Rocklands) to Aurizon Interface Point 2 (Durroburra)
Glenmore to Fields

Aurizon Interface Point 1 (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

North Coast Line Branches

Theebine to Kingaroy

Mungar to Monto

Maryborough West to Maryborough

Aurizon Interface Point 12 (Graham) – Taragoola – Monto

Aurizon Interface Point 14 (Dakenba) to Biloela

Aurizon Interface Point 13 (Earlsfield) to Koorngoo

Aurizon Interface Point 15 (Moura Mine Jct) to Goolara

Central West

Aurizon Interface Point 8 (Nogoa) to Winton

Aurizon Interface Point 10 (Wurba Jctn) to Springsure

Emerald to Aurizon Interface Point 6 (Blair Athol Mine Jct)

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

Normanton to Croydon

QUEENSLAND RAIL COSTING MANUAL

SCHEDULE B

PRO FORMA FINANCIAL STATEMENTS

FINANCIAL STATEMENTS PURSUANT TO THE ACCESS UNDERTAKING

BELOW RAIL SERVICES PROVIDED BY QUEENSLAND RAIL

STATEMENT OF EARNINGS BEFORE INTEREST AND TAX

	FOR THE YEAR ENDED 30 JUNE XXXX			FOR THE YEAR ENDED 30 JUNE XXXX		
	West Moreton Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	West Moreton 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
Transport Service Contracts	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Contributions from developers	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
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
Other expenses	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Corporate Overhead	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
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 QUEENSLAND RAIL

STATEMENT OF ASSETS

	AS AT 30 JUNE XXXX			AS AT 30 JUNE XXXX		
	West Moreton Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	West Moreton Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's
CURRENT ASSETS						
Cash	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Receivables	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
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 QUEENSLAND RAIL
STATEMENT OF INVESTMENTS

	FOR THE YEAR ENDED 30 JUNE XXXX			FOR THE YEAR ENDED 30 JUNE XXXX		
	West Moreton Region \$000's	Rest Of Network \$000's	Total Below Rail \$000's	West Moreton 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

QUEENSLAND RAIL COSTING MANUAL

SCHEDULE C

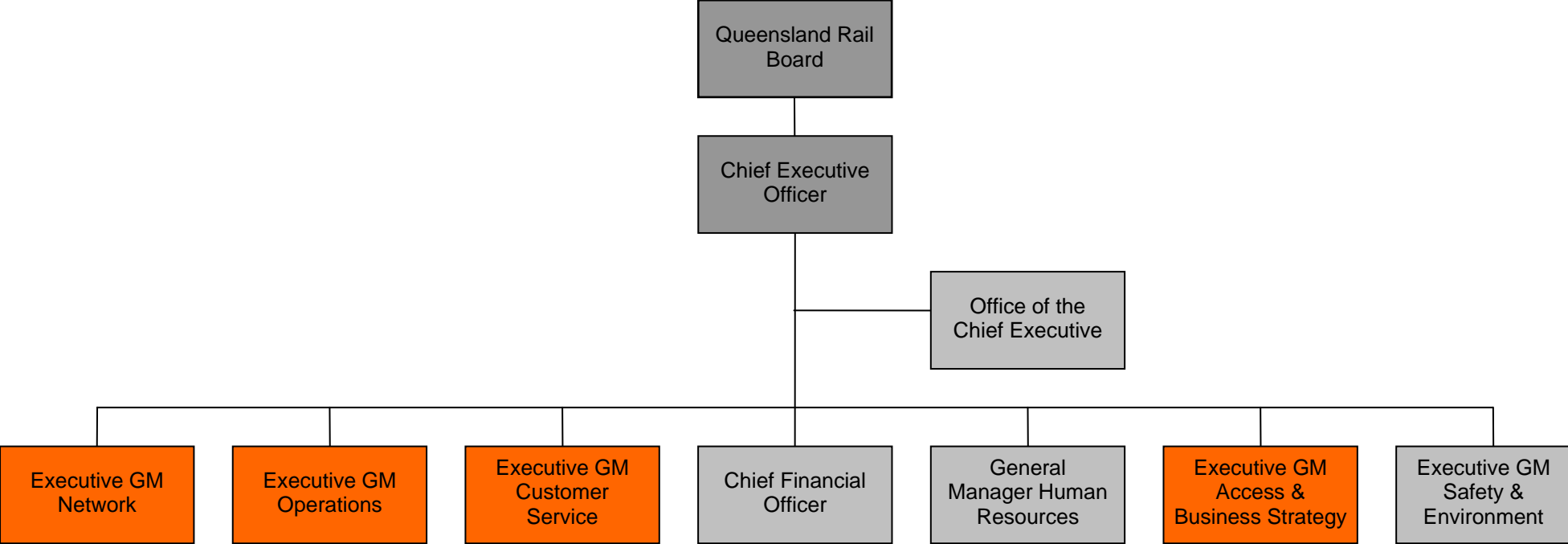
STANDARD ALLOCATORS

	Relevant Clauses in the Manual	Ratio	Amended Ratio	
			Ratio	First Year of Application
Standard Allocator "A" Share of Queensland Rail Wide Items Allocated to Below Rail Provided by Queensland Rail	4.1(b), 4.4.4.2, 4.6.2 (d)	45.0%		
Standard Allocator "B" Operations Management "Mark Up"	4.4.2.3(b)	6.0%	5.0%	2012/13
Standard Allocator "C" West Moreton Region's Share of Network Wide Items	5.1(f), 5.5.3, 5.6	6.5%	7.5%	2012/13

QUEENSLAND RAIL COSTING MANUAL

SCHEDULE D

QUEENSLAND RAIL ORGANISATION STRUCTURE



Structure of Queensland Rail at 4th December 2012