

File ref: 2047799

1 July 2025

Mr David Marchant AM
Chair
Queensland Rail
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BRISBANE QLD 4001

By e-mail: ceoqueenslandrail@qr.com.au

Dear Mr Marchant

Final approval of Queensland Rail's 2025 Access Undertaking

On 1 July 2025, pursuant to section 136(4) of the *Queensland Competition Authority Act 1997*, the Queensland Competition Authority made a decision to approve the updated amended 2025 draft access undertaking (DAU) that Queensland Rail submitted on 17 June 2025. The updated amended DAU now takes effect as Queensland Rail's 2025 access undertaking.

A summary of the QCA's review of the 2025 DAU, including the updated amended 2025 DAU, is in the attached decision notice. The notice includes a brief overview of our assessment.

If you have any questions about this decision notice, please contact Stephen Wisenthal on 07 3222 0555 or by email at stephen.wisenthal@qca.org.au.

Yours sincerely



Flavio Menezes
Chair

cc: Ms Kat Stapleton, Chief Executive Officer, Queensland Rail

Queensland Rail 2025 Draft Access Undertaking

1 July 2025

Final approval of the updated amended DAU

On 1 July 2025, pursuant to section 136(4) of the *Queensland Competition Authority Act 1997* (QCA Act), we approved Queensland Rail's updated amended 2025 draft access undertaking, as submitted on 17 June 2025 (the updated amended 2025 DAU). The updated amended 2025 DAU is now in force as Queensland Rail's 2025 access undertaking.

Background

Our consideration of the updated amended 2025 DAU follows a lengthy and comprehensive investigation that began when, pursuant to section 136(1) of the QCA Act, Queensland Rail submitted a voluntary DAU in November 2023.

The voluntary DAU set out Queensland Rail's proposed terms and conditions for negotiating access to its rail infrastructure after the termination of its 2020 access undertaking in June 2025.

In June 2024, we published a draft decision proposing to refuse to approve Queensland Rail's DAU.

In March 2025, we published a decision refusing to approve the non-tariff aspects of Queensland Rail's DAU. In May 2025, we published an addendum to the decision, in which we refused to approve the West Moreton access terms in Schedules D and E of the DAU. These documents together formed our final decision on Queensland Rail's 2025 DAU – they set out the reasons for our refusal, and how we considered it would be appropriate for Queensland Rail to amend the DAU.

On 10 June 2025, Queensland Rail submitted an amended 2025 DAU, which complied in all material respects with our decision and addendum. On 17 June 2025, Queensland Rail submitted an updated DAU (the updated amended 2025 DAU) in which it changed aspects of the drafting in the amended DAU it provided on 10 June 2025. The updates included changes to wording to fully reflect some of the drafting in our decision documents and correct some typographical and referencing errors. Queensland Rail also updated the definition of WACC to include a rate of return consistent with the methodology specified in our decision.

On 10 June 2025, we published, and sought comments on, the amended 2025 DAU. On 17 June 2025, we published the updated amended 2025 DAU and extended the submission period by a day, to 18 June 2025. We indicated that we were particularly interested in new evidence and

arguments that had not been raised and that we might proceed directly to a final decision on the updated amended 2025 DAU.

Submissions

We received two submissions, from New Hope and Yancoal, by the due date of 18 June 2025. Both sought confirmation that the WACC and reference tariffs were appropriately calculated. Both also cited a cross-referencing error in the definition of the Loss Capitalisation Account.

New Hope said clause 8(a) of Schedule E was either unclear or incorrect. New Hope and Yancoal both proposed amendments to the clause. Yancoal also said the DAU did not provide for negotiated prices to vary from the reference tariff, and proposed amendments.

We consider transparency about the calculation of the reference tariff will promote effective negotiation between the West Moreton customers and Queensland Rail, as well as inform their discussions about investment and a reasoned and prudent strategy. We therefore intend to provide our West Moreton tariff model to the West Moreton customers, once Queensland Rail has completed confidentiality checks. This should address a request from New Hope for more information on the tariff.

In the meantime, we can confirm that the reference tariff components and approved ceiling revenue limits included in the updated amended 2025 DAU are consistent with our calculations.

In relation to the WACC, the averaging period proposed in advance by Queensland Rail and accepted by us was the 20 business days from 28 April to 23 May 2025. This delivered a risk-free rate of 4.38%. The cost of debt was 6.51%.¹ Applying the methodology set out in the addendum and our previous decision documents generated a WACC of 7.93%, which is what Queensland Rail included in its definition in the updated amended DAU and used to calculate the reference tariffs.

We consider that the referencing error in the definition of Loss Capitalisation Account can be fixed by Queensland Rail when it publishes its approved undertaking. The other changes proposed by stakeholders merit consideration. However, the potential benefits of applying them now do not justify delaying the approval of the new undertaking.

We consider the undertaking already provides for West Moreton pricing to vary from the reference tariffs included in the undertaking, if that is negotiated by the parties. In the event an agreed outcome is hindered by the current drafting in the undertaking, it is open to Queensland Rail to propose an amendment in a draft amending access undertaking (DAAU).

Final approval

We have comprehensively canvassed the matters covered by Queensland Rail's updated amended 2025 DAU, as submitted on 17 June 2025. As required by the provisions of the QCA Act, we have considered Queensland Rail's proposal and supporting information, and submissions from stakeholders. We have also undertaken our own analysis. In considering the updated amended 2025 DAU, we have had regard to the matters we considered in arriving at our decision (including the addendum) on the 2025 DAU Queensland Rail lodged in November 2023.

¹ The cost of debt incorporated a debt risk premium of 1.60%, a debt transaction costs allowance of 0.10%, and an interest rate swap allowance of 0.43%, for a total debt margin of 2.13%.

In making our decision, we:

- are satisfied that the updated amended 2025 DAU is appropriate to approve having regard to the factors set out in section 138(2) of the QCA Act
- are satisfied that Queensland Rail's updated amended 2025 DAU is consistent in all material respects with our decision (including the addendum)
- consider that stakeholders' suggested drafting changes may merit consideration. However, these changes can be addressed through a subsequent DAAU, and are not sufficiently material to justify delaying approval of the new undertaking beyond 1 July 2025.²

Our reasoning and conclusions remain consistent with our decision and addendum. Accordingly, we consider that the updated amended 2025 DAU, as submitted on 17 June 2025, is appropriate to approve. The updated amended 2025 DAU now takes effect as Queensland Rail's 2025 access undertaking.

We appreciate the efforts of all stakeholders to contribute to our investigation of the 2025 DAU, including the updated amended 2025 DAU. We look forward to working with all parties to promote effective operation of the new undertaking.

² In particular, the use of the word 'adjusted' in clause 8(a) of schedule E is inconsistent with the use of 'unadjusted' in Queensland Rail's submission of 14 April 2025. This has been identified by New Hope and Yancoal, who have asked in their submissions that the clause be amended. We encourage Queensland Rail to discuss the wording with stakeholders and submit a DAAU at the earliest opportunity.