Submission – Queensland Rail's Draft Access Undertaking 1 (2015)

Further submissions – DORC valuation and roll forward of initial asset base for West Moreton Network

July 2015

1 Introduction

On 5 May 2015, Queensland Rail Limited (**Queensland Rail**) lodged a draft access undertaking (**2015 DAU**) with the Queensland Competition Authority (**QCA**) in response to an initial undertaking notice issued by the QCA under section 133 of the Queensland Competition Authority Act 1997 (**QCA Act**).

Queensland Rail has made a number of submissions to the QCA in relation to the asset valuation used for the purpose of the 2015 DAU, including those accompanying the 2015 DAU and more recently in response to a "preliminary view" on asset valuation methods dated 8 April 2015 and prepared by Professor Flavio Menezes for the QCA.

Queensland Rail has since had the opportunity:

- to reappraise the debate being promoted by the QCA on the issue of valuation methodology; and
- to review the QCA's past approach to asset valuation in respect of the assets now managed by Queensland Rail, including those assets in the West Moreton Network.

The outcome of that review is highly relevant to any decision the QCA might make in respect of the appropriate value to be applied for assets in the West Moreton Network in the context of its consideration of the 2015 DAU. As a result, Queensland Rail has prepared this submission for the QCA's consideration.

2 Executive summary

This submission reviews the history of the QCA's valuation of assets comprised in the West Moreton Network. That history reveals that:

- the QCA has – since at least 2000 – consistently and unequivocally applied, approved and advocated a conventional DORC valuation methodology in relation to the West Moreton Network. The QCA has done so after fully considering, and to the exclusion of, alternative valuation methodologies including DAC and other historic cost valuation methodologies;
- the QCA has already valued and approved the initial asset base in relation to the West Moreton Network. The QCA did so when it approved the references tariffs under the Extension DAAU (Pricing) on 30 June 2010 (see section 3.8 below). Those reference tariffs were approved based on a conventional DORC valuation by the QCA of the relevant assets in the West Moreton Network;
- in the 2015 DAU Queensland Rail has rolled forward the QCA approved initial asset base in a manner consistent with normal regulatory practices.

A decision by the QCA to adopt an alternative asset valuation approach to that which the QCA has until now, consistently applied since at least 2000 or to replace the regulated asset base value approved by the QCA when setting reference tariffs in 2010, would not be reasonable or justified in the circumstances.

Against this background, Queensland Rail submits that the QCA is effectively bound to adopt the asset value being rolled forward in the 2015 DAU. Even if, hypothetically, the QCA was setting an initial asset value, given its consistent past application of a conventional DORC valuation methodology, the QCA cannot now adopt a different methodology to set that value.

To act inconsistently with these positions would be:

- unjustified and result in material regulatory uncertainty and risk, not just for Queensland Rail, but for all access providers operating a regulated asset base; and
- inconsistent with the object set out in section 69E of the QCA Act. An object that seeks to promote economically efficient operation of, use of and investment in, a regulated asset base demands certainty and consistency of approach, particularly on a core issue such as asset valuation.

The need for economic regulators to uphold, and to act consistently with, past policy decisions is of paramount importance in promoting consistency, certainty and trust in the regulatory process – which is critical for investment by both access providers as well as access seekers and users.

This was recognised by the Productivity Commission in its 2001 Review of the National Access Regime. In that Review the Productivity Commission noted that while there were shortcomings with DORC valuations as compared to other methodologies:

> *"Changing the valuation methodology for existing assets could create unwarranted uncertainty."*[1]

3 A short history of DORC and the West Moreton Network

3.1 Draft Decision – December 2000

The QCA in its draft decision entitled *"Draft Decision on QR's Draft Undertaking Volume 3 - Reference Tariffs"* in December 2000 considered at length the advantages and disadvantages of various valuation methodologies (including DORC and DAC methodologies) in the context of establishing reference tariffs and revenue limits.

The QCA considered:

> *"that the DORC method presents the most appropriate theoretical approach for asset valuation. The disadvantages attached to DORC can be largely overcome by ensuring appropriate technical experts are involved in the process and ensuring the asset valuation exercise itself is conducted in as transparent a manner as possible. With this in mind, the Authority agrees with the majority of stakeholders, including QR, that a DORC approach to asset valuation should be adopted."* [141]

While it is not possible to set out all of the QCA's analysis in the Draft Decision, it is noteworthy that the QCA identified in relation to historical cost valuation that:

> *"Historical cost valuation has a number of advantages for pricing purposes including:*
>
> - *it is relatively inexpensive to establish and simple to administer as long as asset registers are complete and data is comparable across assets and time;*
> - *it reduces the risk of technological change for asset owners. When an investment is made, the schedule of allowed returns under historical cost depends solely on the depreciation schedule set by the price setting body. In contrast, the allowed returns under current cost methodologies will vary whenever relevant input prices or technology changes;*
> - *for assets with a relatively brief useful life, historical cost provides the advantage that it is consistent with a real measure of current cost and also represents the*

[1] Productivity Commission, *Review of the National Access Regime, Report No 17* (28 September 2001) p.366

basis on which the owner assessed the potential returns and expended capital; and

- *it avoids the costs and subjectivity associated with determining current asset values.*

However, there are significant problems associated with this approach which diminishes its ability to provide relevant information for current and future economic decision making, including:

- *historical cost values, especially in the case of long-lived assets, have little or no relationship with market values or replacement costs. For example, persistent inflation causes historical capital costs to be underestimated relative to current values. Conversely, historical cost takes no account of the service potential of an asset or technological obsolescence. Consequently, historical cost provides little meaningful guidance as to the opportunity cost of the resources embodied in the asset or group of assets under review;*
- *historical data from asset registers may be incomplete or non-existent, and there may be difficulties associated with the different accounting standards on capitalisation and rates of depreciation when considering very long periods of time; and*
- *valuations on historical cost would make tariffs dependent on asset age and could lead to price shocks when assets are replaced."* [139-140]

The QCA went on to note in relation to DORC valuation that:

"The advantages of DORC include:

- *the optimisation process ensures that obsolete, poorly sized or poorly located assets are not included in the capital base and consequently are not paid for by users;*
- *it allows for technological change (that is assets can be valued in a way that reflects current technology rather than outdated technology);*
- *it addresses a major problem of DAC, namely, the incompatibility in relating historical values for capital assets and capital costs with current values for other expenses and revenues; and*
- *it establishes asset values that will minimise incentives for 'inefficient' by-pass of the network.*

The disadvantages of this approach include:

- *examination and assessment procedures are costly and more subjective judgement is required in determining the optimal network configuration and the degree of excess capacity deemed to be 'efficient'; and*
- *the complexity of the process may be magnified by the asymmetry of information between the price-setting body and the network owner."* [140-141]

The QCA further indicated in relation to historical cost valuation methodologies and DORC valuation that:

"Most importantly, historical costs generally do not provide relevant information concerning the opportunity cost of the resources directed to the provision of a service.

The overwhelming support for the DORC approach by stakeholders, QR and regulators in other jurisdictions across a range of industries [footnote omitted] *is consistent with the*

QCA's analysis. The primary rationale for using DORC to value assets, in preference to other valuation systems, is based on the principle that it provides a better indication of the opportunity cost to the owner (and to the economy) of the assets devoted to a particular activity.

The Authority is conscious that applying a DORC-based valuation approach is likely to be consistent with an assessment of stand-alone cost, that is the costs that would be incurred by existing users if they were to reconstruct the existing QR network. It is therefore likely that a DORC-based valuation is appropriate to estimate a ceiling to the revenue that QR could earn, if in fact, its below-rail services were provided in a competitive market and, in turn, the value that would be ascribed to the assets in such a market." [141-142]

The QCA also considered assets that require renewal and those that do not – such as land. In relation to land, the QCA stated that:

"In one view, land and associated works represent sunk and irreversible investments and should be excluded from the asset valuation. For example, this has been the approach adopted in New South Wales for similar assets in the Hunter Valley. However, the QCA does not consider it appropriate to ignore costs legitimately incurred in the provision of the below-rail service, and which necessarily would be incurred if QR or someone else were to provide that service today. To deny recognition for such assets in QR's asset base could jeopardise future investment in the network." [142]

The QCA went on to consider particular issues in relation to valuing that class of assets.

3.2 Final Decision – December 2001

The QCA in its final decision maintained its position on applying a DORC valuation for asset valuation purposes.

However, the QCA reinforced its draft position in relation to the value of land and stated that:

"The QCA considers it not appropriate to value land at zero nor historical cost. Any attempt to value land in this way would undermine the incentives to invest in the network. Historical cost assessments would substantially understate the opportunity costs imposed on society of the existence of the network, particularly as some of the land that comprises QR's network was acquired over a century ago." [366]

3.3 Approval of 2001 Access Undertaking

At the same time as giving the final decision referred to in section 3.2 above, the QCA also gave QR a secondary undertaking notice. On that same day, QR submitted a draft access undertaking that complied with the secondary undertaking notice and satisfied the QCA's requirements.

The QCA approved that draft access undertaking as the 2001 access undertaking (**2001 AU**).

Some relevant observations in respect of the 2001 AU should be made:

- the approved reference tariffs under the 2001 AU related to coal carrying train services in the Central Queensland Coal Region (**CQCR**) (those reference tariffs did not relate to coal carrying train services using the West Moreton Network, as defined under Queensland Rail's 2015 DAU);
- the ceiling revenue limit used a DORC valuation of assets and that ceiling revenue limit applied to all train services including in relation to coal carrying train services using the West Moreton Network;

- the 2001 AU had no specific provisions relating to the existence or management of a regulatory asset base;
- "Depreciated Optimised Replacement Cost" in the approved 2001 AU was defined as: *"the value of assets determined in the following manner:*

  (i) the replacement value of the assets will be assessed as the cost of the modern engineering equivalent replacement asset;

  (ii) optimisation of the asset base will occur, but such optimisation will only consider whether or not the infrastructure standard and infrastructure capacity are excessive, given the current and likely future requirements of Access Holders; and

  (iii) depreciation of the optimised replacement asset value will be undertaken on a straight line basis over the useful life of the assets".

3.4 Decision – December 2005

Reference tariffs for the "Western System"

The QCA issued a decision in December 2005 in relation to a draft access undertaking by QR (**2005 DAU**). In the 2005 DAU QR proposed reference tariffs in relation to the "Western System" (part of which was referred to in the 2015 DAU as the West Moreton Network).

The QCA in relation to the application of a DORC valuation stated that:

> *"There are a number of approaches that QR and the Authority could have adopted to determine Western System coal tariffs. For example, the proposed tariffs could have been:*
>
> - *based on actual costs, such as existing book values for the assets, with those costs allocated across different traffic classes;*
> - *based on hypothetical costs of an efficient system, where asset values are based on a depreciated optimised replacement cost (DORC) valuation, and again where those costs are allocated across different traffic classes; or*
> - *benchmarked against costs in a similar system elsewhere."* [74-75]

The QCA noted that:

> *"the Authority is of the view that assessing reference tariffs based on replacement costs rather than, for example, actual book value, should be conducted within a robust and well accepted framework such as the DORC methodology"* [77]

The QCA went on to observe that:

> *"Applying a DORC methodology to the Western System would entail:*
>
> - *relying on efficient replacement costs;*
> - *optimising the route, based on an independent study, and designing the system to an appropriate standard for the purpose of coal-only traffic;*
> - *an evidence-based assessment of the age of system assets, based on actual asset ages or a condition-based assessment of effective asset ages; and*
> - *a transparent methodology for calculating efficient prices for coal taking into account other traffics and system constraints."* [77]

Ultimately the QCA's decision on the issue of valuation for the Western System reference tariffs was that:

> *"The Authority requires QR to amend its draft access undertaking to include a two-part tariff equivalent to $8.50/'000 gtk for coal-carrying services in the Western System.*
>
> *Alternatively, the Authority will consider a cost-based approach based on a DORC methodology, which the Authority determines is fair and equitable, provided that the approach incorporates the following elements:*
>
> - *application of efficient costs to the proposed replacement cost;*
> - *optimisation of the route, based on an independent study, and a system designed to an appropriate standard for coal-only traffic;*
> - *an evidence-based assessment of the age of system assets, based on actual asset ages or a condition-based assessment of effective asset ages; and*
> - *a transparent methodology for calculating efficient prices for coal, taking into account other traffics and system constraints."* [78]

Rejection of re-opening of asset base for CQCR

In relation to QR's 2005 DAU, QR also proposed to increase the value of civil works and earthworks in the CQCR which had previously been subject to a DORC valuation in setting the asset base under the 2001 AU.

The QCA rejected QR's proposals and indicated that:

> *"The draft decision set out the Authority's position on asset revaluations."* [5]

The QCA indicated that its approach in relation to rejecting a revaluation:

> *"provides certainty to QR that, regardless of fluctuations in construction costs, it will recover all prudent capital expenditure in full. The Authority considers that QR should not be subject to potential windfall gains or windfall losses by revaluations of all or parts of its asset base. The draft decision also noted that this approach is consistent with the ACCC's 'lock-in' approach to asset valuation as set out in its Statement of Principles for the regulation of electricity transmission revenues."* [5]

As indicated above, the QCA adopted the position set out in its draft decision as part of its final decision, and that position included the following:

> *"At the time of the Authority's assessment of QR's 2001 access undertaking, the Authority undertook a comprehensive and independent DORC valuation of the central Queensland coal system assets. In assessing reference tariffs, the fundamental regulatory principle guiding the Authority's decisions is that the net present value of the future cash flows should equal the opening asset value. That is, a business should be able to expect to have its investment returned and to earn a reasonable, risk adjusted, rate of return on the funds invested.*
>
> *In assessing reference tariffs, the Authority also seeks to match the depreciation allowance with the likely economic consumption of capital over the regulatory period. If the depreciation allowance exactly equates with the forecast consumption of capital, then at the end of a regulatory period the rolled forward value of the asset base will be exactly the same as a new, independent DORC assessment of the asset value. However, if the forecast consumption of the capital is incorrect, there will be a divergence between the asset values estimated by a rollforward methodology and the value derived from a new, independently assessed DORC valuation.*

> *If the Authority were to adopt the new DORC valuation in such circumstances, the business would face the prospect of either under- or over-recovering its initial asset valuation; that is, it faces the regulatory risk of either benefiting from windfall gains or suffering from windfall losses.*
>
> *As* ***this would breach the principle that the business should expect to fully recover its initial asset base****, it is not a course of action that the Authority believes is in the best interests of either the regulated business, in this case QR, or access seekers and end users of the service.*
>
> *Moreover, while such risks could be viewed simply as* ***a transfer of wealth from either the owner of the facility to the users, or vice versa,*** *it could have significant impacts on the future operation of the facility if the risks were to impinge on future capital expenditure decisions or if the facility owner sought to be compensated for this risk.*
>
> *The Authority believes that* ***the most appropriate way to seek to manage such risks is to ensure that, once an independent DORC valuation has been established, the asset value is rolled-forward.*** *The Authority notes that this approach is consistent with the ACCC's proposed "lock-in" approach to asset valuation as set out in its proposed Statement of Regulatory Principles* [footnote omitted]*."* [6] (emphasis added)

However, the QCA's approach was not absolutely rigid, with the QCA indicating that there might be circumstances where the initial asset value should be adjusted – for example, where the QCA made a decision on the initial asset base based on information provided by QR that QR knew or should have known was false or misleading or where there was a clear possibility of actual (not hypothetical) bypass. Indeed, the QCA included some additions to the initial asset base for the CQCR as part of its June 2006 decision referred to in section 3.5 below.

3.5 Decision – June 2006

QR submitted a further draft access undertaking which was approved by the QCA in June 2006.

Continued application of DORC valuation for ceiling

The approved 2006 access undertaking (**2006 AU**) continued to calculate the ceiling revenue limit (including in relation to the Western System) based on asset values determined by the "Depreciated Optimised Replacement Cost" methodology (which was defined in the same way as under the 2001 AU).

Rollforward of CQCR asset base

Approval of the 2006 AU also included the rollforward of the CQCR asset base approved for the 2001 AU. The QCA noted that:

> *"QR's roll-forward of its central Queensland coal system asset base reconciles to QR's 2001 opening asset value and, in aggregate, is consistent with the opening asset value adopted by the Authority in the December 2005 decision."* [1]

However, there were some upward adjustments to that initial asset base arising from *"including the South Walker Creek project"* and *"certain crew changeover points and walkways"*.

Approval of agreed Western System reference tariff

While the 2006 AU included a reference tariff relating to coal carrying train services on the Western System, that reference tariff was approved based on the QCA's understanding that it was supported by colliers using the Western System – that is, it was approved as an industry agreed reference tariff. The reference tariff was **not** approved based on a valuation methodology or an initial asset base for the Western System.

3.6 Draft Decision – December 2009

In its draft decision on QR Network's 2009 draft access undertaking, the QCA noted in relation to the reference tariffs for the Western System under the 2006 AU that the QCA:

> *"had argued that a western system tariff should be assessed within a well-accepted framework such as the Depreciated Optimised Replacement Cost (DORC) methodology"* [70]

and referred to what it had stated that applying a DORC methodology would entail.

Importantly, in terms of the initial asset base, the QCA noted that:

> *"The Authority and QR Network have, through successive undertakings, developed a mechanism for assessing QR Network's tariffs in central Queensland, which has involved both establishing a regulatory asset base, and putting in place a process for adding future capital expenditure to that asset base. The Authority considers that a transparent and repeatable approach for the western system should include a similar mechanism. The treatment of the western system asset base needs to balance the interests of all stakeholders by providing:*
>
> *(a) QR Network with a fair recognition of the value of the infrastructure that is used to transport coal on the western system; and*
>
> *(b) miners with certainty about the future impact on tariffs of the return on the asset base, and a reasonable allocation of incremental infrastructure costs, bearing in mind that coal trains share the western system with other users."* [80]

Ultimately, the QCA's draft decision set out specific reference tariffs for the Western System based on an initial asset base derived using a conventional DORC valuation (that did not zero value "life expired" assets) and a methodology for arriving at a reference tariff intended to cater for various matters peculiar to the Western System.[2]

QR Network subsequently withdrew the 2009 draft access undertaking and submitted a replacement DAU (**2010 DAU**).

3.7 Draft Pricing Decision – June 2010

In its draft pricing decision in June 2010 the QCA proposed to approve the same Western System coal tariffs that the QCA proposed in its December 2009 draft decision. The QCA proposed reference tariffs for the Western System were based on an initial asset base derived using a conventional DORC valuation (and which did not zero value "life expired assets").

3.8 Final Approval of Extension DAAU (Pricing) – 30 June 2010

As foreshadowed in the draft decision referred to in section 3.7 above and as part of the lead up to the formation and float of the Aurizon group, QR Network proposed a draft amending access undertaking (**Extension DAAU**) in relation to the 2008 access undertaking (**2008 AU**)[3]. These amendments included amendments extending the term of the 2008 AU and to include new reference tariffs for the CQCR and Western System.

[2] It is important to note that setting an initial asset value is a matter separate and distinct from the methodology that is then applied to derive a reference tariff using that valuation and other inputs.

[3] The 2008 AU arose out of a restructure of QR Limited that involved QR Network Pty Ltd (as it was then known) being created and becoming the access provider. As far as practical, the 2008 AU was a rollover of the 2006 AU except to the extent necessary to deal with matters arising out of the restructure. As such, the approval of the 2008 AU did not involve matters relevant to this submission.

In relation to the new reference tariffs, the QCA stated that:

- it was *"satisfied that the QR Network's June 2010 extension DAAU is consistent with the Authority's June 2010 draft decision, including the reference tariffs and system allowable revenues"*; and
- *"no further issues have been raised which have convinced the Authority to move from that position"*.

The Extension DAAU did not include express provisions acknowledging the asset base for the Western System or providing for its maintenance and roll forward. However, that does not alter the fact that the asset base was approved by the QCA. Furthermore, this approach is similar to that taken when the initial asset base was set in relation to the CQCR for the 2001 AU, as the 2001 AU did not expressly acknowledge the CQCR asset base or include provisions to maintain and roll forward that asset base.

Importantly, by approving those reference tariffs for the Western System on the basis that they were consistent with its earlier draft decision, the QCA set the initial asset base for the West Moreton Network in the same way that the QCA originally did so for the CQCR for the 2001 AU.

3.9 Asset base roll forward

Queensland Rail in its June 2013 submission in respect of its February 2013 draft access undertaking (**2013 DAU**) rolled forward the initial asset base established by the QCA by its approval of the Extension DAAU (Pricing) referred to in section 3.8 above. Queensland Rail did so in accordance with the normal regulatory practices associated with such roll forwards and proposed some adjustments – for example, to correct oversights and inaccuracies in the initial asset base approved by the QCA and to add additional capex that had been incurred.

Queensland Rail is entitled to have a legitimate expectation – as would any other regulated entity – that once an initial asset base value has been determined by the QCA (as it did in 2010), that the relevant asset base would be fixed, subject to the usual adjustments including for matters such as depreciation and the addition of new capex.

Based on this expectation, the 2015 DAU rolls forward the initial asset base established by the QCA in accordance with normal regulatory practices.

4 Regulatory certainty

Certainty and consistency are key attributes for any regulatory regime. As a general principle economic regulators place significant importance on, and take considerable care to protect, those attributes. This is, in no small part, because if those attributes are absent or damaged then that will change the actual and perceived risks for access providers, affecting their investment and other decisions relating to the regulated service.

It may also have less immediate, but no less significant, consequences for competition in upstream and downstream markets.

The need for economic certainty and consistency of approach was recognised by the Queensland Parliament when it introduced the objects provision (Section 69E) and the Pricing Principles (section 168A) into the QCA Act.

The Explanatory Notes for the Queensland Competition Authority Amendment Bill 2008 stated:

> *"The Bill will simplify and increase certainty in the regulatory process which will encourage efficient investment in significant infrastructure in Queensland."* [2]

> *"The inclusion of an objects clause and uniform pricing principles will provide* ***overriding*** *guidance for the Authority and Ministers in making regulatory decisions under the access regime in the Act.*
>
> *The same clause and principles will be applied to all jurisdictions' access regimes which will promote national consistency in regulatory practice, contribute to consistent and transparent regulatory outcomes and increase certainty for investors, access providers and access seekers which will benefit infrastructure investment."* [4] (emphasis added)

For the QCA to act inconsistently with its past decisions and past approval of an asset base for the West Moreton Network would be:

- unjustified and would result in material regulatory uncertainty, not just for Queensland Rail, but for all access providers operating a regulated asset base;
- inconsistent with the object set out in section 69E of the QCA Act which necessitates certainty and consistency, particularly on core issues such as asset valuation; and
- contrary to the clear intent of Parliament in respect of the application of the principles underpinning the QCA Act – more particularly, Part 5 of the QCA Act and the pricing principles.

5 Conclusion

It is apparent from the QCA's prior decisions referred to in this submission that:

(a) the QCA has considered and rejected other valuation methodologies (including DAC) in favour of a conventional DORC valuation methodology;

(b) in 2000 the QCA decided that a conventional DORC valuation method was appropriate and to be applied to the declared Queensland rail network which included the West Moreton Network;

(c) the QCA has applied, approved and strongly advocated a conventional DORC valuation methodology (without the zero valuing "life expired" assets) since 2000 including:

   (i) for the purpose of setting a ceiling revenue limit (including for coal carrying train services using the West Moreton Network); and

   (ii) when setting the initial asset base values for reference tariffs (including most recently for the reference tariffs applicable for the West Moreton Network under the 2008 AU); and

(d) the QCA set the initial asset base value for the West Moreton Network on 30 June 2010 when it approved reference tariffs in the 2008 AU under the Extension DAAU (Pricing) referred to in section 3.8 above.

In its 2015 DAU Queensland Rail:

- has acted consistently with the QCA's long standing application of a conventional DORC valuation; and
- rolled forward the initial asset value set by the QCA on 30 June 2010 for the purpose of the relevant reference tariffs included under the Extension DAAU (Pricing).

Queensland Rail is entitled to expect that the QCA would act consistently with its past decisions, including in relation to the application of a conventional DORC valuation and its past approval of the initial asset base value relevant to the West Moreton Network, and would not, for example, seek to replace the initial asset base value that it has already approved.

There are sound regulatory reasons why an initial asset base and valuation methodologies are not re-opened by economic regulators, or if re-opened then only in very specific and limited circumstances – for example, to correct errors. These matters, in particular, an initial asset base and the use of a particular valuation methodology (e.g. DORC), are important cornerstones of the foundation on which regulatory consistency and certainty is built.

The QCA should not seek to turn the clock back 15 or more years to start afresh in establishing an initial asset base using a new valuation methodology for the West Moreton Network or to cast aside its past approval of the initial asset base for the West Moreton Network. Doing so, particularly given the consistent and unequivocal approval and application of a conventional DORC-based valuation, would result in significant unfairness to Queensland Rail and create regulatory uncertainty. This would affect not just Queensland Rail and its customers, but also other access providers that are subject to oversight from the QCA and potential future investors in and users of declared services in Queensland.

For all the reasons set out in this submission:

- the QCA should respect the rolled-forward value of the regulated asset base in considering the 2015 DAU, which is consistent with the QCA's previously approved valuation of the initial asset base for the West Moreton Network; and
- the QCA should, in any case, act consistently with the valuation methodology it has consistently applied to the relevant assets by continuing to use a conventional DORC valuation for assets in the West Moreton Network, without any zero valuing of "life expired assets".