

Charles Millsteed
Chief Executive Officer
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4000

30 April 2020

Dear Charles,

**Aurizon Network Pty Ltd (Aurizon Network) – Response to Draft Decision
FY2019 Capital Expenditure Claim**

Aurizon Network has received the Queensland Competition Authority's (**QCA**) Draft Decision regarding Aurizon Network's FY2019 Capital Expenditure claim (**FY2019 Capex Claim**).

Aurizon Network agrees with the QCA's Draft Decision to:

- › approve \$126,303,616 (excluding Interest During Construction (**IDC**)) of the FY2019 Capex Claim; and
- › refuse to approve \$58,050 associated with Project IV.00449 Bridge Ballast Renewal.

Aurizon Network confirms that it will seek approval for the Bridge Ballast Renewal costs in a future capital expenditure claim.

In compliance with the QCA's Draft Decision, Aurizon Network has amended its FY2019 Capex Claim. Please refer to Attachment 1 for the final FY2019 Capex Claim project list. For clarity, Aurizon Network has withdrawn \$58,050 from Project IV.00449 and recalculated IDC using the QCA-approved Weighted Average Cost of Capital (**WACC**) rate of 5.73% for FY2019.

If you have any questions in relation to this correspondence, please do not hesitate to contact Lauren Dixon on (07) 3019 2382 or via email Lauren.Dixon@aurizon.com.au

Yours sincerely



Jon Windle
Manager Regulation
Aurizon Network

Attachment 1 – Updated FY2019 IDC Calculation

Project Number	Project Name	Project Type	Project Discipline	Asset Type	System	Claimable Expenditure (Pre-escalation)	IDC	Total (Including IDC)
MATERIAL PROJECTS								
IV.00425	Rail Renewal Program Package 1	Capital Renewal	CIVIL	Rail	System Wide	26,572,373	114,926	26,687,299
IV.00446	Structures Renewal Package 1	Capital Renewal	CIVIL	Structures	System Wide	15,465,451	4,501	15,469,952
IV.00476	Track Renewal Package 1	Capital Renewal	CIVIL	Track	System Wide	15,193,594	426	15,194,019
IV.00461	Turnout Renewal Package 1	Capital Renewal	CIVIL	Turnouts	System Wide	14,053,345	60,025	14,113,370
IV.00452	Formation Renewal Package 1	Capital Renewal	CIVIL	Formation / Ballast	System Wide	9,851,560	27,469	9,879,029
IV.00449	Bridge Ballast Renewal Package 1	Capital Renewal	CIVIL	Formation / Ballast	System Wide	8,509,462	-5,236	8,504,225
IV.00455	Control Systems Renewal Package 1	Capital Renewal	Systems	Network Controls	System Wide	6,875,112	80,244	6,955,356
IV.00473	Sleeper Renewal Package 1	Capital Renewal	CIVIL	Sleepers	System Wide	6,317,874	32,046	6,349,920
IV.00458	Level Crossing Renewal Package 1	Capital Renewal	Systems	Level Crossings	System Wide	4,048,374	2,656	4,051,030
IV.00049	Radio System Replacement	Capital Renewal	Systems	Network Controls	System Wide	3,609,098	43,468	3,652,566
Sub Total						\$110,496,242	\$360,524	\$110,856,766

Project Number	Project Name	Project Type	Project Discipline	Asset Type	System	Claimable Expenditure (Pre-escalation)	IDC	Total (Including IDC)
NON-MATERIAL PROJECTS								
IV.00437	Callide Infrastructure Upgrade	Other	CIVIL	Track	Moura	2,298,631	27,111	2,325,742
IV.00555	FY19 Minerva Infrastructure Upgrade	Other	CIVIL	Track	Blackwater	1,379,635	14,252	1,393,887
IV.00470	Corridor Security Package 1	Capital Renewal	Corridor	Corridor Access	System Wide	1,381,137	-20,177	1,360,960
IV.00399	2017 Cyclone Debbie Rectification	Capital Renewal	CIVIL	Various	System Wide	1,156,299	-24,032	1,132,267
IV.00329	Structures Renewal FY18	Capital Renewal	CIVIL	Structures	System Wide	926,232	9,952	936,185
IV.00004	Traction Fault Locator Renewal	Capital Renewal	Electrical	Electrical	System Wide	881,498	14,338	895,836
IV.00376	FY18 Access Points	Capital Renewal	Corridor	Corridor Access	System Wide	843,497	6,204	849,701
IV.00503	Power Systems Renewal Package 1	Capital Renewal	Systems	Network Controls	System Wide	835,307	824	836,131
IV.00346	Package 1 FY18 Control Systems Renewal	Capital Renewal	Systems	Network Controls	System Wide	815,826	21,129	836,954
IV.00283	Traction SCADA System	Capital Renewal	Systems	Network Controls	System Wide	811,715	6,422	818,137
IV.00364	Turnout Renewal FY18	Capital Renewal	CIVIL	Turnouts	System Wide	696,543	19,755	716,297
A.04313	Gauge Face Lubrication Asset Renewal	Capital Renewal	CIVIL	Track	System Wide	564,946	-9,346	555,600
IV.00334	Bridge Ballast Renewal Program FY18	Capital Renewal	CIVIL	Formation / Ballast	System Wide	493,610	13,199	506,809
IV.00467	Access Roads Package 1	Capital Renewal	Corridor	Corridor Access	System Wide	478,621	-11,436	467,185
IV.00321	Sleeper Renewal Program FY18	Capital Renewal	CIVIL	Sleepers	System Wide	336,966	7,294	344,261
IV.00344	Formation Renewal FY18	Capital Renewal	CIVIL	Formation / Ballast	System Wide	330,989	10,099	341,088
IV.00374	CQ Access Roads FY18	Capital Renewal	Corridor	Corridor Access	System Wide	337,699	2,788	340,487
IV.00360	Network Asset Mgt System Tranche 2	Capital Renewal	Systems	Systems	System Wide	323,399	6,444	329,843
IV.00343	Level Crossings Renewal Program FY18	Capital Renewal	Systems	Level Crossings	System Wide	311,435	9,526	320,962

IV.00322	Rail Renewal FY18	Capital Renewal	CIVIL	Rail	System Wide	210,734	5,852	216,586	
IV.00154	FY17 Autotransformer Renewal Project	Capital Renewal	Electrical	Power Systems	System Wide	185,545	4,802	190,347	
IV.00145	Track Upgrade FY17	Capital Renewal	CIVIL	Track	System Wide	154,769	3,678	158,447	
A.01731	WIRP1: DINGO TO BLUFF DUPLICATION	Growth	CIVIL	Track	Blackwater	108,391	1,316	109,708	
A.04599	Havilah Culverts Upgrade	Growth	Expansion	Structures	Newlands	73,476	1,535	75,011	
IV.00495	Coppabella Walkways Relocation	Other	Corridor	Corridor Access	Goonyella	59,417	-795	58,622	
A.02976	WIRP1: North Coast Line	Growth	CIVIL	Track	Blackwater	47,818	637	48,454	
IV.00184	Network Capacity Model	Capital Renewal	Systems	Systems	System Wide	30,469	788	31,257	
IV.00040	Train Detection Renewal Program	Capital Renewal	Systems	Network Controls	Goonyella	14,961	387	15,348	
IV.00261	Telecommunications Infrastructure Renewal	Capital Renewal	Systems	Telecommunication	System Wide	7,105	153	7,259	
A.03686	WIRP1: MOURA SYSTEM UPGRADE	Growth	CIVIL	Track	Moura	7,189	-5	7,184	
IV.00266	Transmission Renewal FY17	Capital Renewal	Systems	Network Controls	System Wide	6,281	162	6,443	
A.03735	WIRP1: Bauhinia NORTH Upgrade	Growth	CIVIL	Track	Blackwater	1,194	27	1,221	
IV.00177	Structures Renewal FY17	Capital Renewal	CIVIL	Structures	System Wide	-16,709	-1,594	-18,303	
IV.00316	Access Points Renewal Program	Capital Renewal	Corridor	Corridor Access	System Wide	-56,746	-1,169	-57,915	
IV.00384	OH Equipment Renewal FY18	Capital Renewal	Electrical	Electrical	System Wide	-113,497	4,657	-108,840	
IV.00144	Rail Renewal FY17	Capital Renewal	CIVIL	Rail	System Wide	-117,009	-2,453	-119,461	
Sub Total						\$15,807,373	\$122,324	\$15,929,700	
TOTAL 2019 CAPITAL EXPENDITURE						TOTAL	\$126,303,616	\$482,848	\$126,786,466