

Monday, 21 September 2020

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
Level 27
145 Ann Street
Brisbane Qld 4000

Submitted via QCA Internet Portal

Dear Mr Millstead

QUEENSLAND RAIL'S 2020 COST ALLOCATION MANUAL (COSTING MANUAL)

Pacific National welcomes the opportunity to respond to the Queensland Competition Authority (**QCA**) on the proposed changes to the Queensland Rail Cost Allocation Manual submitted to the QCA in August 2020 (**Proposed Costing Manual**). This submission is public.

Pacific National is a major access holder and above rail operator on Queensland Rail infrastructure and has a strong interest in ensuring that rail infrastructure costing manuals are well designed and contain appropriate cost allocation processes, as this will contribute to appropriate and efficient pricing for below rail services.

Pacific National's Specific Comments on the Proposed Costing Manual

Pacific National has the following comments on specific sections of the Proposed Costing Manual:

- Pacific National supports the amendments in the Proposed Costing Manual to clearly reflect the two separate business units for the Regional and South East Queensland rail service functions. Having a clear demarcation between the Regional rail service and South East Queensland rail service functions should promote greater transparency in the allocation of costs between these business units.
- Pacific National submits that elements of the Queensland Rail below rail financial statements should be further disaggregated to allow for a more detailed consideration of the actual costs allocated to below-rail services. For example, precisely what Infrastructure Maintenance was undertaken in the period.
- The Proposed Costing Manual Table 3.2 identifies various costs as "identified / allocated" – that is the costs are based on both identifiable costs and allocated costs. While Pacific National recognises that the Costing Manual describes in broad terms how these costs are identified and or allocated, Pacific National submits that, when the accounts prepared under the Costing Manual are published,

these accounts should include a statement as to the proportion of identified costs and allocated costs for these cost categories.

- Pacific National submits that the Allocation of Overheads to Below Rail Services in Schedule C, specifically the allocation of corporate overheads, requires further detailed investigation by the QCA. An allocation of 45% of corporate type overhead costs to Below Rail is very high. Pacific National has observed that significant QR management effort is expended on government lobbying activities, devoted to the implementation of the Cross River Rail Project in the Brisbane Metropolitan region and the recent implementation of the Mount Isa Subsidy Scheme. Pacific National considers that the costs associated with QR corporate activity in these areas should not be allocated to Below Rail Services.
- Pacific National supports the drafting changes that have been made throughout the Proposed Costing Manual. Pacific National agrees that those changes have reduced the complexity of the Proposed Costing Manual and enhanced the its overall transparency.

If you wish to discuss this submission please contact me on 045 753 9455.

Yours Faithfully

Catherine Panaou

Key Account Manager Access Queensland

Pacific National