

File ref: 2065098

19 March 2026

Ms Kat Stapleton
Chief Executive Officer
Queensland Rail
GPO Box 1429
BRISBANE QLD 4001

Dear Ms Stapleton

West Moreton system loss capitalisation account adjustment 2024–25

On 1 July 2025, Queensland Rail's 2025 access undertaking (AU3) came into effect. This provided for the opening balance of the Loss Capitalisation Account (LCA) to be established as the balance of the existing LCA under the previous undertaking (AU2). It also included general transitional provisions that set out how matters 'done, agreed, arising, given, received, undertaken, commenced or established (Done) or deemed to be Done' under AU2 will continue during the term of AU3.¹

On 24 December 2025, we received Queensland Rail's proposal to update its LCA balance, having regard to the related AU2 provisions.

Consistent with previous LCA updates, the proposal sought to account for actual railings for 2024–25. However, unlike previous years, it also sought to amend the approved ceiling revenue limit used in the LCA adjustment calculations (by reversing the maintenance efficiency adjustment that applied in 2023–24 and 2024–25). This brings the closing balance of the LCA in 2024–25 to \$14.4 million.

On 19 February 2026, I advised you that the Queensland Competition Authority (QCA) was minded to reject the proposal given its concerns around the additional scope of the proposed adjustment – in particular that Queensland Rail was seeking to amend the approved ceiling revenue limit.² Queensland Rail then provided additional information addressing this issue by way of a letter dated 27 February 2026.

On 19 March 2026, the QCA considered the new information, along with the material that was initially provided, and decided to reject the proposal.

The QCA is satisfied that updating the LCA balance to account for actual 2024–25 railings, access charges, take or pay charges and interest is provided for under the AU3 transitional arrangements to facilitate the establishment of the correct LCA balance under AU3. The QCA considers the 2024–25 update necessary, particularly as the AU2 LCA was not final when AU3 took effect and was still subject to the mandatory 2024–25 annual adjustment process.³

The QCA notes this is also in line with stakeholder expectations.

¹ Under clause 6.5, AU3.

² The QCA was satisfied with the proposed adjustment to account for 2024–25 railings.

³ Under clauses 8.4 and 8.5, Schedule D, AU2.

However, the QCA does not accept Queensland Rail's view that it is appropriate and reasonable for the QCA to also consider amending the approved ceiling revenue limit.⁴ While the approved ceiling revenue limit is used as an input in the LCA adjustment calculations, the QCA considers that Queensland Rail has neither established the applicability of the AU3 transitional arrangements to the AU2 provisions used to amend the approved ceiling revenue limit, nor demonstrated why it is otherwise reasonable for the QCA to consider this adjustment at this time.

Regarding the applicability of the AU3 transitional arrangements, the QCA noted:

- When AU2 expired it ceased to have operative legal effect except where AU3's transitional clause preserves matters.⁵
- There was an *obligation* under AU2 for Queensland Rail to update the LCA balance annually to account for actual railings, access charges, take or pay charges and interest. This was entirely separate to the *voluntary* process to amend the approved ceiling revenue limit, which allowed Queensland Rail to make an election to seek the consent of the QCA to revise forecast maintenance costs used to calculate the approved ceiling limit when tonnages exceeded 2.1 mtpa. There were clear differences in the relevant triggers and timing, the approval requirements and scope for stakeholder consultation under each process.
- The AU3 transitional provisions are not applicable to the process to amend the approved ceiling revenue limit as:
 - it had not commenced prior to expiration of AU2, and therefore does not qualify as a matter 'Done or deemed to be Done under AU2'
 - AU3 does not provide for 'equivalent Matters to be Done' pertaining to revision of forecast maintenance costs or amendment of an approved ceiling revenue limit.

As to the timing of Queensland Rail's application to amend the approved ceiling revenue limit, the QCA noted:

- AU2 established an agreed ceiling revenue limit – with a process for escalation – to be used in LCA adjustment calculations.
- Queensland Rail had adequate opportunity to commence a review of the approved ceiling revenue limit while AU2 was in force but did not do so.
 - Actual railings used in the 2023–24 LCA adjustment and separate forecast tonnages for 2024–25 provided at that time exceeded the trigger for review.
 - Queensland Rail was not required to form a final view on the maintenance activities undertaken before seeking review.
- Queensland Rail's claim that uncertainty around the forward volume outlook (and related maintenance activity) at the time was not a valid reason for delay.
 - Where volume uncertainty existed, this related to total volumes for AU2, and the longer-term outlook for AU3 – and not whether the trigger for review had been met.
 - To the extent that there was related uncertainty around forecast maintenance at that time, this could have been appropriately dealt with had a review been initiated.

On that basis the QCA considers the process for amending the approved ceiling limit should not, as Queensland Rail suggests, be considered as operating under the broad umbrella of the operation of AU2's Schedule D for 2024–25, nor otherwise conflated with the LCA adjustment process.

⁴ Under clause 8.7, Schedule D, AU2.

⁵ Under section 149(b) of the *Queensland Competition Authority Act 1997*.

Accordingly, the QCA requires Queensland Rail to limit to the scope of the proposed LCA adjustment to the previous LCA updates – meaning it should have regard to finalised 2024-25 railings and use the approved revenue ceiling limit without adjustment.

Way forward

Queensland Rail is required to resubmit a revised proposal within 30 days of receipt of this notice.⁶ The QCA may approve the resubmitted proposal if it is in accordance with this notice, or otherwise only if the QCA considers it appropriate.

In the interests of transparency, we intend to publish this notice on the QCA's website.

I am happy to discuss any questions you may have on this, or any other matter. Should your staff have any specific queries, please direct them in the first instance to Adam Liddy by email adam.liddy@qca.org.au.

Yours sincerely



Charles Millstead
Chief Executive Officer

⁶ Pursuant to clause 8.5(b)(ii), Schedule D, AU2 – as applied under the transitional provisions in AU3.