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Rebecca

Thank you for providing the Rail Industry Group with Aurizon Network's Maintenance and Renewal Strategy and Budget (21 January 2020 version).

I confirm that a Special Majority of End Users for each of the Moura, Blackwater, Goonyella and Newlands/GAPE Coal Systems have approved the final Maintenance Strategy and Budget and Renewals Strategy and Budget.

Please note that the approval of the budgets should not be seen as an endorsement of the process undertaken or of the information provided to the Rail Industry Group (RIG). A number of End Users voted against approving the budgets, while others voted for approval only because of an understanding that this initial process was conducted within very tight timeframes and will be improved in the future. The key concerns are:

Level of information:

Details provided regarding the scope and costing of activities is at too high a level.

Options assessment and trade-offs

Aurizon did not present options to RIG members, or involve them in considering trade-offs where competing objectives exist. For example, it is likely that options exist to complete certain maintenance work in shorter time periods at an increased cost. Trade-offs such as this may be considered by Aurizon while developing the plan, but the basis on which decisions are made was not transparent to the RIG. Participation of the RIG in assessing these trade-offs will ensure that Aurizon understands, rather than makes assumptions on, the preferences of End Users in regard to competing objectives.

Aurizon has made a number of commitments regarding ongoing consultation. End Users welcome those commitments. The End Users which provided a positive vote did so in reliance on those commitments. In particular:

- The Maintenance and Renewal Strategy and Budget itself contains "Commitments for future RIG Engagement". These are a key element of the approved document and, to the extent that Aurizon does not fully deliver on these commitments, End Users will consider that Aurizon has not complied with the approved strategy and budget, and may inform the QCA that this failure should be considered when assessing Aurizon's cost claim.

- The Aurizon document “Rail Industry Group – Supporting Information” makes further commitments, on which we are relying. These include:
  - quarterly reporting
  - development of KPIs, including measures of ‘system health’
  - continuous review of the efficiency of delivery.
  - Commitment to, during the first quarter of FY21, undertake a ‘deep dive’ case study into ballast undercutting scope and delivery, including an assessment of the cost of different delivery options expressed through impact on closures, scope and cost (note: this review will relate to the full FY21 year and beyond).
  - Commitment to commence the FY22 consultation process earlier so that meaningful consideration of options can be undertaken.

The “Rail Industry Group – Supporting Information” document also contains examples of the processes through which changes in scope can be considered and implemented. It is important to note that we do not expect that the approval of a budget means that the scope or methodology is locked in and will not be varied by Aurizon where circumstances require or where an opportunity for material improvement is identified. The benefits of developing a plan and adhering to it are understood, however, the plan was finalised in November of 2019: eight to nineteen months ahead of the delivery dates for the relevant work. It should be expected that there will be changes in circumstances, or opportunities for improvement, which require revision of elements of the plan during this period. Our expectation is that Aurizon will work with supply chain groups and the RIG to ensure that the maintenance and renewals strategy is reviewed and optimised where appropriate, both ahead of and during FY21. This should include a review of network access strategies including timing of closures for renewals, BCM and other activities to ensure optimisation of the supply chain taking into account rail, port and mine closures and customer demand.

We thank you and the Aurizon team for your efforts in this process. While the process has a long way to go to meet our expectations and deliver the full benefits of the UT5 reforms, we appreciate the consultation which occurred in tight timeframes this time around.

Regards



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