

22<sup>nd</sup> September 2026

**Queensland Competition Authority  
(Submitted via QCA Online Submission Form)**

The Queensland Resources Council (QRC), on behalf of the QRC's Rail Working Group, welcomes the opportunity to comment on Aurizon Network's FY26 Maintenance Costs Claim ('Maintenance Claim').

End Users note that Aurizon Network's Maintenance Claim of \$207.5m exceeds the approved FY26 Maintenance Strategy and Budget (MSB) of \$202.7 by \$4.8m. After taking into account the expected maintenance cost allocation to non-coal users, the Maintenance Claim exceeds the \$201.6m allowance in Aurizon Network's reference tariffs by \$5.9m. End Users acknowledge that Aurizon Network has provided them with regular briefings explaining the reason for these variations, but we continue to rely on the QCA to conduct a thorough review of the Maintenance Claim, including in those circumstances where Aurizon Network has exceeded the materiality threshold for maintenance items. This is particularly the case where the information provided by Aurizon Network through these briefings has not been sufficient to demonstrate that these additional costs have been prudently or efficiently incurred.

This submission highlights a number of areas where End Users do not consider the information provided to be sufficient to demonstrate the prudence or efficiency of Aurizon Network's incurred expenditure, and requests that these areas be a focus for the QCA's review.

Assessment of costs against UT5 materiality threshold

The QRC understands that, under Section 7A.11.5(f), the QCA will determine the extent to which Aurizon Network's Maintenance Claim is consistent with the MSB for each coal system, having regard to a materiality threshold of +/- \$2 million for a maintenance 'item'.

The MSB for each coal system is assessed, and ultimately approved, in the context of the total maintenance task, prior to considering any allocation of costs to non-coal services. This has been accepted by End Users as the most pragmatic approach for setting the annual budget, given the non-coal allocation does not relate to specific maintenance works that could be excluded from the MSB, and the allocation is only able to be calculated at the end of the year, when the actual volume of non-coal traffic is known. However, when assessing whether the materiality thresholds have been met, Aurizon Network compares the final Maintenance Claim amount (after deduction of actual non-coal allocated costs) to the Approved MSB (prior to the deduction of estimated non-coal allocated costs). End Users are concerned that this is not a 'like-for-like' comparison and has the potential to distort the assessment of how materially costs have actually exceeded the budget.

In most years, this difference has not been sufficient to change the conclusion of whether the materiality threshold for a maintenance 'item' has been exceeded. However, we consider this distinction to be relevant for FY26. In the Moura system, actual maintenance costs of \$20.4m exceeded the Approved MSB of \$18.3m by \$2.1m, above the materiality threshold. However, once non-coal allocated costs of \$0.93m are deducted from actual costs, the final Maintenance Claim for Moura is within the materiality threshold.

End Users would like the QCA to clarify how it considers actual performance against the materiality threshold should be assessed, with respect to the allocation of costs to non-coal services. This may result in the Moura system maintenance costs also exceeding the materiality threshold for FY26.

#### Aurizon Network Labour Efficiency Initiative Costs

Aurizon Network has included in its Maintenance Claim a total amount of \$1.78m as partial recovery of costs incurred relating to labour efficiency initiatives. Little detail is provided on these costs in Aurizon Network's submission, however from briefings provided to End Users, we understand that this is largely, if not completely, comprised of redundancy costs incurred following completion of labour efficiency reviews. Aurizon Network proposes to spread redundancy costs over 2 years, in an effort to better align with expected associated savings, meaning that a similar amount is intended to be included in the FY27 claim.

#### *1. How should these costs be categorised and assessed*

End Users note that redundancy costs are not actually a maintenance or renewals cost, nor was a cost of this nature contemplated in the Approved FY26 MRSB. From the briefing provided to End Users, we understand that Aurizon Network examined labour savings opportunities across its entire business. The resulting redundancies related to positions in both the maintenance program and the renewals program, with the larger proportion of expected costs savings associated with renewals.

End Users support Aurizon Network's efforts to proactively pursue initiatives to improve the efficiency of its maintenance and renewals programs, which in some cases may include redundancies. To the extent that End Users benefit from associated legitimate cost savings based on improvements in processes, then we accept that it is reasonable that the costs incurred in achieving these reductions are also passed through.

However, we consider that due to the unusual nature of these costs, their prudence and efficiency should be assessed separately to actual maintenance costs and should not be simply allocated across the systems and then automatically accepted where the relevant maintenance items do not exceed the materiality threshold. This assessment should consider the prudence and efficiency of the total cost of these initiatives, notwithstanding Aurizon Network's proposal to recover redundancy costs over two years.

## 2. Was the cost prudent and efficient

End Users were given a high level briefing on the outcome of Aurizon Network's labour efficiency reviews, including description of the positions removed and the associated redundancy costs. However, there was no consultation per se with industry on this process, nor detailed information provided to demonstrate the efficiency of the redundancy costs.

While, as noted above, we support Aurizon Network's efforts to proactively pursue initiatives to improve the efficiency of its maintenance and renewals programs, including redundancies where relevant, we do not have sufficient information to form a view on whether the specific redundancy costs incurred were efficient in this instance. Some of the specific issues that we believe should be considered are

- Did Aurizon Network consider whether to simply remove the vacant positions and labour hire (which we understand comprised half of the total position reduction) and let some or all of the remaining surplus positions decline through natural attrition, particularly if employees in those positions were near to retirement age?
- Were NPV's done for each position? We note that some redundancies can cost a lot (eg for individuals who have very long length of service) and the NPV benefit for these positions may be substantially less than for others.
- Is the assessment of what is prudent and efficient expenditure the same for Aurizon Network and End Users? In particular, while maintenance cost savings are directly passed through to End Users, renewal benefits are only reflected in tariffs as the relevant assets are depreciated. Therefore, while labour efficiency initiative costs may be efficient from Aurizon Network's perspective, paying upfront for these benefits may not be efficient from the End Users' perspective.
- What change in processes have enabled the reduction in staffing and is there enough evidence that the savings are sustainable.
- Analysis of how the positions have been used in undertaking MRSB activity over the last 4 years, to better guide the system attribution of redundancy costs.

### Cost of Maintenance Activities

The \$2m materiality threshold was exceeded for two maintenance items – Goonyella General Track maintenance and Newlands maintenance. While there are no doubt a range of factors contributing to this exceedance, Aurizon Network has called out three issues, discussed below.

#### 1. Rail Maintenance and Vegetation Management

Rail maintenance and vegetation management have been noted as contributing to FY26 budget exceedance in both Goonyella and Newlands. End Users note that, across recent years, both of these activities have been repeatedly identified in Aurizon Network's Maintenance Claims as the subject of cost increases and/or budget overruns.

End Users acknowledge that Aurizon Network has provided an explanation for the increases in both rail maintenance and vegetation management expenditure compared to the Approved FY26 MSB. However, End Users remain concerned around the increasing costs, particularly given the highly reactive nature of the additional expenditure.

We note that rail maintenance was a specific area of focus for the QCA's review of Aurizon Network's FY25 Maintenance Claim, with the QCA highlighting the benefit of a predictive defect management regime to more pro-actively manage its rail asset.

End Users request that the QCA consider whether Aurizon Network's rail maintenance and vegetation management programs are being prudently and efficiently managed, including whether Aurizon Network has made reasonable progress in responding to the concerns highlighted by the QCA in relation to the rail maintenance element of the FY25 Maintenance Claim.

## *2. Newlands System Other General Track Maintenance*

For the Newlands System, Aurizon Network reports a significant increase in 'other' general track maintenance, which was \$0.9m above budget. This was attributed to a higher level of corrective and reactive activity, primarily relating to on-track activities including track inspections, turnout, ballast and level crossing maintenance. In particular, Aurizon Network has noted that the increase in corrective and reactive activity levels was ~9% above the three-year historical average that informed the FY26 MRSB.

However, the trigger for such increased activity and cost is not apparent from reviewing the Newlands performance data. The FY26 MRSB shows that Newlands System Below Rail Incidents and Cancellations have held steady since FY18 and that, while Below Rail Delays have increased over time, the main contributor has been increasing crossing delays resulting from increased traffic on the Newlands System. Specifically for FY26, the Newlands system has shown standout performance, with Incidents – the primary reliability measure – being well below the 4-year average, and Below Rail Cancellations, unscheduled delays and Temporary Speed Restrictions all being maintained below the 4-year average.

In further discussions with Aurizon Network, they have noted that the level of maintenance activity undertaken is not always reflected in current reliability outcomes. While this is acknowledged, End Users expect that such a material increase in corrective and reactive works would generally show some relationship with asset reliability measures. Accordingly, End Users request that the QCA closely review this category of works, to assess whether the observed budget over-run was efficient and prudent.

Yours sincerely



**Judy Bertram**  
**Deputy Chief Executive**

ABN 59 050 486 952  
Level 29 12 Creek St Brisbane Queensland 4000  
GPO Box 181, Brisbane Queensland 4001  
**T 07 3295 9560 E [info@qrc.org.au](mailto:info@qrc.org.au)**  
**[www.qrc.org.au](http://www.qrc.org.au)**