

File ref: 2068311

24 April 2026

Mr Dan Kearney
Head of Finance & Regulation
Aurizon Network
900 Ann St
FORTITUDE VALLEY QLD 4006

Dear Mr Kearney

Moranbah North Rail Realignment

On 31 March 2026, Aurizon Network advised that it had been engaged by Anglo American to undertake a project to partially realign the Goonyella system mainline, to facilitate the Moranbah North Joint Venture participants (ML Holders) meeting relevant obligations under their mining leases. Aurizon Network therefore sought approval from the Queensland Competition Authority (QCA) that:

- the Moranbah North Rail Realignment project is not an Expansion for the purposes of its 2017 access undertaking (UT5)^{1,2}
- to the extent that existing assets are disposed as a result of the project, the residual value of the assets will not be removed from the regulatory asset base (RAB).³

The QCA considered Aurizon Network's proposal on 23 April 2026 and sees some merit in the proposed approach, pending confirmation of stakeholders' views. The QCA notes that Aurizon Network's request followed its initial engagement by Anglo American (as the operator of the Moranbah North and Grosvenor Mine complex), as well as further consultation with stakeholders that may be potentially affected by the project, none of whom raised material concerns.

The QCA is now providing Aurizon Network and stakeholders with an opportunity to comment on the QCA's preliminary views on how these matters might be treated under UT5.

Aurizon Network's position

Aurizon Network asserts, among other things, that the project:

- will allow Anglo American to extract the coal resources under the relevant section of the Goonyella system mainline

¹ Pursuant to paragraph (e) of the definition of 'Expansion' in Part 12 of UT5.

² With the consequence that Aurizon Network will not seek QCA approval to include any costs associated with the project in the RAB.

³ Pursuant to clause 1.1(c) of Schedule E to UT5.

- will mitigate potential adverse impacts (like track subsidence) by moving the rail line away from the future longwall mining area
- is not a consequence of an application for access or increased access to the below-rail service and is not a negotiation for the purpose of UT5
- is not otherwise required to be undertaken, in the absence of the ML Holders' commercial interests in extracting coal resources
- will be undertaken at no cost to Aurizon Network – so that project costs will not be included in the RAB nor be recoverable from other users by access charges
- is being undertaken by it with the primary objective of improving operational performance.

Aurizon Network considers that the project and the proposed treatment of costs will create an overall net benefit, having regard to its assessment of the likely operational and financial impacts and its consultation with rail operators, the independent expert and relevant miners.

The QCA sees merit in Aurizon Network's proposal as a package of arrangements, provided stakeholders will not be substantially disadvantaged (including operationally or financially). To that end, it is appropriate to further consult stakeholders on the proposal, particularly on the matters set out below.

Is the realignment an Expansion for the purposes of UT5?

Aurizon Network submitted that the construction of the rail infrastructure related to the realignment is not an Expansion for the purposes of Part 12 of UT5, which is defined (relevantly) as:

An extension, enhancement, expansion, augmentation, duplication or replacement of all or part of the Rail Infrastructure that on completion forms part of the Rail Infrastructure, **excluding**:

...

(e) **any extension, enhancement, expansion, augmentation, duplication or replacement** of all or part of the Rail Infrastructure that is delivered as part of a project **the primary objective of which is the improvement of operational performance** and that project (Operational Performance Project):

(i) has a de minimus impact on capacity; and

(ii) involves a total capital expenditure of either:

(A) in respect of a single Operational Performance Project, under \$10 million; or

(B) where there has been more than one Operational Performance Project within the same Coal System within a Year, the cumulative total capital expenditure of all Operational Performance Projects within that Coal System within that Year is under \$20 million; or

(iii) **has otherwise been approved by the QCA in writing** as a project which is not an Expansion for the purposes of this Undertaking.

[emphasis added]

Aurizon Network said any assessment of whether a project was an Operational Performance Project should only consider the primary objective of how it impacts the provision of below rail services.⁴

⁴ In addition, Aurizon Network noted the UT5 definition does not prescribe a materiality requirement for the improvement of operational performance (Aurizon Network application, p 7).

Aurizon Network said it was not required to undertake the project to facilitate the provision of increased access or as part of its replacement and renewal program, but was doing so at Anglo American's request. In this context, Aurizon Network said it was undertaking the project with the primary objective of improving operational performance (even though anticipated improvement was minor).⁵ Aurizon Network said operational performance improvements arise from:

- increased asset reliability
- lifting of temporary speed restrictions impacting aspects of the existing alignment
- an expected reduction in corrective maintenance from installing new rail infrastructure.⁶

Aurizon Network said that the project may also improve operational safety (by avoiding subsidence risk from longwall mining in the current alignment), but this is a corollary to the primary objective of improved operational performance.⁷

Aurizon Network also advised that the project will have a *de minimis* impact on capacity and will be paid for by the ML Holders.⁸

The QCA understands that the project will increase the length of the relevant section of the mainline from 8.5 km to 10.8 km, resulting in an increase in round-trip journey time modelled at around 4 minutes (or <1% of the overall cycle time), with a corresponding reduction in capacity (although the impact on users may be mitigated by expected reductions in future demand). However, Aurizon Network has identified other operational performance improvements that are likely to occur as a result of new-for-old replacement of assets.

Based on the specific circumstances of this project, the QCA is inclined to accept that it is not an Expansion pursuant to clause (e) of the definition, for the reasons outlined above.

However, the QCA's preliminary view is subject to stakeholder comments – including on whether they might anticipate being disadvantaged by the project.

Should the residual value of existing assets remain in the RAB?

Aurizon Network said that after the project has been constructed and commissioned, all of the assets constituting the existing rail track will either be irreparably damaged, dealt with as industrial scrap or left in place and cease to be used by Aurizon Network.

Clause 1.1(c) of Schedule E to UT5 sets out the principles applied in the annual RAB roll-forward process relating to asset disposals:

(c) if an asset is disposed of during the Year, the value of that asset recorded in the Regulatory Asset Base will be removed from the Regulatory Asset Base unless:

(i) the disposal necessarily results from an Expansion of, or Maintenance Work on, the Rail Infrastructure, in which case the Regulatory Asset Base will be reduced only by the net proceeds, if any, of the sale (on an arm's length basis) by Aurizon Network of the disposed asset; or

(ii) if clause 1.1(c)(i) does not apply, **Aurizon Network can demonstrate to the QCA's satisfaction that less than that amount should be removed from the Regulatory Asset Base** (in which case the amount approved by the QCA will be removed from the Regulatory Asset Base) [emphasis added]

⁵ Aurizon Network application, pp 5, 7.

⁶ Aurizon Network application, p 7.

⁷ Aurizon Network application, p 7.

⁸ Aurizon Network application, p 5.

Aurizon Network said that the residual value of assets that comprise the existing alignment should not be removed from the RAB. That is, the QCA should approve that a value of \$Nil be removed from the RAB.⁹ This is because:

- Aurizon Network is not seeking the costs associated with the project to be included in the RAB – the ML Holders will bear the project costs
- there is no change in the service being provided (access holders and access seekers will continue to obtain the same benefits they obtained from the disposed assets) and there may be additional benefits (where the depreciated assets from the existing alignment are replaced by new assets)
- removing the value of the assets would not be consistent with the broader principle that the outcome should be cost neutral for access holders – the RAB, allowable revenue and total access charges should not be affected by the project and its costs
- removing the value of assets would impose material economic losses on Aurizon Network.¹⁰

The QCA sees merit in principle in the proposed treatment of residual value of assets, as it forms part of the package of arrangements related to the proposed realignment works that Aurizon Network purports will be delivered at no cost to other stakeholders.

That said, the QCA will consider the views of stakeholders on this matter before commenting further on this aspect of the application. Furthermore, any position adopted now would be subject to the QCA's formal determination based on the facts at the time of assessment of the RAB roll-forward following actual disposal of the relevant assets, pursuant to clause 1.1(c) of Schedule E to UT5. For example, the QCA would not expect Aurizon Network to receive a net proceed through the sale of any disposed assets without there being a corresponding adjustment to the RAB to reflect the sale of assets.

Way forward

The QCA will publish this letter, along with Aurizon Network's application,¹¹ for stakeholder comment. Comments should be provided by 21 May 2026.

The QCA will provide further information and guidance regarding its position on Aurizon Network's application following the consideration of stakeholder comments.

Yours sincerely



Charles Millstead
Chief Executive Officer

cc: Jon Windle, Manager Regulation – Network; Mike Bray, Undertaking Development Lead – Network

⁹ Aurizon Network application, p 11.

¹⁰ Aurizon Network application, pp 10-11.

¹¹ Aurizon Network has claimed confidentiality over certain information within the application under s 239 of the *Queensland Competition Authority Act 1997*. This information will be redacted from the published version.