Ann Jones
Director Business Performance
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4000

2 October 2026

Dear Ann,

Aurizon Network – FY2026 Maintenance Cost Claim – Comments on Stakeholder Submission

Aurizon Network submitted its Maintenance Costs Claim for the Financial Year ending 30 June 2026 (**FY2026**) to the Queensland Competition Authority (**QCA**) for approval on 2 September 2026. The QCA invited stakeholder views on the claim and on 22 September 2026, received one submission from the Queensland Resources Council (**QRC**).

This letter outlines Aurizon Network's comments on the various matters raised in the QRC submission. Aurizon Network confirms that this letter is in a form that is suitable for publication should the QCA elect to do so.

Unless otherwise defined, capitalised terms in this letter have the meaning given in UT5.

Matter 1: Assessment of costs against UT5 materiality threshold

The QRC raises a concern in respect of Aurizon Network's allocation of non-coal costs and whether its treatment of such costs distorts the QCA's assessment of the Maintenance Costs Claim against the materiality thresholds outlined in clause 7A.11.5(f) of the 2017 Access Undertaking (**UT5**).

The Maintenance Costs Claim presents information on a consistent basis as was provided to the RIG via the FY26 MSB and the Quarterly Reporting. Importantly, the Maintenance Costs Claim then adjusts actual costs incurred for each individual maintenance category to reflect actual non-coal outcomes. Forecast non-coal outcomes by individual maintenance category were not available at the time the Approved Maintenance Budget was established.

Schedule F to UT5 outlines the Allowable Revenues and Reference Tariffs (collectively, the **Schedule F Values**) relating to Access for coal train services and the Maintenance Indicator used to set the Schedule F Values excludes costs attributable to Rail Infrastructure utilised by non-coal train services (estimated at a 'whole of system' level).

The QCA's assessment of the Maintenance Costs Claim under clause 7A.11.5 will determine the value of approved 'actual maintenance costs' for the year. The variance between the

actual maintenance costs approved by the QCA under clause 7A.11.5 and the Maintenance Indicator will be reconciled through the Revenue Adjustment Amounts process under clause 4.3(c)(ii) of Schedule F to UT5.

Given the Schedule F Values and the outcomes of the Revenue Adjustment Amounts process are relevant to coal train services only, it is appropriate for the QCA's assessment under 7A.11.5 to also consider approving only those amounts relevant to coal train services.

The table below compares the approved FY26 MSB to the actual costs incurred during the year. The values for all coal systems exclude forecast or actual non-coal allocated costs respectively.

Table 1 FY26 Maintenance Cost Performance (excluding non-coal allocated costs)

System	FY26 Budget (excl non-coal)	FY26 Cost Incurred	Non-Coal Deduction	FY26 Actual (excl non-coal)	Variance
Blackwater	86.2	86.1	(1.5)	84.6	(1.6)
Goonyella	80.9	82.2	(0.0)	82.1	1.2
Moura	18.2	20.4	(0.9)	19.5	1.3
Newlands	16.4	19.7	(0.1)	19.6	3.2
Total CQCN	**201.6**	**208.4**	**(2.6)**	**205.8**	**4.2**

The reader should note that on a like-for-like basis, the variance for the Moura system falls below the UT5 materiality thresholds; an outcome that is consistent with the Maintenance Costs Claim.

Aurizon Network believes that its approach and application of the Undertaking is appropriate and has supplied a detailed financial model to the QCA to support its assessment.

Matter 2: Aurizon Network Labour Efficiency Initiative Costs

Aurizon Network believes that it has engaged constructively, transparently and in good faith with Customers in respect of a range of initiatives targeting cost efficiencies in respect of the maintenance and renewal program.

As communicated to the Rail Industry Group (**RIG**), Aurizon Network's final draft FY26 MSB included efficiency savings of $3.2m. The RIG did not consider this savings amount to be sufficient. When notifying Aurizon Network of the voting outcomes in respect of the FY26 MSB, the Chair of the RIG outlined an alternative MSB in line with 7A.11.3(j)(ii), which included an additional efficiency challenge of $2.1m, for a total of $5.3m in targeted efficiency savings. The communication from the Chair of the RIG (as at 14 February 2025) states that the efficiencies be realised through a combination of:

- Labour (general track civil infrastructure, and electrical system)
- Contractor spend; and
- Consumables and materials.

Aurizon Network accepted the alternative MSB required by the RIG (including the additional efficiency factor) and engaged constructively in respect of how it intended to achieve the efficiency challenge. A summary of the various engagements is provided below.

Table 2 Summary of relevant Customer engagement covering FY26 Efficiency Initiatives

Date	Form of Engagement	Description
26 June 2025	RIG Producer Group Meeting – Out of session meeting	A dedicated meeting took place on 26 June 2025, specifically to present and discuss the various efficiency initiatives Aurizon Network was progressing the achieve the maintenance efficiency targets required by the RIG. The information presented to the RIG Producer Group specifically identified the expected cost of executing the labour efficiency initiatives, and Network's intention to recover these costs through the annual maintenance claim process.
October 2025	RIG Quarterly Report – FY26 Q1	The reporting provided to the RIG each quarter outlines expected maintenance cost performance against the approved MRSB. This report provided an update specifically on labour efficiency and continuous improvement initiatives. It also confirmed the value of the redundancy costs incurred by Network and stated Network's intention to recover these costs through the FY26 Maintenance Claim process. Feedback from the RIG acknowledged the costs and Aurizon Network's intention and focused on how these costs should be treated when presenting the expected savings.
6 November 2025 (Q1); 16 February (Q2); 15 May (Q3); and 17 August 2026 (Q4)	Quarterly Customer Forum presentations	Network's performance and progress against efficiency initiatives were presented at the Quarterly Customer Forum's throughout the year and provides opportunities for discussion and questions. In the Q4 Customer Forum, Aurizon Network presented specific detail of the overall FY26 Efficiency Outcomes. The customers did not raise any concerns in respect of the costs or outcomes of the efficiency initiatives.
21 January 2026	Direct Correspondence	Aurizon Network provided detailed responses to the RIG's feedback in respect of the draft FY27 MRSB. Feedback received from the RIG noted that "*redundancy costs should be recognised (appropriately allocated across maintenance and renewals and across a reasonable timeframe eg up to 3 years)*" In response, Aurizon Network confirmed its intention to include these costs within the FY26 Maintenance Cost Claim with recovery over a two-year period.
January, April and July 2026	RIG Quarterly Reporting for FY26 Q2, Q3 and Q4.	The quarterly reporting provided throughout the year included updates on the efficiency and improvement initiatives being progressed by Network. The FY26 Q4 report presented the outcomes Network had achieved during FY26 in respect of efficiencies and the continuous improvement initiatives. This included quantification of benefits delivered across FY26 in respect of the maintenance ($1.4m) and renewals ($8.3m) programs; totalling $9.7m overall.
19 August / 7 September 2026	Direct Correspondence	Communication from the Chair of the RIG seeking further information to support submissions on the FY26

Date	Form of Engagement	Description
		Maintenance Costs Claim. Aurizon Network notes that no questions or concerns were raised in respect of the redundancy costs or labour efficiencies.
9 September 2026	Meeting with Chair of the RIG	Aurizon Network staff met with the Chair of the RIG to discuss their questions. Aurizon Network notes that no questions or concerns were raised in respect of the redundancy costs or labour efficiencies.
15 September 2026	Direct Correspondence	Following the meeting, Aurizon Network responded (in writing) addressing the questions raised by the Chair of the RIG.
16 September 2026	RIG Producer Group Meeting	The RIG producer group forum provided an open opportunity to ask and discuss questions in respect of the matters within the FY2026 maintenance costs claim. customers to ask

As illustrated above, Aurizon Network engaged regularly with the RIG throughout the year, providing progress updates in respect of the various efficiency initiatives. Customers have directly benefited from the labour efficiency review through savings that were delivered across the FY26 maintenance and renewal program. These benefits were quantified and communicated to the RIG in the FY26 Q4 report.

Information provided by Aurizon Network (in June 2025) to the RIG Producer Group outlined that the costs of implementing the labour efficiency review will be recovered via the maintenance costs claim. The quantum of costs and intended recovery approach was highlighted throughout FY26. Aurizon Network received no objections from the RIG in respect of its proposed recovery process noting that feedback focused on how the overall benefits were presented, including the recovery of costs over multiple years.

Matter 3: Cost of Maintenance Activities

Aurizon Network values the feedback received from the QCA and its consultants and confirms that such feedback is considered as part of our commitment to continuous improvement.

Where asset characteristics allow for predictive management of degradation throughout the asset life cycle, Aurizon Network has sought to implement proactive asset management and budgeting processes, which includes investment in systems and reporting to support decision making.

Nevertheless, forecasting accuracy relies on a level of predictability and variables that are controllable (to a degree). The CQCN is an exposed rail system comprised of linear, open-air assets that are geographically dispersed and subjected to ambient weather conditions, climate shifts and, at times, extreme environmental events. Its very nature means that there are some asset types, activities and locations that will always have a degree of intervention which simply cannot be predicted.

Aurizon Network's final draft FY26 MSB did propose increased funding for rail maintenance, reflecting the latest information available. The alternative FY26 MSB that was ultimately approved by Special Majority of End Users did not include the proposed budget increase.

Aurizon Network continuously communicates and provides a substantive amount of information to customers throughout each relevant year in respect of its asset management performance and delivery compared to budget. While scope and budget variations are

inevitable, Aurizon Network's performance in respect of managing actual expenditure against budget FY26 has seen positive improvements compared to prior years.

Aurizon Network considers that additional expenditure incurred during FY26 was prudent, efficient and necessary having regard to the Maintenance Objectives and our obligation to deliver Committed Capacity.

We remain committed to working with the QCA to support its assessment of the FY26 Maintenance Costs Claim.

Should you have any queries in relation to this submission, please do not hesitate to contact Michael Bray (michael.bray@aurizon.com.au).

Yours sincerely,



Jon Windle
Manager - Regulation
Aurizon Network Pty Ltd