



Mr. Mark Gray  
Chief Executive Officer  
Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

13 September 2013

Dear Mark,

### **Supplementary Information to support the 2013 Review Event Submission**

I am writing to you to provide further clarity of Aurizon Network's proposed Review Event Submission (Submission) to recover costs associated with the restoration of the rail infrastructure following the flooding in the Central Queensland Coal Region in January 2013.

#### Inclusion of Ordinary Labour Costs

The Maintenance Cost Submission, Volume G, of the 2010 Undertaking (UT3) made no provision in the Maintenance Cost Allowance for the recovery of costs associated with flood damage (refer section 7.1.1, p.213). It was contemplated at the time that such costs would be recovered via a Review Event Submission which is triggered by a declaration of a Force Majeure Event. If these incremental costs are seen as reasonably required for the provision of Access to the supply chain participants, then the costs would be recovered through a variation of the Reference Tariffs.


This approach is entirely consistent with that taken with the approved 2011 Review Event Submission which included all costs reasonable expended by Aurizon Network in the rectification of the rail network. Although Aurizon Network has capped the quantum of the claim for the 2013 Submission it is worth noting that some flow on costs associated with "catch up" work resulting from the flood has been absorbed by the business and has contributed to an exceedance of the Maintenance Cost Allowance for 2013.

Aurizon Network's response to the January 2013 flooding was labour intensive and required the reallocation of internal and external resources. This included the redirection of the:

- Majority of the resources of the Alliance Partner in the Southern Region
- Specialised Track Resurfacing teams
- Numerous 3<sup>rd</sup> Party Contractors
- Project Management from Construction Services
- Asset Management and
- Complementary support resources from the Northern Region Alliance Partner.

Although Aurizon Network's focus was clearly on the safe and timely remediation of the flood damage in the Moura and Blackwater systems we were still able to maintain services on the Newland and Goonyella systems. When the Moura and Blackwater systems were reopened on the 7<sup>th</sup> February (Blackwater) and the 19<sup>th</sup> February (Moura) it was done with the knowledge that certain operational restrictions including Speed Restrictions would remain in place until such time as all remedial work had been undertaken and the track certified for full operations.





This will impact on both the Below Rail Transit Times (BRTT) and the Operational Track Condition Index (OTCI) until such time as the full remediation works are completed. These works are planned to be completed during by December 2013.

Inclusion of un-incurred costs - \$4,251,000

The damage to the Central Queensland Coal Network was wide spread and resulted in Aurizon Network identifying 242 sites within the Blackwater and Moura Systems that needed remediation works. A large percentage of the sites, were repaired prior to the rail systems' returning to safe operation in early February. The remaining sites were subjected to a detailed planning and estimating exercise to determine when these 'outstanding sites' could be repaired and at what cost. In developing this schedule, it was identified that a portion of the outstanding works would be aligned to existing track closures which would minimise disruption to the supply chain.

UT3 specifies the timing requirements associated with Review Event submissions. In general terms Aurizon Network is to prepare a Submission with sixty (60) days of a Force Majeure Event for the Queensland Competition Authority (QCA). The QCA approved an extension to the 31<sup>st</sup> July 2013 for the lodgement of the Submission, with the primary reasons for the extension being the scope and nature of the on-going repair works and recording external costs associated with these works.


The Submission includes actual costs incurred up to the 30 June 2013 and estimated costs of \$4,251,000 for the remaining works. Of the remaining Sixty Five (65) sites:

- 30 sites have been fully completed
- 17 sites have commenced repairs and
- 18 sites are planned to be completed by December 2013.

For the estimated works Aurizon Network has incurred costs of \$3,197,000 for works undertaken up to the 12<sup>th</sup> September 2013, with the full estimated cost of \$4,251,000 considered reasonable to complete the outstanding works.

Should you have any questions in relation to the matters outlined above, please contact Jon Windle – Risk and Compliance Advisor on (07) 3019 8460 or via email at [jon.windle@aurizon.com.au](mailto:jon.windle@aurizon.com.au).

Yours sincerely,



Clayton McDonald  
Vice President – Network Operations  
Aurizon Network Pty Ltd

