



Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
Level 27, 145 Ann Street
BRISBANE QLD 4000

Insurance Draft Amending Access Undertaking

24 March 2022

Dear Charles

Aurizon Network's 2017 Access Undertaking (**UT5**) includes a suite of standard access agreements approved by the Queensland Competition Authority (**QCA**) for use by Aurizon Network when negotiating and managing Access within the Central Queensland Coal Network (**CQCN**). Included within this suite of standard agreements is a Train Operations Deed (**TOD**), which provides the contractual terms upon which a Train Operator is nominated by an Access Holder to operate Train Services for that Access Holder in the CQCN.

Capitalised terms in this letter have the meaning given to those terms in UT5, unless the context otherwise requires.

Schedule 7 of the standard TOD provides for the terms, and minimum level, of insurance that a Train Operator must effect and maintain throughout the term of the TOD. Specifically, under clause 1(a) of Schedule 7, the Train Operator is required to effect and maintain public liability insurance for a sum of not less than \$350 million for any one occurrence.

The required minimum level of public liability insurance of \$350 million has been included as a term within the UT5 TOD (and TODs and Access Agreements for previous regulatory periods) since Aurizon separated from Queensland Rail in 2010. At the time, following risk assessments, that amount was considered appropriate in the context of running coal, freight and passenger services throughout the entire Queensland Rail network, including urban areas which posed a higher risk from a public liability perspective. As Aurizon has changed over the past decade, the operating and risk environment under which insurance assessments are made has also changed.

Recently, some Train Operators have queried the TOD public liability insurance requirements in the context of changing insurance market conditions. The increase in Environmental and Social Governance (**ESG**) considerations for the industry has seen a reduction in the insurance capacity available to the thermal coal mining sector and associated service providers such as rail. As Train Operators seek annual renewal of their insurance policies, we expect to see an increase in requests for a change to the insurance requirements that currently apply.

Given these ESG considerations and an updated risk assessment that has been undertaken by Aurizon's risk and insurance team from a public liability perspective, Aurizon Network is seeking

to reduce the level of insurance required by Train Operators under clause 1(a) of Schedule 7 of the TOD from \$350 million to \$150 million for any one occurrence.

In seeking approval for this amendment, Aurizon Network has engaged with all Train Operators who operate in the CQCN and they are supportive of the proposed change, in particular in light of prevailing ESG considerations. This is considered to be a beneficial outcome for all Train Operators in the CQCN.

For existing TODs that Aurizon Network has executed with Train Operators, Aurizon Network intends to implement this change on a forward-looking basis at the time of each Train Operator's annual insurance renewal. This means that, at the time of the next annual renewal by the relevant Train Operator of its public liability insurance policy under the TOD, in accordance with clause 26.3(b) of the standard TOD, Aurizon Network will only require Train Operators to provide evidence that public liability insurance has been effected and maintained for a sum of the reduced amount of not less than \$150 million for any one occurrence. Aurizon Network also agrees to amend any TOD to effect this change if requested by any Train Operator.

Included with this submission is a mark-up to clause 1(a) of Schedule 7 of the standard TOD. As there are no changes to any other documents within the UT5 suite including the standard agreements, these have not been provided at this time.

If you have any questions, please feel free to contact Jon Windle on jon.windle@aurizon.com.au.

Yours sincerely,



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Aurizon Network