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20th August 2026

Queensland Competition Authority
(Submitted via QCA Online Submission Form)

RE: RESPONSE TO QCA'S DRAFT DECISION ON AURIZON NETWORK'S UT5+ DAAU

The Queensland Resources Council (QRC), on behalf of the QRC's Rail Working Group, welcomes the opportunity to comment on the QCA's Draft Decision on Aurizon Network's 2025 Draft Amending Access Undertaking ('UT5+ DAAU' or 'DAAU').

The Rail Working Group worked closely with Aurizon Network on the development of a package of amendments to Aurizon Network's current 2017 Access Undertaking ('UT5'), to support its continued application over an extended term to 2037 (the 'negotiated package'). This engagement resulted in substantial agreement on the elements contained in the DAAU.

The Rail Working Group is pleased to see that, in its Draft Decision, the QCA has agreed that the negotiated package of amendments will support efficient investment in, and the operation and use of, the CQCN and are in the legitimate business interests of Aurizon Network, access holders and access seekers. While the QCA's Draft Decision is to not accept the UT5+ DAAU, the QCA's recommended changes are limited to:

- a number of corrections to the DAAU to ensure that the package of arrangements will operate as intended; and
- Aurizon Network's proposed non-electric operating expenditure allowance, which did not form part of the negotiated package of amendments, instead being subject to QCA review and determination.

Accordingly, the QRC's response to the Draft Decision is limited to responding to these recommended changes.

The QRC notes that, in its Draft Decision, the QCA has queried the application of varied Take or Pay arrangements, particularly transitional arrangements to take account of different iterations of Standard Access Agreements. Aurizon Network has consulted with QRC and its members on this issue, and responses will be provided in individual member submissions.

DAAU Corrections

Aurizon Network's access undertaking is a large and complex document, and it is unsurprising that minor corrections to the DAAU have been identified following its submission. The Rail Working Group has reviewed the QCA's recommended corrections

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to the DAAU and confirms its support for these amendments. Rail Working Group members have also been undertaking ongoing review of the DAAU drafting in preparation for its implementation and have identified some further issues requiring drafting correction to ensure alignment with the negotiated package. We will work with Aurizon Network to develop recommended drafting corrections for these issues, as well as any other issues that may be identified in advance of the QCA's Final Decision.

Non Electric Operating Expenditure

In the case of Non-Electric Operating Expenditure, the negotiated package included agreement on the high-level base-step-trend methodology to be applied, but left Aurizon Network with discretion in how it applied that methodology to derive its proposed cost allowance, with the final value subject to QCA review and determination.

In the QRC's initial submission to the QCA, the QRC raised numerous concerns with Aurizon Network's proposed base-year and step adjustments which would, collectively, materially overstate the non-electric operating expenditure allowance. The QRC acknowledges and appreciates the QCA's thorough investigation into the appropriateness of Aurizon Network's proposed non-electric operating expenditure allowance, including assessment of the matters that we raised. The QRC supports the QCA's conclusions for most elements of non-electric operating expenditure, however have remaining queries in relation to two issues, as follows.

1. *Aurizon's 2025 non-operational cost review*

   In 2025, Aurizon implemented a broad ranging review of non-operational costs, which spotlighted all non-frontline parts of its business. In mid-2025, Aurizon stated that:[1]

   - The initial phase of the review identified ~$50m of projected annualised savings in labour (~200 FTEs) and external spend;
   - Further annualised savings of ~$10m have been actioned; and
   - Full benefit of ~$60m savings will be realised from 1 July 2025.

   Aurizon has recognised around $23m in transformation costs during FY25, including approximately $18m in redundancy costs.[2]

   The Rail Working Group has always anticipated that the benefits of this efficiency program would be reflected in the UT5+ cost allowances. In discussions on the negotiated package, Aurizon Network advised that, given the extent of cost savings achieved through this review, it was not willing to agree to also apply the planned annual 0.5% productivity target to Corporate Overheads. It was ultimately accepted that, provided Aurizon Network achieved Corporate Overhead savings

[1] Aurizon (2025); Aurizon FY25 Results Presentation; 18 August 2025; p.7

[2] Aurizon (2025); Aurizon Annual Report 2024-25; p.61

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of at least $2m pa (FY25 $s), the Rail Working Group would agree to limit the 0.5% annual productivity target to CQCN Direct and Indirect Costs. However, we continued to expect an upfront efficiency gain within CQCN Direct and Indirect Costs as a result of Aurizon's review.

While we had no specific information on the likely size of the CQCN Direct and Indirect Cost efficiency benefit, we note that Aurizon Network's 2025 Statutory Report shows that the total redundancy cost borne by Aurizon Network in 2025 was $5.1m, with $4.7m attributed to the transformation program.[3] We expect these redundancy costs are unrelated to Corporate Overheads functions provided by Aurizon Operations (which itself bore redundancy costs of $13.5m[4]). We have been advised that redundancy costs of [redacted] relate to the Maintenance and Renewals program, and we anticipate that the remaining [redacted] Aurizon Network redundancy costs relate to CQCN Direct and Indirect Costs. Noting the Aurizon Group's projected annual savings are more than double its transitional costs (including redundancy costs), this provides an indication of the potential size of the CQCN Direct and Indirect Cost efficiency gain.

For its UT5+ proposal, the efficiency benefits arising from Aurizon's non-operational cost review were incorporated into Aurizon Network's proposed cost allowances in a variety of ways:

- For Corporate Overheads, a $2.9m (FY25 $s) efficiency adjustment has been applied to the FY25 base year costs, with the value of the savings then extended over the rest of the forecast period);
- For Maintenance and Renewals expenditure, the projected efficiency savings have been included in the forecast expenditure for FY27 and beyond;
- But for CQCN Direct and Indirect costs, no adjustment was made to either the base year or forecast costs.

In our initial submission,[5] we requested that the impact of Aurizon's 2025 non-operational cost review should be reflected across all relevant cost elements, rather than being applied on a selective basis as proposed by Aurizon Network. On this basis, we requested that the QCA require Aurizon Network to advise the efficiency savings realised in the 2025 non-operational cost review relevant to its Direct and Indirect CQCN Costs, and apply these as a negative step to the adjusted base year costs (with the value of the savings to be applied in real FY25 $ terms). We highlighted the consistency of this requirement not only with the philosophy of the 'base-step-trend' approach, but also with the QCA's application of the 'base-step-trend' approach in its review of non-electric operating expenditure for UT5.[6]

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[3] Aurizon Network Pty Ltd Annual Financial Report for the year ended 30 June 2025; p.17.

[4] Aurizon Operations Pty Ltd Annual Financial Report for the year ended 30 June 2025; p.18.

[5] QRC (2026); Letter Submission on Aurizon Network's 2025 DAAU – Appendix A; 17 March 2026; pp.15-16.

[6] QCA (2018); Decision – Aurizon Network's 2017 Draft Access Undertaking; December 2018; p.163.

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However, in the QCA's Draft Decision, no deduction from the FY25 base year CQCN Direct and Indirect costs has been made to reflect efficiency savings. From our review of the Draft Decision, it is unclear how the QCA has assessed this issue. In particular, we are unsure whether this means that no efficiency savings were realised in CQCN Direct and Indirect costs or, alternatively, that the QCA does not consider that the non-electric operating cost allowance should be adjusted to reflect those savings.

Accordingly, we request that the QCA review this issue and advise how the CQCN Direct and Indirect Cost efficiency gains resulting from Aurizon's 2025 non-operational cost review should be treated for the purpose of the UT5+ cost allowances.

2. *Allocation of costs to non-coal services*
   The QCA's Draft Decision concludes that cost allocation to non-coal services should continue to be made consistent with the methodologies that it endorsed for UT5. This includes:
   - allocations of specific operating cost functions using causation linked methodologies; and
   - a general allocation of other cost functions to non-coal services to reflect a reasonable contribution of those services to below rail costs.

   While the QRC had sought a variation to the general non-coal cost allocation methodology, we have reviewed the QCA's assessment and support the QCA's recommendation for a continuation of the UT5 allocation methodology. However, noting that the QCA's resulting general non-coal cost allocation of \$0.4m (FY28 \$s) is less than half of the corresponding allocation in its Final Decision on UT5 (\$0.8m FY18 \$s)[7], we request that the QCA review this allocation to ensure that it has consistently applied the UT5 methodology for UT5+.

Yours sincerely

Judy Bertram
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Queensland Resources Council

[7] QCA (2018); Decision – Aurizon Network's 2017 Draft Access Undertaking; December 2018; p.193.

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