

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

3 March 2021

Dear George,

Aurizon Network Pty Ltd (Aurizon Network) – FY2022 Final Draft Maintenance Strategy & Budget and Final Draft Renewals Strategy & Budget

Aurizon Network submits to the Queensland Competition Authority (**QCA**) its Final Draft Maintenance Strategy & Budget and Final Draft Renewals Strategy & Budget (**FY22 Final Draft Proposal**) for the Financial Year ending on 30 June 2022 (**FY22**) in accordance with Clause 7A.11.3 of Aurizon Network’s 2017 Access Undertaking (**UT5**).

The purpose of this submission is to seek QCA approval of the Final Draft Maintenance Strategy and Budget for the Newlands System, as required by Clause 7A.11.3(k)(iii).

Aurizon Network’s FY22 Final Draft Proposal is the culmination of substantive engagement with the Rail Industry Group (**RIG**) and customers and represents a step-change in the level of transparency and collaboration compared to the FY21 proposal and engagement process. The additional information provided within the FY22 Final Draft Proposal was also complemented by the provision of the Quarter 1 FY22 Maintenance and Renewal Report providing additional system health metrics, delivery performance and individual system updates on the delivery of the FY21 Maintenance and Renewals Program. These improvements, and Aurizon Network’s response to the RIG’s detailed queries and comments in relation to the FY22 Draft Proposal demonstrate Aurizon Network’s commitment to fulfilling its obligations under the UT5 agreement struck with customers.

The FY22 Final Draft Proposal provides an overview of this engagement within Chapter 2 ‘Stakeholder Engagement’ and outlines the delivery of key milestones associated with the FY22 Final Draft Proposal as required under Clause 7A.11.3 of UT5.

Aurizon Network provided its FY22 Final Draft Proposal for each Coal System to the Chair of the RIG on 21 January 2021. On 14 February 2021, the Chair of the RIG, in accordance with Clause 7A.11.3(j) of UT5, notified Aurizon Network and the QCA of the End User voting outcomes, as outlined below in Table 1:

Table 1. Results of the FY22 Final Draft Proposal vote

Coal System	FY22 Maintenance Strategy & Budget	FY22 Renewals Strategy & Budget
Moura	✓ Approved	✓ Approved
Blackwater	✓ Approved	✓ Approved
Goonyella	✓ Approved	✓ Approved
Newlands	✗ Not Approved	✗ Not Approved
GAPE	✓ Approved	✗ Not Approved

Aurizon Network notes that as per Clause 7A.11.3(j)(i):

- A Special Majority of End Users have approved Aurizon Network's Final Draft Maintenance Strategy and Budget for Blackwater, Goonyella, Moura and Goonyella Abbot Point Expansion (**GAPE**); and
- A Special Majority of End Users have approved Aurizon Network's Final Draft Renewals Strategy and Budget for Blackwater, Goonyella and Moura.

Consistent with Clause 7A.11.3(k)(i), Aurizon Network will implement the approved FY22 Maintenance Strategy and Budget and/or the approved FY22 Renewals Strategy and Budget in each respective Coal System.

Aurizon Network notes that as per Clause 7A.11.3(j)(iii):

- A Special Majority of End Users have elected not to approve Aurizon Network's Final Draft Maintenance Strategy and Budget for the Newlands System; and
- A Special Majority of End Users have elected not to approve Aurizon Network's Final Draft Renewals Strategy and Budget for Newlands and GAPE. As a consequence, Aurizon Network will implement the approved Renewals Strategy and Budget for these Coal Systems.

Consistent with Clause 7A.11.3(m)(iii), Aurizon Network will implement the Final Draft Renewals Strategy and Budget for Newlands and GAPE and will submit its actual costs for Newlands and GAPE in FY22 for QCA approval in accordance with Clause 7A.11.6. Aurizon Network has provided additional information in relation to the allocation of renewals expenditure in the FY22 Annual Review of Reference Tariffs Submission and to customers directly in response to their queries.

In accordance with Clause 7A.11.3(k)(iii), Aurizon Network seeks the QCA's approval of the FY22 Final Draft Maintenance Strategy and Budget for the Newlands System.

Correspondence received from the Chair of the RIG on 16 February 2021 noted that:

"The key issue which resulted in the Newlands maintenance budget not being approved was the increase in rail grinding costs."

Aurizon Network notes that in total the proposed rail grinding costs for the Newlands System for FY22 are in line with the FY21 allowance approved in the UT5 Final Decision² of \$1.6m and remains consistent with the FY19 actual grinding costs as anticipated in the customer approved FY2021 Maintenance and Renewals Strategy and Budget.³

Aurizon Network has provided further information within the appendices of this submission in relation to the procurement of rail grinding services and the competitiveness of the pricing, terms and conditions. Aurizon Network has claimed confidentiality under s239 of the QCA Act for appendices A through to D. Appendix E is suitable for publication.

Please contact Jon Windle at jon.windle@aurizon.com.au if you have any queries in relation to this submission.

Yours sincerely,



Peter Long
Head of Finance and Regulation – Aurizon Network

¹ Correspondence from the Chair of the Rail Industry Group to Aurizon Network, 16 February 2021.

² QCA final Decision on the 2017 Draft Access Undertaking on 6 December 2018

³ Aurizon Network Maintenance and Renewals Strategy and Budget FY2021 at page 45 and 56.

Appendix A – Confidential: Additional information to support the QCA’s assessment of the proposed Rail Grinding costs



Appendix B – Confidential: Rail Grinding Presentation to the Chair of the RIG



Appendix C – Confidential: Loram Correspondence



Appendix D – Confidential:

Newlands System - FY22 Final Draft Maintenance Strategy & Budget and Final Draft Renewals Strategy & Budget (unredacted version)

Appendix E

Newlands System - FY22 Final Draft Maintenance Strategy & Budget and Final Draft Renewals Strategy & Budget (redacted version & suitable for publication)