QUEENSLAND
resources
COUNCIL

Resourcing Queensland's future

11th October 2026

Queensland Competition Authority
(Submitted via QCA Online Submission Form)
Via Email : **ann.jones@qca.org.au**

The Queensland Resources Council (QRC), on behalf of the QRC's Rail Working Group, welcomes the opportunity to comment on Aurizon Network's FY24 Capital Expenditure Claim ('Capex Claim').

Introduction

The QRC understands that, under Section 7A.11.6(b)(iii), End Users are deemed to support elements of the Capex Claim to the extent that specific elements are consistent with an Approved Renewals Strategy and Budget ('RSB'). Elements of the Capex Claim are not consistent with the Approved Renewals Strategy and Budget for several reasons, including:

- Some items of scope which were not part of the Approved RSBs have been undertaken by Aurizon Network within the year (although some of these were separately supported by the RIG during FY24).

- The total cost of renewals, adjusted for changes in scope, was 14% higher than forecast.

We rely on the QCA to conduct a thorough review of the Capex Claim to the extent that it is not consistent with an Approved RSB. The RIG has been provided with further detail on some of these items within Aurizon Network's Quarterly Maintenance and Renewals Reports and in various forums. We understand that these reports will be provided to the QCA and while these reports do provide explanations for some of the cost increases, the QCA should seek appropriate evidence supporting these explanations. Further, we consider there is value in the QCA examining the following specific areas:

- The causes of the increases in the cost of the turnout replacement at Callemondah. The original budget was for 3 turnouts to be replaced at a cost of $5.5m, the final result was one turnout being replaced at a cost of $6m.

- We understand that Aurizon took a new approach to the balance of risk when tendering the civil contractor work which involved allocating more risk to contractors, requiring contractors to bear the risk of escalation in the cost of inputs (see page 15 of the submission). This resulted in the much higher than expected

ABN 59 050 486 952
Level 29 12 Creek St Brisbane Queensland 4000
GPO Box 181, Brisbane Queensland 4001
T 07 3295 9560 E info@qrc.org.au
www.qrc.org.au

pricing. We understand that Aurizon then reviewed the risk apportionment for FY25. As a general principle, our experience is that it is efficient for risks to be allocated to the party which is able to control the risks. Where risks are allocated to a party which is unable to control the risk, then inefficient cost allowances are likely to be built into pricing. We rely on the QCA to assess whether the FY24 approach was prudent, particularly whether it was appropriate for Aurizon to continue to engage the contractors on this basis when the consequences of the risk allocation became clear. Was there an opportunity for Aurizon to reassess the balance of risk prior to engagement? Was there an opportunity to renegotiate the contracts for FY24 during the period (relieve contractors of some risk in return for cost reductions)?

- The references to 'actual efficiency achieved being less than targeted reduction' on pages 20, 26 and 30 of Aurizon's submission. These references are in the context of the cost of externally procured materials but it is unclear why input costs would impact on efficiency savings which were not linked to input costs in the MRSB. The inclusion of these efficiencies in the MRSB forecasts lowered the overall budget and increased the probability that the MRSB would be approved, was it reasonable that they were included in the first place?

- Rail renewal was above budget in unit rate terms in every system. As at the date of writing this submission, requested detail on actual cost vs budget (or scope flexed budget) broken down between labour and materials has not yet been received. Customers would like to be assured that costs were appropriately mitigated and that any fixed labour was prudently managed in this area.

Yours sincerely

Judy Bertram
Deputy Chief Executive Officer
Queensland Resources Council