

File ref: 2034826

19 December 2024

Ms Pam Bains  
Group Executive Network  
Aurizon Network Pty Ltd  
GPO Box 456  
BRISBANE QLD 4001

Dear Ms Bains

### **Aurizon Network's 2023-24 maintenance costs claim**

I wish to advise that the QCA has approved Aurizon Network's 2023-24 maintenance costs claim (totalling \$182 million). The QCA considers that the 2023-24 program of maintenance work and actual costs claimed are either not materially different from the approved 2023-24 maintenance strategies and budgets (MSBs) for each system, or have otherwise been assessed as prudent and efficient.<sup>1</sup>

| <b>System</b> | <b>Approved maintenance cost (\$m)</b> |
|---------------|--|
| Blackwater    | 75.0                                   |
| Goonyella     | 74.8                                   |
| Moura         | 16.9                                   |
| Newlands/GAPE | 15.3                                   |
| <b>Total</b>  | <b>182</b>                             |

While the total maintenance costs (and each system's costs) were generally above budget, the QCA considers that cost items claimed are for the most part, not materially different from the approved MSB. The QCA accepts that some cost and scope variances will inevitably exist between the program delivered and the approved maintenance strategy and budget given timing, changing priorities and changing market conditions.

The QCA notes that the costs claimed for a number of individual maintenance items exceeded the materiality threshold of  $\pm$ \$2 million this year.<sup>2</sup> In accordance with UT5, the QCA considered whether these costs are prudent and efficient, having regard to the maintenance objectives.<sup>3</sup> To assist in this

<sup>1</sup> UT5, cls 7A.11.5(f), (h) and (i).

<sup>2</sup> These were: general track maintenance (in Blackwater and Goonyella), signalling and telecommunications (in Goonyella) and Moura system costs (which is considered an item for the purpose of the assessment, with the overall overspend this year driven by an overspend in general track maintenance).

<sup>3</sup> UT5, cls 7A.11.1(a)(iii)(A)-(C).

assessment the QCA had regard to the information Aurizon Network provided to support its claim, as well as advice provided by our independent engineering consultant, Arcadis.<sup>4</sup>

The QCA is satisfied that where there were material differences with the MSB, the observed overspend for those maintenance cost items was nevertheless prudent and efficient – having regard to the maintenance objectives and safety and compliance requirements, changing market conditions (in particular relating to skilled workers as well as some materials costs), and Aurizon Network’s response.

This letter will be published on the QCA website for stakeholders' information.

Yours sincerely

Charles Millstead  
Chief Executive Officer

cc: *Jon Windle, Manager Regulation–Network Finance and Regulation*

---

<sup>4</sup> Arcadis undertook a desktop review of the ‘reasonableness’ of the overspend on key maintenance costs items that exceeded the UT5 materiality threshold. This had regard to relevant financial, regulatory, and strategic aspects of the expenditure, including in meeting safety and compliance requirements , as well as Aurizon Network’s strategic objectives and performance requirements. Arcadis’ report is available on our [website](#).