

2nd October 2025

**Queensland Competition Authority
(Submitted via QCA Online Submission Form)**

The Queensland Resources Council (QRC), on behalf of the QRC's Rail Working Group, welcomes the opportunity to comment on Aurizon Network's FY25 Capital Expenditure Claim ('Capex Claim').

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'). Some elements of the Capex Claim are not consistent with the Approved Renewals Strategy and Budget, including due to:

- some items of the renewals scope undertaken by Aurizon Network within the year were not part of the Approved FY25 RSB (although some of these were part of Approved RSBs for prior years);
- the total cost of renewals, adjusted for changes in scope, is in some cases higher than forecast; and
- Aurizon Network has undertaken and commissioned a number of non RSB projects.

While we acknowledge that the majority of the renewals element of the Capex Claim is consistent with an Approved RSB, we continue to rely on the QCA to conduct a thorough review of the Capex Claim to the extent that this is not the case.

In undertaking this review, we request that the QCA pay close attention to the Newlands Remote Control Signalling (RCS) Project, for which Aurizon Network has included \$20.5 million (including interest during construction) as part of the Capex Claim. Background, together with our specific queries regarding this project, are set out below.

Newlands RCS Project

A summary of background to Aurizon Network's decision to proceed with this project is as follows:

- Collinsville to Newlands RCS was originally planned as part of amendments proposed late in the execution of the agreed Goonyella to Abbot Point Expansion (GAPE) project. At the time it was however evident that sustained demand was significantly lower than contract and thus GAPE users elected to defer installation of the Collinsville to Newlands portion of RCS until demand reached a higher level (around 40mtpa). However, at the time of this decision, Aurizon Network had already undertaken work on this project with expenditure to 2013-14 of \$11.6m.

- The initial Newlands RCS works were accepted into Aurizon Network's RAB by the QCA as part of the 2013-14 GAPE capex claim, but the inclusion of this into the GAPE pricing RAB was 'deferred' until such time that the Newlands RCS project was completed, and the full benefits of the project would be achieved.
- The completion of the remaining Newlands RCS works did not progress for a further eight years, with the remaining works endorsed by users and the QCA in 2022 as a Transitional Arrangement to partially address the Newlands/GAPE Existing Capacity Deficit. Construction works commenced in March 2023 with project completion ultimately achieved in July 2024.
- The QCA accepted the deferred Newlands RCS amount into the GAPE pricing RAB in FY24, with the final amount, including cost indexation calculated at WACC, being \$23.6m. This decision was made notwithstanding concerns raised by end users around the prudence and efficiency of the full indexed amount, given the extended time that had elapsed since the original construction of those assets.

The Independent Expert's post implementation review of the Newlands RCS project¹ has highlighted a range of further concerns around the evaluation and delivery of this project. In particular, the Independent Expert identified that:

- following end users' and the QCA's endorsement of the project, a number of Aurizon Network's critical assumptions were found to be incorrect. In particular, Direct Train Control (DTC) crossing times were actually 25-30 minutes rather than the assumed 51 minutes, and the planned opportunity to reduce train pathing headways from one hour to 36 minutes was incorrect, with a reduction to 45 minutes ultimately adopted. The original assumptions formed the basis for Aurizon Network's assessment of the prudence of both the original GAPE RCS project, and the more recent Newlands RCS project. These changes significantly eroded the capacity benefits of the project.
- During construction, the project cost of \$20.2m exceeded Aurizon Network's original capital cost estimate of \$18.1m, which was the basis for the Independent Expert's assessment that the Newlands RCS project was prudent and efficient (although the budget ultimately adopted was increased to \$22.0m). Further, the Independent Expert identified that the project ran over time, with commissioning delayed from March 2024 to July 2024, and required an additional system closure to achieve this, imposing an unbudgeted capacity impact on operators and end users.

In the post implementation review, the Independent Expert identified that the actual capacity benefit of the project was 4.4mtpa, less than the 5.4mtpa expected from the RCS project implementation as determined through the Independent Expert's January 2023 prudence and efficiency assessment.² While the Independent Expert noted that it would still have approved the project as prudent and efficient with this reduced capacity benefit,³ we note that in forming this view, the Independent Expert only considered the estimated incremental cost of the works required to complete the Newlands RCS project, and did not consider the full cost of the project, as will ultimately be included in the RAB.

¹ Coal Network Capacity Co Independent Expert (2025); Expansion Capacity Assessment for RCS Project; 28 January 2025.

² Ibid; p.7

³ Ibid; p.9

In contrast we consider that, in the QCA's assessment of the prudence and efficiency of the Newlands RCS project, it should assess both:

- the prudence and efficiency of the works undertaken in 2023-2024 to complete the Newlands RCS project; and
- the prudence and efficiency of the total capital cost to be included in the RAB, including both the \$23.6m accepted into the RAB in FY24 as well as the \$20.5m FY25 Capex Claim.

Yours sincerely



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