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12 September 2012

Dear Stakeholder

**Re: Consultation on ARTC's revised Initial Indicative Service variation**

The ACCC is currently assessing a revised application by ARTC to vary its Hunter Valley Access Undertaking (HVAU) in order to implement the Initial Indicative Services and Initial Indicative Access Charges, as required under section 4.17 of the HVAU (the Revised Variation). The Revised Variation was submitted on 7 September 2012.

The Revised Variation, together with supporting materials from ARTC, is available on the ACCC's website at:

<http://www.accc.gov.au/content/index.phtml?itemId=1057506>

Alternatively, go to the ACCC's homepage, [www.accc.gov.au](http://www.accc.gov.au), and follow the links to 'For regulated industries' and 'Rail' and 'ARTC Hunter Valley Access Undertaking 2011.'

This Revised Variation has been submitted by ARTC following consultation on a previous variation application (the December 2011 Proposed Variation) relating to the Initial Indicative Service. ARTC withdrew the December 2011 Proposed Variation on 15 August 2012.

The Revised Variation incorporates a number of amendments which ARTC states are intended to address issues raised by the ACCC in its 9 May 2012 Position Paper on the December 2011 Proposed Variation. Parties are encouraged to view the amendments proposed in the Revised Variation in the documentation provided by ARTC, available on the ACCC's website. A brief overview of these amendments is provided below.

ARTC proposes to make the following adjustments to its methodology for determining pricing differentials:

- the use of equal weighting in price differentiation for Coal Chain Capacity and network Capacity impacts (compared to two thirds and one third respective weighting used under the December 2011 Proposed Variation);

- the correction of ‘an unintended error in the methodology’ in order to account for the impact of axle load differences in determining the maintenance component of the differentials for the non-TOP charges; and
- ARTC has elected (in this application) not to incorporate any adjustments in pricing in Pricing Zone 3 in order to take into account additional commercial considerations as described in the December 2011 Proposed Variation. (That is, ARTC has not applied an ‘offset’ to charges in Pricing Zone 3 based on the increased charges in Pricing Zone 1.)

In accordance with its revised pricing methodology, ARTC has proposed the following Initial Indicative Access Charges under the Revised Variation:

**Table 1: 2012 Initial Indicative Access Charges under the Revised Variation**

<b>Initial Indicative Service Assumptions</b>	<b>Pricing Zone</b>	<b>Non-TOP \$/kgtkm (ex GST)</b>	<b>TOP \$/kgtkm (ex GST)</b>
<u>96 wagon train</u>  30 tonne maximum axle load 60 kph maximum speed (loaded) 80 kph maximum speed (empty) 96 wagon train length 1543 metres maximum train length section run times as per applicable Hunter Valley standard working timetable	Pricing Zone 1: Initial Indicative Service 1	0.844	8.314
	Pricing Zone 2: Initial Indicative Service 1	2.393	6.920
<u>82 wagon train</u>  25 tonne maximum axle load 80 kph maximum speed (loaded) 80 kph maximum speed (empty) 82 wagon train length 1350 metres maximum train length section run times as per applicable Hunter Valley standard working timetable	Pricing Zone 1: Initial Indicative Service 2	0.812	9.636
	Pricing Zone 3: Initial Indicative Service 1	0.837	5.564

Table sources: See ARTC’s Revised Variation, subsection 4.17(d).

ARTC has made a number of other changes in the Revised Variation, including to incorporate drafting amendments proposed during the ACCC’s assessment of the December 2011 Proposed Variation and to specify the maximum length (in metres) of the Initial Indicative Services.

The ACCC encourages parties seeking to make a submission on the Revised Variation to do so as soon as possible, and at the latest by **5:00pm on 26 September 2012**.

Submissions should be addressed to:

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General Manager  
Fuel, Transport and Prices Oversight  
ACCC  
GPO Box 520  
MELBOURNE VIC 3001  
Email: [transport@accc.gov.au](mailto:transport@accc.gov.au)

The ACCC will decide whether it is appropriate to consent to the variation under s. 44ZZA(7) of the *Competition and Consumer Act 2010* (Cth) (the Act), having regard to the matters listed in s. 44ZZA(3) of the Act.<sup>1</sup>

Yours sincerely



Matthew Schroder  
General Manager  
Fuel, Transport and Prices Oversight

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<sup>1</sup> The ACCC notes that this consultation on the Revised Variation stops the clock for the purposes of calculating the 'expected period' within which the ACCC must make a decision on ARTC's Revised Variation, in accordance with section 44ZZBC(2) of the *Competition and Consumer Act 2010* (Cth).