



Friday, 11 July 2014

Mr Matthew Schroder
General Manager
Fuel, Transport and Prices Oversight Branch
Australian Competition and Consumer Commission
GPO Box 520
Melbourne Vic 3001

Email: transport@accc.gov.au

Dear Mr Schroder

Asciano Submission to the ARTC Hunter Valley Access Undertaking Annual Compliance Assessment

Asciano welcomes the opportunity to provide comment to the ARTC on the May 2014 ARTC submission to the ACCC in relation to the Hunter Valley Access Undertaking (HVAU) asset base roll forward, ceiling test and unders and overs account.

Asciano operates trains in the Hunter Valley via its subsidiary Pacific National, but is not a direct access holder in the Hunter Valley under the HVAU. Given this Asciano does not pay the access charges impacted by the asset base roll forward, the ceiling test and the unders and overs account. However, Asciano remains interested in network revenue and pricing issues as incentives arising from the level and structure of access prices have the potential to impact on Asciano's train operations in the Hunter Valley.

This submission is public.

Areas of Specific Comment Sought by ACCC

Asciano notes that the ACCC are specifically seeking submissions on the prudence of ARTC capital expenditure, efficiency of ARTC operating expenditure, the audit of the true up test and other matters such as revenue allocation.

ARTC Capital Expenditure

Under the 2011 HVAU the capital review process is undertaken by the Rail Consultation Group (RCG), which includes Asciano representation. Asciano believes that ARTC capital expenditure has been prudent.

The ACCC Consultation paper (page 12) seeks comment on the calculation of interest during construction. Asciano has no particular issue with the approach used as long as interest is only taken into account once and the approach is used consistently by ARTC from one year to the next.

More broadly Asciano notes that there are ongoing issues with track congestion in the Hunter Valley. Asciano believes that going forward there should be a stronger focus by the ARTC on capital expenditure designed to address track congestion in the Hunter Valley.

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ARTC Operating Expenditure

Asciano notes that ARTC 2013 maintenance costs are lower than previously forecast due to a deferral of maintenance activities. While Asciano recognises the access price benefits of this reduced operating expenditure, Asciano is concerned that ongoing deferral of prudent maintenance activities is likely to reduce track quality resulting in unplanned delays and hence increasing costs to both operators and access holders. To the extent that prudent maintenance is being deferred Asciano is seeking that prudent maintenance be undertaken in the next time period to ensure track quality is maintained.

More broadly in relation to ARTC operating expenditure; Asciano is concerned that there is not yet a performance incentive scheme which will act to provide incentives for ARTC to ensure that operating costs, maintenance and corporate costs are incurred at an efficient level. Such a scheme is required under the current HVAU and while Asciano recognises that work on this incentive scheme is progressing Asciano believes that there should be a stronger focus by the ARTC on finalising and implementing this scheme.

Other Areas of Comment by Asciano

The revenue under recovery for the January 2013 to December 2013 period is \$19.6 million. Asciano notes that in recent years there has been persistent revenue under recovery. These persistent forecasting shortfalls indicate the need for improvements in revenue and cost forecasting methodology, which will in turn result in more predictable price paths allowing both users and above rail operators to more accurately cost, fund and plan their operations.

If you wish to discuss this response please contact me on 02 8484 8056.

Yours faithfully,

A handwritten signature in black ink, appearing to be "Stuart Ronan", written over a light grey rectangular background.

Stuart Ronan
Manager Access and Regulation

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