

Submission: Australian Rail Track Corporation's proposed variation of the Hunter Valley Access Undertaking to include the Gap to Turrawan Segments

BACKGROUND

The ACCC has called for feedback on a position paper on the Australian Rail Track Corporation's (ARTC) proposed variation of the Hunter Valley Access Undertaking to include the Gap to Turrawan Segments. The ACCC proposes to agree to the variation with a number of qualifications.

Call for submissions: https://consultation.accc.gov.au/communications-1/gap-to-turrawan-variation-2013/consult_view

Due: 5:00pm 17/1/14

SUMMARY OF ARPI SUBMISSION

ARPI supports the ACCC recommendations in the Position Paper.

ARPI encourages the ACCC to more expressly consider risk policy in future considerations.

SUBMISSION

Mining is an important social and political issue.

While the present issue under consideration is relatively narrow (pricing considerations for coal haulage between the Gunnedah Basin to the Hunter Basin), ARPI considers that the policy to be pursued must be consistent with that applicable to the entire exploration/extraction process.

In this regard, ARPI notes recent analysis of coal seam gas operations and agrees that:

“In practical terms, it is important for all involved with CSG operations to understand the nature of the risks the industry poses. Society and economy depend on the ecological, hydrological and geochemical processes in the landscape. Their vulnerability to failures of CSG safeguards, not the calculated probability of failure, defines the level of risk. A new approach to risk management ‘demotes’ the probability assessment, and promotes realisation of the importance of the consequences of events (ARPI & ScottCromwell 2013). This model of risk thinking is consistent with the new cumulative risk assessment approaches in use in the Namoi and Murray Catchment Management Authorities (MCMA 2012; Eco Logical Australia 2011, 2012, 2013).” (BREE [Bureau of Resource and Energy Economics], Gas Market Report, October 2013, page 59)



ARPI agrees that, in relation to coal haulage, vulnerability defines the level of risk. Accordingly, in considering this issue, ARPI has sought to understand the real risks and real consequences of the matters under consideration, in the first instance at the level of the users of the rail infrastructure but equally looking at the upstream, downstream and knock-on effects of a failure to protect the vulnerabilities of all stakeholders (including an explorer or extractor) in the coal mining and export.

The position paper reports that:

“The ACCC's preliminary view is that incorporating the Gap to Turrawan Segments into Pricing Zone 3 and applying the same Initial Indicative Service as the existing Pricing Zone 3 Segments is appropriate...”

Having regard to the paper and consultant's report, ARPI supports this conclusion. In testing some of the underlying assumptions about the tariff, the ACCC proposed a series of variations having regard to the reports of consultants on the valuation of the asset and the relevance of some of the infrastructure to coal haulage. ARPI notes that these conclusions turn on specific circumstances under consideration.

A specific issue raised by the ACCC concerns pricing transparency (6.3.2.4). Users of the service are concerned that price setting is not sufficiently transparent (specifically in relation to the magnitude of the losses that will be capitalised for future recovery). The ARTC has countered by saying that pricing will be largely a matter for negotiation having regard to current market conditions and the economic environment. The ACCC accepts that the calculation of losses may be difficult and that the ARTC has power to negotiate prices but considers that, in the interests of transparency, the ARTC could provide a price estimate to users during annual negotiation processes. The ACCC has left open the precise way in which this might be achieved.

Public concern about elements of the supply chain (transport infrastructure, whether coal haulage or ports) following coal extraction is not new. Some of the relevant infrastructure overlies general use infrastructure. Haulage activities can have an impact on the amenity of other users, nearby communities and longer term maintenance costs of the infrastructure once haulage activities have been completed. In this environment, key vulnerabilities are the risk that haulage may be priced in a way that does not enable the infrastructure manager to properly manage its system (eg, track failure would impose significant difficulties for a range of users), or that haulage may be priced in a way that imposes excessive and unreasonable costs on users (damaging the economic efficiency of the supply chain).

ARPI agrees with the ACCC conclusion that, in relation to price setting, price transparency is a significant issue and considers that the ACCC recommendations go some way to minimising vulnerability to the types of risk identified above.



ABOUT ARPI


The Australian Risk Policy Institute is a non-political and non-profit organisation formed to promote and encourage greater focus on risk policy in leadership, decision-making and management across all sectors in Australia. Risk policy is the driver and pinnacle of risk management and must be clearly articulated by Boards and Executive Committees to ensure integrated risk management is optimised for best-practice performance and sound corporate governance.

ARPI has the following purposes:

1. To contribute to the development of risk policy covering whole-of-business-sector or whole-of-government approaches in Australia to ensure challenges, problems and opportunities facing the country are effectively addressed.
2. To ensure a risk policy approach is better understood and articulated at senior executive levels, from cabinet ministers to boards and company executives and management teams.
3. To make comment on a range of issues, including policy and legislation, from risk-based perspectives.
4. To promote risk policy development and implementation, share risk policy knowledge and understanding, provide a network for professionals interested in risk policy and conduct research into risk policies.
5. To publish papers on risk policy issues to promote community awareness, discussion and debate.

Yours sincerely

Adjunct Professor Tony Charge
President
15 January 2014


 +61 408 481 220

 tony.charge@arpi.org.au

 Tony Charge

 RiskPolicyARPI

 Box 295 Mawson ACT 2607

 Suite 1.01, 1 Taylor Street, Moorabbin, Vic, 3189