

4 October 2019

Matthew Schroder
 General Manager Infrastructure & Transport – Access & Pricing Branch
 Australian Competition and Consumer Commission
 GPO Box 520
 Melbourne, VIC 3001

Email: Transport@acc.gov.au

Dear Matthew

Thank you for allowing us to provide a response to the valuation approach for the Interstate network paper dated 12 September.

Bowmans Rail is a medium haul rail operator operating container freight trains predominantly in South Australia. Started in 2003 we are a privately owned South Australian company with customers who are largely exporters principally in the agriculture and mining sectors. We transfer around 50000 TEU between the hinterland and ports in Adelaide.

As a general statement and I know not specific to your questions but with some relevance is the statement that our principal challenges in growing our business profitably result from the constraints that we see in the inequitable modal pricing between road and rail that we see arising from a lack of local and national regulation and policy settings to address a series of transport infrastructure market failures that drive the modal pricing gaps between road and rail.

We have applied our response to the Table 2 on page 24 as follows:

	Questions for Stakeholders	Response
1	Do stakeholders prefer a RAB roll forward or a full DORC revaluation?	A full DORC revaluation for the reasons set out in pages 17 to 23 of your document
2	Do stakeholders have comments on the use of a RAB roll forward	No
3	Do stakeholders have comments on the use of a full DORC revaluation for setting the RAB	We support the arguments for the full DORC for the reasons set out in pages 17 to 23 of your document.
4	Do stakeholders have comments on the effect of the valuation on the RAB in setting Access Charges in future IAU applications?	We hope that once the full DORC assessments have been completed that there is further Stakeholder review on what impacts these valuations could have if any on future access charges.

		And that the processes and rules for setting and managing valuations and accounting policies and capital approvals and calculating access charges are consistent with the objectives of the full DORC assessment and the past inconsistencies in accounting revealed by the ACCC are removed.
5	If a full DORC valuation was undertaken, do stakeholders have comments on the suitability of the ACCC engaging a consultant to undertake the valuation?	Yes we think that is appropriate after the ARTC have input into the scope for the appointment so that ARTC have some ownership in the outcome. We would like to see the ARTC are involved in the governance throughout the selection and delivery of the project as a key stakeholder and our representative to ensure ownership of the outcome.
6	Do stakeholders have any other comments on the approach to valuing the RAB?	Not on the valuation process but in the pricing principles can rail pricing principles recognise the market failures that exist between road and rail price settings including some consideration for the costs operating and infrastructure access costs and the externality differences between road and rail modes. Rail access (fees paid to ARTC and other owners, insurances and fuel net of fuel tax credits) and Port access charges (\$100 per container more than a truck) constitute 40% of our train running costs compared to 10% for our trucks. And externalities in terms of congestion, pollution, maintenance and accidents.

Thank you for the opportunity to provide commentary.

If you require any additional information, please contact Scott McKay on 0411 042 130 or smckay@bowmansrail.com.au

Kind regards,



Scott McKay
Chief Executive Officer

Cc: Lynne Dickson Commercial Manager



BOWMANS RAIL