



18 March 2014

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

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Dear Mr Schroder

Submission re Proposed Variation re ARTC Final Indicative Service

I refer to your Consultation Paper seeking submissions on ARTC's request to the ACCC to vary the Hunter Valley Access Undertaking (HVAU). ARTC is seeking to incorporate its proposed characteristics and access charges for the Final Indicative Service (FIS) into the HVAU.

It is recognised that ARTC has an obligation to levy access charges in accordance with the final version of an ACCC-endorsed HVAU. This submission brings to ACCC's attention the disadvantage that coal producers suffer when they come to the ARTC network from the Sydney Trains network with its capacity limitations. The submission also suggests that a separate pricing zone may provide a mechanism for an equitable solution.

Background

[REDACTED]

[REDACTED]

Centennial retained a clear view that, while the commercial arrangements entered into had alleviated the access charges, Centennial's issues with the proposed access regime had not been addressed. These issues had been stood over to be addressed in the current submission.

Constraints of Other Network Rules

i. Potential Haulage Task in CY2014

Centennial operates its trains in the Sydney Trains, Country Regional and ARTC networks to deliver coal to the Newcastle port terminals. The Newstan load point is closest to the Newcastle terminals at 27km and plans are to deliver around 2 million tonnes in CY2014 on the Sydney Trains network. The Clarence load point is around 200km from the terminals and plans are to deliver one million tonnes in CY2014 on the Sydney Trains network. The other three load points are around 250km from the

terminals and plans are to deliver two million tonnes on both the Sydney Trains and Country Regional networks in CY2014. All trains will utilise the last 10km to the port terminals that constitutes the extent of the ARTC network used by Centennial. The bulk of the haulage task is thus undertaken on these other networks.

ii. **Trailing Load Requirement**

Current Sydney Trains and Country Regional Network Rules limit the trailing load of coal trains to 4,600 tonnes or 46 by 100-tonne gross wagons. ARTC's requirement for an Efficient Train Configuration (ETC) is a 96-wagon consist with a trailing load of approx. 11,250 tonnes.

iii. **Axle Loads**

Current Sydney Trains and Country Regional networks are limited to 25-tonne axle loads whereas ARTC's network has a limit of 30 tonne axle loads.

Consequently Centennial is unable to replicate two of the Indicative Service Characteristics of the FIS nominated by ARTC namely the use of 96-wagon trains and 30 – tonne axle loads to haul Centennial's coal to Newcastle port.

Load Point Performance

Modelling by HVCCC has determined the performance required by Centennial load points to meet its declared capacity requirements each year. Centennial is unaware of any detriment caused by the performance of any of its load points to the achievement of HVCCC's declared capacity either in this year or in recent years.

Close Proximity of Trains from Newstan to the Port Terminals

Centennial's trains emanating from Newstan can be made available at short notice to fill gaps in the system when issues prevent Hunter Valley trains from arriving on time although this opportunity has been underutilised. It is unlikely that HVCCC's modelling capability can currently predict the advantage of this capability.

Hexham Congestion Issues

Centennial's trains approach the port terminals from the east and avoid the regular congestion issues that occur at Hexham. It is noted that the delayed Hexham Relief Road project with an estimated cost of \$140 million will be implemented in late CY2014.

The likely inclusion of this project in ARTC's Regulated Asset Base in CY2015 could increase the financial penalty that Centennial may be required to pay if ARTC's proposed FIS submission is accepted.

Financial Impact of Proposed Differential Charges

The following Table outlines the proposed differential charges in pricing Zone 1 for a 96-wagon train, 82-wagon train and 46-wagon train. Operating mainly in networks with 25-tonne axle loads and 46-wagon trains, Centennial faces unavoidable financial penalties as indicated in the Table below. If Centennial had not been able to negotiate a reduction in the access charge last year, the company would be facing the full impact of the proposed 56% financial penalty.

Proposed Differential Payments for Varying Length Trains			
Final Indicative Service - Pricing Zone 1			
Parameter	96-Wagon Train	82-Wagon Train	46-Wagon Train
Axle Load	30	30	25
Max Speed Loaded	60	60	80
Max Speed Empty	80	80	80
TOP + NON-TOP Charge	\$10.498	\$11.623	\$16.420
per kgtkm			
Increase over 96-Wagon Charge		10.7%	56.4%
Source: ACCC Consultation paper & ARTC correspondence			

Current Centennial Initiatives

Centennial recognises the benefits of longer trains to increase the productivity of train paths and is currently undertaking the prerequisite testing with the Asset Standards Authority and Sydney Trains to enable it to commence an extended trial of a 50-wagon train mid-year. Centennial is hopeful that a 60-wagon train can be trialled in CY2015. Centennial has invested in contemporary train rolling stock to enable it to commence these trials.

Centennial has to share the key Sydney Trains network with a growing passenger network that gives these trains absolute priority. Centennial is working with Transport for NSW to have its new trains recognised as “high productivity” trains garnering a higher status in network operations with associated faster section run times and access to longer passing loops.

Conclusion

Centennial sees that the access charge levied as proposed represents a discriminatory and unfair impost on its ability to compete on a level playing field when exporting through the port of Newcastle. The levy adds to Centennial’s costs when compared to shippers able to use longer and larger trains.

All coal producers that run trains through the Sydney Trains network should be exempt from any levy that discriminates against them because of the limitations imposed by that network. Centennial proposes that ARTC establish a separate pricing zone for those coal producers that use the Sydney Trains network.