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Friday 4<sup>th</sup> October 2019

By email: [transport@acc.gov.au](mailto:transport@acc.gov.au)

Mr 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](mailto:transport@acc.gov.au)

Dear Mr Schroder,

SSR provides the following comments for public display in response to the ACCC's Issues Paper "Valuation approach for the interstate network" 12<sup>th</sup> September 2019.

In regards to Access Charges:

### **Access Charges**

ARTC is committing to set Access Charges in its replacement IAU application that are independent of the RAB valuation approach and RAB value, stating:<sup>3</sup>

*Importantly, ARTC would like to reaffirm its public statements that irrespective of the outcome of the RAB valuation ARTC will not change its published standing offer pricing. This is consistent with the pricing implemented under the IAU where there is no direct link between the costs incurred in maintaining, operating and investing in the network and the price for access in any one year. For this reason, ARTC is happy to commit to the statement that its pricing is independent of the RAB methodology.*

The ACCC understands that the Access Charges in its replacement IAU application will reflect the Access Charges that it proposed in the 'standing offer', during the assessment of the 2018 IAU.<sup>4</sup> The ACCC will consult on ARTC's proposed Access Charges as part of the ACCC's formal assessment of the replacement IAU.

SSR is pleased that access charges/pricing is independent of the RAB and this has been confirmed. SSR however reserves the right to challenge aspects of the standing offer at a later date when the ACCC's formally assesses the replacement IAU. Lack of commitment around access rates for train types such as 'ad hoc grain' will have a significant impact on regional grain customers and rail services especially during this severe drought, if these train types are removed from the standing offer come 1<sup>st</sup> July 2020.

SSR supports the ACCC's view that the RAB valuation approach is robust and transparent.

- 1) Do stakeholders prefer a RAB roll forward or a full DORC revaluation?
- 2) Do stakeholders have comments on the use of a RAB roll forward for setting the RAB for the replacement IAU?
- 3) Do stakeholders have comments on the use of a full DORC revaluation for setting the RAB for the replacement IAU?
- 4) Do stakeholders have comments on the effect of the valuation of the RAB in setting Access Charges in future IAU applications?
- 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?
- 6) Do stakeholders have any other comments on the approach to valuing the RAB?

In response to the stakeholder questions, as number 1 through to 6 above, the following corresponding responses are listed below:

- 1) SSR supports the ACCC's view that a DORC revaluation is undertaken.
- 2) As highlighted in the issues paper, there are significant challenges with utilising the RAB roll forward methodology however it is evident that the RAB should be significantly less than \$10 billion.
- 3) There are concerns over how substantial the DORC may be, however it is noted that the ACCC is requesting to manage the process. Footnote 26 provides some certainty around the optimisation of the asset.
- 4) While the standing offer may be applicable for the next IAU period, there are always concerns over the ability of ARTC to 'hike-up' prices closer to the ceiling in future IAU applications. Rail freight operates in highly competitive markets against road transport and coastal shipping, and even small increases in track access can have significantly detrimental effect on the cost per tonne of rail freight transportation.
- 5) SSR would support the ACCC engaging a consultant to undertake the valuation
- 6) The discussion paper clearly identifies the challenges faced in achieving an accurate RAB. Based on all commentary, it appears that a roll forward approach simply isn't feasible and a DORC revaluation will be an acceptable method.

Kind Regards,



**Chris Jones**

*Executive General Manager - Commercial, Rollingstock & Rail Safety  
Southern Shorthaul Railroad*