



Friday, 7 September 2012

Matthew Schroder
General Manager
Fuel, Transport and Prices Oversight Branch
ACCC
GPO Box 520
Melbourne Victoria 3001

Dear Mr Schroder

ARTC Hunter Valley Access Undertaking Annual Compliance Assessment

Asciano welcomes the opportunity to comment on the June 2012 ARTC submission to the ACCC in relation to the Hunter Valley Access Undertaking (HVAU) asset base roll forward and ceiling test.

Asciano recognises that this compliance assessment only applies to the six month period July 2011 to December 2011 and as such is a necessary transitional step between the previous access undertaking and the current HVAU.

Areas of Specific Comment Sought by ACCC

Asciano notes that the ACCC are specifically seeking submissions on the ARTC DORC valuation, ARTC capital projects and capital expenditure, calculation of interest during construction and the level of costs incurred by ARTC.

DORC Valuation

Asciano has no particular comment on the DORC valuation for segments not ascribed a value under the previous undertaking, but Asciano believes that where possible there should be consistency between the valuation methodologies and related regulatory processes used in the previous undertaking and those used the current undertaking.

Maintaining a consistency of approach across access undertakings allows for a comparison of asset valuations between asset segments and between time periods.

Capital Projects and Capital Expenditure

Hunter Valley capital projects were previously reviewed and endorsed by the Rail Infrastructure Group (RIG) which included Asciano representation. Under the 2011 HVAU this capital review process will now be undertaken by the Rail Consultation Group (RCG), which also includes Asciano representation.

Asciano recognises that the RCG was not in existence in the period July 2011 to December 2011 and that in this interim period the RIG continued to operate. Asciano believes that this approach was reasonable as it ensured a continuity of stakeholder involvement in ARTC capital decision making.

Asciano generally supports the type and level of the ARTC's capital expenditure that has



been undertaken.

However, Asciano does have a concern about the rate of ARTC capital expenditure in the Hunter Valley. At the current time there are major ongoing issues with track congestion in the Hunter Valley and Asciano believes that there should be a stronger focus by ARTC on capital expenditure in the immediate future in order to reduce track congestion. Asciano has raised this issue of track congestion in other regulatory forums with both ARTC and the ACCC.

Interest During in Construction

ARTC capital expenditure includes capitalisation of interest during construction. This approach was used in the previous Hunter Valley undertaking administered by IPART. Asciano has no particular issue with this approach as long as interest is only taken into account once. Asciano believes that where possible there should be consistency between the methodologies used in the previous undertaking and the current undertaking.

Level of Costs incurred by ARTC

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 undertaking and while Asciano recognises that work on this incentive scheme is progressing Asciano believes that there should be a stronger focus on finalising and implementing this scheme.

Further Comment by Asciano

In addition to the issues outlined above where the ACCC sought comment, Asciano believes the issue of transitional arrangements should be addressed.

The compliance assessment covers July 2011 to December 2011. During this period access rights were still held by operators, such as Asciano, however from January 2012 onwards access rights are transferred to the relevant miners or end users. Asciano believes that adjustments to the overs and unders account and other adjustments should be provided in more detail for the period commencing January 2012 to ensure that there is transparency in the transition from the operators holding the access rights to miners and end users holding the access rights.

In particular, where the access rights have transferred in the relevant time period the ARTC should be clear on how any under recovery or over recovery adjustment has been allocated between the relevant parties. Thus Asciano is seeking that in the next compliance assessment the issue of transitional arrangements be transparently addressed.

Yours faithfully



Stuart Ronan
Manager Access and Regulation

MELBOURNE

Level 4, 476 St Kilda Road,
Melbourne VIC 3004 Australia
Telephone: +61 3 9248 7000
Facsimile: +61 3 9699 2869

SYDNEY

Level 6/15 Blue Street,
North Sydney NSW 2060 Australia
Telephone: +61 2 8484 8000
Facsimile: +61 2 8484 8154

Email: info@asciano.com.au
www.asciano.com

ABN: 26 123 652 862