

20 December 2019

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

By email: matthew.schroder@acc.gov.au

Dear Matthew

AUSTRALIAN RAIL TRACK CORPORATION LTD
RE: 2008 INTERSTATE ACCESS UNDERTAKING (IAU) Clause 2.2(b)

On 28 February 2019, the ACCC accepted ARTC's request to extend the term of the 2008 IAU to 29 February 2020. This extension included an amendment to clause 2.2(b) which requires ARTC to provide the ACCC with a minimum of 6 months' notice ahead of the 29 February 2020 expiry date of its intentions in respect of submitting a revised undertaking.

On 29 August 2019, ARTC wrote to the ACCC under clause 2.2(b) of the IAU, advising the ACCC that it was "ARTC's intention to submit a renewed IAU that will be in effect by 1 July 2020, consistent with its application to extend the 2008 IAU to 30 June 2020".

On 26 September 2019, the ACCC accepted ARTC's application to extend the IAU to 30 June 2020. This extension resets the notification date of ARTC's intentions in respect of submitting a revised IAU to 31 December 2019.

On 8 November 2019, the ACCC published its Statement of Approach stating that a full Depreciated Optimised Replacement Cost (**DORC**) revaluation is the most appropriate approach to valuing the Regulated Asset Base (**RAB**) on the Interstate network for ARTC's replacement Interstate Access Undertaking.

In its Statement of Approach, the ACCC makes the following comment (at p21 and emphasis added) in respect of further extensions of the IAU:

*"ACCC encourages ARTC to consider submitting another application to extend the term of the 2008 IAU to ensure there is regulatory certainty over the terms of access to the Interstate network during the assessment of the replacement IAU. **The length of a further extension required will become clear once the DORC consultant has been engaged.**"*

ARTC considers that contractual and pricing certainty for its customers is critical and agrees with the ACCC's proposition in the Statement of Approach for a further extension of the IAU. At this stage of the process, however, it is difficult to ascertain the term of the further extension given the length of a further extension is dependent on a DORC consultant being engaged. This means that ARTC is not able to lodge such an extension until the term of the extension is clarified in 2020 following

engagement of the DORC consultant. ARTC encourages the ACCC to expedite this work and, together with ARTC, commit to a timeframe that completes this process as quickly as possible.

In its letter of 25 November 2019 to the ACCC agreeing to the conditions of the DORC revaluation Statement of Approach, ARTC stated:

“ARTC will work with the ACCC and customers in respect of the appropriate approach to further extensions of the 2008 IAU. However, irrespective of the timing of the 2020 IAU approval and the outcome of the DORC valuation, ARTC maintains its commitment to implement a pricing path that deliver the same compound growth rate for the Adelaide to Kalgoorlie segment for the eventual 2020 IAU term that would arise under its current Standing Offer term from 1 July 2020 to 30 June 2025.”

ARTC therefore advises the ACCC, under clause 2.2(b) of the IAU, of its intent to submit a further extension of the IAU ahead of its expiry on 30 June 2020, based on stakeholder and ACCC consultation in respect of timing and contractual certainty.

If you have any questions in respect of this letter, please do not hesitate to contact either Simon Ormsby on (08) 8217 4314 (Ph) or sormsby@artc.com.au (email) or Jonathan Teubner on (08) 8217 4248 (Ph) or jteubner@artc.com.au (email).

Yours sincerely



John Fullerton
Chief Executive Officer