



Tuesday, 20 August 2013

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

## **Asciano Submission to the ACCC relating to the ARTC Hunter Valley Access Undertaking Proposed Variation to Include Turravan to The Gap**

### **Introduction**

Asciano welcomes the opportunity to provide comment to the ACCC Consultation Paper on the June 2013 ARTC proposed variation to the Hunter Valley Access Undertaking (HVAU) which proposes to include rail segments from The Gap to Turravan in the Hunter Valley rail network. Asciano, through its Pacific National subsidiary, operates both coal trains and non-coal trains on The Gap to Turravan rail segments. This submission is public.

### **Asciano's Position**

Asciano believes that it is appropriate to extend the scope of the HVAU to include rail infrastructure from The Gap to Turravan. However Asciano has some concerns as outlined below.

#### *Asset Valuation*

The ARTC proposed variation necessarily includes a regulatory valuation of the rail infrastructure from The Gap to Turravan to be included in the HVAU regulatory asset base. While Asciano does not hold coal access rights on this rail infrastructure and does not pay coal access charges, Asciano continues to be concerned with access pricing as such pricing is a component in determining throughput. In relation to the regulatory valuation of the rail infrastructure Asciano believes that if there is concern as to the valuation then an independent review of the regulatory asset valuation submitted by the ARTC may provide the necessary confidence that the valuation is appropriate.

More generally Asciano would seek that any regulatory asset valuation approach used by the ARTC is consistent across assets and across time. Asciano is seeking that the ACCC confirm the general consistency of the regulatory asset valuation approach used by the ARTC in relation to The Gap to Turravan rail infrastructure.

In addition Asciano notes that in the ARTC regulatory valuation of the rail infrastructure includes a \$500,000 allocation related to the ARTC Network Control Centre. Asciano is seeking that the ACCC confirm that in relation to this cost allocation the cost of the ARTC Network Control Centre is not being over-recovered<sup>1</sup>.

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<sup>1</sup> For example assuming the cost of the control centre is fixed and is being recovered from the Hunter Valley network as currently defined then any further recovery of these control centre costs from a new network segment would imply a

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### Access Pricing

Asciano understands that The Gap to Turravan segments will be included in HVAU Pricing Zone 3 for the purpose of access pricing.

Asciano notes that in Pricing Zone 3 without The Gap to Turravan segments the 2013 current prices are as follows<sup>2</sup>:

- Non Take or Pay Price \$0.71 per '000 gtk
- Take or Pay Price \$6.677 per '000 gtk

Asciano notes that in Pricing Zone 3 the 2014 forecast prices including The Gap to Turravan segments are as follows<sup>3</sup>:

- Non Take or Pay Price \$0.958 per '000 gtk
- Take or Pay Price \$6.276 per '000 gtk

These prices seem to indicate a re-balancing between the non-“take or pay” price and “take or pay” price. This rebalancing of prices makes a direct comparison of the impact of the inclusion of The Gap to Turravan segments problematic. Asciano recognises that this rebalancing could be due to 2014 ARTC volume forecasts.

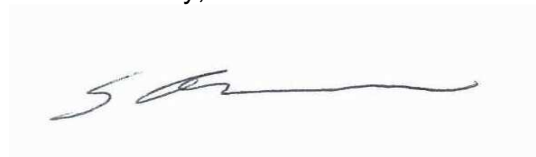
Asciano is seeking that the ACCC consider this tariff rebalancing to ensure that the rebalancing is justifiable and that no pricing anomalies or perverse price signals occur.

### Conclusion

Overall Asciano believes that it is appropriate to extend the scope of the HVAU to include rail infrastructure from The Gap to Turravan but believes that issues relating to asset valuation and pricing should be considered prior to any final approval.

If you wish to discuss this response please contact me on 02 8484 8056.

Yours faithfully,



**Stuart Ronan**

Manager Access and Regulation

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reduction in the allocated network control centre costs for existing segments.

<sup>2</sup> From <http://www.artc.com.au/Content.aspx?p=229> for trains 25 tonne axle load, 80 kilometres per hour maximum speed and a train length of 1350 metres

<sup>3</sup> From ARTC Application to Vary HVAU For GAP to Turravan Segments – Supporting Documentation page 21

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