

# INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

**Statement of reasons for decision on the compliance of RailCorp with Schedule 3, clause 5(f) of the New South Wales Rail Access Undertaking for its Sydney metropolitan freight corridors (excluding the Northern Freight Corridor) for 2013-14.**

## DECISION

In accordance with clause 5(f) of Schedule 3 of the NSW Rail Access Undertaking (the Undertaking<sup>1</sup>), we have determined that RailCorp has demonstrated to our reasonable satisfaction that access revenue of its metropolitan freight corridors<sup>2</sup> (except Northern Freight Corridor) is not more than 80% of the Full Economic Cost of the individual sectors for 2013-14.

## REASONS FOR DECISION

In 2014 we reviewed RailCorp's compliance with clause 5(f) of Schedule 3 of the Undertaking for 2012-13 in respect of its Sydney metropolitan freight corridors network assets.

Clause 5(f) requires that Rail infrastructure Owner must "demonstrate to the reasonable satisfaction of IPART that Access revenue of its rail assets is no more than 80% of the Access revenue likely to be derived by application of the Ceiling Test".

Our 2014 assessment concluded that the Access revenue of the Sydney metropolitan freight corridors was below 80% of the Full Economic Costs of the network sectors. Also, on the basis of our findings, we were of the view that the 80% threshold as specified in clause 5(f) was unlikely to be exceeded in the following five years by the Sydney metropolitan freight corridors with the exception of the Northern Freight Corridor.

For this reason, we decided that from 2012-13 onward, RailCorp should (unless notified otherwise) submit Ceiling Test information on the Inner West, Illawarra, Metropolitan Freight Network, South and Western corridors every 5 years. To demonstrate compliance in the interim years, we considered it sufficient that TfNSW (on RailCorp's behalf) provide a confirmation that there had not been

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<sup>1</sup> Terms in the Undertaking have the same meaning in this Statement of Reasons as they have in the Undertaking unless otherwise defined.

<sup>2</sup> The MFN freight corridor excludes the Sydney Metropolitan Freight Network sectors from Sefton Park Junction/Flemington South to Port Botany leased to the Australian Rail Track Corporation.

any material changes to the Access revenue and cost base of these freight corridors that would cause Access revenue to approach the 80% threshold.

In accordance with our 2014 decision, TfNSW (on behalf of RailCorp) has provided the confirmation for 2013-14, that there have been no such material changes in Access revenue and costs.

On the basis of the confirmation, we are reasonably satisfied that RailCorp has demonstrated that Access revenue of each of its metropolitan freight corridors sectors (excluding the Northern Freight Corridor ) is no more than 80% of the Access revenue likely to be derived by application of the Ceiling Test for 2013-14 under clause 5(f) of Schedule 3 of the Undertaking.

December 2016