

Rail Access Compliance – ARTC Non-Hunter Valley Coal Network 2020-21

10 December 2021

The ARTC has complied with the ceiling test

We have completed our review of the Australian Rail Track Corporation's (ARTC) 2020-21 annual compliance with the NSW Rail Access Undertaking (the Undertaking) for its non-Hunter Valley Coal Network sectors:

- Turrawan to Boggabilla (249 km)
- Goobang Junction to Merrygoen (244 km)
- Merrygoen to The Gap (183 km)
- Merrygoen to Ulan (103 km)
- Sydney Metropolitan Freight Network (66 km)
- Inland Rail North West Link (6 km).

The ARTC has demonstrated to IPART's reasonable satisfaction that access revenue for each sector is no more than 80% of the full economic cost of providing the rail infrastructure for 2020-21. The ARTC's compliance submission for 2020-21 shows cost recovery across all sectors remained stable.

We assess compliance with the Undertaking each year

The NSW Rail Access Undertaking limits the revenue that rail infrastructure owners can earn each year. This is intended to ensure that monopoly track owners provide prices and conditions of access to existing and future access seekers on reasonable terms.

IPART is responsible for determining whether rail infrastructure owners have complied with the relevant requirements of the Undertaking. The ARTC submitted its annual compliance information for 2020-21 for IPART's review in November 2021.

Consistent with its compliance submission in previous years, the ARTC made its 2020-21 submission under clause 5(f) of Schedule 3 of the Undertaking. This clause removes the need for a detailed compliance assessment each year if ARTC can demonstrate to IPART that access revenue is no more than 80% of the full economic cost for that sector.

In this case, IPART requires that the ARTC submits detailed ceiling test information every 5 years only. Each year, it must demonstrate to IPART's reasonable satisfaction that there has been no material change to the sectors' revenue and cost base that would cause revenue to approach the 80% threshold. If the 80% threshold is exceeded, the rail infrastructure owner must submit more detailed documentation demonstrating its compliance with the asset valuation roll forward principles and ceiling test as required by the Undertaking.¹

The ARTC has included one new sector for assessment

The Inland Rail North West Link² was commissioned in September 2020 so this is the first time that we are required to assess this sector. We have tested ARTC's proposal using our own cost benchmarks and publicly available data. We are satisfied that access revenue is below the 80% threshold.

We will do a comprehensive review in 2023

We undertake a more detailed compliance assessment of regulatory asset values and full economic costs every 5-years. Our next detailed compliance assessment is due to be completed in 2023.

In our compliance assessment last year, we proposed to bring forward the detailed assessment to 2022.³ This was in response to the ACCC's review of the regulatory asset base for the ARTC's Interstate network, which may have had implications for the ARTC's benchmark asset valuations for its other networks.⁴ However, this review has been deferred while the ACCC reviews the broader regulatory framework for ARTC's Interstate Network.⁵

We are also conducting a [review of the NSW Rail Access Undertaking](#), with our final report due to the Minister in August 2022.

Therefore, we will complete our detailed assessment in 2023, as originally scheduled, to take into account the outcomes of these reviews.

¹ See IPART, *Rail Access Annual Compliance Reviews Guideline*, March 2017.

² The new 6 km segment is on the western approach to Parkes, connecting the main Broken Hill to Parkes line with the Parkes to Narromine line.

³ IPART, *Rail Access Compliance – ARTC Non-Hunter Valley Coal Network for 2019-20*, p 1.

⁴ ACCC, *DORC valuation of ARTC's Interstate Network*, ACCC supplementary paper to GHD's valuation report, October 2021.

⁵ ACCC, *Review of the regulatory framework for ARTC's Interstate network*, accessed December 2021.