

Friday, 21 October 2016

Fiona Towers
Director Energy and Transport
Independent Pricing and Regulatory Tribunal
PO Box Q290,
QVB Post Office
NSW 1230

By email: Patrick_Lam@ipart.nsw.gov.au

Dear Ms Towers

Pacific National Submission to IPART Review of RailCorp's Compliance with the New South Wales Rail Access Undertaking for 2014 / 15 Financial Year

Introduction

Pacific National welcomes the opportunity to provide this submission to the Independent Pricing and Regulatory Tribunal (IPART) on RailCorp's¹ compliance with the NSW Rail Access Undertaking for 2014-15 in relation to Asset Roll Forward Principles, the Ceiling Test and the Overs and Unders account for the section of the RailCorp network from Newstan Junction to Woodville Junction (the HVCN). This submission is public.

On a separate matter Pacific National is seeking that IPART be aware that future submissions relating to RailCorp and New South Wales Rail Access Undertaking regulatory processes will now be made by Pacific National rather than Asciano. This change follows the sale of Asciano in August 2016 which has resulted in Pacific National becoming a stand-alone company with new owners. Submissions made before this ownership change should be treated as being joint submissions from Pacific National and Asciano.

Pacific National (as Asciano) has made numerous submissions to previous RailCorp regulatory processes.

Pacific National Comments on the RailCorp Submission

Pacific National's concerns with the RailCorp submission are outlined below.

Ceiling Test

Pacific National notes that the RailCorp submission (page 4) is using the ceiling test methodology which RailCorp has used in its previous submissions on this matter, despite the fact that IPART has determined that this methodology is not consistent with the NSW Rail Access Undertaking. Pacific National supports the current IPART position that the methodology used by RailCorp is not consistent with the NSW Rail Access Undertaking. Pacific National believes that the ceiling test should be undertaken using the methodology previously used by IPART.

In considering operating costs as a component of the ceiling test Transport for New South Wales (as agent for RailCorp) (page 5) notes that it no longer has RailCorp's cost model and as such has escalated RailCorp's previously submitted maintenance costs, network control costs and corporate overheads by CPI in both 2013/14 and now 2014/15. Pacific National has concerns with this approach to determining operating costs, as escalating previously submitted costs by CPI with no reference to either the efficient costs of providing the service or a reconsideration of the relevant cost allocations is likely to result in an inaccurate assessment of efficient costs.

¹ Pacific National recognises that the submission has been developed by Transport for NSW as an agent for RailCorp.

Sydney

Level 18, 15 Blue Street
North Sydney NSW 2060
Telephone: +61 2 8484 8000

Melbourne

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

www.pacificnational.com.au

Pacific National Pty Ltd
ACN 098 060 550

In relation to the ceiling test workings outlined in the RailCorp submission (page 6) the RailCorp stand alone operating costs are driven by RailCorp's modelled costs for maintenance, network control and corporate overheads. The RailCorp submission (page 6) describes these costs as being determined by a model but the details of the model are not contained in the RailCorp submission. For the purposes of assessing the ceiling test the modelling and allocation of these costs should be more transparent.

Unders and Overs Account

Pacific National notes that the RailCorp submission (page 7) calculates under recoveries back to 2004-5, however the IPART Final Decision 2010-11 (page 9) indicates that RailCorp did not establish an unders and overs account until 2009-10. Given this, Pacific National does not believe that RailCorp under recoveries prior to 2009-10 should be considered in any calculations.

Overview

Overall Pacific National has concerns that the RailCorp submission is based on cost estimations and methodologies which were previously rejected by IPART and based on cost models which are no longer available which raises concerns that the modelled costs cannot be tested and may not reflect efficient costs.

Pacific National seeks that RailCorp develop improved and updated cost information and cost methodologies so that the current approach can be improved.

If you wish to discuss this response please contact me on [REDACTED]

Yours sincerely

[REDACTED]

Stuart Ronan
Manager Access and Regulation

