

30 January 2024

Mark Caputo  
Senior Manager, Economics  
Essential Services Commission of South Australia  
GPO Box 2605  
Adelaide SA 5001

**Pacific National response to Draft Report - Tarcoola to Darwin rail infrastructure: review of asset valuation methodologies for periodic revenue reviews August 2023**

Dear Mark,

Pacific National welcomes the further opportunity to engage on the Essential Services Commission of South Australia (ESCOSA) Tarcoola to Darwin rail infrastructure: review of asset valuation methodologies for periodic revenue reviews.

Pacific National appreciates the work ESCOSA has undertaken to consider the asset valuation methodology to be adopted in periodic reviews of the relevant revenues earned by the Tarcoola-Darwin rail infrastructure provider, and welcomes ESCOSA's decision to apply a Depreciated Optimised Replacement Cost (DORC) asset valuation methodology to subsequent periodic reviews of revenues in the near future.

DORC is the preferred asset valuation method when there is no road freight competition because it is efficient and supports price stability and regulatory harmonisation. DORC appropriately balances the interests of rail operators and below-rail owners and:

- Supports usage and operation of below-rail infrastructure and encourages prudent investment in below rail infrastructure.
- Is consistent with arbitration processes in the AustralAsia Railway (Third Party Access) Code (Code) and regulatory practice in Australia.
- Is relatively practical to employ for the purpose of establishing a reasonable revenue ceiling and undertaking the maximum revenue assessment.

Pacific National welcomes the additional focus on transparency highlighted in the Draft Report. Pacific National agrees there is a need for greater transparency in the periodic reviews of revenues and appreciates ESCOSA's decision to provide sensitivity analysis that outlines the results of the maximum revenue assessment had alternative valuation approaches been applied instead of DORC.

Should you wish to discuss any of the items raised in this letter, please contact Pacific National's Regulation Access and Policy Manager, Susan Furze, on 0474 368 293 or at [Susan\\_Furze@pacificnational.com.au](mailto:Susan_Furze@pacificnational.com.au).

Yours sincerely,



Jade Hooper  
Head of Strategic Access – Pacific National