WESTNET SUBMISSIONS TO THE ACTING RAIL ACCESS REGULATOR
ARTC SUBMISSION

The Acting Rail Access Regulator in Western Australia has requested submissions from interested parties with regard to submissions for determination covering various aspects including:

- Train Management Guidelines
- Train Paths Policy
- Costing Principles
- Segregation Arrangements

These submissions have been made by the access provider in WA, Westnet, in accordance with requirements under the Railways (Access) Act 1998 (The Act) and the Railways (Access) Code 2000 (the Code).

A key issue to ARTC with respect to the WestNet's submissions is that they cover activities occurring on the WA rail network and associated infrastructure currently leased from the WA Government by WestNet, which includes part of the interstate rail network between West Kalgoorlie and Perth. Interstate operators, or access seekers, of services between the eastern states and Western Australia will be required to operate under the conditions of access described in the Code, as well as under ARTC's Access Undertaking (currently being considered for approval by the Australian Competition and Consumer Council (ACCC) for any movement east of Kalgoorlie. A copy of ARTC's proposed Access Undertaking can be located at the ACCC's website www.accc.gov.au.

ARTC notes that the WA Government applied for certification of the Code from the National Competition Council (NCC) in February 1999. During the process, the NCC requested the WA Government to exclude the operation of interstate services utilizing the interstate rail network between Perth and Kalgoorlie from application of the Code and further suggested that the WA Government that the Code be amended to require the track owner (at the time) to submit an undertaking to the ACCC to ensure nationally consistent arrangements could be developed. The main reason for this was the Councils concern about the consistency of terms and conditions of access between the Code and any proposed national regime, a matter which raised considerable concern in the market. Other than this issue, the NCC considered that the WA access regime addressed the requirements for an effective access regime under Part IIIA of the Trade Practices Act 1974 (TPA). ARTC was an active participant in this regulatory process. Copies of ARTC's submissions during the consultation are available from ARTC or the NCC's website www.ncc.gov.au

The WA government decided against this approach and subsequently withdrew the application for certification in late 2000. As such, the Code, as applied to either interstate or interstate services on the WA rail network leased by WestNet is not a certified regime.

In accordance with an Inter-Governmental Agreement made in 1997 which brought about the incorporation of ARTC as the track manager of the interstate rail network, ARTC developed and executed with the Western Australian Government Railways Commission (Westrail) which was the owner of that part of the interstate rail network in WA, a wholesale agreement providing ARTC with the exclusive right to sell access for interstate train operations to that network. The agreement was developed in accordance with the principles for access now incorporated in ARTC's Access Undertaking before the ACCC. The agreement also provided for the purchaser of the Westrail rail freight network (WestNet) to assume Westrail's role following the sale. As such, ARTC's main interest in the submissions made by WestNet to the Acting Rail Access Regulator, is do ensure consistency between the relevant aspects of the submissions and the terms and conditions of the wholesale agreement and, therefore, ARTC's Access Undertaking. ARTC seeks the Acting Rail Access Regulator's consideration of the issue of consistency of conditions of access to the interstate rail network for interstate users in its deliberations.

For the remainder of the submission, ARTC will endeavour to identify the relevant aspects of the submissions and address the issue of consistency with national access provisions.

TRAIN MANAGEMENT GUIDELINES

In principle, WestNet's approach with respect to the use of the network in accordance with scheduled train paths, dealing with network blockage and recovery, consultation between itself and operators and prioritization of train paths in the event of out-of-course running is largely consistent with ARTC's approach. A copy of ARTC's Network Management Principles included in ARTC's Indicative Access Agreement, forming part of ARTC's Access Undertaking is included at Attachment 1. These principles are also included in the wholesale agreement.

ARTC's objectives with regard to network management, within safety constraints are:

- A train that enters the network on-time (with agreed tolerance usually 15") and suffering no significant enroute delay brought about by above rail causes will exit the network on time (15" tolerance). Train considered to be healthy.
- A train which enters the network late or suffers a significant enroute delay brought about by above rail causes will exit the network no later than the total of the late entry delay and enroute delay (notwithstanding any delays incurred in managing healthy trains). (That is, ARTC will not add to the above rail delay).
- ARTC will use best endeavours to exit a train on-time where the train has entered late or suffers an enroute delay brought about by above rail causes (notwithstanding any delays incurred in managing healthy trains).

The first and last objectives are similar to those proposed by WestNet. There would appear to be no commitment proposed by WestNet not to 'deteriorate' unhealthy trains.

ARTC notes some omissions from WestNet's proposed matrix. In particular, there are no rules stated with respect to the treatment of conflicts between late and early trains, and between two late trains. On ARTC's network, it is quite common for a train to run off path during its journey and conflicts between two off path trains are regular. ARTC's considers it important that rules are included in WestNet's with respect to these occurrences and the rules should be consistent with the attached principles.

It should be noted that the attached principles differentiate between different types of services (Premium, High, Standard). This differentiation is dependent upon the speed and axle loading of the train and results in different pricing for these types of train. The different train types are largely recognized in the planning of a timetable more so than in the treatment during train running. Careful inspection of ARTC's principles will reveal that the prioritization during train running is still largely dependent upon the position of the train with respect to its scheduled path. Having said this, it is generally regarded that a higher speed, lighter train is more able to hold gains made when given preference. As such, these types of trains often have inherent priority on the network when all other things are equal. Combined with the priority afforded to these types of services during planning, there is some justification for the higher access charge generally paid for these services.

Nevertheless, separation of the train management principles into these types of services would not be considered mandatory given the underlying priority anyway as described above.

It should be noted that, unlike ARTC, WestNet is a vertically integrated access provider. In previous submissions to the NCC, ARTC has suggested that a vertically integrated provider has different commercial motivations that a vertically separated provider. This different motivation is manifested in how a vertically integrated provider manages third party trains with respect to its own above rail provider. Whilst the regulatory regime seeks to prohibit anti-competitive behaviors, it is only able to do so where such behaviours are observed and at the time such behaviours are observed. ARTC has expressed concern that day-to-day network management is an area where anti-competitive activity could be difficult to observe given that there is some subjectivity inherent in management decisions. The use of a decision matrix as proposed can provide a framework for some equity and transparency in this management process, but it is the specific application of the matrix where anti-competitive behavior can arise but is generally only observable following obvious or continual behaviour.

ARTC requests that the Acting Rail Access Regulator consider this in assessing WestNet's approach, particularly with respect to the need for performance indicators covering the network management activity.

Maintenance

WestNet's proposed maintenance provisions detailing the conditions under which WestNet may take possession of the network for maintenance, the standard to which the infrastructure must be maintained and the ability of WestNet to impose operating restrictions are similar to those incorporated in ARTC's Indicative Access Agreement forming part of the Access Undertaking.

Key Performance Indicators

WestNet's proposed commitment to developing KPI's under access agreements is similar to that made by ARTC in its Indicative Access Agreement forming part of the Access Undertaking. In its undertaking, ARTC has also undertaken to publicly report on both its own and operators' performance with respect to train running on a quarterly basis. Such reporting is at an aggregated level, whilst reporting within agreements would be at an operator level. Given WestNet's vertically integrated structure, ARTC would suggest that regular public reporting of a similar nature would be appropriate where performance of third party services and performance of related party services would be separately identified.

<u>Obligations of Each Party</u>

The obligations on both WestNet and the Operator is largely the same as that incorporated in ARTC Indicative Access Agreement forming part of the Access Undertaking. ARTC however notes that, unlike ARTC's provisions, WestNet appears to place no obligation on the Operator to comply with the Code of Practice.

TRAIN PATH POLICY

With some exceptions, ARTC does not formally detail its approach to the allocation of train paths for regulatory purposes. This recognizes that the needs of operators can vary widely and will be handled on a case-by-case basis. Nevertheless ARTC does maintain a master train plan and has administrative processes in place for the development of new or varied paths.

ARTC recognizes that there is a greater need for a more formal approach where the access provider is vertically integrated, so as to provide greater certainty and transparency for third party access seekers.

ARTC has undertaken to make significant plan and capacity information available on its website (Master Train Plan, route standards, running times) in order to enable prospective users to make a reasonable assessment as to available capacity prior to an application for access. Further, ARTC has undertaken to provide even more specific and detailed information available to an applicant through the provision of an Indicative Access Proposal, so as to assist with the balance of the ensuing negotiation process.

Given WestNet's vertically integrated structure, ARTC considers it appropriate that similar information should be made available to potential third party users. ARTC notes that the Code provides for WestNet to provide an initial indication of available capacity on a route but ARTC is concerned that this may not provide sufficient transparency to the user by itself.

Under the wholesale agreement, WestNet has committed significant available capacity to ARTC for the purpose of making access available to interstate users. ARTC considers that WestNet's Train Path Policy should address this commitment.

Train Path Variation

WestNet's proposed approach to temporary and permanent variations of train paths is consistent with the approach incorporated in the Indicative Access Agreement forming part of ARTC's Access Undertaking.

Removal of Train Paths for Under-utilisation

ARTC has incorporated a similar provision in its Indicative Access Agreement. ARTC's underutilization threshold is seven out of any twelve consecutive paths. WestNet's proposed threshold (three consecutive weeks, then six occasions in the next six months) appears to be far more onerous. ARTC considers that its approach represents a more balanced position between the interests of the access provider and the seeker.

Review of Scheduled Train Paths

WestNet's proposed approach to review of scheduled train paths is consistent with the approach incorporated in the Indicative Access Agreement forming part of ARTC's Access Undertaking.

Cancellation

ARTC's approach to cancellation of services provides for the cancellation of up to certain number of services per year per path without liability to ARTC, for any reason. Beyond this, the flagfall component is payable and under-utilisation provisions apply.

The WestNet approach appears to allow any number of cancellations where the circumstances are beyond the control of the operator. It would also appear that Access Agreement might allow cancellations for a number of circumstances (up to five for regularly scheduled services) including public holidays, inability to provide product from an input facility, inability to unload at a port and seasonality.

With respect to regularly scheduled services WestNet's approach appears similar, but more generous, than that for ARTC's. ARTC has no objection to this as it does not create a cross-jurisdictional issue and is really a commercial decision to be made by the access provider.

Capacity Transfer

ARTC's Indicative Access Agreement provides for an operator to assign an agreement with ARTC's consent (not unreasonably withheld). The operator may also sell or trade rights under an agreement so long as certain conditions are met (including the use of a written 'trade agreement' having certain characteristics designed to protect the reasonable interests of ARTC and the parties involved).

ARTC sees no reason why WestNet could not provide for the selling or trading of a path. Without this, the selling of interstate paths will not be possible if the path exists in WA and generally limits the flexibility of path ownership. Continuity of a path is critical to an operator.

Competition for mutually exclusive paths

ARTC's Access Undertaking requires ARTC to advise any affected paths of competition for mutually exclusive access rights. Access would be granted to the applicant that accepts an access agreement that, in ARTC's opinion is most favourable to it. ARTC's decision would normally be based on the agreement that represented the highest present value of future returns to ARTC. It should be noted that the assessment is not purely price based, but would consider a range of logistical and commercial impacts on ARTC.

ARTC considers this approach to be fair and reasonable for both competing applicants and likely to result in the best and most efficient outcome to ARTC. Such an outcome would be desirable in a regulated, competitive environment.

ARTC would recommend that the same approach be applied in WA, for both efficiency and consistency reasons.

COSTING PRINCIPLES

ARTC supports WestNet being able to apply market based pricing to below rail services and, as such, costs represent only one input to pricing decisions. ARTC adopts a similar approach on its own network, where the majority of its business is subject to competition from alternative transport modes. Nevertheless, it should be recognized that WestNet would not always be in the best position to assess what might be a market based price with respect to the business of a particular applicant. For this reason, it is necessary for any pricing negotiation to have access to independent dispute resolution.

The approach to pricing incorporated in the Code determines a floor and ceiling limit to pricing for a particular traffic. ARTC's access undertaking contemplates floor and ceiling revenue limits and undertakes that prices will be set such that revenue on any given segment falls between these limits. ARTC considers this to be reasonable given its 'like for like' pricing provision and the relatively homogenous nature of its business. ARTC considers most of the WA rail network carries similar business and such an approach to pricing could be warranted in this case.

Given the nature of the rail infrastructure asset, there is usually a wide band between floor and ceiling limits. To aid negotiation, ARTC has undertaken to provide indicative pricing for each of its segments to be applied to any user seeking to operate an indicative service under indicative terms and conditions. Indicative services represent the majority of ARTC business. Variations around the indicative price would be based on a range of parameters including the characteristics of the service, as well as logistical and commercial impacts on ARTC. ARTC will not differentiate based on the identity of the applicant, nor where the services to be operated are the same (including terms and conditions) and the services are operated in the same end market. Indicative access prices are market based.

Capital Costs

The calculation of a floor revenue limit for a segment excludes capital costs associated with existing assets as these are considered sunk. ARTC notes that WestNet's floor price and, indeed, the Code allows for the inclusion of a capital charge in floor price limits.

Asset Value

ARTC's regulatory asset valuation is based on the depreciated optimized replacement cost (DORC) of assets. Gross Replacement Value as contemplated by the Code is often considered to be similar to an optimized replacement cost methodology. In its submissions to the NCC process, ARTC expressed concern that the proposed approach did not appear to recognize the age and condition of the assets. ARTC did not consider that this issue was adequately addressed in the Draft Decision.

WestNet's approach to determining GRV is, in principle, reasonable. ARTC is concerned however, that the valuation is not proposed to be independently assessed. ARTC is of the view that the Acting Rail Access Regulator should conduct such an assessment independently or, at least, independently assess WestNet's valuation. ARTC is also concerned that WestNet have applied its WACC to determining construction financing charges (as opposed to the regulatory rate of return). There appears to be no reasoning behind this approach.

Depreciation

It does not appear to be clear from the discussion as to whether WestNet's approach to calculating depreciation (effectively included in an annuity calculation) will not result in an element of double counting of cyclic maintenance and depreciation. ARTC notes that operating costs include cyclic maintenance based on asset value divided by economic life. This means that depreciation is recovered through recovery of cyclic maintenance costs and should not be further included in capital costs.

ARTC has taken the approach that rail infrastructure assets are usually maintenance in perpetuity through a program of cyclic maintenance and renewals. Assuming the asset life is not limited by non-physical parameters (such as the economic life of the business supporting the asset) then there is no need to recover depreciation. If WestNet have chosen to apply an asset life (as opposed to 'in perpetuity') then any depreciation calculated should be matched with a corresponding level of maintenance that will bring about that asset life (as Westrail has reportedly done). This may not total to gross replacement value. Determining the extent of maintenance and renewals required to achieve a certain asset life could be a more difficult assessment than simply dividing GRV by that life. Such an assessment should be made independently.

ARTC also notes that the economic asset life for particular types of assets as quoted by WestNet is generally lower than that which is applied by ARTC for accounting purposes. This is particularly the case for the major 'track material' asset types. This would result in a higher depreciation allowance in the regulatory ceiling. Arguably, if the level of maintenance and renewals is matched to economic life in the ceiling determination, the asset life chosen should not matter.

Operating Costs

Efficient costs

ARTC notes that WestNet has outsourced in track maintenance function and carries out the signaling and communications maintenance function in-house.

In order to achieve industry efficient practice, ARTC has outsourced its entire maintenance function based on an open competitive tendering process. It is generally regarded that maintenance carried out on this basis represents efficient practice.

ARTC believes that WestNet's maintenance costs on the Kwinana-Kalgoorlie segment are higher than the unit costs that apply on most of ARTC's network (after consideration of the different conditions involved). It is unclear as to why this might be the case, given the above. ARTC would suggest that WestNet's assertions regarding the degree to which it applies efficient practices to both maintenance and operations functions (network control) should be independently confirmed.

Overhead Costs

Westrail has indicated that it has conducted an analysis of ARG's overheads, which have then been allocated based on the usage by WestNet as a proportion of all other users in the ARG group. Whilst ARTC has no problem with such an allocation being made, it is important that such an allocation is carried out appropriately, as the resultant cost of access to third party users can be affected. Cost segregation is a key element associated with the regulation of a vertically integrated access provider. There is little in the proposed submission as to the methodologies used to carry out the allocation. These methodologies should be visible to the industry to improve market confidence, or at least the regulator. It is presumed that the Acting Rail Access Regulator would be able to audit the allocations made by WestNet.

Cost Allocation

ARTC acknowledges that the drivers used in order to allocate non-specific costs can be somewhat arbitrary. It has been noted in other regulatory rail assessments that similar drivers, such as gross tonne kilometres for maintenance and train kilometers for train control/management, are often used. Generally, the choice of driver does not have a major effect on cost outcomes. ARTC supports WestNet's drivers for allocation of costs and notes that they are generally the same as those used by ARTC.

Floor/Ceiling

ARTC notes that WestNet proposed to annually adjust the regulatory ceiling by CPI within the regulatory cycle. In its access undertaking, ARTC has proposed revenue ceilings with respect to each of its pricing segments for each of the five years of the undertaking. Annual variation reflects CPI escalation of its asset valuation and forecasted operating costs over that period. In forecasting operating costs, ARTC has incorporated productivity improvements where available. As such, these costs would generally fall in real terms given the same task. ARTC collects revenue on each of its price segments that falls well short of the regulatory ceiling limit. In order to provide price certainty to users, ARTC has undertaken to review prices annually but has capped any price increase that it may apply to the greater of 2/3rds CPI or CPI-2%.

ARTC agrees that CPI does have an impact on costs (materials, fuel, wages etc). It is however arguable as to whether costs vary in line with full CPI. ARTC therefore believes that annual ceiling variation with CPI may be over-simplistic and generous to WestNet. If WestNet is earning sufficient revenue to meet the ceiling on any segment, then WestNet could seek to automatically increase pricing by full CPI on that segment within the regulatory framework.

WestNet has proposed to adopt one regulatory ceiling, resulting in a test that revenue from all users is no greater than the costs of the infrastructure to support that traffic. It is also noted that it is WestNet's view this is the binding test on the regulatory ceiling. Presumably, WestNet is proposing not to develop ceilings for a 'combinatorial' number of individual user combinations. In principle, ARTC supports this approach and, in its own access undertaking proposes a single revenue ceiling limit for each of its pricing segments. This effectively acts as the binding constraint on pricing, particularly given ARTC's commitment to 'like for like' pricing. Similarly, ARTC has a floor revenue limit applicable to each of its pricing segments.

ARTC is a little confused by WestNets approach to calculating the regulatory floor. WestNet indicates that it will adopt one regulatory floor (similar to it's ceiling treatment), then goes on to say that calculation of the floor is dependent on a number of specific circumstances which will vary based on each access application. These approaches appear to be contradictory. Nevertheless, if WestNet is proposing to determine a floor with respect to each individual access application, ARTC agrees that the derivation of avoidable costs with respect to a particular user's use of the network is a 'horses for courses' exercise. The assessment of how much cost associated with a particular function (particularly an overhead function) will often depend on the size of the ceased traffic relative to overall business levels, as is very subjective. As such, the determination of a floor with respect to any application should be subject to regulatory scrutiny, as it is. Whilst it would be desirable for the rules governing floor determination to be transparent to the market, ARTC agrees that this might not be practical. An alternative might be for WestNet to publish indicative publish regulatorily accepted floor limits for particular types and volumes of new business which could be expected, as well as indicative pricing for common existing types of business, to provide greater certainty to potential third party users.

ARTC agrees with the factors that WestNet has proposed which should be considered in assessing cost avoidability, being the relative size of the incremental business, the specific service requirements and impact on maintenance, and the nature of the operations and the impact on overheads.

SEGREGATION ARRANGEMENTS

ARTC is of the view that the type of regulatory framework that must be applied is dependent upon specific industry structure and market characteristics. In particular, a 'third party access' regime is relevant where an access provider is vertically integrated. Because of the necessary commercial motivation of such a provider, it is necessary for the regime to be more prescriptive (more 'bulldog' than 'watchdog') and address a number of issues designed to curb anti-competitive behaviour. In any event, such regimes are generally designed to limit the amount of overt and obvious anti-competitive activities. Often, such behaviours can be more subtle and difficult to recognize until after commercial damage is done to third parties.

On the other hand, an 'open access' regime is applicable where a vertically integrated access provider, which has access revenue as it primary source of income, exists. Such a provider has a commercial incentive to promote utilization of the asset, and competition. The key area of regulatory concern in this instance is ensuring that, if the provider has market power, it is not abused. This type of regime can be more light-handed to the extent of market power the provider has.

<u>Corporate Structure</u>

In its proposed submission, WestNet has detailed the corporate structure within which it operates. The structure clearly shows that WestNet is a controlled entity of Australian Railroad Group (ARG), as is the train operator, Australia Western Railroad (AWR). This, in itself, would give rise to concern in the marketplace as to WestNet's independence in it's decision making (notwithstanding the provisions in the access regime to curb anti-competitive behaviour). As stated earlier, it is difficult for a regime, and the regulator, to completely eliminate all forms of anti-competitive activity, particular those that are less conspicuous. An example of the may be in the area of 'strategic' investment planning. An access provider may choose to limit investment on those parts of the network used by third parties, thus limiting the performance of those parties with respect to the services provided to customers. Over time, a business is lost, those third party services become unprofitable and may be ceased. Subsequent investment by WestNet, may enable AWR to recommence services as business is regained through better performance. Further, it is likely that those parts of the network utilized by WestNet's related operator would represent a lower risk to WestNet's revenue than those parts utilized by third party operators. WestNet would thus have a commercially sound reason for choosing to bias investment to those parts of the network with lower risk.

ARTC is aware that certain conditions were put in place by the WA Government at the time of the sale of the freight network. These conditions were designed to segregate the above and below rail businesses as much as possible in order to satisfy regulatory requirements at the time. In order to promote greater confidence in third party access seekers, WestNet should clearly demonstrate how, despite its corporate structure, there are mechanisms in place to ensure its independence. Also, market based performance indicators should be made available to regularly test that independence.

In any event, there is little evidence at this stage to suggest that the market is confident enough in the segregation arrangements, for third party access, and competition, to be promoted.

Confidential Information

WestNet has detailed its internal processes with respect to the treatment of confidential information. There is, naturally, an element of 'trust me' in these statements. ARTC is of the view that, as a minimum,

- all stated processes and systems should be regularly and independently audited
- all staff should be physically and functionally separated (ARTC notes WestNet's independent accounting group under the functional control of ARG)

Even given these, there is no guarantee as to the security of confidential information. An institutionally separated access provider has no incentive to release confidential information.

Conflicts of Interest

With regard to the respective role of it's Board and that of ARG, WestNet has effectively stated that its is a vertically integrated business, and that potential conflicts will arise. Nevertheless, despite its compliance with the Act and the Code, it will operate according sound business practice, as it has every right to do. This is unlikely to instill confidence in third party access seekers.

Duty of Fairness

WestNet states that the Code provides for access to be able to determine whether price discrimination occurs (through regulatory assessment). Further, WestNet's Standard Access Agreement provides a dispute resolution mechanism that would allow third party operators to deal with other issues where they feel they have been discriminated against. Involving the regulator in such issues is an expensive option, and probably the only option outside of consultation, for most operators to deal with an access provider that may have a commercial incentive to act discriminately (despite the Act and the Code).

Transparency is generally the best way to deal with this concern, by way of published pricing and performance indicators. ARTC, in its access undertaking, provides for both of these, even though it has no incentive to discriminate. The QR Access Undertaking (vertically integrated access provider) also provides for reference pricing and publishing of KPI's.

Separate Accounts and Records

With regard to ARG's accounting function, which provides services to all ARG companies, WestNet has made a number of statements regarding the knowledge of these employees of the segregation process, and the computer system security.

WestNet provides some detail as regards the various systems used to record and maintain both financial and non-financial data. It would appear that many systems are only accessible by personnel within ARG's accounting function, with reports distributed separately to WestNet and AWR. WestNet notes a number of systems that are yet to have sufficient security in place. Of these, the Revenue Accounting System (RAS) and the Rail Access Management System (RAMS) are likely to contain significant commercially sensitive information.

ARTC notes the WestNet's current version of RAMS does not prevent use by others who know a certain user's ID (and the user doesn't have a password). Notwithstanding, the immediate concern existing third party operators may have with the possibility AWG could access their commercial information now, even WestNet's proposed fix does not prevent unauthorized access to data when machines are left unattended. This underlines the need for AWG and WestNet personnel to be physically separated, as mentioned earlier. This is also a common occurrence in the train control environment where continuous RAMS access is required.

Segregation of Information Systems

WestNet has indicated that it and ARG have physically separate file servers, and that usage is restricted by user ID and password. Further, system security is managed within the Finance Group that is presumably part of ARG.

Whilst the proposed measures represent the standard security provision available on computer networks, such provisions are only as good as the system management, under the control of the parent. The proposed detail is unlikely to instill confidence in third party access seekers.

Finally, ARTC's general perception of this submission by WestNet is that it largely made up of a number of statements that are 'motherhood' in nature, requiring an element of trust on the part of the market and with little clear, and demonstrable, commitment. ARTC acknowledges that effective segregation can only be achieved where the below rail and above rail functions are institutionally separated. A greater commitment to transparency and performance reporting would be necessary in order to achieve an appropriate level of confidence in order to promote third party access, and competition.

ATTACHMENT 1 – ARTC Network Management Principles

General Principles for Train Management

All – To ensure operational safety is maintained through compliance with Safeworking Rules, Regulations and Procedures
Track Authority – To ensure the integrity of the track and other infrastructure so that the train plan can be met
Train Operators – To ensure operating integrity, including train crewing, locomotives, wagons and loading so that the train plan can be met
Track Authority – To manage the Network on behalf of Train Operators based on agreed Entry/Exit times. Objectives of Track Authority are to manage trains according to their schedule for OT Exit, not to contribute to lost running, to make up time and to hold the gains.

TRAIN PLAN	Train A	AGREED NETWORK ENTRY/EXIT TIMES									
Train B	TRAIN RUN	Actual Performance	OT running Premium	Running ahead Premium	Late running Premium	OT running High	Running ahead High	Late running High	OT running Standard	Running ahead Standard	Late running Standard
AGREED NETWORK ENTRY/EXIT TIMES	Actual Performance	**TC OBJECTIVE**	OT Exit	OT Exit	1 No more time lost 2 Make up time 3 Hold the gain	OT Exit	OT Exit	1. No more time lost 2. Make up time 3. Hold the gain	OT Exit	OT Exit	1 No more time lost 2 Make up time 3 Hold the gain
	OT running Premium	OT Exit	Scheduled Cross	A or B Rule 2	B Rule 3	Scheduled Cross	B or A Rule 2	B Rule 3	Scheduled Cross	B or A Rule 2	B Rule 3
	Running ahead Premium	OT Exit	A or B Rule 2	A or B Rule 2	B Rule 3	B or A Rule 2	B or A Rule 2	B Rule 3	B or A Rule 2	B or A Rule 2	B Rule 3
	Late running Premium	1 No more time lost 2 Make up time 3 Hold the gain	A Rule 1	A Rule 1	A or B Rule 4	A Rule 1	A Rule 1	B Rule 6	A Rule 1	A Rule 1	B Rule 6
	OT running High	OT Exit	Scheduled Cross	A or B Rule 2	B Rule 3	Scheduled Cross	A or B Rule 2	B Rule 3	Scheduled Cross	B or A Rule 2	B Rule 3
	Running ahead High	OT Exit	A or B Rule 2	A or B Rule 2	B Rule 3	B or A Rule 2	A or B Rule 2	B Rule 3	B or A Rule 2	B or A Rule 2	B Rule 3
	Late running High	1 No more time lost 2 Make up time 3 Hold the gain	A Rule 1	A Rule 1	A Rule 5	A Rule 1	A Rule 1	A or B Rule 4	A Rule 1	A Rule 1	B Rule 6
	OT running Standard	OT Exit	Scheduled Cross	A or B Rule 2	B Rule 3	Scheduled Cross	A or B Rule 2	B Rule 3	Scheduled Cross	B or A Rule 2	B Rule 3
	Running ahead Standard	OT Exit	A or B Rule 2	A or B Rule 2	B Rule 3	A or B Rule 2	A or B Rule 2	B Rule 3	B or A Rule 2	B or A Rule 2	B Rule 3
	Late running Standard	1 No more time lost 2 Make up time 3 Hold the gain	A Rule 1	A Rule 1	A Rule 5	A Rule 1	A Rule 1	A Rule 5	A Rule 1	A Rule 1	A or B Rule 4

Rule 1 – Train B may be given preference on condition Train A will still meet OT exit objective
Rule 2 – Both trains must meet OT exit objective
Rule 3 – Train A may be given preference on condition Train B will still meet OT exit objective
Rule 4 – Give priority to train where performance indicates it will lose least or no more time and even make up time and hold the gain
Rule 5 – Train B may be given preference if Train A will continue to lose time and any gains made cannot be held
Rule 6 – Train A may be given preference if Train B will continue to lose time and any gains made cannot be held