

11 August 2025

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Chamber of Commerce
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Dear Mr Edwell

Rail Access: Current Consultations

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the peak body advancing trade and commerce in Western Australia. We represent more than 7,000 members, spanning every sector of the economy, employee size, and region within WA.

As an isolated and trade exposed state, Western Australia's rail network has helped build our economy by moving significant numbers of passengers and tonnages of freight around our vast regions.

Given the importance of this network to moving freight around WA, the Economic Regulation Authority (ERA) plays a key role in ensuring competitive pricing for users of the network, who operate in critically important sectors of our economy.

Recent changes to the regulatory asset base (RAB) determination (which impacts ceiling prices for rail access) has seen the application of the depreciated optimised replacement cost (DORC) as the new method of valuation.

This important change was implemented to reduce the gap between floor and ceiling prices Arc and rail users negotiate between, and constrain Arc from over recovering revenue. Yet there remains contention around the practical transition to the DORC methodology.

CCIWA believes the following should be considered as part of the current RAB process:

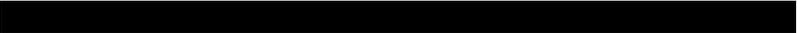
- **Costs:** there is currently a lack of transparency around costs. The inclusion of funding costs that are the equivalent to 30%, approximately \$9bn, of the value is an outlier when compared to historical precedents. Industry has suggested that the ERA should seek justification from Arc in relation to this claim. Industry is also concerned that the final cost to users may not be reflective of margins.
- **Contributed capital:** Referring to claims that none of the assets in the DORC are contributed assets (7.1 Contributed Capital), we note several announcements

regarding current and future capital investment by other entities, such as the freight rail duplication to facilitate the Thornlie-Cockburn link.^{1,2,3}

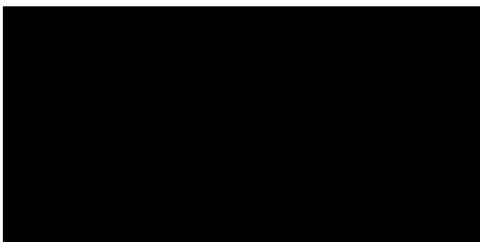
- **DORC Assessment:** Arc infrastructure's submission is seen to depart from regulatory precedent set by the ERA and from the approach adopted in the Australian Rail Track Corporation (ARTC) Interstate Network DORC valuation, in particular:^{4,5}
 - combined margins for contractor indirect costs and Arc's project management costs, which equate to an approximate 80% markup on direct costs. This exceeds the 17.5%-22% assumed in prior ERA determinations and the ARTC valuation.
 - the unit rate calculation is much higher for Arc Infrastructure's DORC, which appears to be due to the order of operations, for example, when location adjustment factors are applied.
 - funding costs, with Arc proposing an allowance of ~30% of asset replacement cost, compared to ~15% in the ARTC valuation and ~2% in the ERA's 2014 Determination.

Given the importance of this pricing structure, it is critically important that users have full confidence in the costings and factors that sit behind the DORC methodology for it to have the intended practical effect. Anything short of this creates an environment of uncertainty and unexpected costs.

In addition, we also note that the valuation assessment is currently occurring against a potential reacquisition, be it, partial or full, of the rail network by the State Government. This valuation may have an outsized influence on the final valuation.

Should you wish to discuss the content of this letter further, please do not hesitate to contact 

Yours sincerely



¹ Department of Transport. [Milestone reached in project to improve grain transport](#). June 2025.

² WA Government. [In principle funding agreement for Mid West freight rail upgrade](#). September 2024.

³ Arc Infrastructure and GHD Advisory. [Applicable Railway Infrastructure DORC Final Report](#). June 2025.

⁴ CCIWA comparison of [Applicable Railway Infrastructure DORC](#) and [Developing a Regulatory Asset Base value for the Australian Rail Track Corporation Interstate Network, using the Depreciated Optimised Replacement Cost method](#)

⁵ ERA. [Brookfield Rail Determination of Costs Relevant to Co-operative Bulk Handling's Access Proposal](#). June 2014.