

arc infrastructure

Submission in Response to ERA Draft Determination of Public Transport Authority's Proposed Depreciated Optimised Replacement Cost

12 August 2026

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1. Introduction

1 Arc Infrastructure (**Arc**) welcomes the opportunity to provide comment on the Economic Regulation Authority Western Australia's (**ERA**) draft determination on the Public Transport Authority's (**PTA**) depreciated optimised replacement cost (**DORC**) value by route section and proposed depreciation schedule to be applied when updating the regulatory asset base (**RAB**).

2 On 7 August 2025, the PTA's statement of depreciated optimised replacement cost (**PTA's DORC Report**) and statement of applicable depreciation schedule (**Depreciation Schedule**) were published on the ERA's website.

3 Arc's statement of depreciated optimised replacement cost and statement of applicable depreciation schedule were published on the ERA's website on 16 June 2025, six weeks prior to the PTA's DORC Report.

4 On 18 November 2025, the ERA issued a notice exercising its right under sections 47J(4) and 47K(4) of the *Railways (Access) Code 2000* (WA) (**Code**) to extend the period required by sections 47J(3) and 47K(3) for the ERA to approve or determine PTA's DORC and depreciation schedule by 105 business days until 10 June 2026. The ERA noted that "Draft determinations for the two networks are now anticipated to be published in January 2026 (Arc) and February 2026 (the PTA), with final determinations expected in June 2026."

5 On 26 March 2026, the ERA published its draft decision of Arc Infrastructure's depreciated optimised replacement cost (**DORC**) and depreciation schedule for its regional freight network. The ERA's draft decision was not to approve Arc's proposal. The ERA invited public submissions, with a closing date of 13 May 2026, subsequently extended to 26 June 2026.

6 On 15 July 2026, the ERA published its draft determination on the PTA's DORC and depreciation schedule (**Draft Determination**).

7 The Draft Determination was accompanied by a report from the ERA's technical consultant, RP Infrastructure (**RPI**) dated 5 May 2026. RPI was engaged to review both Arc and the PTA's DORC Report and Depreciation Schedule.

8 The ERA invited public submissions, with a closing date of 12 August 2026.

9 The purpose of this submission is to provide general commentary on the Draft Determination, including in relation to certain methodologies and findings made by the ERA in its Draft Determination. The ERA's Draft Determination is required to comply with the *Railways (Access) Act 1998* (WA), *Railways (Access) Code 2000* (WA) and the PTA's Costing Principles as approved by the ERA and dated November 2024.

2. Overview of Draft Determination

10 The ERA did not accept the PTA's proposed DORC values for the urban network routes listed in Schedule 1 of the Code that are under PTA's jurisdiction.

11 The ERA made a Draft Determination for PTA's DORC values totalling $5.87 billion. This is an increase of $1.7 billion (or 41 per cent) compared to PTA's proposed value.

12 The ERA proposes an aggregate total construction replacement cost across all routes of $7.8 billion. The ERA estimates depreciation at $1.97 billion, which amounts to approximately 25 per cent of the ERA's estimated ORC of $7.8 billion.

13 The ERA found PTA's depreciation approach was effectively based on accounting depreciation rather than the regulatory asset-life approach required by PTA's Costing Principles and was overstated. The

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ERA reduced accumulated depreciation from $4.46 billion to $1.97 billion, lowering the depreciation rate from 52% to 25% of asset value.

3. General Comments

3.1 DORC Methodology

14 The DORC valuation follows established regulatory principles and precedent. The valuation starts with the efficient replacement costs for Modern Equivalent Assets (**MEA**) in an optimised configuration, where the MEA:

- meets the closest comparable service standard to the existing asset
- comprises the assets and form of construction which would be designed and constructed at the valuation date, using modern design techniques, constructed from modern materials using modern methods, and in compliance with prevailing legislation and prevailing standards and the optimised asset configuration has the capacity to meet the actual and reasonably projected demand.

15 This results in an estimate of "optimised replacement cost" or ORC. However, in order to arrive at a depreciated ORC one must arrive at an estimate of the difference in value provided by the existing asset versus a new asset based on the fact that the existing asset has a shorter remaining life than the existing asset.

16 The DORC approach aims to determine the capital value for the asset at a point in time and over time incorporating depreciation of, and efficient investment in, the asset base. The DORC value is used as the basis for a building block calculation of allowable revenue, which includes recovery of operating costs, as well as return on and of capital.

17 In Western Australia, the methodology used to calculate the DORC value of railway infrastructure controlled and managed by railway owners must be in compliance with requirements of the *Railways (Access) Act 1998* (WA), *Railways (Access) Code 2000* (WA) (the **Code**) and the relevant Costing Principles as required under section 47H of the Code.

18 Most other Australian rail access regimes use a DORC method. Because of this established precedent, it is critical that any DORC valuation adheres closely to both accepted regulatory approaches and fundamental first principles. Departing from established precedent risks producing values that are inconsistent, economically distorted, or open to challenge, which can undermine regulatory outcomes, pricing decisions, and investment signals.

19 The DORC methodology remains unchanged when applied in Western Australia, whether to Arc, the PTA, or any future railway owner. Part 5 of the Code sets out the applicable functions of the Regulator and Part 5 Division 3 sets out the requirements in relation to the regulated asset base, including sections 47J and 47K of the Code which set out railway owners and the Regulator's requirements in relation to the initial regulatory asset base and applicable depreciation schedule.

20 The methodology and legal framework must be applied consistently regardless of differences in the nature of the relevant railway owner's business operations. That Arc and the PTA operate differently as operators of the freight network and urban passenger rail and transit network respectively, does not, and should not, affect the application of the DORC methodology.

21 It follows that the same evidentiary standards, assumptions and valuation principles must be applied consistently to all railway owners. Failure to do so would compromise the consistency, transparency and replicability of the valuation exercise, and could lead to arbitrary or distorted outcomes.

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3.2 Lack of Transparency and Evidentiary Support

22 The Draft Determination provides limited supporting information and insufficient transparency regarding the derivation of key figures and asset rates. Without a detailed breakdown of the calculations, methodologies, and technical analysis underpinning the determination, stakeholders are unable to adequately scrutinise, test, or assess the reasonableness of the proposed outcomes.

23 At various sections of these submissions, Arc has identified aspects of the RPI Report and the ERA's Draft Determination where it has not been able to meaningfully engage with recommendations due to a lack of transparency and information.

24 The ERA again engaged RPI as a consultant and to provide a report to inform the ERA's Draft Determination. At times, RPI has relied on undisclosed proprietary benchmarking data to support its conclusions and recommendations, which the ERA has subsequently relied upon where it has accepted RPI's recommendations. The use of undisclosed information has limited Arc's ability to validate certain assumptions made by RPI.

25 Where the ERA has adopted the PTA's or RPI's rate for an asset, the rate adopted in the Draft Determination is stated. However, such a rate is "reduced by the ERA accepted on-cost percentage". For example, it is stated at paragraph 137 of the Draft Determination in relation to ballast that "the ERA accepts the PTA's lower unit rate estimate and adopts the unit rate of $116 per tonne of ballast, reduced by the ERA accepted on-cost percentage, as the most cost efficient." The ERA goes on to provide the CRC based on this "revised unit rate". However, the actual "revised unit rate" adopted by the ERA is not stated in any of the documents published by the ERA. Arc requests the ERA publish further information stating each of the unit rates as well as the "revised unit rates" (reduced by the ERA accepted on-cost percentage) for each asset. Without this information, Arc is unable to confirm whether the calculations undertaken by the ERA for each asset are correct.

3.3 Lack of Information Provided by the PTA

26 The PTA's statement did not provide specific information about its network. The Draft Determination has noted that the PTA's statement does not provide any information on ballast density or ballast depth,[1] crash barriers,[2] the type and location of fencing,[3] discussion of its Train Control System,[4] the type, condition or location of footbridges,[5] vehicular and pedestrian level crossings,[6] noise walls,[7] or sidings[8] on its network.

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[1] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and Depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 28 at para. 130.

[2] Pg. 30, para 144.

[3] Pg. 32, para 154.

[4] Pg. 50, para 287. However, the assets comprising the TCS can be identified in the PTA's Fixed Asset Register.

[5] Pg. 34, para 167.

[6] Pg. 35, para 178.

[7] Pg. 37, para 191.

[8] Pg. 49, para 271.

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27 The PTA has not provided any information describing the location of roads and approaches, or their construction dates.[9] The ERA sought clarification from the PTA regarding the correct length of the Bayswater Station viaduct from the PTA but has stated that it is "unable to robustly estimate the construction replacement cost of the portion of the viaduct relevant to the DORC determination."[10] The PTA did not include car parks[11] or railway stations[12] in its statement.

28 The PTA did not provide a measure of total construction replacement cost for routes in its statement. This is because the PTA did not apply railway owner's costs for the determination of the depreciated optimised replacement cost.[13]

29 RPI noted in the RPI Report at section 1.3.2 that:

> "*The level of detail provided by PTA varied considerably. While the additional information provided in response to RPI's clarification questions gave RPI greater clarity around the scope of what was included in the various asset categories, there was still* ***a paucity of information around the actual quantities used to support their valuations****. Where this occurred,* ***RPI back-calculated quantities to determine appropriate values based on our assessment of what were both reasonable quantities and unit rates***." [emphasis added]

30 Arc accepts that in some circumstances, supporting evidence and information about assets may not be available or complete.

31 RPI has stated that it worked backwards from the values provided and used its own judgement about what would be reasonable quantities and reasonable unit rates (cost per metre, cost per item, cost per square metre, etc.) to arrive at what it considered appropriate asset values.

32 Arc notes that no such statement - outlining RPI's approach to missing information – was included in the RPI Report in relation to Arc's DORC. It is therefore not clear whether RPI has adopted the same methodology for missing information and appropriate asset values in relation to their review of the PTA DORC and Arc's DORC. Where relevant information is not available, Arc considers it both necessary and appropriate for RPI and the ERA to make reasonable assumptions where information gaps exist.

3.4 Requests for Further Information

33 The ERA has set out its requests for documentary information from the PTA and the information the PTA provided in its Draft Determination.[14] The ERA's requests for additional information appear to be limited to a request to the PTA to provide its costing model and the two technical reports quoted in PTA's statement that informed its asset costings.[15] This information was provided by the PTA on 28 August 2025 and 27 November 2025.

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[9] Pg. 47, para 258.

[10] Pg. 61, para 372.

[11] Pg. 62, para 377. However, information on car parks was available in the PTA's Fixed Asset Register and RLB's report.

[12] Pg. 65, para 403.

[13] Pg. 70, para 435.

[14] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Overview, 14 July 2026, pg. 11.

[15] Public Transport Authority, Public Transport Authority Third Party Rail Access Statement of depreciated optimised replacement cost, July 2025, p. 23.

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34 Notwithstanding that the Draft Determination clearly identifies the areas in which the PTA (and the two technical reports provided) do not provide specific information about the PTA's network, it does not appear that the ERA has made further requests for this information from the PTA.

35 Further, the ERA's Draft Determination does not pose specific questions to the PTA or requested stakeholders to provide information about the PTA's network. The only question posed by the ERA in its Draft Determination in which it invites stakeholders to provide their views relates to the proposed depreciation profile and a tariff structure.[16] In comparison, the ERA made 18 further questions for information from Arc in its Draft Determination on Arc's DORC, which was in addition to over 40 clarification questions the ERA made prior to making its draft determination.

36 Where information is lacking, the ERA must adopt a consistent approach. It should not require a higher evidentiary standard for certain matters while relying on assumptions in others. In circumstances where information is unavailable, it is both necessary and appropriate for the ERA to make reasonable assumptions, provided those assumptions are applied consistently and transparently across all aspects of its assessment.

3.5 Valuation Date

37 Section 3.2 of the PTA's Costing Principles states that "The valuation date is the date that the PTA will determine the value of the initial RAB of the Railway Network, or such other date as agreed with the Regulator."

38 Arc was required to submit its DORC with a relevant valuation date of 31 December 2024. On this basis, the output reflects the market-based valuation for the existing asset as 31 December 2024.

39 The PTA has adopted three different approaches in relation to on-costs, railway infrastructure and system infrastructure assets.[17] The RPI Report states that "there are several inconsistences in PTA's submission in describing the various valuation dates".[18] The ERA's Draft Determination has not stated the applicable valuation date.

40 An unspecified valuation date has flow on effects for the remainder of the ERA's analysis. The PTA's Costing Principles detail that the asset replacement cost used in the initial regulatory asset base will be the lowest current cost to replace the railway infrastructure based on MEAs. MEAs comprise the assets and form of construction which would be designed and constructed at the *valuation date*. If a valuation date is not set, or not consistent across assets, this may have broader implications for the ERA's analysis of the PTA's assets for the purpose of the DORC as well as the PTA's future RAB roll-forward process.

3.6 Contributed Capital

41 The ERA's DORC includes zero capital contributions. The State Government, as owner, provides funding to PTA and these are not capital contributions. Furthermore, the ERA has stated that it is unaware of any third-party access holders contributing assets.

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[16] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Overview, 14 July 2026, pg. 19.

[17] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 15 at section 1.3.3.

[18] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 15 at section 1.3.3.

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42 The RPI Report states that there are "no references" to Journey Beyond Rail Expeditions (**JBRE**), operator of the Indian Pacific, "providing contributed capital, co-funding track, or having contributed assets recognised in PTA's books".[19] Rather, "where funding models are discussed for onboard or signalling equipment, it's in general terms (network funds and recovers via access charges; or operator funds onboard kit)." RPI conclude that "JBRE appears to be a pure access-charge-paying operator on PTA routes in WA, with no public record of contributed funding or contributed capital into the PTA below-rail asset base."[20]

43 Additionally, section 4.3 of PTA's 2024/25 Annual Report at page 118 refers to a 99-year operating lease for 118 grain receival sites was entered into with Co-operative Bulk Handling (**CBH**) in 2003. Rental income for 99 years of $7.45 million was received in full at the commencement of the lease and is accounted for as revenue over the 99-year lease period, with the prepaid portion shown as deferred income.[21] A further 99-year operating lease for 15 grain receival sites was entered into with CBH in 2004. Rental income for 99 years of $775,000 was received in full at the commencement of the lease and is accounted for as revenue over the 99-year lease period, with the prepaid portion shown as deferred income.[22]

44 Without additional information or any substantive discussion of contributed capital provided by the ERA in its Draft Determination, Arc is unable to further assess RPI's statements regarding JBRE as an access-charge-paying operator on PTA routes.

3.7 Access Charges and Contributed Capital

45 Arc accepts as a matter of principle that reduced access charges or pre-payment of access charges are properly characterised as access revenue rather than contributed capital.

46 Section 47B defines contributed capital as railway infrastructure that has been funded wholly or in part by an entity other than the railway owner or an associate, including by the entity:

> *a) providing cash or in-kind contributions to the railway owner or an associate of the railway owner;*
>
> *b) undertaking work, or paying for work to be undertaken, for the railway owner or an associate of the railway owner; and*
>
> *c) making payments to the railway owner or an associate of the railway owner that —*
>
> > *(i) fund the recovery of capital in relation to the railway infrastructure; and*
> >
> > *(ii) are not payments of prices and charges for access.*

47 Three features of the definition warrant emphasis. First, it is asset-based. The subject matter is "railway infrastructure that has been funded", not payments at large. A payment that cannot be tied to particular railway infrastructure cannot, on the text, be the funding of contributed capital. The Code thus requires the

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[19] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 34 at section 6.1.3, footnote 31.

[20] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 34 at section 6.1.3, footnote 31.

[21] See RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 34 at section 6.1.3, footnote 32 and note 6.5 'Deferred income – operating leases'.

[22] See note 6.5 'Deferred income – operating leases'.

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value of identifiable infrastructure to be capable of being matched with the funding alleged to constitute contributed capital. That is reinforced by the language of section 47G, which prohibits a railway owner, when valuing railway infrastructure under or for the purposes of the Code, from including the value of particular contributed capital if it is funded by an entity other than the railway owner.

48 Second, the limb in paragraph (c)(ii) of the definition in section 47B excludes from contributed capital any payment that constitutes a payment of "prices and charges for access".

49 Third, the assessment is made in the past tense, "has been funded", directing attention to historical funding characterised as at the valuation date. The asset-specificity requirement reflects a settled economic feature of contributed capital deductions in regulated infrastructure: a deduction is warranted only where a particular asset, identifiable in the DORC valuation, has a higher value because of the contributed funding. Where the funded asset cannot be identified in the DORC, there is no economic basis for a deduction.

50 Arc otherwise refers to section 6 of its submission in response to ERA Draft Determination of Arc Infrastructure Depreciated Optimised Replacement Costs and Depreciation Schedule dated 26 June 2026 (**Arc's Response Submission**) regarding the treatment of access charges and contributed capital.

3.8 Funding Costs

51 The PTA's Costing Principles provides for the inclusion of funding costs but does not prescribe the method by which funding costs are to be calculated or determined.

52 Section 3.3 of the PTA's Costing Principles provides that:

> *The asset replacement cost will include provisions for, but not be limited to:*
>
> *• amortisation of the costs of acquiring any interest or access to land, as permitted under Schedule 4, Division 1 clause 2(5) of the Code;*
>
> *• design, development, planning and approval costs as typically expected for an efficient railway owner such as the PTA;*
>
> *• material and construction costs, as expected for the scale and types of Railway Infrastructure owned by the PTA in the relevant Route Section locations;*
>
> *• project and construction management costs, commensurate with the modern risks of managing such projects; and*
>
> *• funding costs.*

53 The PTA's statement explicitly excluded funding costs from its calculations.

54 Further, Arc notes that no financing costs have been included in the Draft Determination.

4. Total Construction Replacement Costs

4.1 Utilisation of Assets Across Routes

55 The PTA advised that certain assets, mostly within the System Infrastructure and Plant, Equipment and Vehicles groups, are shared across the network. The associated shared costs have been allocated to route sections based on the extent of the utilisation of these assets on each route. The ERA's Draft

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Determination does not provide any further information or discussion regarding how the allocation based on the extent of utilisation of the assets has been determined.[23]

4.2 PTA's Equivalent Total Construction Replacement Costs

56 The ERA notes that "the PTA did not provide a measure of total construction replacement cost for routes in its statement" and that "The PTA's equivalent total construction replacement cost by asset and route is shown in Table 1.8."[24]

57 Table 1.8 includes the "asset class" of Route 50 being the track between Robb Jetty and Leighton and Leighton and North Fremantle. This route is approximately 6km long. Table 1.8 allocates costs for rail on this route (being 15.2). However, the ERA has omitted any costs for ballast or sleepers. This appears to be an error.

4.3 Contractor on Costs

58 The ERA has accepted RPI's recommended contractor on-costs, as outlined in Table 1.3 of the Draft Determination. RPI proposed the following contractor's on costs:

- Contractor's Preliminaries: 25 per cent
- Contractor's risk allowance: 5 per cent
- Contractor's overheads and Profits: 9.5 per cent

59 The PTA's statement does not indicate the amount of contractor's indirect costs but has relied upon contractor's on-costs identified in the RLB report. The PTA's statement indicates the components of contractor's on-costs as: Contractor's Preliminaries, Design and Professional Fees, Design and Construction Risk, Contractor Overheads and Profit and Project Contingency. The total proposed contractor's on costs proposed by RLB and the PTA amount to a 65 per cent markup on direct costs.

60 Arc agrees with the PTA's statement that contractor's design and professional fees and project contingency (retained by the PTA) are generally not included in our other regulatory cost determinations and should be excluded on the basis that contractor's design and professional fees are properly considered to be railway owner's costs and project contingencies should not be accounted for.

61 As set out in Arc's Response Submission, Arc accepts and agrees with the ERA's proposed costs in relation to contractor's risk allowance and overheads and profit.

62 RPI advised that all contractor on costs proposed by Arc, apart from preliminaries, are consistent with those incurred by Tier 1 contractors who would be capable of undertaking construction projects at the scale required. RPI stated that it reduced contractor's preliminaries to 25 per cent "based on benchmarking data from across the infrastructure sector". RPI has further stated that its adjustments are "based on its experience with infrastructure projects of this size, that these are typical mark ups for contractor's on-costs." However, RPI provide no evidence (in its reports in relation to Arc and the PTA) to

[23] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 11, paras 41 – 46.

[24] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 70, para 438.

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support these claims, or to demonstrate that this applies to rail infrastructure works, or even to projects in Western Australia.

63 Arc (and its consultant GHD) do not accept RPI's recommended contractor's preliminaries of 25 per cent. In Arc's Response Submission at section 4.4 "Principal Contractor's Preliminaries", Arc outlines why contractor's preliminaries of 30 per cent is appropriate and should be adopted. 30 per cent is supported by benchmarking data and current industry experience including across recent Western Australian rail projects, which show that contractor preliminaries, as a percentage of direct costs, are in the range of 42 to 44 per cent.[25]

64 Further, GHD's benchmarking has confirmed that the average principal contractor preliminaries expressed in returned construction tenders for seven Western Australian rail projects of significant scale and value between 2020 and 2025 was 30.85 per cent. Of these seven projects, four included Rail Systems procured by the Principal Contractor while two included Rail Systems performed and/or procured by the PTA.

65 This conclusion appears to be supported by the ERA's own statements in Table 1.3. The ERA state that the "Typical range for Railway Infrastructure" is "+25 to 35" per cent for contractor's preliminaries, "+3 to 6" per cent for risk allowance, and "+8 to 12" per cent for overheads and profits. The adoption of 5 per cent and 9.5 per cent for risk allowance and overheads and profits sit within the upper and lower accepted typical range, respectively. However, contractor preliminaries are a clear outlier. The ERA have adopted the *lowest* possible figure of 25 per cent, based on the "typical range". A figure of + 30 per cent for contractor's preliminaries is squarely within the ERA's own accepted "typical range".

66 Arc submits that contractor preliminaries of + 30 per cent represent a value which is consistent with recently tendered similar works and representative of realistic construction costs for an experienced and responsible contractor in Western Australia.

4.4 Contractor Preliminaries for System Infrastructure

67 RPI reduced contractor preliminaries from 25 per cent to 10 per cent for the construction of assets classed as System Infrastructure, noting that the unit rates for signalling works already include the specialist subcontractors' overheads and margin allowances.

68 Arc refers to section 4.18.2 "Signalling/rail systems contractor preliminaries" of its Response Submission. RPI's reduction in principal contractor preliminaries is based on an implicit assertion that the principal contractor's preliminaries and the signalling contractor preliminaries cover substantially the same set of site activities. This basis is incorrect. As Arc outlines in its submission, the two preliminary provisions are for functionally distinct activities which are routinely priced separately. Arc outlines these distinct activities in its submission and does not repeat them here. Arc's submissions in section 4.18.2 are equally applicable to the PTA's Contractor Preliminaries for System Infrastructure.

69 Neither ERA nor RPI has provided evidence to demonstrate that reducing the principal contractor's preliminaries to 10 per cent has occurred on recent similar projects.

4.5 Railway Owner's Costs

70 RPI recommended that a 19.3 per cent uplift be applied as railway owner's costs. As outlined at section 4.5 of Arc's Response Submission, the railway owner's costs, as proposed, are valid and design, project and construction management costs are legitimate costs incurred in project delivery.

[25] See, for example, Claremont Station and Turnback and Rail Revitalisation Program (Work Package 1).

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71 Railway owner's costs are in line with current industry standards for projects of this scope and previous cost determinations have applied a margin of 20.0 per cent for railway owner's costs. Arc considers the ERA's decision to apply an uplift of 19.3 per cent for railway owner's costs to all construction replacement costs is reasonable.

4.6 Plant, Equipment and Vehicle Costs

72 The PTA proposed the following unit costs in relation to plant, equipment and vehicles (**PEV**):

Asset	Unit rate ($)
Mobile Plant (Line Inspection Car)	163,666
Plant & Equipment	57,224
Rail Plant	45,646
Trucks	221,987

73 The PTA based its determination of replacement costs for PEV assets on the cost values at purchase date. The purchase dates have not been made publicly available.

74 RPI also noted that the PTA used historic acquisition-costs for PEV assets. The ERA reviewed these assets in the PTA Fixed Asset Register, where the underlying asset costs were based on transaction prices.

75 RPI did not review PEV costs due to these being a relatively minor component of the overall value. RPI stated that where the PTA's valuation was considered reasonable or RPI did not review an asset class due to it being immaterial, the PTA's value has been adopted.

76 Accordingly, the ERA has accepted the PTA's cost valuation for the PEV asset class of $8.3 million, in line with RPI's recommendation.

77 Arc is unable to comment on whether the cost valuation for the PEV asset class of $8.3 million is reasonable. Arc accepts that a proposed cost of $8.3 million in the context of a $5.87 billion DORC represents a small value of 0.14%. However, neither the Code nor the Costing Principles set a materiality threshold in relation to consideration of assets. Costs which formed less than 1% of Arc's valuation were reviewed by RPI and the ERA as part of Arc's Draft Determination. For example, pedestrian level crossings which formed 0.53% of Arc's overall valuation of $7.7 billion were reviewed and alternative estimates of constructions replacement costs were given by RPI and the ERA respectively.

78 Arc accepts that in some circumstances, a lower level of scrutiny may be appropriate in establishing minor components of a DORC. However, the ERA must adopt a consistent approach and apply the same evidentiary standard and assumptions consistently in relation to costs which form a relatively minor component of the overall value.

4.7 Track

79 The PTA proposed a unit rate of $1,461,897 per track kilometre for rail, in line with RLB's recommendation. This results in a construction replacement cost of $522.9 million.

80 RPI recommended an average unit rate of $779,625 per track kilometre for rail, which resulted in construction replacement cost for rail of $284.2 million. ERA accepted RPI's rate.

81 No inventory figures for the PTA's rail are provided in the Draft Determination. In the absence of transparent asset-level data or methodology, it is not possible to accurately assess or respond to the ERA's proposed adjustment of rates.

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82 Arc's own comparison, undertaken by reverse calculating unit rates and comparing these figures to the track lengths provided, appears to reveal a ratio of track kilometres to rail kilometres ranging from between 0.55 and 2.35, depending on the route.

83 Arc accepts there is likely to be some minor variability due to yards, sidings, and similar aspects when comparing track kilometres to rail kilometres. However, a range of 0.55 and 2.35 appears too broad. Arc suggests the ERA consider whether this range and the asset quantities require an adjustment.

4.8 Turnouts

84 The PTA proposed a unit rate of $923,562 per turnout, in line with RLB's recommendation. The ERA accepted the PTA's proposed unit rate. This results in a construction replacement cost of $208.4 million.

85 The PTA did not make an allowance for catch points in its proposed unit rate.[26] Despite this, the ERA has "included catch points in its determination, where data for this asset type was provided by the PTA's costing model. We have included catch points within the turnouts asset class".[27]

86 RPI estimates that there are approximately 240 turnouts that are required for the PTA's network services. It is not stated in the Draft Determination how many turnouts the PTA or RLB submitted were on the network. The Draft Determination does not state how many catch points are included on the network.

87 This compares to Arc's network which is assumed to be 1:10 standard turnout with 60 kg/m rail on concrete sleepers, with an average proposed unit rate of $359,297 per turnout for 1,280 turnouts.

88 The PTA's Draft Determination does not provide any insight into how the catch points were costed.

89 No discussion of catch points or allocation in relation to them was proposed in RPI's review of turnouts on Arc's network. Rather, when reviewing turnouts in calculating Arc's DORC, RPI stated "No Change – Overall rate reviewed and the rates for the supply and installation of turnouts was deemed reasonable".[28]

90 Additionally, Arc considers further clarification is needed from RPI regarding its statement that "the base rates…have been linearly scaled (to higher and lower unit rates) to reflect the complexity indicated by PTA through means of difference in costings."[29] No indication has been given in RPI's Report that scaling has been applied to any other asset. Arc does not currently have sufficient information to meaningfully compare the PTA's proposal with Arc's proposal, however there appears to be a significant and unexplained discrepancy between the unit rates applied in the PTA and Arc Draft Determinations.

4.9 Ballast

91 The PTA proposed a unit rate for ballast of $116.0 per tonne, in line with the RLB recommendation. This results in a construction replacement cost of $111.1 million.

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[26] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 57, para 348.

[27] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 58, para 350.

[28] RP Infrastructure, Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL, 6 January 2026, pg. 20 at section "Turnouts".

[29] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 29-30 at section "Turnouts".

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92 Arc considers there are three primary differences between the ERA's evaluation of ballast for the PTA and Arc's networks:

- specific ballast density has not been considered in the ERA's review as this was not provided by the PTA. Following consultation with Arc, the ERA's Draft Determination reduced Arc's ballast density by 6 per cent from 1.7 to 1.6 tonnes per m^3 and, in turn, Arc's costs in relation to ballast;
- the unit rate given in relation to the PTA's ballast is estimated as $ per tonne, whereas Arc's unit rate is given as $ per track kilometre. This change in calculation methodology means the two rates are not directly comparable without converting them to a common unit of measure and accounting for the ballast quantity assumed per track kilometre; and
- the ERA appear to rely on the PTA's inventory of tonnes of ballast. However, it's not stated what that inventory is. No figures have been provided in this respect in the Draft Determination.

93 First, in relation to ballast density, RPI noted that they did not consider ballast density as part of their review of the PTA's network. Specific ballast density was not provided by the PTA.[30] RPI notes that that there may be instances where more or less ballast may be required. Information about ballast density does not appear on the face of the Draft Determination to have been the subject of any requests for information or consultation by the ERA.

94 This approach in relation to ballast density differs significantly from the approach adopted by the ERA in relation to Arc's DORC. Arc submitted that it does not have ballast depth or profile data and could not provide current ballast depths. Arc assumed 250-300mm on all routes. The replacement cost was therefore based on an average ballast density of 1.7 tonnes per cubic metre, using material sourced within 1.5 hours of the installation location. Arc's submission equated the 250-300mm specification with the minimum standard set by the Australian Standard AS7630 (2017). After consultation and publication of Arc's Draft Determination, the ERA, in accepting the construction replacement cost proposed by RPI, reduced ballast density by 6 per cent from 1.7 to 1.6 tonnes per m^3 in relation to Arc's network. Accordingly, Arc submits that the modern equivalent asset for ballast density has not been considered adequately in the PTA's Draft Determination and should be determined by the ERA as part of its Final Determination.

95 Second, in relation to unit rates, both RPI and the ERA have used a per tonne calculation in relation to ballast. This differs from the unit rate adopted by RPI in relation to Arc's Draft Determination, which was on the basis of per track metre. RPI advised the construction replacement cost rate used by Arc is $256 per track metre. RPI therefore recommended an equivalent rate of $354 per track metre. This difference in calculation methodology means that any comparison between the two rates requires normalisation to a common basis, as variations in ballast volumes, densities, and track geometry may materially influence the resulting rate comparison. Further, this change in calculation methodology means the apparent variance between the PTA and Arc rates may reflect differences in measurement basis rather than genuine differences in underlying cost or efficiency.

96 Finally, the modern equivalent asset for ballast in the PTA's Draft Determination has not been detailed but it was said to be "considered by RLB to be compliant with the current codes of practice and technical instructions applicable to the construction of a new railway." Arc requests that the ERA provide additional supporting information to allow stakeholders to better understand and assess the basis of the modern

[30] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 28, para 130.

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equivalent asset for ballast and cost estimates proposed in the Draft Determination. This lack of transparency places stakeholders at a disadvantage and limits their ability to meaningfully scrutinise or validate RPI and the ERA's proposed figures prior to the Final Determination.

4.10 Roads

97 The PTA proposed a unit rate of $404 per square metre for roads and approaches, in line with RLB's recommendation. This results in a construction replacement cost of $134.4 million.

98 The PTA has not provided information describing the location of roads and approaches, or their construction dates.

99 Instead, in determining the unit rate for roads and approaches, RLB assumed consistency across the network and compliance with the PTA's current Specifications – Roads, Busways, Paths and Access Truck and Access to Infrastructure. The PTA have separately stated that RLB used resources such as Google Maps to confirm the data sourced from the PTA. Arc is not aware of whether RLB have specified the location, length and the portion of the network serviced by access roads.

100 Arc does not object to RLB's assessment which appears to have relied on certain assumptions regarding network consistency and compliance with current PTA specifications, rather than verified data of actual assets, but considers this standard should be uniformly adopted in applying the DORC methodology.

101 The ERA state that "roads and approaches are typically cut in conjunction with major earthworks, and the location of access roads are fixed in the process of undertaking earthworks, to the extent that they are required to undertake earthworks".[31]

102 The ERA accepted the PTA's lower unit rate and adopts the unit rate of $404 per square metre for roads and approaches, reduced by the ERA accepted on-cost percentage, as the most cost efficient.

103 Information about access roads does not appear to have been the subject of any requests for information or consultation by the ERA.

104 Arc considers that the ERA's exclusion of access roads from Arc's network is inconsistent with the approach adopted in relation to the PTA. Arc proposed a construction replacement cost for access roads of $606.5 million. RPI recommended a construction replacement cost of $949.5 million. The ERA included construction replacement cost for access roads of zero.

105 The basis for ERA's exclusion of access roads on Arc's network was that (1) access roads were in place at the time the lease was sold; (2) the formation and access roads are very similar civil structures and may have been made concurrently to enable the making of formation and (3) the network is not currently fully serviced by access roads. Arc's submissions regarding access roads were the subject of two questions posed to stakeholders requesting further information regarding evidence of their location and whether access roads are formed up as a necessary precursor to some earthworks elements. Arc refers to section 4.10 "Right of Way – Access Roads" in its Response Submission in relation to the ERA's exclusion of access roads.

106 Arc considers the exclusion of Arc's access roads from Arc's draft DORC, including on the basis that they are civil structures and may have been made concurrently with earthworks and that the network is not

[31] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 47, para 255.

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currently fully serviced by access roads, is inconsistent with the reasoning applied by the ERA in relation to the PTA's Draft Determination.

107 Arc considers that roads are necessary to operate and access the railway and are commonly accepted as being civil structures and associated track structures. This necessarily requires roads to be included in a DORC valuation. Any comparison that includes roads in one DORC estimate but excludes them in the other would not provide a meaningful basis for assessing relative asset values. This is particularly so in circumstances where the PTA does not appear to have provided any information describing the location of roads and approaches, or their construction dates.

4.11 Signals/Control Centers

108 The PTA proposed a unit rate of $4.4 million per track kilometre for signals. This results in a construction replacement cost of $1,670.1 million.

109 RPI's report clarifies that the automated signals were further broken down into fibre optic cabling, signalling, communications and radio masts.

110 The ERA accepts PTA's lower unit rates and adopts the unit rates of $4.4 million per track kilometre for signals and $7,543,283 per "line" for train control, reduced by the ERA accepted on-cost percentage, as being the most cost efficient. Based on the revised unit costs, the ERA estimates the construction replacement cost for signalling and train control at $1,306.5 million which removes on-costs from PTA's proposed $1,670.1 million.

111 Arc notes that the adoption of these rates, when compared with Arc's network, appears to be equivalent and reasonable. Arc acknowledges that its signalled territory is approximately four times the size of the PTA's network, but Arc has a lower signal density than the PTA's network.

112 RPI calculated indicative benchmarked unit rates from other signalling and communications projects across urban and freight routes within Australia. However, RPI provide no evidence to support these claims, or to demonstrate that this applies to rail infrastructure works, or even to projects in Western Australia.

113 Without additional detail about the signalling components, Arc is unable to assess whether the direct unit rates proposed by the ERA are reasonable. Arc requests that the ERA provide further information regarding signalling components in its final determination. Arc further requests that the ERA provide a breakdown of proposed estimates for fibre optic cabling, signalling, communications and radio masts.

4.12 Railway Stations

114 The ERA has proposed construction replacement costs for railway stations at $1.3 billion and adopted the PTA's approach for railway stations.

115 It is stated in the Draft Determination that "railway stations were detail[ed] in PTA's Fixed Asset Register and in the RLB report."[32] It is not clear whether the PTA's Fixed Asset Register provides for railway stations as a single unit rate or whether it provides a further breakdown of assets which comprise railway stations.

[32] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 65, para 404.

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116 The RLB Report did not provide a unit rate for railway stations but rather the assets that comprise the railway station.[33] It is noted that the RLB Report "assumed consistency across the PTA's network" but does not specify if this includes assets accounted for by RPI such as escalators, lifts, bicycle and motorcycle facilities.[34] The Draft Determination states that it is "estimated" that there are around 70 railway stations.[35]

117 Arc does not object to RLB's assessment which appears to have relied on certain assumptions regarding network consistency and compliance with current PTA specifications, rather than verified data of actual assets, but considers this standard should be uniformly adopted in applying the DORC methodology.

4.13 Definition of Railway Infrastructure Under the Code

118 The ERA has included unit rates for motorcycle and bicycle facilities, car parks and multi-storey car parks. Arc considers the inclusion of motorcycle and bicycle facilities and car parks requires further consideration in order to determine whether they are included within the definition of "railway infrastructure" under the Code.

119 By the definition of "railway infrastructure" in section 3 of the Code, "buildings and workshops" are included. However, "office buildings, housing, freight centres, and terminal yards and depots" are excluded from the meaning of "railway infrastructure". Further consideration is required in order to determine whether motorcycle facilities, bicycle facilities and car parks fall within these definitions and are necessary for the operation of a railway, and ensure the final determination is consistent with the requirements of the Code.

4.14 Works Held Not Further Classified/Rail Civil Infrastructure

120 RPI has classified the rail civil infrastructure as Other - Works Held Not Further Classified (WHNFC). RPI stated that this includes mainly Railway Civil Infrastructure, which comprises earthworks, foundations, structural supports, metalworks, kerbs, storm water drainage, cuttings, embankments, culverts, access stairs and buffer stops. RPI arrived at a construction replacement cost for the Other - WHNFC asset class of $240.3 million.

121 The ERA reviewed these assets in the PTA's Fixed Asset Register, which are aggregated amounts by line and required for network services. RPI's proposed construction replacement cost for rail infrastructure is the same as the cost proposed by the PTA.

122 RPI's report does not provide unit rates for individual assets comprising this asset class.

123 Arc notes that this category of assets includes cuttings and embankments, but no further information regarding their construction dates have been provided. Clause 2 of Schedule 4 to the Code provides that "for the purpose of this clause, railway infrastructure includes a cutting or embankment made for any

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[33] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 65, para 405. This compares with the RPI Report notes that each railway station includes "bicycle and motorcycle facilities, electrical and communications services, escalators, lifts, parking and ticketing vending machines, passenger information screens, platforms, shelters and SmartRider equipment."

[34] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 65, para 407.

[35] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 1: Total construction replacement cost, 14 July 2026, pg. 66, para 411.

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reason after the commencement of this Code". Arc notes that clause 2 of Schedule 4 applies to cutting or embankments and accordingly the PTA must confine its costs in this respect to cuttings or embankments constructed post-2000.

5. Depreciation

124 The PTA's Costing Principles require that, consistent with section 47K of the Code, the PTA prepare and submit to the ERA a statement outlining the depreciation schedule to be applied when determining the updated Regulatory Asset Base.

125 Section 3.6 of the PTA's Costing Principles state that:

> *Accumulated depreciation for the Initial RAB will be calculated with reference to the Standard Design Life of the Railway Infrastructure detailed in Appendix 2 and the Economic Life of the assets. In determining the Economic Life of an asset, the PTA will:*
>
> • *consider the current physical condition of the asset; and*
>
> • *forecast the rate at which the asset will be consumed.*
>
> *Following the determination of the Economic Life of the asset, the PTA will compare the Economic Life of the asset to the Standard Design Life to calculate the DORC for the asset.*

126 The PTA's proposed Depreciation Schedule provided annual percentages for depreciation for each year by route and asset group. The PTA did not calculate the total annual amounts of depreciation expenditures over time for each route based on its initial regulatory asset base. The PTA's Depreciation Schedule did not detail all assets required under the Code such as railway stations.

127 RPI has noted that "RPI was unable to review the estimation of PTA's depreciation in any meaningful way, as the figures were highly inconsistent and appeared erroneous, in certain cases exceeding asset replacement costs."[36] The PTA's Depreciation Schedule was provided as a spreadsheet, with no accompanying analysis or report. Further, while an annual amount was provided, total amounts were not provided and the materiality of each component of depreciation was not discussed by the PTA.

128 The PTA proposed estimate depreciation of $4,463.5 million with the effective depreciation rate of approximately 52% when divided by the ORC. RPI's estimated accumulated depreciation is $2,885.8 million, being an effective depreciation rate of 27%. RPI's estimated depreciation is approximately 65% of PTA's estimated depreciation.[37] Almost 90% of the difference in the two estimates for depreciation are attributable to four asset groups – Signals (44.2%), Stations and Platforms (19.0%), Track (14.1%) and Civil Structures (12.0%).[38]

129 The ERA concluded that PTA's assets are generally newer than implied by PTA's own calculations and therefore should be less depreciated. Overall, depreciation has been reduced from corrected PTA estimate of 51.7% to 25.1%.

5.1 Standard Design Life

[36] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 37 at section 8.1.

[37] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 37 at section 8.2.

[38] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 38 at section 8.2.

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130 Table 19 of the PTA's DORC Report sets out the standard design life of assets on the PTA's network. The PTA also provided standard design lives in Appendix 2 of its Costing Principles dated November 2024, as approved by the ERA.

131 The PTA's Costing Principles differ materially from the PTA's DORC Report in both structure and level of detail. While the DORC Report grouped assets into broad infrastructure classes, the Costing Principles adopts a significantly more granular asset hierarchy and assigns asset-specific standard design lives across a substantially larger number of asset categories. Several asset lives also appear to have been revised. Some assets have remaining lives which exceed the design lives specified in the Costing Principles (a tunnel with 102 years of remaining life, but tunnels have a design life of 100 years). The standard design lives adopted should be consistent with the information included in the PTA's Costing Principles, as approved by the ERA. Alternatively, the PTA's Costing Principles should be amended to incorporate any changes to the current approved design lives.

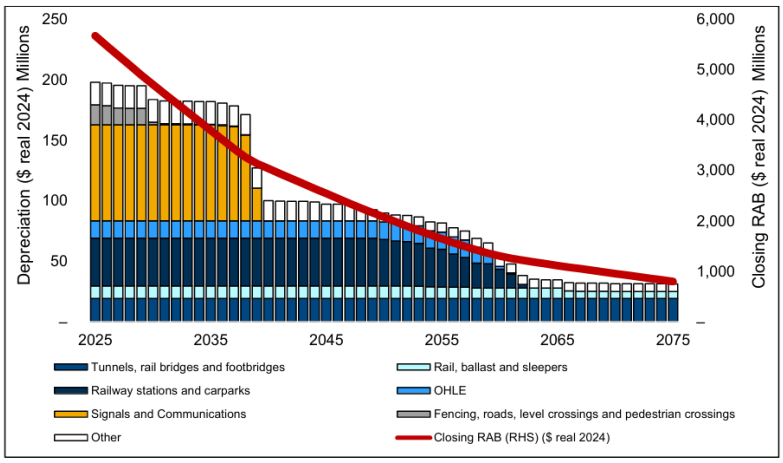
132 Further, in circumstances where the Draft Determination has regularly noted that the number, acquisition date or condition data of assets has not been provided, it is not clear how the remaining lives of assets have been determined. The ERA has not explained in its Draft Determination what influenced the finding that the PTA's assets are generally newer than implied by PTA's own proposed calculations.

133 Arc does not object to an assessment which appears to have relied on certain assumptions regarding asset lives, rather than verified data of actual assets, but considers this standard should be uniformly adopted in applying the DORC methodology.

5.2 ERA Depreciation Profile

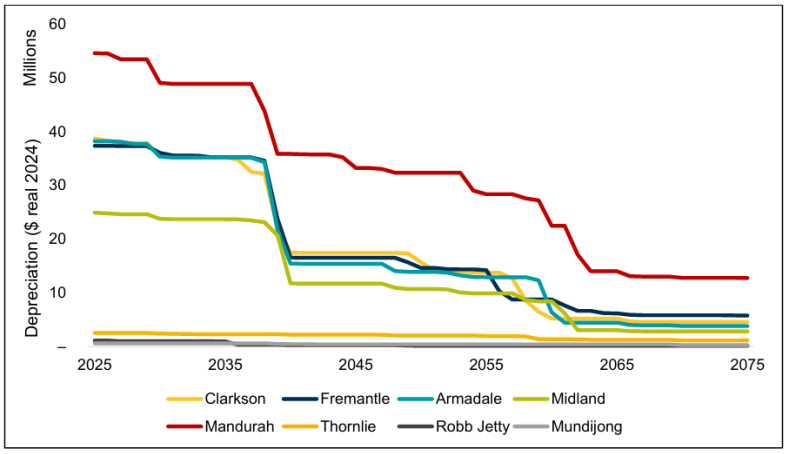
134 The ERA's depreciation profile is illustrated by Figures 4.3 and 4.4 included in the Draft Determination. Figure 4.3 details the profile of annual depreciation charges over time whereas Figure 4.4 shows the longer run depreciation profile by route.

Figure 4.3: ERA depreciation profile over time



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Figure 4.4: ERA depreciation profile by route



135 As noted by the ERA in the Draft Determination, the Mandurah line has "the highest initial depreciation payments for the first 14 years, averaging around $50 million a year which is largely driven by the proportion of signalling and communications assets which have a lower remaining life than the rest of the assets on that line. However, after 14 years it still remains the route with the highest annual depreciation profile".[39]

136 The ERA seeks comment on the depreciation profile in its Draft Determination as this may result in pricing impacts that may not facilitate a contestable market for rail operations.

137 The ERA's Draft Determination reveals the adoption of straight-line depreciation and a front-loaded profile.

138 The front-loaded depreciation is driven by signals infrastructure assets. Signals is one of the largest components of the initial DORC and its relatively short remaining asset life means that it is recovered faster than other assets.

139 Analysis of the draft Depreciation Schedule shows that:

a) rail remaining life is almost identical across all routes.[40] Arc assumes these routes would have different ages, different construction periods and different rail quantities, yet their rail remaining life is effectively identical.

b) sleepers are uniform with the exception of Route 51 Armadale and Mundijong Junction.

c) signals range between 13.6% and 15.1% with the exception of Route 50 Robb Jetty and Leighton and Leighton and North Fremantle.

d) Works Held Not Further Classified at 70.0 and 70.1 appears to have been equally allocated across route sections rather than an independently assessed value.

[39] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for the Public Transport Authority – Attachment 4: Forward depreciation schedule, 14 July 2026, pg. 12, para 37.

[40] Route 49(a) Perth and Clarkson economic life remaining is 52.6; Route 49(b) Perth and Fremantle economic life remaining is 52.7; Route 49(c) Perth and Armadale economic life remaining is 52.7; Route 49(d) Perth and Midland economic life remaining is 52.7; Route 49(e) Perth and Mandurah economic life remaining is 52.6, Route 50A Beckenham Junction and Thornlie economic life remaining is 52.6; Route 50 Robb Jetty and Leighton and Leighton and North Fremantle economic life remaining is 52.6 and route 51 Armadale and Mundijong Junction economic life remaining is 52.6.

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e) Route 49(d) Perth and Midland and Route 50 Robb Jetty and Leighton and Leighton and North Fremantle exhibits the highest bridge remaining life in the network. Arc is unable to verify these outlier figures without installation date evidence for bridges.

140 There is no discussion of the treatment of perpetual assets. Arc submits that formation, earthworks, clearing and grubbing are types of perpetual assets and should have zero depreciation.

5.1 Demand

141 To assess the PTA's determination on forecast demand, the ERA asked the PTA to provide further information on how demand is forecast, for both passenger services and freight services. The PTA provided the following information:

- For passenger rail transport: The PTA uses a transport demand model that integrates inputs from the Department of Transport's Strategic Transport Evaluation Model, observed patronage data from the SmartRider contactless ticketing system, and public transport timetables to forecast passenger volumes across a range of growth and operating scenarios. The results are assessed and inform strategic network planning to ensure that adequate service capacity is provided to accommodate predicted future growth.
- For freight services: The PTA uses the WebRAMS system and Power BI to crosscheck data related to all third-party operated train paths. This data plays a crucial role in maintaining a comprehensive historical record of service patterns and usage. Analysis of historical trends enables the PTA to forecast future demand. The PTA clarified that insights derived from Power BI help to identify recurring patterns, seasonal fluctuations, and emerging needs, which in turn inform the PTA's planning and decision-making processes. This approach ensures that the PTA's projections are data-driven and aligned with actual operational history.

142 The ERA accepted the PTA's assessment that there is no foreseeable change in demand for access and accepted RPI's advice that there is no need for asset optimisation. The ERA accepted RPI's advice that no adjustment needs to be made for demand trends.

143 Only a small portion of the PTA's network is subject to access applications from third party rail operators, heritage/boutique trains service operators, private passenger train operators and work train operators (third party freight services accounted for less than 14% and 5% of total train movements on the Fremantle to North Quay line and Perth to Midland lines respectively).

144 RPI stated that the "PTA provided minimal information in relation to actual demand figures for its freight services used under third party access agreement (historical, current or forecast)." RPI has accepted that there is "no indication" from contracted parties for an expected increase, and no expectations that new third parties will seek access on these or other routes. Accordingly, no substantive analysis of demand trends or figures, conclusions about historical demand trends, or forecasts for future demand appear to have been undertaken by RPI. Rather, RPI effectively conclude straight-line depreciation for freight services due to it being a "relatively small proportion of the total rail demand".[41] Nothing in the PTA's Costing Principles states that there is a minimum threshold that applies before demand must be considered, nor does the PTA's Costing Principles exclude freight services from consideration.

145 Arc does not necessarily disagree with RPI and the ERA's overall outcome, but considers this represents another area where evidentiary standards, assumptions and methodologies have been

[41] RP Infrastructure, Initial Report (Review of PTA's Sections 47J and 47K submissions) FINAL, 5 May 2026, pg. 36 at section 8.

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applied in an inconsistent manner when compared to the ERA's Draft Determination of Arc's network DORC.

146 The PTA's Costing Principles at section 3.4 Optimisation state that "The level of service is determined with consideration of the maximum axle loads, maximum train speeds and maximum train lengths." RPI has noted this requirement at sections 5.1 and 6. Yet, it is not the subject of any substantive discussion or analysis in RPI's Report. Therefore, it does not appear to have formed part of RPI's analysis in respect of the PTA's network. The ERA stated that it is satisfied with the PTA assessment that no optimisation is required.

147 With respect to urban rail passenger demand, the ERA has noted "PTA's recognition of the rapid population growth in recent years and its expectation of significant further growth and increase in rail patronage that will result. Given that demand for urban passenger services is increasing and the urban rail passenger network has been designed to factor in future demand growth, the ERA is satisfied that the MEA of assets relating to the provision of urban rail passenger services is requisite to meet the reasonably projected future demand."[42] There is a paucity of analysis undertaken by RPI in respect of the PTA's urban rail passenger demand. Rather, the ERA's analysis appears to rely on the PTA's Rail Growth Plan. Arc has not been able to access the PTA's Rail Growth Plan from the link provided in the Draft Determination and it does not otherwise appear to be a publicly accessible document. Further information and discussion regarding the urban rail networks future demand and growth is warranted. Without future information, Arc is unable to comment on the ERA's conclusion that it expects "significant further growth and increase in rail patronage" and findings that urban passenger services are increasing.

[42] Economic Regulation Authority, Draft decision – Determinations of depreciated optimised replacement costs and depreciation schedule for Arc Infrastructure – Overview, 26 March 2026, pgs. 14-15.

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