Co-operative Bulk Handling Ltd
ABN 29 256 604 947
Level 6, 240 St Georges Terrace
Perth WA 6000 Australia
GPO Box L886
Perth WA 6842 Australia
Telephone
+61 8 9327 9600
Grower Service Centre
1800 199 083
cbh.com.au

Enq: [redacted]
Direct Line:
Email:
Our Ref: 1865283679-152279

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Economic Regulation Authority
Level 4, Albert Facey House
469-489 Wellington Street
PERTH WA 6000

Submitted online via: https://www.erawa.com.au/current-consultations

Public Transport Authority's statement of depreciated optimised replacement cost and depreciation schedule – Invitation for public submission

Co-operative Bulk Handling Limited (**CBH**) is pleased to provide feedback to the Economic Regulation Authority (**ERA**) in relation to the ERA's draft decision on the Public Transport Authority (**PTA**) statement of the depreciated optimised replacement cost and statement of depreciation schedule (**Draft Decision**), published on the ERA's website on 15 July 2026.

CBH primarily utilises the Freight Rail Network (currently managed by Arc Infrastructure) to transport grain exports via rail to CBH's bulk terminals. CBH has historically utilised the PTA network to access maintenance facilities and continues to use the network indirectly to transport containerised grain to Fremantle Port via a third-party operator. CBH may therefore be impacted by ERA's Draft Decision as an indirect user of the PTA network.

CBH commentary on ERA's Draft Decision

CBH acknowledges the significant work undertaken by the ERA in assessing PTA's statement of the depreciated optimised replacement cost and statement of depreciation schedule. CBH's commentary on the ERA's Draft Decision is articulated below.

1. Contractor and railway owner costs

- The Draft Decision applies contractor and railway owner cost allowances of 43.7 per cent and 19.3 per cent respectively, which together increase direct asset costs by around 70 per cent. CBH considers these allowances materially overstate efficient replacement costs and are not supported by comparable infrastructure valuation exercises. Further detail on CBH's view as to appropriate margin allowances, including comparisons with other infrastructure valuation exercises, is provided in CBH's submission in response to the ERA's Draft Decision on Arc's depreciated optimised replacement cost (**DORC**) report and depreciation schedule[1] and applies equally to the Draft Decision.
- Consistent with the recommendation put forward in CBH's response to the ERA's Draft Decision on Arc's DORC and depreciation schedule, CBH submits that the construction delivery model adopted in the ERA's earlier determinations, where combined contractor and owner cost mark-ups of 20-22 per cent were assumed, remains the most appropriate and efficient basis for estimating replacement cost. If, contrary to CBH's submission, a head-contractor delivery model with no meaningful railway owner involvement continues to be

[1] CBH, *CBH submission on the Economic Regulatory Authority's Draft Decision on Arc Infrastructure's DORC Report and Depreciation Schedule published on 26 March 2026,* June 2026, available at: https://www.erawa.com.au/sites/default/files/arc-infrastructure-dorc-and-depreciation-schedule-draft-decision-public-submission-co-operative-bulk-handling.PDF

assumed, combined margins should be reduced to maintain consistency with the lowest cost objective of the DORC methodology. This could be achieved by removing railway owner costs or reducing them to 5 per cent. The construction replacement cost methodology should also allow for direct procurement of rail, sleepers, turnouts and ballast assets to reflect standard practice for efficient operators seeking to avoid unnecessary contractor margins.

2. Funding costs

- PTA's DORC valuation did not include funding costs, and the ERA has accepted this approach in the Draft Decision.
- CBH is supportive of this approach and considers that funding costs are not an inherent component of a DORC valuation and should not be assumed to be recoverable as part of the asset value.

3. Depreciation assumptions

- The Draft Decision resulted in a significant reduction in depreciation relative to PTA's proposed valuation. The ERA notes that PTA's approach may have reflected an accounting depreciation methodology and identified differences in the application of asset lives relative to the Costing Principles, including instances where similar assets were assigned different design lives. The Draft Decision instead applies a straight-line depreciation methodology based primarily on asset commissioning dates and standard asset lives.
- In the Draft Decision, earthworks and formation assets appear to be incorporated within broader asset categories such as rail civil infrastructure that is subject to depreciation. This differs from the approach adopted in the Arc Draft Decision, where earthworks and formation assets were treated separately as perpetual assets and not depreciated.
- CBH supports the ERA's approach to depreciation, including adopting route specific depreciation assumptions and the treatment of formation assets as depreciable, on the basis that it is consistent with the Costing Principles and aligns with the methodology CBH has previously advocated for in relation to Arc's DORC valuation.

4. DORC modelling consistency and transparency

- While the Draft Decision explains the key assumptions and methodology applied at each stage of the DORC assessment, the detailed model underpinning the valuation has not been published.
- CBH acknowledges confidentiality concerns raised by PTA regarding the publication of its valuation model, however, notes that the Draft Decision already discloses significant detail regarding the valuation methodology, cost assumptions and valuation outcomes.
- CBH encourages the ERA to consider publishing the detailed DORC model, or a suitably redacted or aggregated version of it. This would help stakeholders better understand how asset quantities, unit rates, margins and other assumptions have been applied at a Code Route segment level, while still protecting any commercially sensitive information.

The establishment of an appropriate DORC and Depreciation Schedule is critical to ensuring the price guidance mechanism in the revised Code functions as intended.

The opportunity to make a submission is greatly appreciated and we would welcome the opportunity to engage further. Please contact Kristina Primus [redacted] if you require any further information.

Yours sincerely,

For: Co-operative Bulk Handling Limited

[redacted]

Nelson Aylmore
HEAD OF NETWORK PLANNING