



14 June 2012

Mr David Heeps  
Chief Executive Officer  
Essential Services Commission  
Level 2, 35 Spring Street  
Melbourne 3000

Dear David,

**Access Arrangement Renewal – Response to Draft Decision**

I am writing in relation to the *V/Line Access Arrangement - Draft Decision* dated May 2012.

We have reviewed the Draft Decision and the attachments and are pleased that the consultant GHD's review has concluded that overall V/Line is an efficient manager of the network.

We note GHD's comments in relation to V/Line's train control and signalling costs that "*the current Victorian Freight Only Network is not conducive to efficient train control functions due to paucity of task*".

We agree that the lack of traffic on the Freight-only network does make it difficult to achieve a low train control and signaling costs per unit of freight task. However, since taking over the management of the network in 2007 V/Line has worked to reduce operational costs. Infrastructure upgrades at locations including Shepparton (complete) and Maryborough (in progress) are resulting in decreased labour requirements and increased hours of availability at no additional cost to operators for the supply of the train control and signaling function. We acknowledge that the network still has a number of locations - eg the Geelong Grain Loop - where infrastructure upgrades would be desirable to further reduce operating costs. V/Line staffing will still be required until infrastructure funding is available to automate these locations.

While we are not entirely clear what costs have been accepted in the network signaling maintenance costs we note that the State has been progressively upgrading level crossings from passive to active controls across the network in recent years. This has meant that additional signal maintenance staff is required to maintain these assets and these costs are included in the signalling budget. This has happened on the Mildura line.

With respect to the particular items noted in Box 1.1 and Box 1.2 of the Draft Decision as per the Rail Management Act we provide the attached table of changes as proposed revisions to the Access Arrangement and associated documentation for your consideration in the making of your final decision.

Please also find enclosed:

- Access Arrangement – marked up to incorporate changes made to our earlier submission to provide for those matters addressed in the attached table.
- Access Agreement – marked up to incorporate changes made to our earlier submission to provide for those matters addressed in the attached table.
- Operating Handbook – marked up to incorporate changes made to our earlier submission to provide for those matters addressed in the attached table.

We look forward to your advice regarding your final decision. Should you have any queries in relation to the above please contact Brendan Geary – Manager Contracts, Access and Interfaces on 8414 8553.

Yours sincerely



**Robert Barnett**  
**Chief Executive Officer**

Cc: Mr. Dominic L'Huillier  
Senior Project Manager - Transport and Industry Sectors  
Essential Services Commission.

Attachment

**Box 1.1**

<b>Issue</b>	<b>V/Line Response</b>
<b>Access prices</b>	V/Line notes that the Commission's determined access price of \$22.60 is a maximum price. V/Line proposes to continue its current access prices as set out in Appendix 1. These prices are well below the maximum set by the Commission and are therefore acceptable.
<b>Information to be made available to an access seeker (section 5.2 of this draft decision)</b>	The definition of Information Pack has been amended as per the ESC draft decision as per the Arrangement provided with this submission.
<b>Consistency with the Ring Fencing Rules (section 5.7 of this draft decision)</b>	Clause 5.14 of the Access Agreement amended as per the ESC draft decision.
<b>Consistency with the Capacity Use Rules (section 5.8 of this draft decision)</b>	<p>V/Line has reviewed the Operating Handbook and updated condition 7 as per the attached "markup" document.</p> <p>Amendments have been made to provide that a Scheduled Train Path could revert to an Unscheduled Service.</p> <p>It is noted that the matters covered under 6.3(a)(vii) of the rules relate to matters which are in essence matters which would be considered as material breaches under the Access Agreement as referenced in condition 3 of the Access Agreement.</p> <p>Specific reference has now been provided to the notice provisions and compliance with the particular sections of the rules.</p> <p>6.3 (a) (xi) has been dealt with by way of an update to the Operating handbook at condition 13.</p> <p>Reference to the Capacity Use Rules has been included in the final paragraph of the Operating Handbook.</p>
<b>Consistency with the Negotiation Guidelines (section 5.9 of this draft decision)</b>	Clauses 3.2.b (v), 3.3.a., 3.6.e., 3.6.f and. 3.6 (i) amended as per the ESC draft decision as per the Arrangement provided with this submission.
<b>Consistency with the Network Management Rules (section 5.10 of this draft decision)</b>	Clause 4.2.h of the Access Arrangement amended to include <i>reasonable endeavours</i> notation.

<b>Section 4.3 – Revenue cap</b>	Clause 4.3 of the Access Arrangement amended as per the ESC draft decision as per the Arrangement provided with this submission.
<b>Appendix 1 – Pricing</b>	Appendix 1 of the Access Arrangement amended
<b>Appendix 5 - Definitions</b>	Appendix 5 of the Access Arrangement amended as per the ESC draft decision
<b>Annexure A – Location diagrams</b>	These have been reviewed and are still current as they apply to the Access Arrangement the areas of relevance: Somerton roads, Tottenham and Arrivals Siding are still contained within the Regional Infrastructure Lease.
<b>Access agreement terms and conditions (section 5.12 of draft decision)</b>	
<b>Section 1 – Definitions</b>	Access Agreement amended as per the ESC draft decision, amended Agreement provided with this submission.
<b>Clause 3.1 – Variation and surrender of a train path</b>	Access Agreement amended as per the draft decision amended Agreement provided with this submission.
<b>Clauses 6.1 to 6.7 – General Maintenance and lines booked out of service</b>	Access Agreement amended as per the ESC draft decision amended Agreement provided with this submission. It is noted that clause 6.1 has been modified to reflect a reference to 4.1.e to 4.1.j to include the commencing Performance Standard.
<b>Clauses 6.8 to 6.15 – Track occupations</b>	Access Agreement amended as per the ESC draft decision, amended Agreement provided with this submission.
<b>Clause 8.1 – Train Manifest</b>	Access Agreement amended as per the ESC draft decision, amended Agreement provided with this submission.
<b>Clause 8.9 and 8.10, and previous clause 8.10 (removed) – Inspection and audit by the Access Provider</b>	Access Agreement amended as per the ESC draft decision, amended Agreement provided with this submission.
<b>Clauses 14.7 and 14.8 – Other consequences of an incident</b>	Access Agreement amended as per the ESC draft decision , i.e. clause 14.7 - amended Agreement provided with this submission.
<b>Clause 17.16.3 – Delay indemnity</b>	Access Agreement amended as per the ESC draft decision i.e. clause 14.7 - amended Agreement provided with this submission.
<b>Clause 19.17 – Termination for Change of Control</b>	Access Agreement amended as per the ESC draft decision amended Agreement provided with this submission.

<b>Clause 21.8 - Notices</b>	Access Agreement amended as per the ESC draft decision, amended Agreement provided with this submission.
<b>Box 1.2</b>	
	Access Arrangement amended as per the ESC draft decision amended Arrangement provided with this submission. It is noted that a definition of <i>Access Holders</i> has been inserted into Appendix 5 to give effect to the ESC proposed changes.

