



# PUBLICATION

## The Pilbara Infrastructure Floor and Ceiling Costs

### DETERMINATION

The Economic Regulation Authority (Authority) has today released its Determination on The Pilbara Infrastructure Pty Ltd (TPI) Floor and Ceiling Cost Proposal for a section of the TPI railway between Christmas Creek mine and Port Hedland. The route to which this determination applies starts at the 219.5 km mark from Port Hedland and ends at the 23 km mark from Port Hedland.

Pursuant to clause 10(3) of Schedule 4 of the *Railway (Access) Code 2000 (WA) (Code)*, the Authority does not approve TPI's determination of its floor and ceiling costs provided on 23 May 2013.

Accordingly, the Authority has made a Determination on the Floor and Ceiling Costs to apply to the relevant route sections.

TPI's proposed floor and ceiling costs have been assessed by the Authority in accordance with the relevant provisions of the *Railways (Access) Act 1998 (WA) (Act)* and the Code.

In making the determination the Authority has considered relevant submissions on TPI's proposed floor and ceiling costs made by interested parties in response to public consultation.

In making its determination, the Authority engaged technical consultants, AECOM Australia, to review and provide advice on some elements of TPI's proposed floor and ceiling costs and public submissions received.

### ROLE OF THE AUTHORITY

The role of the Authority in relation to the determination of floor and ceiling costs is to either approve TPI's determination of costs, or to make its own determination of costs, as described in clause 10(3) of Schedule 4 of the Code. In determining the floor and ceiling costs, the Authority must take into account:

- the matters outlined in Section 20(4) of the Act; and
- the object of the Act and the Code to encourage the efficient use of, and investment in, railway facilities by facilitating a contestable market for rail operations as set out in Section 2A of the Act.

The floor and ceiling costs approved or determined by the Authority represent the minimum and maximum recoverable revenue in respect of the relevant route sections. This means that the ceiling cost is the maximum revenue recoverable by TPI from all operators and all other entities, including itself, on the relevant route.

The Authority does not determine prices in respect of a particular proposal. Prices are negotiated between the railway owner and the proponent subsequent to the approval or determination of costs by the Authority. The Authority does not have a role in establishing

specific access prices, except where requested to provide an opinion on the fairness of prices, as described in Section 21 of the Code.

## ASPECTS OF THE DETERMINATION

The Authority notes that the access proposal submitted by Brockman Iron Pty Ltd is not for access to the relevant routes until 2016. Accordingly, the Authority is mindful that clause 12 of Schedule 4 of the Code allows it to make a fresh determination of TPI's floor and ceiling costs in respect of these route sections if the Authority considers that there has been, or may have been, a material change in any of the circumstances that existed at the time this determination was made.

Such circumstances may include the completion of further extension or expansion works by TPI, or changes in the level of general prices or asset-specific prices, which occur between the date of this determination and the date of commencement of above-rail operations to which this determination applies.

The Authority has largely accepted both the direct capital costs and the operating costs provided by TPI in its floor and ceiling cost proposal. However, some elements of the indirect costs proposed by TPI have not been accepted by the Authority.

## DETERMINATION

The Authority has determined the following floor and ceiling costs will apply to the relevant route sections:

Value (A\$ per annum – June 2013 dollars)			
Route Section Name	3	5	TOTAL
Section Description	Solomon Junction to 219.5	Chainage 23 to Solomon Junction	
Floor Cost	16,155,919	68,586,120	84,742,039
Ceiling Cost	64,073,279	252,828,535	316,901,814

## CONFIDENTIALITY

TPI has requested that its proposed floor and ceiling costs remain confidential under Section 50(3) of the Code. The Authority has agreed to this request. Accordingly, the Authority's Determination is significantly redacted. At this time the Authority is not in a position to publish the AECOM report.

A copy of the Authority's Determination is available on the Authority's [website](#).

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