

NOTICE

REQUEST TO THE AUTHORITY TO REVIEW REVISED CEILING COSTS

In September 2003, the Rail Access Regulator (**Regulator**) released its determination of the floor and ceiling costs for the mainlines in the freight rail network. This determination included the floor and ceiling costs for the following rail routes:

- Kwinana to Bunbury;
- Forrestfield to Kalgoorlie;
- Kalgoorlie to Esperance; and
- Kalgoorlie to Leonora.

Subsequent to this, the Regulator released its determination of the floor and ceiling costs for the Worsley branch rail line in October 2003. In July 2004, the Economic Regulation Authority (**Authority**) released its determination on the floor and ceiling costs for the terminal ends on the Kwinana to Bunbury rail route.

Under the three determinations outlined above, the railway owner, WestNet Rail (**WNR**), is permitted to revise annually the floor and ceiling costs by the weighted average cost of capital and the inflation rate adjusted by a productivity factor (CPI-X). The annual inflation adjustment has been determined to be 0.75 of the annual inflation rate as calculated using the CPI published by the Australian Bureau of Statistics.

The Authority has received a request from WNR to confirm the annual escalation in the ceiling costs, applicable for 2005-06, for the Kwinana to Bunbury terminal ends and the other five rail lines identified above, which apply from 1 July 2005.

The Authority recognises that it does not have a direct role, as defined in the Railways (Access) Code 2000, in approving annual changes to previously approved ceiling costs. Nevertheless, the Authority understands that users of railway infrastructure are not able to confirm whether the annual escalation changes provided to them are correct. The Authority is able to confirm whether the adjustments to the ceiling costs have been done correctly because it has access to costing models used by railway owners. On this basis, the Authority is prepared to review the annual changes to approved ceiling costs.

The Authority recognises that there are a number of users who would have an interest in knowing what the revision to the ceiling costs are for these rail routes. In addition, the Authority understands that some users of the Kwinana to Bunbury rail line and the terminal ends on this rail line would want the escalated ceiling costs published on a route section basis.

Consequently, the Authority has decided to make this information available to all users, in the interest of transparency, by publishing the revised ceiling costs in this notice.

The revised ceiling costs, by route section for the Kwinana to Bunbury rail routes and the terminal ends for this rail route, and the other four rail routes are outlined in the table below. WNR has agreed that these costs correctly represent the adjusted ceiling costs.

Route Section	Ceiling Cost(\$) (2005-06)	Route Section	Ceiling Cost(\$) (2005-06)
Mainline		Terminal Ends	
Kwinana to Mundijong	3,422,935	Kwinana No 3 Pts to Alcoa Bauxite Junction	536,990
Mundijong to Pinjarra	5,750,059	Alcoa Bauxite Junction to Alcoa Bauxite Siding	401,856
Pinjarra to Pinjarra East	588,963	Alcoa Bauxite Junction to Alcoa Caustic Siding	165,938
Pinjarra East to Alumina Junction	686,007	Alcoa Caustic Siding to Alcoa Alumina Siding	86,577
Pinjarra East to Pinjarra South	247,496	Bunbury Inner Harbour No 485 Pts to Alcoa (inbound)	271,491
Pinjarra to Wagerup	2,865,099	Bunbury Inner Harbour No 486 Pts to Alcoa (outbound)	181,900
Wagerup to Brunswick Junction	4,396,021	Bunbury Inner Harbour No 485 Pts to No 486 Pts	326,010
Brunswick Junction to Picton	2,790,358		
Picton to Bunbury Inner Harbour	1,355,141		
Route		Route	
Worsley Branch line	6,983,373	Kalgoorlie to Esperance	32,517,458
Forrestfield to Kalgoorlie	100,474,618	Kalgoorlie to Leonora	19,159,394

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