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Dr Ken Michael
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Dear Dr Michael

You have asked for public submissions concerning WestNet's Train Path Policy, Train Management Guidelines, Segregation Arrangements and Costing Principles, and the Kalgoorlie to Esperance rail line advertisement. The following are AWR's views on these matters:

1. Train Path Policy

It appears this policy deals with the allocation of train paths. The policy's aim is to ensure that allocation is fair and equitable, and that contractual rights are acknowledged. This concept is welcome by AWR. It appears to be WestNet's goal to manage the network to encourage maximum use. Increasing use of the network is encouraged by AWR as this should lead to lower costs associated with access.

Under this policy, train paths are managed through the use of Master Control Diagrams. These were created by taking account of all the existing services on the Network as at 1 September 2001. This appears to be reasonable.

WestNet has the right to introduce temporary variations to train paths in order to prevent damage, injury or delays. Although this appears to be a mandatory mechanism for the management of the network, AWR will monitor closely the introduction of any temporary variations to train paths as these can have a significant impact on delivery schedules.

Permanent variations to scheduled train paths can be made by agreement and WestNet cannot unreasonably withhold this agreement. This is welcome.

The repair, maintenance and upgrading provisions appear reasonable if WestNet is to maintain the Network in a condition "fit for purpose".

The policy also provides for train paths to be removed from agreements but a particular path will only be notified for removal if it has not been used for three consecutive path weeks. Even then, the path will not be lost unless it is used less than six weeks in aggregate in the six months' period from the date of notice. Although

this seems liberal, it is hoped that exceptions to this can be looked at on a case by case basis.

Finally, if WestNet refuses a schedule variation requested by an operator, then it must provide written reasons why the variation is not possible. This is absolutely necessary if open accountability is to be maintained.

2. Train Management Guidelines

These guidelines appear to be a statement of principles, rules and practices, which will be applied in the real time management of services. They are intended to apply in a non-discriminatory way between all users of the Network so as to maintain the order of priority of the Scheduled Train Paths. AWR considers this to be a fundamentally essential aspect of train management.

How the Network will be used is set out in detail including what is required before a service can operate (an Access Agreement and a Train Manifest) and the provisos that will apply for keeping trains on time and endeavouring to make up time for late trains.

These guidelines are a well-established part of Train Control procedures. The guidelines merely formalise the existing practices.

WestNet reserves the right to clear “blockages” as it best sees fit, however the Operator of the failed train will be consulted (in AWR’s case, the Train Management Centre) and therefore has the option to make suggestions about alternatives. There is a small risk to AWR in this guideline because of the presence of the four WAGR “Australind” passenger services per day. These can only be cleared by AWR but failed AWR services can never be assisted by the WAGR because it operates diesel railcars.

WestNet is accountable for performance through Key Performance Indicators, which must be agreed between the parties. Furthermore, the parties must meet not less than quarterly to review performance. AWR welcomes this and sees this as a necessary mechanism to monitor and enforce WestNet’s performance.

In summary, these guidelines appear to offer a fair and equitable method of real time management of train services.

3. Segregation Arrangements

This paper provides the background to the subject of segregation as well as the detail of how WestNet proposes to manage segregation issues in order to meet the requirement under the Act for a general duty of fairness to all Operators.

AWR has no objection with the proposals and sees all operators being protected from unfair treatment (and AWR being restricted from privileged treatment) by the following arrangements:

- WestNet and AWR occupy different facilities.

- In the RAMS system, operators can only access data about their own trains.
- Details of access contracts or negotiations cannot be divulged to AWR.
- No director of AWR will also be a director of WestNet.
- Only access proposals that comply with all aspects of the Act and Code will be recommended to the ARG Board for approval.
- Existing or prospective users of the network can refer matters to the Regulator if they believe they have been dealt with unfairly.
- A dispute resolution mechanism is included in all access agreements.
- Segregation of computer information systems and the generation of reports between AWR and WestNet is provided through the use of individual computer ID's and passwords.
- An audit of WestNet compliance is to be conducted annually.
- At the end of the initial two years of segregation, WestNet is required to formally consult with the Regulator.

4. Costing Principles

This document defines the Costing Principles as “a statement of the principles, rules and practices WestNet will apply to determine the costs relevant to a particular access application”.

The details of how capital, operating and overhead costs will be determined is clearly set out and AWR has no objections to any of these.

AWR is satisfied that costs are as efficient as possible because of the use of competitive tendering for major capital works and the outsourcing of track maintenance.

It is noted that the cost allocation rules are driven by either train movements or gross tonne kilometres and this seems very appropriate.

Safeguards against WestNet overcharging include the following:

- Reasonable allowable return (or Weighted Average Cost of Capital) being determined by the regulator based upon market and economic conditions.
- A Regulatory Ceiling which prevents the total revenue that can be earned on a corridor being greater than the infrastructure cost, including the return on capital).
- WestNet can only apply CPI increases to the Regulatory Ceiling once it is set. Then after three years, the Ceiling must be reset.

- WestNet must formally consult with the Regulator at the end of the initial two years of operation of the Costing Principles to determine whether any amendments are required.

5. Kalgoorlie to Esperance Rail Line Advertisement

AWR is currently the incumbent rail carrier for all freight commodities hauled on the Kalgoorlie to Esperance rail line. AWR has reviewed WNR's indicative pooling diagram and has concerns with possible scheduling conflicts. AWR has approached WNR on this matter and is currently in discussions.

AWR appreciates the opportunity to provide comment on WestNet's policies and is available to address any questions that you may have.

Yours faithfully

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Manager Marketing and Customer Service