



Economic Regulation Authority

# Draft determination of Arc Infrastructure depreciated optimised replacement costs and depreciation schedule

Attachment 4: Capital contributions

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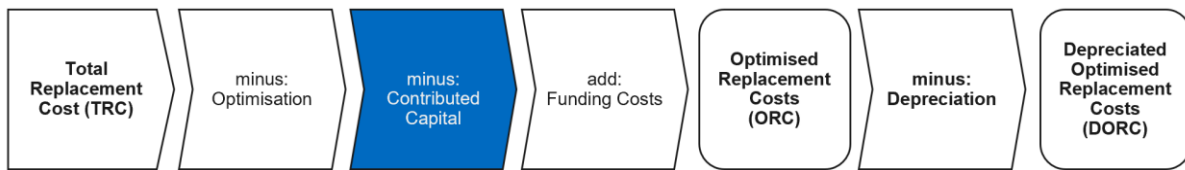
## Note

This attachment relates to the contributed capital component of the depreciated optimised replacement cost.

This attachment forms part of the ERA's draft determination on the Arc depreciated optimised replacement cost and Arc depreciation schedule. It should be read in conjunction with all other parts of the draft determination, which comprises of the following documents and attachments:

- Overview
- ERA's draft determinations of depreciated optimised replacement costs by route section
- ERA's draft determinations of depreciated optimised replacement costs (model)
- ERA's draft determinations of depreciation schedule (model)
- Attachment 1: Information used by the ERA
- Attachment 2: Total construction replacement costs
- Attachment 3: Optimisation
- **Attachment 4: Capital contributions (this document)**
- Attachment 5: Funding cost during construction
- Attachment 6: Depreciation
- Attachment 7: DORC summary
- Attachment 8: Depreciation schedules

## Attachment 4. Summary



Contributed capital is defined in the *Railways (Access) Code 2000* in section 47B as being railway infrastructure that has been funded wholly or in part by an entity other than the railway owner or an associate of the railway owner. This includes by that entity providing cash or in-kind contributions, undertaking work or paying for work to be undertaken, or making payments that fund the recovery of capital in relation to the railway infrastructure and are not payments of prices and charges for access.

Arc's costing principles quote the Code and state that the railway owner will exclude any railway infrastructure that has been funded by contributed capital. Arc states that where another entity has funded the entirety or part of an asset, the replacement cost will be reduced in proportion to the percentage funded by that entity.

Arc stated in its submission that none of the assets in its statement of depreciated optimised replacement cost are contributed assets and therefore has not made any adjustment for contributed capital.

Stakeholder submissions disagreed with Arc's statement and provided examples that they believed to be contributed capital on the network. These examples include government contributions to the network and private contributions.

The ERA considered capital contributions with reference to the costing principles, the Act and stakeholder feedback. The ERA's estimation of capital contributions is based on the following factors:

- Contributed capital sources
- The escalation of historic capital contribution to December 2024 dollars
- The distribution of capital contribution.

### Contributed capital sources

The ERA has received submissions identifying capital contributions from stakeholders including:<sup>1</sup>

- [REDACTED]
- [REDACTED]
- Contribution payments by Cliffs Natural Resources
- Capital works funded by the Public Transport Authority (PTA) between Avon and Redmond

<sup>1</sup> Two of these submissions include information that stakeholders claim is confidential.

- Capital funding by Main Roads for renewals or upgrades to pedestrian level crossing facilities
- State Government funding after the Strategic Grain Network Review for narrow gauge concrete re-sleepering
- State Government funding for passing loops and new rail tracks between Koolyanobbing and Kalgoorlie
- State Government contributions for concrete re-sleepering and crossing loop extensions on the Eastern Goldfields Railway (EGR).

The ERA has decided that the contributions listed above are capital contributions and should be considered as part of the assessment of Arc's DORCs. However, the claimed capital contributions below have not been accepted by the ERA as meeting the requirements to be considered capital contributions:

- State Government funding for upgrades to the Midland Railway line between Mingenew and Carnamah to support higher access loads
- State Government funding for signalling upgrades between Northam and Koolyanobbing
- Funding identified in Arc's Annual Report.

The total amount of contributed capital accepted by the ERA across all route sections is approximately \$1.5 billion.

### **The escalation of historic capital contribution to December 2024 dollars**

Some capital contributions have not been escalated into December 2024 figures. As the depreciated optimised replacement cost has been calculated in December 2024 figures, the ERA has escalated the figures accordingly using the Road and Bridge Construction Index where possible. Not all figures were able to be escalated as there was not enough information on their construction dates to accurately escalate.

### **The distribution of capital contribution**

Generally, stakeholders did not tie capital contributions to particular route sections in their submissions. The ERA has allocated contributions either by route length or optimised replacement cost as appropriate to each case.

The ERA seeks any relevant stakeholder information relating to the escalation of capital contributions and the distribution of the capital contributions, desirably across route sections. The ERA will incorporate any further information into its final determination.

## Capital contributions

1. Contributed capital is capital from a third party used to fully or partially fund the construction of a railway infrastructure asset. Capital contributions can take the form of either the gifting of a physical asset or the payment of cash to fund an asset.
2. Section 1.4 of Arc's Costing Principles defines contributed capital as having the meaning given in section 47B of the Code, as follows:

means railway infrastructure that has been funded wholly or in part by an entity other than the railway owner or an associate of the railway owner, including by the entity doing any of the following —

- providing cash or in-kind contributions to the railway owner or an associate of the railway owner;
- undertaking work, or paying for work to be undertaken, for the railway owner or an associate of the railway owner;
- making payments to the railway owner or an associate of the railway owner that –
  - fund the recovery of capital in relation to the railway infrastructure; and
  - are not payments of prices and charges for access.

For the purposes of these Costing Principles, means any contribution of the kind described in section 47B of the Code, made by anyone other than the entity who was the Railway Owner (or an Associate of the Railway Owner) at the time the contribution was made.

3. Arc's Costing Principles incorporate capital contributions and require that the railway owner reduce the capital expenditure equivalent to the proportion of the original capital expenditure in respect of the particular asset that was funded by another entity.<sup>2</sup>
4. Contributed capital is excluded from the asset base and is not recovered over time through depreciation. This treatment ensures that customers do not pay for the asset twice, once upfront through a capital contribution from the customer and then again through customers paying a charge for the return of capital (depreciation).

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<sup>2</sup> Arc infrastructure, *Costing Principles*, 11 July 2025, p. 14.

## Arc Infrastructure proposal

5. Arc's proposal did not include capital contributions.
6. Arc's statement at section 7.1 states that "Arc has confirmed that none of the assets in this DORC [depreciated optimised replacement cost] are contributed assets. There has therefore been no adjustment for any contributed investment."<sup>3</sup>

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<sup>3</sup> GHD Advisory, *Applicable Railway Infrastructure DORC Final Report Arc Infrastructure Pty Ltd*, 6 June 2025, p. 164.

## Comments in submissions

### AMEC

7. The Association of Mining and Exploration Companies (AEMC) did not accept Arc's statement there has been no contributed capital on its network. It submitted there was clear evidence of assets being funded by third-party capital contributions based on various documents on the public record (for example, Government funding).<sup>4</sup>

### Aurizon

8. Aurizon did not accept Arc's statement there has been no contributed capital on its network. It cited public evidence around the existence of large amounts of third-party capital over the last 20 years including by government, Karara Mining Limited and Cliffs Natural Resources.<sup>5</sup>
9. Aurizon further submitted that according to the costing principles, contributed capital must be measured by the current value of assets funded by the contribution, not by the current value of the contribution.<sup>6</sup>

### CBH

10. Co-operative Bulk Handling (CBH) did not accept Arc's statement there has been no contributed capital on its network, as assets included in Arc's statement appear to be funded by third-party capital contributions based on various documents on the public record. CBH provided the following examples:<sup>7</sup>
- Arc's 2024 annual report shows a total balance of \$178 million of which \$171 million represents Government funding designated for the purchase, construction or acquisition of new assets or as compensation for expenses or losses incurred.<sup>8</sup>
  - \$241 million (2010 dollar terms) for narrow gauge re-sleeper program as documented in the PTA and WestNet Rail funding agreement. This agreement stated that works valued at \$43.5 million (2010 dollar terms) would be spent between Avon and Redmond, of which \$35.25 million (2010 dollar terms) would be funded by the PTA. Further, CBH submitted the sleepers replaced between Avon and Redmond form part of Arc's statement with an indicative value of \$120 million claimed by Arc.<sup>9</sup>

<sup>4</sup> Association of Mining and Exploration Companies, *Submission on Depreciated Optimised Replacement Cost (DORC) valuation of Arc Infrastructure's railway assets*, July 2025, p. 8.

<sup>5</sup> Aurizon, *Arc Infrastructure Proposed Depreciated Optimised Replacement Cost Submission to ERA*, 11 August 2025, p. 43.

<sup>6</sup> Aurizon, *Arc Infrastructure Proposed Depreciated Optimised Replacement Cost Submission to ERA*, 11 August 2025, p. 43.

<sup>7</sup> CBH Group, *CBH submission on Arc Infrastructure's statement of the depreciated optimised replacement cost and statement of the depreciation schedule published on 16 June 2025*, 11 August 2025, pp. 52-55.

<sup>8</sup> CBH referred to Arc Consolidated Annual Report for the year ended 31 December 2024, p. 24.

<sup>9</sup> CBH referred to Schedules 6 to 10, "Project Agreement for Capital Works – Dedicated Narrow Gauge Grain Lines" between the PTA and WestNet Rail dated 9 July 2010. CBH provided the following detail in support of their view that these should be considered to be contributed assets. It states in Schedule 6 that:

- Capital works valued at \$43.5 million (\$2010 terms) would be spent between Avon and Redmond, of which \$35.25 million (\$2010 terms) would be funded by the PTA.
- The Brookfield monthly report dated September 2011 show that these works were completed or

- CBH estimates of the total value of third-party capital contributions to freight rail infrastructure assets (that have been ascribed as value in Arc's DORC) could be in excess of \$1.3 billion based on the examples they present, all of which CBH claims is substantiated by public records.



11. CBH submitted that contributed capital adjustments to the DORC should take place prior to the estimation of accumulated depreciation under the costing principles. This will ensure depreciation on contributed assets is not incidentally captured in asset values, which may result in contributed assets inflating remaining life assumptions.<sup>10</sup>
12. CBH's submission highlighted capital upgrades budgeted for by Cliffs Natural Resources. In its 2010 and 2011 Annual Reports, Cliffs describes the capital upgrades planned for their Koolyanobbing Mine in Western Australia.<sup>11</sup>

substantially completed.

- Sleepers replaced between Avon to Redmond form part of Arc's DORC, despite those assets clearly appearing to have been funded in whole or part by the PTA (estimated at \$120m by CBH and scaled back to \$75.6m by RPI to reflect the extent to which RPI's CRC estimate was for sleepers was lower than Arc's (i.e. 63 per cent of the cost for sleepers estimated by Arc). See CBH submission p. 53 for further detail.

<sup>10</sup> CBH Group, *CBH submission on Arc Infrastructure's statement of the depreciated optimised replacement cost and statement of the depreciation schedule published on 16 June 2025*, 11 August 2025, p. 55.

<sup>11</sup> The 2010 Annual Report notes that *2011 Capital Budget Update and Other Uses of Cash* had allowed for USD146 million related infrastructure upgrades at their Koolyanobbing Mine in Western Australia (Asia Pacific Iron Ore) *Under Purchase Commitments the 2010 Report states:*

*"During the third quarter of 2010, our Board of Directors approved a capital project at our Koolyanobbing Operation in Western Australia. The project is expected to increase the production capacity at the Koolyanobbing Operation to approximately 11 million metric tons annually. The improvements consist of enhancements to the existing rail infrastructure and upgrades to various other existing operational constraints. The expansion project requires a capital investment of approximately \$254 million, of which approximately \$122 million has been committed, that will be required to meet the timing of the proposed expansion. As of December 31, 2010, \$22million in capital expenditures had been expended related to this commitment. Of the committed capital, expenditures of approximately \$90 million and \$10 million are scheduled to be made in both 2011 and 2012, respectively."*

The 2011 Annual Report states that:

*"In 2011, the rail service provider for one of the rail lines used by our Koolyanobbing operations entered into an agreement to upgrade the existing rail line. The upgrade is being performed to enhance safety and improve functionality of the rail. The improvements include the replacement of 62 miles of rail and associated parts. As a result, our portion of the related purchase commitment is approximately \$33 million for replacements and improvements to the rail structure. As of December 31, 2011, our capital expenditures related to this purchase were approximately \$25 million. Remaining expenditures of approximately \$8 million are expected to be made in 2012."*

## CCIWA

13. The Chamber of Commerce and Industry of Western Australia (CCIWA) did not accept Arc's claims that none of the assets in the DORC are contributed assets, noting several announcements regarding current and future capital investments by other entities, such as the freight rail duplication to facilitate the Thornlie-Cockburn link.<sup>12</sup>

## Karara Mining Limited

14. Karara Mining Limited (KML) raised particular issues with Arc's denial of capital contributions, submitting that "Arc has failed to truthfully and reasonably reflect the capital contributions made by third parties (including KML) to the upgrade project in the DORC report", alleging that this constitutes a breach of section 47G of the Code.<sup>13</sup>

15. [REDACTED]

16. [REDACTED]

17. [REDACTED]

18. [REDACTED]

19. On 4 August 2011, Gindalbie Metals Limited published an announcement on the Rail Access Agreement stating WestNet Rail had undertaken an approximately \$450 million upgrade of the 200 kilometre long Mid West rail line to Geraldton.

20. [REDACTED]

21. [REDACTED]

22. KML's submissions provided details around its quantum of investment and the relative risks it bore as a "foundation customer". KML referred to Arc's submission to the Department of Treasury and Finance's Review of the Rail Access Regime (2017):<sup>15</sup>

We nevertheless consider Karara Mining to be the foundation customer for the Tilley to Geraldton section of the network due to the substantial upgrade undertaken to provide access.

<sup>12</sup> Chamber of Commerce and Industry WA, *Submission Rail Access: Current Consultations*, 11 August 2025, pp. 1-2.

<sup>13</sup> Karara Mining Limited, *KML's Submission Regarding Arc's DORC Report*, 11 August 2025, p. 6.

<sup>14</sup> Karara Mining Limited, *KML's Submission Regarding Arc's DORC Report*, 11 August 2025, pp. 54-55.

<sup>15</sup> Karara Mining Limited, *KML's Submission Regarding Arc's DORC Report*, 11 August 2025, p. 10.

## RP Infrastructure advice

23. RP Infrastructure (RPI) agreed that some of the amounts identified by stakeholders should be considered capital contributions.
24. [REDACTED]
25. RPI's estimated capital contributions was \$1.4 billion.<sup>16</sup>
26. RPI noted that Arc proposed no capital contributions.<sup>17</sup>
27. RPI noted that Arc did not support its statement that “none of the assets are contributed assets” with any description of capital works undertaken, along with details of how and when they were funded. RPI considers Arc’s statement is inadequately supported.<sup>18</sup>
28. RPI assessed Arc’s claim by considering:<sup>19</sup>
- Capital upgrades to the network (taking care to distinguish upgrades from renewals) and excluding those yet to be commissioned.
  - The legal ownership of the relevant asset and which entity is responsible for their related costs (hence leased assets are excluded).
  - Stakeholder feedback providing evidence of capital contributions to the network and the terms of agreements which suggest the operator contributed capital.
  - Publicly available information regarding federal or state government funding of parts of the network.
  - Earlier published information by Arc and other agencies to evaluate any evidence of capital contributions.<sup>20</sup>
29. RPI has referred to information published by Arc and other sources to estimate a level of potential contributions. This includes Arc’s published summary of capital works on its website which lists recurring capital works and improvements to the network on an ongoing basis to ensure assets are fit for purpose.<sup>21</sup>

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<sup>16</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. ii.

<sup>17</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>18</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>19</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>20</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>21</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure’s Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

30. RPI made distinctions between types of assets that can be included in the regulatory asset base. For example, a spur must be part of a route listed in Schedule 1 of the Code. The spur must be available for use or intended use by third parties (that is, an access seeker). If an asset is funded upfront by a third-party and the asset only serves that third party's needs (for example, an exclusive mine spur), the asset cannot be included in the railway owner's asset base as it is a capital contribution.<sup>22</sup>
31. RPI also noted that assets must be capitalised and owned by Arc (that is, capitalised on the books of the railway owner, not leased or privately owned by a customer) if they are to be included as contributed capital. If an asset was constructed and funded by a third party and not transferred to Arc, it must not be included in the regulatory asset base.<sup>23</sup>
32. RPI sought access to a fixed asset register for Arc's network with a view to identifying contributions to deduct from the asset base on the basis of ownership of the asset.<sup>24</sup> A fixed asset register was not provided by Arc.
33. RPI noted that capital upgrades by route or route section are not detailed in Arc's annual reports.<sup>25</sup>
34. RPI referred to a submission from Arc to the Department of Treasury Code reform process providing details of capital upgrades totalling \$2 billion (not including government investment).<sup>26</sup> RPI provided some context about the funding of these upgrades, where public information is available.
35. RPI identified a number of relevant capital expenditure projects, including:<sup>27</sup>
  - installation of concrete sleepers on the South West Main
  - upgrading the Kalgoorlie to Esperance line through re-railing and re-sleepering
  - the \$550 million Arc funded major upgrade of the Geraldton Backline
  - re-sleepering from 1:4 steel/timber to 1:2 steel/timber of over 1,247 km of dedicated Grain Freight Rail Network
  - the upgrade and re-railing project for the Leonora to Kambalda line
  - re-railing and replacement of concrete sleepers on the railway from Perth to Kalgoorlie
  - installation of fibre optic cable data and open channel radio network over the 385 km section of railway from Kalgoorlie to Esperance.

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<sup>22</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>23</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>24</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>25</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

<sup>26</sup> [Arc](#) Infrastructure, *Issues Paper Submission*, 17 November 2017

<sup>27</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 35.

36. RPI provided detail on these relevant projects as outlined below.

**Geraldton backline (Mullewa-Tilly)**

37. RPI noted that, in relation to the upgrade of the Geraldton backline (Mullewa-Tilly), Arc's Code-reform submission acknowledged that KML is the foundation customer of the Tilley-Geraldton route and that foundation customers underpin network expansions and that their interests should be protected.<sup>28</sup>

38. RPI noted KML's submission that KML contributed capital and bore substantial risk in the following three ways:<sup>29</sup>

- [REDACTED]
- [REDACTED]
- [REDACTED]

39. RPI noted KML's contention that [REDACTED] and should be recognised as contributed capital.<sup>32</sup>

40. RPI referred to a stock exchange announcement the day after the signing of the [REDACTED] Gindalbie Metals Limited, which was KML's then owner, released a stock exchange announcement disclosing KML was required to provide a USD 300 million bank guarantee and pay a "capital recharge fee" throughout the contract period.<sup>33</sup>

41. RPI recommended that an amount of [REDACTED] should be considered contributed capita [REDACTED].<sup>34</sup>

<sup>28</sup> Arc Infrastructure, *Issues Paper Submission*, 17 November 2017, p. 56.

<sup>29</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 36.

<sup>30</sup> [REDACTED]

<sup>31</sup> [REDACTED]

<sup>32</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 36.

<sup>33</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 36.

<sup>34</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 36.

### **Government funding capital works programs**

42. RPI referred to the Agricultural Supply Chain Improvements (ASCI) Program 2022-2024. Funding amounts associated with this program are:<sup>35</sup>
- \$22 million funded by Arc.
  - \$45 million from each of the Federal and State governments for the Millendon Junction - Avon-Carnamah-Mingenew-Geraldton (Midland Line upgrade (Carnamah-Mingenew)).
  - The remaining \$133 million was provided by CBH for upgrades to its own sidings and loading facilities to enable longer trains and better loading throughput.
43. In relation to CBH's submission that level crossing should be considered capital contributions, RPI advised that the State Government's expenditure on non-pedestrian level crossings by PTA should not be included in the asset base as these assets are owned by the PTA, and not by Arc.<sup>36</sup> Arc did not include non-pedestrian level crossings in its asset base.
44. RPI referred to clarifications provided by the Department of Main Roads as follows:<sup>37</sup>
- Vehicular level crossings fall under PTA, rather than Arc, ownership.
  - Pedestrian crossings fall under Arc's network (there are 203 pedestrian crossings inclusive of private access facilities, 40 of which are located on non-operational rail lines).

### **Amounts referred to in CBH submission**

45. RPI reviewed Cliff annual reports and recommended that the amounts suggested in CBH's submission be included as capital contributions, noting that the amounts mentioned in the annual reports are larger than those suggested by CBH.

46. 

<sup>35</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 38.

<sup>36</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 38.

<sup>37</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 38.

**RPI recommendation**

47. RPI recommended the following amounts be excluded from the regulatory asset base on the basis that they are characterised as capital contributions:<sup>38</sup>

- [REDACTED]
- [REDACTED]
- \$35.25 million for capital works funded by PTA between Avon and Redmond.
- \$4.7 million for Main Roads capital funding towards infrastructure renewals or upgrades at pedestrian level crossing facilities on the Arc network relates to upgrades).<sup>41</sup>
- \$22.5 million (50 per cent of the \$45 million of Government funding for upgrades to the Midland Railway line between Mingenew and Carnamah to support heavier axle loads (from 16 TAL to 19 TAL), including 77 km of track being improved through concrete sleeper replacement (with the other 50 per cent renewal of 96 km of rail).<sup>42 43</sup>
- \$241 million (not escalated) for government funding of the narrow gauge concrete re-sleepering program initiated after the Strategic Grain Network Review.
- \$95 million government funding for new passing loops and new rail tracks between Koolyanobbing and Kalgoorlie.
- \$11 million government contributions for concrete re-sleepering and crossing loop extensions EGR 2007.
- \$37 million signalling upgrade (Northam - Koolyanobbing).
- \$145 million Cliff Natural Resources (sum of amounts identified in 31 December 2024 dollars by CBH).<sup>44</sup>
- \$171 million of government funding identified in Arc's 2024 Annual Report.

<sup>38</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 39.

<sup>39</sup> ATN Newsletter, Gindalbie secures rail access for its Karara Project (August 5, 2011) ATN Newsletter August 2011. Escalation figure taken from CBH submission, Table 8, p. 54.

<sup>40</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 39.

<sup>41</sup> Inclusion regardless of whether it is upgrade or renewal reflects the fact that all government contributions are to be deducted from the regulatory asset base.

<sup>42</sup> Tonne Axle Load.

<sup>43</sup> This was part of Agricultural Supply Chain Improvements (ASCI).

<sup>44</sup> Noting that the amounts outlined in the annual reports cited by CBH include much higher amounts for capital upgrades in their descriptions and budgeting.

48. RPI assessed the above amounts to total \$1.43 billion with \$1.41 billion recommended, to allow for possible double-counting.<sup>45</sup> RPI considers the \$171 million of government funding may be double-counted as it is not specified in the Arc annual report which assets these relate to.

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<sup>45</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 40.



[REDACTED]

[REDACTED]

### ***Other contributed capital***

#### **KML**

62. The ERA accepts the contributed capital amounts proposed by KML. The [REDACTED] and therefore are considered as contributed capital. We accept the escalation of figures to [REDACTED] in December 2024 terms.<sup>48</sup>
63. The ERA considers that [REDACTED] are not considered capital contributions. However, in this instance, the ERA considers a component of [REDACTED] do not constitute charges for access. In accordance with KML's submission and RPI's advice, the ERA accepts that any cost of works recouped by Arc via [REDACTED] is contributed capital. The amount is calculated as [REDACTED] and is escalated to [REDACTED] in December 2024 terms using the Western Australian road and bridge construction index. We do not consider this to be ordinary charges for access as defined by the Code. These amounts are therefore deducted from the optimised replacement cost in the ERA's model.<sup>49</sup>
64. The deduction of capital contributed [REDACTED] As the ERA does not have the specifics on how this contributed capital has been applied, the amounts have been applied across the route sections according to the allocation of optimised replacement cost.
65. It is unclear to the ERA whether all of the [REDACTED] in payments [REDACTED] were used by Arc for capital works by December 2024. For this draft determination, the ERA has applied the full amount as a capital contribution.

<sup>48</sup> [REDACTED]

<sup>49</sup> [REDACTED]

## Government

66. Regarding the \$35.25 million recommended by RPI as a capital contribution funded by the PTA between Avon and Redmond, the ERA understands this to be the PTA component of government funding for concrete re-sleepering of narrow gauge lines (stage 1: Great Southern Railway). The ERA considers this to be a component of the \$241 million (not escalated) of the entire PTA re-sleepering project, which is already considered a capital contribution below. On this basis, the ERA does not accept RPI's recommendation for the inclusion of capital contribution of \$35.25 million for re-sleepering between Avon and Redmond as the ERA has accounted for this separately.<sup>50</sup>
67. The ERA considers Main Roads funding for the construction of pedestrian crossings on the Arc network to be capital contributions. The ERA has escalated these costs across the years to account for the value of the assets as the funding was applied. The total costs of pedestrian crossings in December 2024 terms is \$5.3 million. In the absence of more detailed data, the funding has been allocated according to the installed cost of pedestrian crossings across the network.<sup>51</sup>
68. Regarding CBH's submission that level crossing should be considered capital contributions, RPI advised that the State Government's expenditure on non-pedestrian level crossings by PTA should not be included in the asset base as these assets are owned by the PTA, and not by Arc.<sup>52</sup> The ERA notes that Arc did not include non-pedestrian level crossings in its asset base.
69. The ERA does not accept the \$22.5 million, identified by RPI, to upgrade the Midland line to support heavier axle loads as a capital contribution. This funding was due to start in 2025 and cannot be accepted, as the DORC is calculated as at December 2024.
70. The ERA has considered that, of the \$258 million included in Schedule 3 of the PTA/WestNet Rail agreement (2010), WestNet Rail contributed \$16.5 million, and therefore this amount has been removed from the \$258 million total by the ERA. This reduces the PTA contribution to \$241.5 million in 2009 terms which escalates to \$348 million in December 2024 terms. As this is capital contributed to the upgrade of assets on the network, which is not included as charges for access, we consider this to be contributed capital on the network. This amount has been included as contributed capital and removed from the optimised replacement cost. The ERA has allocated this amount evenly across narrow gauge route sections according to route lengths. The ERA invites submissions on the correct allocation of these amounts.<sup>53</sup>

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<sup>50</sup> Project Agreement for Capital Works: Dedicated Narrow Gauge Grain Lines, p. 7.

<sup>51</sup> Email exchange with Main Roads, 27 August 2025.

<sup>52</sup> RP Infrastructure, *Initial Report (Review of Arc Infrastructure's Sections 47J and 47K submissions) FINAL*, 6 January 2026, p. 38.

<sup>53</sup> Project Agreement for Capital Works: Dedicated Narrow Gauge Grain Lines, pp. 7, 31.

**Question 4.1**

What is the appropriate allocation of funding to routes for the PTA/WestNet Rail agreement (2010)?

71. The ERA accepts that the \$95 million in Commonwealth Government funding, made in 2011, for two new passing loops and new rail tracks between Koolyanobbing and Kalgoorlie is a capital contribution, as proposed by CBH. The ERA considers this contributed capital is a cash contribution not made as access charges. This \$95 million has been escalated to \$129 million in December 2024 terms. The funding has been allocated to the track between Koolyanobbing and Kalgoorlie on a route kilometre basis. The ERA does not have adequate information on the location of two new passing loops to allocate contributions for passing loops to specific route sections and invites stakeholder submission on the appropriate allocation of this funding.<sup>54</sup>

**Question 4.2**

What is the appropriate allocation of funding to routes for the Passing Loops Koolyanobbing to Kalgoorlie capital contribution?

72. The ERA accepts the contributed capital from the PTA, Commonwealth Government and Pacific National for the Eastern Goldfields Railway re-sleepering and crossing loop extension works. We note that contributed capital of \$28.1 million for re-sleepering was from the PTA and Commonwealth Government, and the \$11.4 million for crossing loop extension works was from the PTA, Commonwealth Government and Pacific National.<sup>55</sup>
73. Notwithstanding the published payment schedule for the above amounts, the ERA does not have information on when these assets were installed on the network. The ERA has therefore escalated the total of \$39.5 million to December 2024 terms. This brings the total to \$60 million which has been deducted from the optimised replacement cost. This funding has been allocated across all route sections by length, which have been grouped in the Eastern Goldfields Railway by Arc. Stakeholder feedback is welcomed on the appropriate allocation of this contributed capital.<sup>56</sup>
74. The ERA does not accept RPI's recommendation that \$37 million in signalling upgrades to the Eastern Goldfields Railway be accepted as a capital contribution. We understand that this funding was provided by Arc and therefore does not fit the definition of contributed capital.<sup>57</sup>

<sup>54</sup> Western Australian Auditor General's Report: Management of the Rail Freight Network Lease: Twelve years Down the Track – Report 1, p. 21.

<sup>55</sup> Project Agreement for Capital Works: Eastern Goldfields Railway – Concrete Re-sleepering and Crossing Loop Extensions, p. 6.

<sup>56</sup> Project Agreement for Capital Works: Eastern Goldfields Railway – Concrete Re-sleepering and Crossing Loop Extensions, 17 May 2007.

<sup>57</sup> Arc Infrastructure, *Arc completes largest railway signalling upgrade*, 14 June 2025, url: <https://www.arcinfra.com/Newsroom/Arc-completes-largest-railway-signalling-upgrade>

### Cliffs Natural Resources

75. The ERA accepts CBH's submission that the funding provided by Cliffs Natural Resources is a capital contribution, as recommended by RPI. Cliffs Natural Resources annual reports from 2010 and 2011 identify three instances of capital contribution.
76. Cliffs Natural Resources' contribution to the first two upgrades included replacement of 75 miles of rail. The contribution towards this was USD \$45 million and USD \$11 million. The ERA considers this fits the definition of contributed capital as defined by the Code and accepts both amounts, adjusting for the exchange rate and adjusted by the WA Road and Bridge Construction index. This brings the amounts to \$82 million and \$17 million.<sup>58</sup>
77. Cliffs Natural Resources' 2011 annual report indicated an additional upgrade of USD \$33 million to the Koolyanobbing line, fully funded by Cliffs. The total escalated amount of \$145 million contributed by Cliffs Natural Resources has been applied from Koolyanobbing East to Esperance Wharf, passing through West Kalgoorlie West.

### Other government funding

78. Regarding the government funding included in Arc's 2024 Annual Report identified by RPI, we note that there is an addition of \$171 million for capital works in progress as at 31 December 2024 but it is unclear if the addition to the network value is funded by Arc or by an external party. The ERA does not accept the RPI recommendation that funding from Arc's Annual Report are capital contributions. As the ERA rejects this \$171 million, there is no risk of double counting as alluded to in RPI's advice. The ERA invites submissions on the source and purpose of these payments in Arc's report.<sup>59</sup>

#### Question 4.3

What is the source or purpose of funding in Arc's annual report for items classified as capital works in progress?

79. The ERA has determined contributed capital values totalling \$1.5 billion. This is removed from the optimised replacement cost of the relevant route section. These capital contributions are detailed in Table 4.1.

<sup>58</sup> Cliffs Natural Resources 2010 Annual Report, p. 36.

<sup>59</sup> Arc Infrastructure Consolidated Annual Report For the year ended 31 December 2024, p. 26.

**Table 4.1: ERA Determined Contributed Capital**

Source of Contributed Capital	Contributed Capital (December 2024 dollars)
██████████	██████████
██████████████████	██████████
██████████	██████████
Main Roads Pedestrian Crossings	\$5.3 million
Strategic Grain Network Review	\$348.3 million
Passing Loops Koolyanobbing to Kalgoorlie	\$128.6 million
EGR re-sleepering	\$60.2 million
Cliff Natural Resources	\$145.0 million
<b>Total Contributed Capital</b>	<b>\$1,453.1 million</b>

## Appendix 1 List of Tables

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