

16 January 2008



Mr Russell Dumas  
Director Gas and Rail Access  
Economic Regulation Authority  
Level 6 107 St Georges Terrace  
Perth WA 6000

Dear Russell,

**Submission by BHP Billiton Worsley Alumina on WestNet Rail's Floor and Ceiling Costs.**

WestNet Rail (WNR) has reviewed the submission provided by BHP Billiton Worsley Alumina Pty Ltd (Worsley) on the 19 December 2009. The submission raised the following issues.

- 1) Failure of the ERA to monitor and revise the MEA where WNR has not met the standard and service expected in the MEA
- 2) Failure of WestNet to comply with the lowest current cost principle expressed in the GRV definition of the code.
- 3) Concern about the transparency of the reconciliation process from the Old to the New AP
- 4) Concern over the accuracy of the data collection process for the GTKs used in the APM.

WNR has considered the issues raised in the document and our responses are provided in this document.

Yours sincerely

Paul Larsen  
**General Manager**  
**WestNet Rail**

## Supplementary Submission

WestNet wish to provide comments on the submission lodged by BHP Billiton Worsley Alumina Pty Ltd (Worsley) on the 19 December 2009

### Modern Equivalent Asset (MEA) for the South West Mainline (SWM)

This issue as it has been raised previously by Worsley in their November 2006 submission. In November 2006 the ERA determined<sup>1</sup> that:

- *there is obligation for WNR to meet the MEA standard and;*
- *there is no requirement for this provision (i.e. the application of penalties for not meeting the agreed service level) in WNR's floor and ceiling costs.*

As such, WNR does not feel obliged to provide a detailed response or enter into further debate on this issue which has already been determined. WNR maintains that it is providing the standard of service up to the capability of the rolling stock employed by Operators on the SWM. Nevertheless, in keeping with previous submissions to the ERA, WNR is currently undertaking the 3<sup>rd</sup> and final stage of concrete re-sleeping on the SWM. This project to install concrete sleepers and replace 10 turnouts on the 75 kilometres of track from Pinjarra to Brunswick Junction is currently 40% complete and is expected to be completed by 30 June 2009.

### Gross Replacement Value

The unit costs used in the APM are based on a report prepared by an independent expert consultant who was briefed to contact suppliers and contractors and compile the best offers to arrive at a market test result. Where this was not practical or possible, the consultant has applied appropriate escalation factors.

WNR is willing to enter into discussion about the prices of individual items and is the process of providing further information to the ERA's consultant. However WNR is not inclined to provide a detailed response to criticism of the general principles and methodologies used by the consultant as this approach is consistent with previous determinations.

### APM Reconciliation

Whilst it is disappointing that there were discrepancies in the original APM, it should be noted that access seekers were the beneficiary of those errors, particularly on the Worsley line.

The reconciliation process is extremely detailed and complex and as such is not able to be included in sufficient detail in a report. However the ERA has signed off on the reconciliation which Worsley can take comfort in. WNR is willing to provide further details to auditors and interested parties as necessary to explain the reasons for and implications of each methodological correction.

Detailed spreadsheets have been provided to the ERA's consultant, PriceWaterhouseCoopers. This detail includes 13 versions of the model isolating the impacts of each methodological correction

### GTK Validity

WNR's GTK data is audited as part of the overpayments audit conducted in September each year and the audit report is provided to the ERA. WNR maintains that its GTK data is accurate.

There are a number of reasons why GTKs calculated by Worsley may be different to the GTKs in WNR's system. WNR welcomes interested parties, including Worsley to submit their GTK data for reconciliation with the data in WNR's systems.

<sup>1</sup> Economic Regulatory Authority (2007 WestNet Rail's Floor and Ceiling Costs Review: Determination on the Proposed Floor and Ceiling Costs. 20 March 2007, Para 68 & 69.