

SUPPLEMENTARY GAZETTE



THE SOUTH AUSTRALIAN
GOVERNMENT GAZETTE

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ADELAIDE, FRIDAY, 30 MARCH 2001

AUSTRALASIA RAILWAY (THIRD PARTY ACCESS) CODE

CLAUSE 48(1)

Joint Ministerial Notice

PURSUANT to clause 48(1) of the AustralAsia Railway (Third Party Access) Code we amend the Code in the manner set out in the schedule.

These amendments will take effect on the date on which they are published in the *Gazette* in the Northern Territory and in South Australia (and if they are published on different dates in those jurisdictions, then on the later date of publication).

DENIS G. BURKE, Northern Territory Minister

Dated 30 March 2001.

DIANA LAIDLAW, South Australian Minister

Dated 29 March 2001.

SCHEDULE

Amendments to Code

Division 3 of the Schedule of the Code (“**Worked examples**”) is amended as follows:

1. **Amendment of section 5—Introduction**

- (1) Leave out “Three” and insert “Four”.
- (2) Leave out “One example is for a service covering freight traffics that are already hauled by the railway and the second and third examples are for new freight traffics, with and without a sustainable competitive price respectively.” and insert “The first two examples are for services covering freight traffics that are already hauled by the railway (one dealing with freight originating on the railway at Tarcoola and the other dealing with freight originating beyond Tarcoola elsewhere on the interstate rail network). The third and fourth examples are for new freight traffics, with and without a sustainable competitive price respectively.”

2. **Amendment of Example 1—Existing freight traffic**

- (1) Heading—After “**Existing freight traffic**” insert “(**originating at Tarcoola**)”.
- (2) First paragraph—Leave out this paragraph and insert:

This example assumes that the access proposal relates to the operation of general freight services over the length of the railway (Tarcoola to Darwin), with the freight services (and the freight) having their origin at Tarcoola and their ultimate destination at Darwin. The freight services will be expected to attract existing freight from the incumbent general rail freight operator but also potentially new freight of the same type (either transferred from road or generated).

- (3) Material under second subheading—*What is the competitive imputation access price ($CRLP_{AB} - IC_{AR}$)?*

- (a) Third bullet point—Leave out this paragraph and insert:

The incremental above rail cost (IC_{AR}) represents the above rail costs which a freight operator would avoid if it did not provide the freight service. If the access provider conducts freight services then it is the access provider’s actual costs that are taken into account. If the access provider did not provide freight services, then the costs of any associated entity or of an operator of freight services operating in accordance with good railway industry practice would be taken into account. For this example, it is assumed that the access provider is an integrated freight operator that provides the relevant freight services.

- (b) Fourth bullet point—Leave out “(where they exist)”.

(4) Material under third subheading—*What is the ceiling price?*

(a) Before the first bullet point insert:

- The access proposal is expected to generate 2 billion ntk (or 4.4 billion gtk).

(b) First bullet point—Leave out “are taken to be \$16.18 million” and insert “for the freight task are taken to be \$20 million”.

(c) Second bullet point—Leave out “3.6 billion” and insert “4.4 billion”.

(d) Second bullet point—Leave out “\$15.3 million” and insert “\$15.7 million”.

(e) Third bullet point—Leave out “\$312.73 million” and insert “\$316.95 million”.

(f) Fourth bullet point—Leave out this paragraph and insert:

- The ceiling price for the access proposal would be 15.85c/ntk or 7.20c/gtk (@ 2.2 ntk:gtk).

(5) Material under fifth subheading—*What is the final access price?*

Leave out “8.69c/gtk” and insert “7.20c/gtk”.

3. Insertion of Example 1A

After Example 1 insert new example as follows:

(1A) Example 1A—Existing freight traffic (originating beyond Tarcoola elsewhere on the interstate rail network)

This example assumes that the access proposal relates to the operation of general freight services over the length of the railway (Tarcoola to Darwin), with the freight services (and the freight) having their origin beyond Tarcoola elsewhere on the interstate rail network and having their ultimate destination at Darwin. For the purposes of this example, the freight services (and the freight) will be taken to have their origin in Adelaide. The freight services will attract existing freight from the incumbent general rail freight operator operating services between Adelaide and Darwin but also potentially new freight of the same type (either transferred from road or generated).

Following the process illustrated in Attachment A, a number of discrete steps are required:

(a) *Is there a sustainable competitive price for such a freight service in the corridor?*

- For this example, it is assumed that this threshold test is met.

(b) *What is the competitive imputation access price ($CRLP_{AB} - IC_{AR}$)?*

- The sustainable competitive rail linehaul price for transport of the freight between Tarcoola and Darwin ($CRLP_{AB}$), is a function of the relevant market price (e.g. the transport of freight between Adelaide and Darwin) and the cost of transporting the freight to and from the relevant points on the railway (i.e. Tarcoola and Darwin).

- An arbitrator must consider comparable freight services (using the railway and any alternative transport modes, such as road) in order to determine $CRLP_{AB}$. For the purposes of simplification, and for this example only, it is assumed that road is ignored and existing freight of the same or similar type was being carried on the railway by the access provider between Adelaide and Darwin for a rate of 3.5 cents per net tonne kilometre and this is the price on which $CRLP_{AB}$ is based. If the relevant access proposal was to generate 2 billion ntk on the railway (Tarcoola to Darwin in this example) and 3 billion ntk in total between Adelaide and Darwin, the relevant market revenue is \$105 million ($3.50c/ntk \times 3$ billion ntk).
- To determine the *maximum* competitive price (as required by section 1(6) of the pricing principles) for access to the railway between Tarcoola and Darwin, the *lowest* cost of transporting the freight to and from the relevant points on the railway must be calculated. This cost would be assessed by reference to the access provider's own costs of transporting the freight to and from the relevant points on the railway or some other means, whichever cost was lower. For this example, the access provider's avoidable cost of transporting the freight to and from the railway are taken to be the lowest cost.
- If the freight in question originated in say Sydney, the relevant market revenue would be between Sydney and Darwin. $CRLP_{AB}$ would be calculated by subtracting from the relevant market revenue the lowest cost of transporting the freight to and from the relevant points on the railway, which might be the access provider's own costs between say Adelaide and Tarcoola and some other (lowest) cost between Sydney and Adelaide.
- The access provider's avoidable cost between Adelaide and Tarcoola is the sum of the above rail train operations cost (assume \$12.9 million, i.e. $1.29c/ntk$, as outlined in the calculation of IC_{AR} below, multiplied by 1 billion ntk) and the below rail access charges payable by the access provider in respect of the use of the railway between Adelaide and Tarcoola (say \$7.1 million).
- $CRLP_{AB}$ is then \$85 million (\$105 million less \$20 million) or $4.25c/ntk$ ($\$85$ million / 2 billion ntk).
- The incremental above rail cost (IC_{AR}) represents the above rail costs which a freight operator would avoid if it did not provide the freight service. If the access provider conducts freight services then it is the access provider's actual costs that are taken into account. If the access provider did not provide freight services, then the costs of any associated entity or of an operator of freight services operating in accordance with good railway industry practice would be taken into account. For this example, it is assumed that the access provider is an integrated freight operator that provides the relevant freight services.
- IC_{AR} would be determined with regard to the actual above rail costs of the integrated access provider in operating the freight service between the relevant points on the railway (in this example, between Tarcoola and Darwin). Attachment H illustrates an example of the access provider's cost structure as a railway owner/operator. In this example, the incremental above rail cost (IC_{AR}) would be $1.29c/ntk$ ($0.99 + 0.3$ being the sum of the incremental above rail operating cost and the rollingstock capital charge).

- The competitive imputation access price (2.96c/ntk) is the difference between the competitive rail linehaul price ($CRLP_{AB}$) of 4.25c/ntk and the incremental above rail costs (IC_{AR}) of 1.29c/ntk. Expressed in terms of cents per gross-tonne-kilometre the equivalent competitive imputation access price is 1.35c/gtk.

(c) *What is the ceiling price?*

- The calculation of the ceiling price is as in Example 1. The stand alone cost for a general freight service of 2 billion ntk on the railway between Tarcoola and Darwin is taken to be 7.20c/gtk.

(d) *What is the floor price?*

- The calculation of the floor price is as in Example 1. The floor price is taken to be 0.17c/gtk.

(e) *What is the final access price?*

- The final access price is determined as the CIPR price (1.35 c/gtk) but is to be not less than the floor price (0.17 c/gtk) or more than the ceiling price (7.20 c/gtk).

4. Amendment of Example 2—New freight traffic-sustainable competitive price

Material under second subheading—*What is the competitive imputation access price ($CRLP_{AB} - IC_{AR}$)?*

(a) Third bullet point—Leave out “the integrated freight operator” and insert “a freight operator”.

(b) Third bullet point—Before the first subparagraph insert:

- If the access provider conducts freight services then it is the access provider’s actual costs that are taken into account. If the access provider did not provide freight services, then the costs of any associated entity or of an operator of freight services operating in accordance with good railway industry practice would be taken into account. For this example, it is assumed that the access provider is an integrated freight operator that provides the relevant freight services.

5. Amendment of Attachment B

(1) Heading—After “**COST STRUCTURE**” insert “**(TARCOOLA TO DARWIN)**”.

(2) Leave out the following item:

Track access charges (Tarcoola-Adelaide) \$6 000 000.

(3) In relation to the item “Total below rail services”—Leave out “\$30 000 000” and insert “\$24 000 000”.

(4) In relation to the item “**Total**”—Leave out “**\$80 000 000**” and insert “**\$74 000 000**”.

(5) In relation to the item “Total operating cost (cents per ntk)” —Leave out “2.00” and insert “1.85”.

6. Amendment of Attachment C

- (1) In relation to the item “Track variable (Darwin-Tarcoola)”—Leave out “680 000” and insert “3 000 000”.
- (2) In relation to the item “Administration, management”—Leave out “500 000” and insert “2 000 000”.
- (3) In relation to the item “Total below rail services”—Leave out “16 180 000” and insert “20 000 000”.
- (4) In relation to the item “Depreciation—track (0.05c/gtk)”—Leave out “1 800 000” and insert “2 200 000”.
- (5) In relation to the item “Total below rail capital charges”—Leave out “296 550 000” and insert “296 950 000”.
- (6) In relation to the item “**Total stand-alone cost**”—Leave out “**312 730 000**” and insert “**316 950 000**”.
- (7) In relation to the item “Ceiling price (c/ntk)”—Leave out “15.64” and insert “15.85”.
- (8) Leave out the following item:

Ceiling price (c/gtk@1.8 ntk:gtk)	8.69
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and insert:

Ceiling price (c/gtk@2.2 ntk:gtk)	7.20
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7. Insertion of Attachment H

After Attachment G insert new attachment as follows:

ATTACHMENT H. RAILWAY OWNER'S COST STRUCTURE (ADELAIDE TO DARWIN)**Existing fleet**

Locomotives	23
Wagons	900
Trains per week	10

Above rail services**(\$ pa)**

Train crew	\$9 000 000
Fuel	\$24 000 000
Locomotive maintenance	\$12 000 000
Wagon maintenance	\$10 500 000
Terminal and shunting operations	\$8 000 000
Administration/management	\$5 000 000
Total above rail services	<u>\$68 500 000</u>

Below rail services

Track access charges (Adelaide to Tarcoola)	\$14 200 000
Train control (Darwin-Tarcoola)	\$1 000 000
Variable infrastructure maintenance (Darwin-Tarcoola)	\$6 000 000
Fixed infrastructure maintenance (Darwin-Tarcoola)	\$14 000 000
Administration, management	\$3 000 000
Total below rail services	<u>\$38 200 000</u>

Total**\$106 700 000****Net tonne kilometres****6 000 000 000**

Gross tonne kilometres 13 200 000 000

Above rail operating costs (cents per ntk)	1.14
Incremental above rail operating cost (cents per ntk) ¹	0.99
Total operating cost (cents per ntk)	1.78
Average operating revenue per ntk	3.50

Total operating revenue	<u>\$210 000 000</u>
Surplus to common costs, rollingstock capital and track ²	<u>\$150 500 000</u>
Surplus to common costs, rollingstock capital and track (cents per ntk)	2.51

Annual capital charge (per locomotive)	\$266 667
Annual capital charge (per wagon)	\$13 333
Annual capital charges for locomotives	\$6 133 000
Annual capital charges for wagons	\$12 000 000
Total rollingstock capital charge	<u>\$18 133 000</u>
Remaining surplus to common costs and track	\$132 367 000

Total rollingstock capital charge (cents per ntk)	0.30
Incremental Above Rail Cost (IC_{AR}) (cents per ntk)	1.29

Notes:

- Total above rail cost (\$68.5m) less admin/management (\$5m) and 50% terminal costs (\$4m) divided by ntk (6b).
- Revenue (\$210m) less incremental above rail costs (\$59.5m).