



Friday, 19 March 2010

Patrick Lam
Senior Analyst
Independent Pricing and Regulatory Tribunal
PO Box Q290, QVB Post Office
NSW 1230

Dear Mr Lam

ARTC compliance with the Asset Roll Forward Principles and Ceiling Test

Asciano welcomes the opportunity to comment on the February 2010 ARTC submission on the Asset base Roll Forward, Ceiling Test and Unders and Overs Account. Asciano notes that IPART are specifically seeking submissions on the following issues:

- the capital expenditure consultation process undertaken by ARTC in compliance with the Asset Roll Forward Principles; and
- the management of the unders and overs account and compliance with the ceiling test by the ARTC.

Capital Expenditure Consultation Process

The NSW Rail Access Undertaking Schedule 3 Section 3.4 requires ARTC to consult with access seekers, such as Asciano, in regard to capital expenditure. The consultation scope and process is defined in Section 3.4.

Asciano believes that the ARTC consulted adequately on capital expenditure in 2008-9. In relation to capital consultation it should be noted that:

- in December 2008 coal producers joined the Rail Infrastructure Group consultative forum; and
- in June 2009 Asciano declined to endorse capital expenditure for a common user provisioning facility at Rutherford

Compliance with Ceiling Test and Management of Overs and Unders Account

The NSW Rail Access Undertaking Schedule 3 Section 4 c) requires ARTC to provide an annual reconciliation of Asciano's unders and overs account to Asciano.

Asciano understands that ARTC will provide this information relating to the 2008-09 unders and overs account following the outcome of the current IPART process.

Other Issues

RAB Inclusions - IPART have noted that the ARTC proposes that the Hunter Valley Coal Network RAB include:

- financing costs associated with 6 capital projects commissioned in 2008-09; and



- the duplicated section of track between Drayton Junction and Antiene valued on an ODRC basis.

As outlined in its 11 March 2009 submission on this issue, Asciano has some concerns regarding the inclusion of financing costs in the RAB. Under the Undertaking the RAB should be adjusted upwards by actual capital expenditure for assets commissioned in the relevant year. Asciano believes that under the Undertaking actual capital expenditure does not include financing costs or a return on capital on partially completed capital projects.

Asciano understands from the ARTC submission that IPART and ARTC have been consulting on this issue, and that financing costs for the relevant capital projects will be permitted to be included in the RAB to the extent that the financing costs recovered are actually being capitalised rather than expensed.

Asciano does not oppose the inclusion of financing costs in relation to the identified projects as long as the costs included are the efficient financing cost of the projects and the costs are actually being capitalised rather than expensed.

Asciano believes the inclusion of the duplicated track between Drayton Junction and Antiene in the RAB is acceptable.

If you wish to discuss this response please contact me on 02 8484 8043.

Yours faithfully,

A handwritten signature in blue ink, which appears to read "Tim Kuypers". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

Dr Tim Kuypers
Group General Manager Safety, Access and Regulation