



Genesee & Wyoming Australia Pty Ltd

3rd February 2010

Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

Dear Sir/Madam

RE: AMENDMENTS TO THE INFORMATION KIT

I refer to ESCOSA's discussion paper on and amendments to the South Australia Access Regime Information Kit and to subsequent discussions.

Genesee & Wyoming Australia Pty Ltd (GWA) believes that the proposed changes to the Information Kit are a positive step and will provide clarity for future negotiations with access proponents.

The purpose of this submission is to seek clarification in some areas and to point out where some of the procedures and calculation methods proposed may need some adjustment.

3.2 Ceiling Price

3.2.2 Specifies the items to be included in cost calculations for ceiling price purposes. Item (a) is as follows:

- (a) Labour and material costs associated with the operation and maintenance of the railway infrastructure (including periodic maintenance) arising from providing the relevant services prudently.**

GWA notes that allowance for maintenance plant costs is dealt with in clause 3.2.2B (e) and (f) which allow for depreciation to be charged and a rate of return to be earned on non-segment specific assets. This implies that the Operator owns track maintenance equipment. GWA contracts out track maintenance and does not own the equipment used to maintain its tracks. We are charged on a usage basis by segment for track maintenance equipment used. We request that allowance be made in this clause for other direct costs associated with the operation and maintenance of railway infrastructure to be included in cost calculations for ceiling price purposes.

3.2.2C Sets principles for the allocation of depreciation and rates of return associated with non segment specific assets

Part (c) deals with methods for allocating non segment specific costs ie:

- **Non-segment specific costs associated with track maintenance are to be allocated using gross tonne kilometres.**
- **Non-segment specific costs other than track maintenance are to be allocated using train kilometres.**

A good proportion of GWA access requests deal with access to the yards GWA owns and controls. Using gross tonne kilometre and train kilometre calculations would skew costs allocation away from yards. GWA at present allocates these costs based upon an apportionment of requests made for access to individual yards or tracks segments through GWA's Train Control system something which is required under GWA's rail safety system.

GWA requests that allowance be made for other allocation systems to be used where they can be justified and where the allocation system proposed can be shown to be inappropriate.

3.2.5 Deals with valuation of the Regulatory Asset Base and subsequent annual revaluation using published CPI Statistics.

GWA is comfortable with the concept of valuing the Regulatory Asset Base and revaluing it annually based upon movements in the Consumer Price Index, but requests that allowance be made for a review of the valuation if it is considered necessary ie if tonnages hauled or train kilometres travelled on a segment are significantly different from initial estimates and rail life is over or understated in the valuation.

4A.1 "Likely price" compliance guidelines.

GWA notes that the compliance guidelines for supplying of an indicative price do not require the applicant to supply any information to allow an indicative price to be prepared.

GWA does not believe that it is in a position to offer a price which will have any relevance without receiving some information from the applicant, especially if judgements on likely capital investment and the method of payment for this investment are to be defined at such an early stage in negotiations.

GWA believes however that an applicant "with a proper interest in making an access proposal", would be easily able to provide the information that GWA would require.

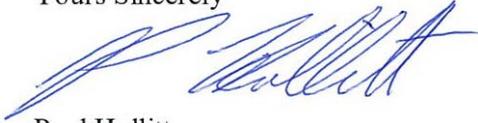
To this end it is GWA's intention to prepare a form similar to ARTC's form "Application for new or varied train path for inclusion in the working timetable", to gather the information required to provide a reasonably accurate indicative cost.

The information that will be requested should be no more detailed than:

- Commodity to be transported
- Estimated annual tonnage
- Project duration ie mine life
- Loading and unloading parameters
- Train frequency/delivery requirements
- Axle loading required
- Details on rollingstock to be used (if available)
- Requirements for other infrastructure ie space in yards for loading/unloading or rollingstock storage.

Please do not hesitate to contact me should you wish to discuss these matters further.

Yours Sincerely



Paul Hollitt
Property and Access Manager
Genesee & Wyoming Australia Pty Ltd