



AUSTRALIAN RAIL TRACK CORPORATION LTD

Proposed Variation to the NSW Rail Access Undertaking under Schedule 6 AA Transport Administration Act 1988 (“the Act”) – Sandgate Project

ARTC proposes to seek a variation to the NSW Rail Access Undertaking by:

1. Inserting the following new definition after the definition of “Route” in Schedule 7:

“ **Sandgate Project** means the project for the construction of rail track grade separation at the Sandgate crossover for the benefit of coal services.”
2. Inserting the following new sub-paragraph after sub-paragraph 3.2 (c) in Schedule 3:

“ 3.2(d) the amount of the costs for works incurred by ARTC for the Sandgate Project is Capital Expenditure relating to coal traffic on a standalone basis, which is to be included in the Regulatory Asset Base.”



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Information for Access Seekers

Proposed Variation by ARTC to the NSW Rail Access Undertaking under Schedule 6 AA Transport Administration Act 1988 (“the Act”) – Sandgate Project

ARTC wishes to vary part of its Access Undertaking, to specify that the cost of the works for the Sandgate Project is capital expenditure to be included in the Regulatory Asset Base.

I note at the outset that the variation is aimed at providing regulatory certainty in respect of the threshold ‘standalone’ test for capital expenditure. The second test, for calculating the amount of the construction costs to be included in the Regulatory Asset Base (that the proposed amount of ARTC’s expenditure is “prudently incurred”) would remain open for consideration under paragraph 3.2(b)(iii) of Schedule 3 to the Access Undertaking.

The Sandgate Project is a construction project for the rail track grade separation of coal services from passenger and intermodal services at the Sandgate crossover, estimated to cost \$60 Million.

Of the options considered to effect grade separation, construction of an overpass for the passenger/intermodal tracks represents the optimal configuration in terms of construction, cost and train operations.

Arguably, as the Access Undertaking now stands, proceeding with this option may lead to the project failing the threshold test for inclusion in the Regulatory Asset Base. The works could be viewed as works for intermodal/passenger services, rather than for coal services, even though the project is designed purely as a way to increase coal network capacity.

Even if the expenditure was held to be on regulated coal assets, it is uncertain whether the Capital Expenditure meets the “standalone basis” requirement of paragraph 3.2(i) of Schedule 3 to the Access Undertaking.



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ARTC requires certainty that it can recover such expenditure prior to proceeding further with the Sandgate Project and proposes to seek a variation to the Access Undertaking by:

1. Inserting the following new definition after the definition of "Route" in Schedule 7:

" **Sandgate Project** means the project for the construction of rail track grade separation at the Sandgate crossover for the benefit of coal services."
2. Inserting the following new sub-paragraph after sub-paragraph 3.2 (c) in Schedule 3:

"3.2(d) the amount of the costs for works incurred by ARTC for the Sandgate Project is Capital Expenditure relating to coal traffic on a standalone basis, which is to be included in the Regulatory Asset Base."

Submissions in relation to the variation should be addressed to me at ARTC P.O. Box 10343 Gouger Street Adelaide SA 5000, to be received no later than 5.00pm (CST) 28 October 2005."

Once submissions have been received, ARTC will seek the Minister's approval for the proposed variation.

David Marchant
Chief Executive Officer