



Economic Regulation Authority

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OVERVIEW

Railway Regulation Mid West

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Railway Regulation

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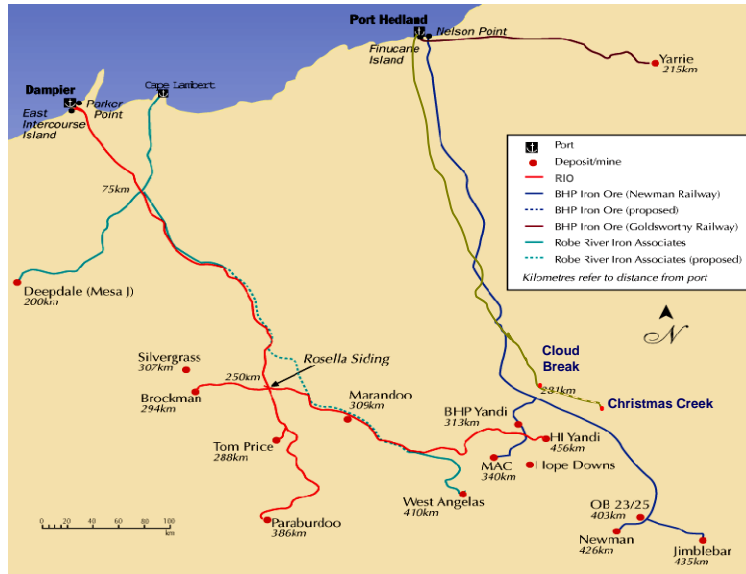
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Why do we need Economic Regulation for Railways?

- Remove Constraints to Access**
- Promote Flexibility**
- Increase Competition**

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Pilbara Railway Network



WestNet Rail

Bulk commodities - bauxite, iron ore, coal, mineral sands, grain

Westnet Rail lease the track from the government under a long term lease arrangement

PTA

Passenger rail system within Perth



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Rail Access Regime

- Designed as a light handed regime
- Does not set reference tariffs – parties negotiate between a floor and ceiling price
- Does not specify the terms and conditions for access agreements
- Asset valuation based on GRV

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Rail Access Regime

- Segregation Arrangements
- Part 5 Instruments-
 - Train Path Policy
 - Train Management Guidelines
 - Costing Principle
 - Over-payment Rules
- Floor and Ceiling Costs
- WACC

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Effectiveness Of The Regime

- **No access agreements under the code as yet**
- **Provides tangible benefits – allows contestability and the threat of competition**

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State Draft Access Regime

- **Capable of certification to comply with COAG**
- **Safety net - for Pilbara railways & expansions - iron ore focussed**
- **Railway haulage service only**
- **Negotiate/arbitrate model with set timelines**
- **Independent regulation & dispute resolution - ERA and Arbitrator**

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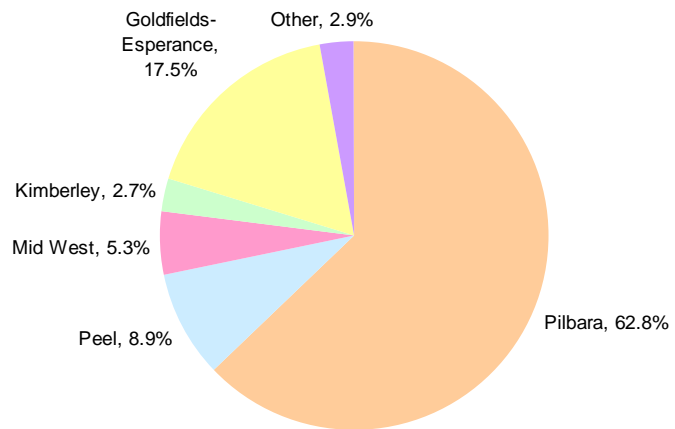
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Value of Resources Production by Area 2007 [Total Value \$53.1 bil]

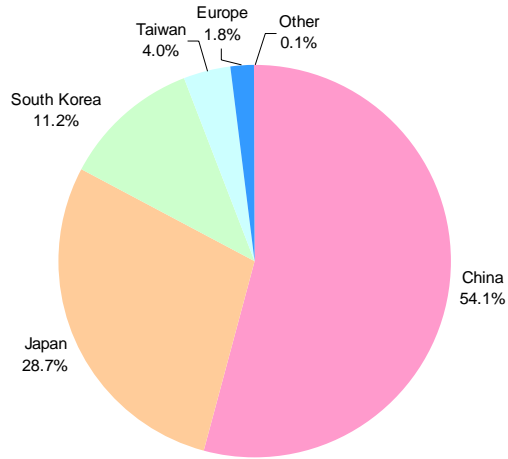


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WA Iron Ore Exports 2007 [Total Value \$15.7 bil]



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- Iron ore currently railed/trucked to the Geraldton port from small mines
- Large undeveloped iron ore deposits – if developed - need for a new port and railway

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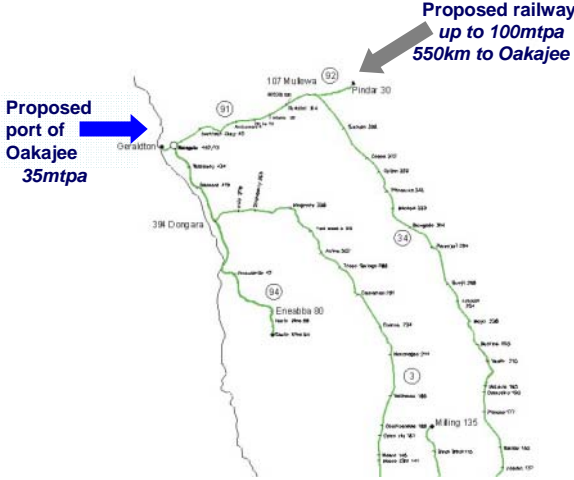
- New port at Oakajee north of Geraldton
- Railway route yet to be decided
- New railway would come under the states regulatory regime

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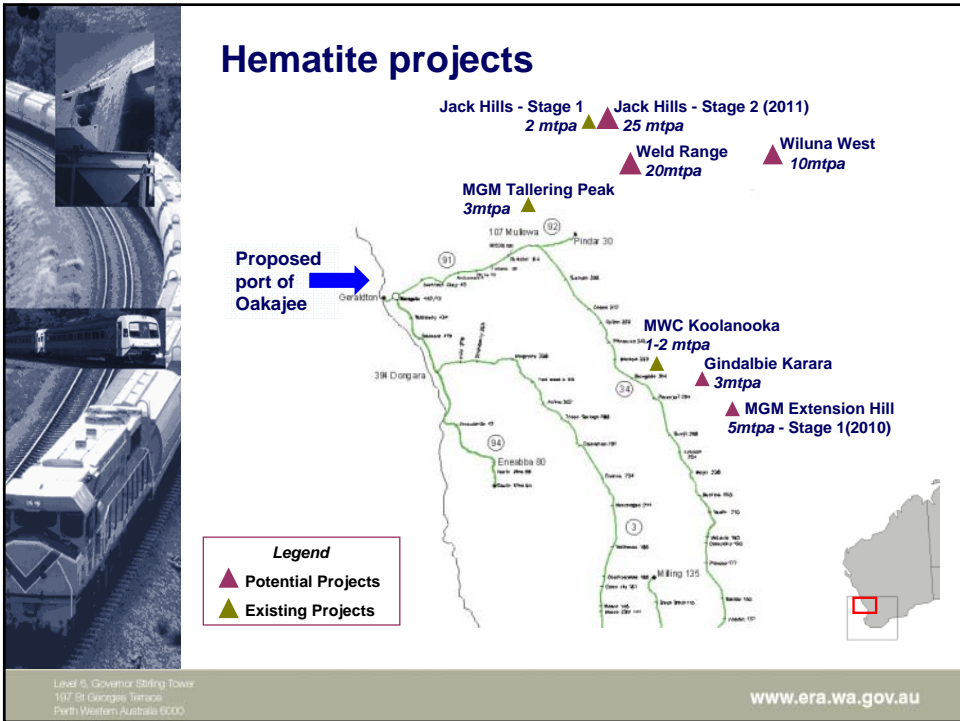
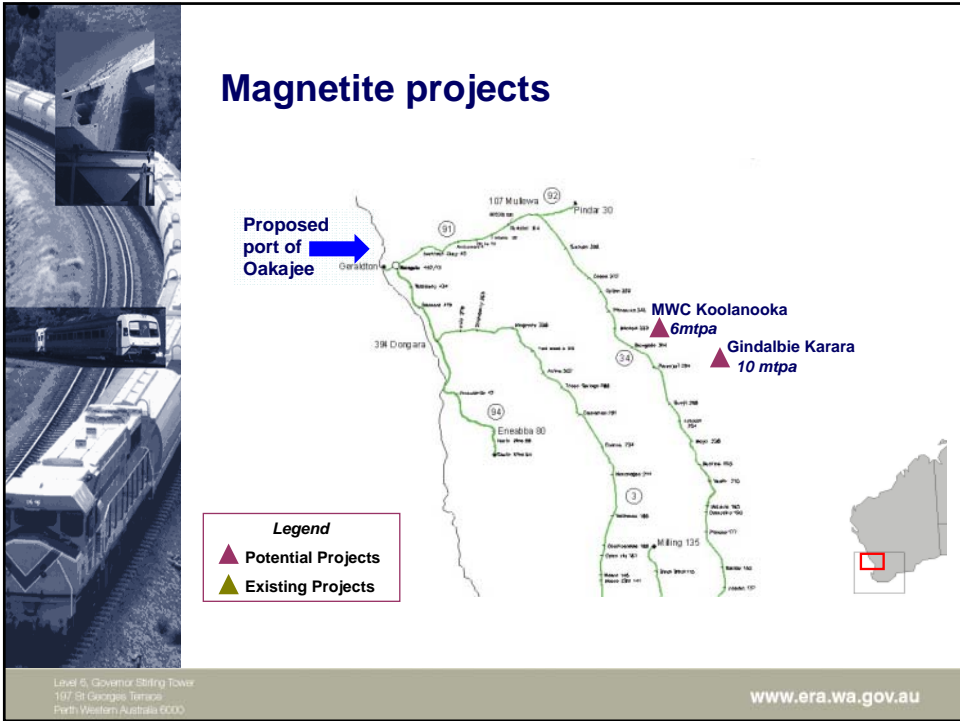


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Oakajee Port

- July 2008: OPR selected to submit EOI for new Oakajee
- Yilgarn Infrastructure not selected
- OPR is a joint venture between Murchison Metals and Mitsubishi

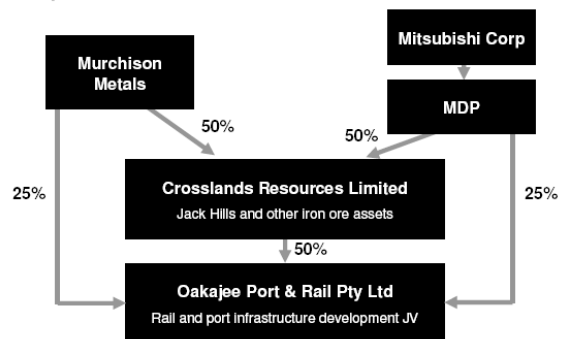
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Oakajee Port and Rail PL

Ownership structure



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Yilgarn Infrastructure

- **Proposal to develop a second berth at Oakajee – foundation customers are Midwest and Golden West**
- **Five major Chinese companies as backers for port and rail**
 - **China Railway Materials Comm Corp (CRM)**
 - **Sinosteel Corporation**
 - **China Railway Group Limited (CRGL)**
 - **China Communications Construct Corp (CCCC)**
 - **Anshan Iron and Steel Group Corp (AnSteel)**

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New railway to Oakajee Port

- **Government defining the rail route**
- **No bidding process - each proponent has the right to construct their own rail**
- **New railway would come under the states regulatory regime - open access provisions**

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Rail to Oakajee Port

- **Proposals for a new railway from northern mines (Jack Hills, Weld Range, Wiluna West) to Oakajee**
 - *OPR*
 - *Yilgarn Infrastructure*
- **Extension/upgrade of the WestNet system (>A\$600 million) to southern mines (e.g. Karara, Koolanooka)**

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