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VICTRACK ACCESS ARRANGEMENT

FINAL DECISION

MAY 2012

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CHAIRPERSON'S INTRODUCTION

The *Rail Management Act 1996* (RMA) sets out a rail access regime that applies to providers of declared rail infrastructure. The RMA prescribes that the Commission is responsible for administering the rail access regime.

VicTrack is the operator and access provider for declared rail track and sidings predominantly within the Dynon precinct. Under the RMA, VicTrack must at all times have an approved access arrangement in place.

Access arrangements encourage competition and efficiency in the rail freight industry by allowing access seekers (i.e. freight operators) to negotiate access to certain declared infrastructure provided by access providers (i.e. VicTrack) in order to enable them to compete in markets where competition is dependent on such access.

The VicTrack access arrangement is mainly used by freight operators to access VicTrack's declared rail tracks and sidings within two designated precincts so that freight operators can store their wagons, repair their locomotives and load and unload freight on and from trains.

On 5 March 2012, the Commission received an application from VicTrack to renew its access arrangement. On 9 March 2012, the Commission published a notice regarding VicTrack's application and undertook a stakeholder consultation process whereby submissions regarding the application were invited. The Commission's draft decision to not approve VicTrack's proposed access arrangement was published on 3 May and a further round of consultation undertaken.

In response to the draft decision, VicTrack submitted a revised access arrangement on 17 May 2012. In making its final decision, the Commission must have regard to whether the revised access arrangement contains the specific elements and meets all the relevant requirements of the RMA.

The Commission is satisfied that the arrangement meets the relevant requirements of the RMA and its final decision is to approve the arrangement.

Dr Ron Ben-David
Chairperson

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ACRONYMS

CPA	Competition Principles Agreement
CPI	Consumer Price Index
ESC	Essential Services Commission (Victoria)
POTA	P&O Trans Australia
RMA	<i>Rail Management Act 1996</i>
TEU	Twenty-foot Equivalent Unit
VicTrack	Victorian Rail Track Corporation
VRAR	Victorian Rail Access Regime

GLOSSARY

Above rail	Refers to activities associated with the provision and operation of train services including provision of rolling stock and freight handling.
Above rail costs	Costs related to train operation, rolling stock and related activities/services.
Above rail operator	A person or company that operates (runs) trains (rolling stock) for movement of freight/cargo. Usually a train operator.
Access	The right to use the infrastructure owned and/or operated by another party.
Access Agreement	A standard (pro forma) agreement between an access provider and an access seeker that sets out the contractual terms of access. Can be negotiated between the parties. Once signed becomes contractual.
Access Arrangement	Sets out the process and protocols and information for obtaining access to the rail network. It includes the access agreement. Also referred to as an Access Undertaking by the Commonwealth (ACCC) and other State regulators.
Access Arrangement information	Information provided by the access provider to an access seeker.
Access charge	A fee paid in return for access to infrastructure.
Access provider	A provider of declared rail transport services.
Access regime	The overarching legislative framework for access (see Part 2A of the <i>Rail Management Act 1996</i>).
Access seeker	A person seeking access to a declared rail transport service. Usually an above rail operator.
Account Keeping Rules	A Commission Instrument which requires access providers

	to maintain and provide the Commission with accounting records and accounts.
Ballast	The material upon which the sleepers bear. It is used to form the road bed of a railway track. It is laid on the base formation with the rack laid on top of it and provides a storm water drainage medium.
Ballast cleaning	The process of extracting the ballast from the railway track and shaking or washing the ballast to remove detrimental material, and then returning it back to the track. The process improves the performance of the ballast by removing the material that tends to lubricate the ballast particles. The process is most commonly performed using a track mounted machine and the track is relatively undisturbed while it occurs.
Below rail	The rail track infrastructure, including rail, sleepers, signals, overhead power systems and track fencing.
Below rail costs	Costs related to the rail track and related structures.
Bridges (over and under the track)	Overbridges are those that go over the track and are typically pedestrian footbridges or road bridges. Underbridges are under the track and typically convey rivers, subways, or roadways. The bridge structure is separate from the earth formation that is usually under the track but abuts the earth formation at the 'abutments'.
Capacity Use Rules	A Commission Instrument which improves the functionality of a third party access regime by ensuring a fair and reasonable allocation of network capacity to access seekers and users.
Commission Instruments	Rules and guidelines made by the Commission which are intended to ensure that the Victorian Rail Access Regime is efficient and effective.
Culvert	A form of underbridge conveying a stream, but with a construction that is integral to the formation or embankment consisting of the earth under a railway track.
Declaration Order	An Order of the Victorian Governor in Council pursuant to section 38I of the <i>Rail Management Act 1996</i> that is the mechanism by which certain transport infrastructure

	services is declared (made available) for access.
Diamond crossing	The cross-over railroad structure of two rail tracks is sometimes called a diamond junction or diamond crossing in reference to the diamond-shaped centre. The two tracks need not be the same gauge.
Draft decision	A decision of the Commission made under section 38ZB of the <i>Rail Management Act 1996</i> .
Final decision	A decision of the Commission made under section 38ZF of the <i>Rail Management Act 1996</i> .
Economic Regulator	An economic regulator is usually established independent of government and has a role in regulating particular industries and/or service providers, most often those having some form of monopoly or market power.
Gross tonne kilometres (GTK)	The rail industry standard measure of track usage or output. GTK is total tonnes (including the weight of the train) multiplied by the distance travelled (train kilometres).
Indemnity	A sum of money that is required to compensate a party for a particular loss or damage it may suffer during the performance of the contract.
Inspections	This activity monitors the condition of the asset either visually or by electronic or mechanical means. It is usually performed on a regular and predictable basis and is 'routine' in nature. Inspections occur on train running assets such as bridges, track, signals, communications equipment and overhead traction equipment, as well as stations.
Interconnection	Connection to the access provider's declared railway track.
Intermodal	The use of various modes of transport to move cargo and or freight.
MPM (Major Periodical Maintenance)	Maintenance and asset renewal undertaken to maintain a given level of service potential. Includes re-railing, re-layering, rail grinding etc.
Negotiation Guidelines	A Commission Instrument that sets out requirements for each access provider to establish a process for negotiation of access agreements that is fair and equitable.

Net Tonne	Weight of the freight or the payload.
Network Management Rules	A Commission Instrument which provides protocols for how access to the network will be managed in order that the access provider does not hinder third party access or discriminate against third party network users.
Non-reference service	A service that is not a reference service (see definition of reference service below).
Operator	A company that runs rolling stock (that is, an above rail operator).
Performance bond	An irrevocable bank guarantee, letter of credit or insurance bond callable by the access provider in a form approved by the access provider.
Pricing Order	An Order of the Governor in Council pursuant to section 38J of the <i>Rail Management Act 1996</i> specifying the pricing principles and authorising the Commission to determine the methodology for calculating access prices for declared rail transport services.
Proposed access arrangement	An access arrangement submitted to the Commission for approval under section 38W of the <i>Rail Management Act 1996</i> .
Rail gauge	The distance or width between the inner sides of the rails.
(Rail) grinding	The process of grinding the head of the rail with a machine equipped with grinding stones and which travels longitudinally along the railway while the stones perform their grinding transversely to the direction of the machine's travel.
Rail joint	A mechanism to join two sections of rail by mechanical means, usually by bolts and side plates (fishplates). 'Insulated rail joints' are used to define the limits of an electrical section of the rail for signalling purposes. 'Mechanical rail joints' are used where the lateral stability of the track is not sufficient to resist forces generated in the heating and cooling of the rail in the summer and winter months respectively. Otherwise most rail is welded to form long lengths of 'continuously welded rail'.

Rail siding	A low-speed track section distinct from a main track or branch track. It may connect to the main track or to other sidings at either side.
Reactive maintenance	Maintenance that is a 'reaction' to a failure of the asset and is therefore unplanned with the failure not predicted. In a well-run railway this type of maintenance is minimised.
Reference service	A declared rail transport service that is provided by an access provider to itself or a related body, or is likely to represent a significant proportion of demand by access seekers, or is provided by means of a terminal.
Renewals	As distinct from 'repair', a process that replaces large sections of the asset such as the replacement of rail or sleepers. Renewals are usually planned well in advance because the work requires large pieces of equipment and is likely to disrupt the train traffic. Unplanned renewals occur where catastrophic and otherwise undetected failure occurs.
Ring Fencing Rules	A Commission Instrument which aims to ensure that access is provided in a non-discriminatory way where an access provider is vertically integrated.
Rolling stock	A vehicle that operates on or uses a railway track or tramway track, and includes a locomotive, carriage, rail car, rail motor, light rail vehicle, train, tram, light inspection vehicle, road/rail vehicle, trolley, wagon or monorail vehicle.
Routine maintenance	That maintenance which occurs on a regular basis, probably on a time cycle, and which involves minor train traffic disturbance and small machinery. A large part of routine maintenance is inspection of the condition of the asset.
Signalling	A system of electrical circuits, detectors and electrical switches that detects the location of trains and provides visible commands to train drivers and information to other railway workers.
Sleeper	The components of the railway track that keeps the rails a specified distance apart and transmits the load from the

rails to the ballast. In Melbourne timber sleepers are the dominant form, but a program of using concrete sleepers has begun and these will be progressively introduced. Timber sleepers display typically a 20 to 25 year life because they deteriorate with time. Concrete sleepers have a reasonably indefinite life.

Standard gauge	Railways that have a distance between the inside edges of the rail of 1,435mm (or 4 ft 8 ½ inches).
Stevedore	Individual or firm employed for the purposes of loading and unloading a vessel.
Tamping	The process by which ballast is packed around the sleepers of a track to ensure the correct position for the location, speed and curvature. Can be done manually or mechanically by special ‘tamping machines’, usually independently powered track vehicles.
TEU	‘Twenty-foot Equivalent Unit’ is the industry standard to measure containers. A 20-foot container’s dimensions are twenty feet long (6.09 metres), 8 feet wide (2.4 metres) and 8 feet six inches high (2.6 metres).
Terminal	A facility at which freight is loaded or unloaded from rolling stock, or stored, and includes hardstands, equipment and other infrastructure used for the loading or unloading of freight from rolling stock at the facility.
Terminal ancillary services	Terminal services which include shunting, wagon maintenance and storage, which a user may not necessarily need to use when acquiring other terminal services.
Track kilometres	Total rail length including sections featuring double track or passing loops.
Traction equipment	Equipment used in the reticulation of electrical power to an electric train. The equipment includes substations containing transformers and rectifiers, where power is captured from main power grids and converted to power suitable for the trains, and the wires and fittings that transmit the power to the pantograph which is the collection mechanism on the train.

Train operator	A company that runs rolling stock (that is, an above rail operator).
Train path	A time slot within which a train can travel through specific sectors.
Turnout (switch)	A section of track approximately 30 metres in length that permits the deviation of a train from one track to another. Two turnouts assembled back to back on parallel tracks constitute a 'crossover'.
Ultrasonic flaw detection (rail testing)	A system for examining the condition of rails to determine the integrity of the steel. The data is collected by an electronic instrument run along the track using ultrasonic pulses and the examination of the return signal from the rail.
Vertical integration	The degree to which a firm is integrated (that is, owns or controls both below rail and above rail operations in a market).

The Essential Services Commission (the Commission) is Victoria's independent economic regulator of certain prescribed industries. The *Rail Management Act 1996* (RMA) prescribes that the Commission is responsible for administering the Victorian rail access regime for the Victorian rail freight industry.

The purpose of the rail access regime is to encourage competition in rail transport services to promote the use of, and efficient investment in, rail infrastructure. It does this by allowing rail freight operators access to certain infrastructure provided by publicly and privately owned facilities in order to enable freight operators to compete in markets where competition is dependent on such access.

Through Declaration Orders, the Victorian Government determines which facilities and infrastructure is subject to access.

In the case of VicTrack, the Freight Network Declaration Order declares the rail infrastructure (track and sidings) associated with the Dynon Intermodal Terminal; the North Dynon Agents' sidings; the Creek sidings, the Cresco siding at Hastings and the line section between Somerton and Upfield.¹ (See map 2.1.)

1.1 VicTrack's access arrangement

Access arrangements set out the indicative terms and conditions upon which the access providers of the declared infrastructure will provide access as well as the processes to be followed for gaining access. VicTrack is the owner and operator of declared rail infrastructure and is an access provider for the purposes of the RMA.

Under the RMA, VicTrack must at all times have an approved access arrangement in place that covers its declared infrastructure. The RMA requires that an access provider must apply to the Commission to renew its access arrangement no less than 90 days prior to expiry of its access arrangement. VicTrack's current access arrangement expires on 31 May 2012. Appendix A sets out the legislative requirements which an access provider must comply with and the required contents of a proposed access arrangement.

On 5 March 2012, the Commission received VicTrack's access arrangement application to renew its access arrangement.

The access arrangement is primarily used by Queensland Rail (Interail), Pacific National and El Zorro for the movement of freight.

¹ The Freight Network Declaration Order 2005 – Victoria Government Gazette No. S 259 of 2005.

1.2 Commission's role and approval process

The Commission's role under the RMA is to assess and approve access arrangements submitted by owners or operators of declared infrastructure. In undertaking its assessment the Commission is required to take into account the matters outlined in section 38ZI of the RMA (see Appendix C for a summary).

The Commission is required to make its final decision to approve or not approve VicTrack's access arrangement within 90 days of VicTrack's application. However, before making its final decision, the Commission is required to prepare a draft decision. Appendix B summarises the Commission's approval process.

Upon receiving VicTrack's access arrangement application on 5 March 2012 the Commission:

- notified interested parties,
- published a notice on its website and in the Herald Sun and The Age on 9 March 2012,
- invited public submissions on VicTrack's access arrangement and requested submissions by 30 March 2012 (the Commission received one submission, from Asciano, on VicTrack's proposed access arrangement), and
- published a draft decision on 3 May and invited submissions by 17 May 2012 (a revised proposed access arrangement was received from VicTrack).

The following timetable (table 1.1) outlines the process followed by the Commission in making its assessment and final decision.

Table 1.1 Timetable for the assessment

<i>Process</i>	<i>Date</i>
Notify parties and publish notice	6 & 9 March 2012
Submissions on access arrangement application	30 March 2012
Draft Decision	3 May 2012
Submissions on Draft Decision	17 May 2012
Final Decision	31 May 2012

The RMA provides that if the Commission proposes not to approve the access arrangement, the Commission must specify the amendments and matters that must be addressed by VicTrack in order for the Commission to approve the access arrangement. The Commission's draft decision highlighted a number of areas requiring amendment in relation to non-price matters.

In response to the draft decision VicTrack submitted a revised proposed access arrangement on 17 May 2012 (Appendix D). The Commission has assessed this revised access arrangement against the requirements of the RMA and the issues raised by the Commission in its draft decision, as required by section 38ZF(3) of the RMA. No other submissions were received in response to the Commission's draft decision.

1.3 Commission's final decision

The Commission's final decision is to **approve** VicTrack's revised proposed access arrangement.

In making its decision the Commission has taken into account each of the matters listed in section 38ZI of the RMA. The Commission's consideration of these factors is reflected in the reasons for the Commission's conclusions set out in chapters 3 and 4 below.

Under the RMA, a new access arrangement comes into operation from the day of the Commission's final decision. VicTrack's new access arrangement will continue for three years, and will expire on 31 May 2015.

1.4 Structure of the Commission's final decision

Key requirements of the RMA and an access arrangement can broadly be split into price and non-price matters. The Commission's final decision reflects this categorisation. However, it should be noted that chapter 4, covering non-price matters, only addresses areas where the Commission made a draft decision requiring a response from VicTrack. For an assessment of all non-price matters, readers are also referred to the Commission's draft decision.²

The structure of the final decision is as follows:

- Chapter 2 presents background information on VicTrack, its declared infrastructure, and the operation and management of that infrastructure.
- Chapter 3 sets out the Commission's assessment of VicTrack's proposed access prices.
- Chapter 4 sets out the Commission's assessment of VicTrack's proposed non-price matters.
- Appendices A–C present information on legislative requirements, the Commission's approval process and matters it must take into account.
- Appendix D presents a marked up copy of VicTrack's revised proposed access arrangement.
- Appendix E provides maps of VicTrack's declared infrastructure.
- Appendix F presents detailed information on the Commission's calculation and assessment of efficient access prices for VicTrack.
- Appendix G presents a report by GHD, who were engaged by the Commission to provide advice on VicTrack's operations and maintenance costs.

Any questions about this final decision can be referred to Dominic L'Huillier, Senior Regulatory Manager, Transport and Industry Sectors Branch on 03 9651 3782.

² Essential Services Commission 2012, *VicTrack access arrangement*, Draft Decision, available from www.esc.vic.gov.au.

2.1 Who is VicTrack?

Victorian Rail Track (VicTrack) is a statutory corporation established in 1997 under the *Rail Management Act 1996* (RMA) and is owned by the Victorian Government.

VicTrack is the legal owner of Victoria's railway land and infrastructure and its main functions include the delivery of government services and providing third party access to those parts of its rail infrastructure that are declared and for which it has maintained control.

2.2 Declaration orders

Section 38W of the RMA requires all 'access providers' to submit to the Commission for approval a proposed access arrangement in relation to 'declared rail transport services' provided or capable of being provided by the access provider.

The RMA defines 'access provider' to include a rail infrastructure manager accredited under the *Rail Safety Act 2006* who provides, or is capable of providing, a declared rail transport service. VicTrack is an access provider and must comply with section 38W.

The question of whether a particular service should be included in VicTrack's proposed access arrangement therefore depends on whether VicTrack is providing or capable of providing that service, and whether that service is a 'declared rail transport service' for the purposes of the RMA.

In summary, a 'declared rail transport service' is a service which:

- is provided by an access provider by means of 'rail infrastructure'³, and
- has been declared under section 38I of the RMA.

³ 'Rail infrastructure' is broadly defined in the RMA to include railway track, railway track sidings, associated track structures and works (such as cuttings, tunnels, bridges, stations, platforms, excavations, land fill, track support earthworks and drainage works), over-track structures, under-track structures, service roads, signalling systems, rolling stock control systems, communications systems, notices and signs, overhead electrical power supply systems and associated buildings, depots, yards, plant, machinery and equipment.

To date, there has only been one declaration issued under section 38I of the RMA. The Freight Network Declaration Order⁴ provides that all rail transport services provided by means of the rail infrastructure specified in that Order are 'declared rail transport services'.

The rail infrastructure specified in the Order includes any rail infrastructure located within the Dynon Terminals.⁵

This means that VicTrack must submit to the Commission a proposed access arrangement in relation to any services it provides by means of rail infrastructure located within the Dynon Terminals.

By contrast, services which:

- are provided by means of rail infrastructure which is not described in the Freight Network Declaration Order, or
- are provided by an entity which is not an 'access provider', and which are not capable of being provided by an access provider;

are not subject to the RMA access regime (see section 2.3).

2.3 What infrastructure services are subject to access?

VicTrack's access arrangement covers the below rail infrastructure (track and sidings) which has been declared⁶, and for which VicTrack maintains management responsibilities. The declared infrastructure comprises several sidings categorised into two precincts namely:

- **the Dynon precinct** — this includes the Dynon Intermodal Terminal (see box 2.1 for a description) which is primarily used by Queensland Rail, El Zorro (Grain Service) and Qube Logistics for freight movements, as well as:
 - the Agents' sidings – which is a 1.9 hectare site that can handle trains up to 1500 metres in a single rake. These sidings are used primarily by Queensland Rail and Qube Logistics for their freight operations
 - the South Dynon Locomotive Depot and sidings – primarily used by Pacific National for freight operations and by V/line for its passenger services

⁴ This Order was published in the Victorian Government Gazette on 16 December 2005 and came into effect on 1 January 2006.

⁵ Terminals are not usually considered 'rail infrastructure' for the purposes of the RMA; however, the Dynon Terminal Order declares several rail terminals in the Dynon precinct, including the Dynon Intermodal Terminal, to be rail infrastructure. The Dynon Terminal Order was published in the Victorian Government Gazette on 16 December 2005 and came into effect on 1 January 2006.

⁶ The Freight Network Declaration Order 2005 – Victoria Government Gazette No. S 259 of 2005.

- the Creek sidings – which is a maintenance area and primarily used by Chicago Freight Car Leasing Australia and El Zorro, and
- **the Cresco precinct** — where the Cresco siding is located. It is a 520 metre section of track located at Hastings between the Metro Long Island siding and the Bluescope Steel scrap metal private siding. It is used by Pacific National for freight operations.

Box 2.1 The Dynon Intermodal Terminal

The Dynon Intermodal Terminal handles freight between Melbourne and regional locations and export freight from regional Victoria through the Port of Melbourne.

Cargos are moved from the terminal to the port by road. Queensland Rail and El Zorro are the main users and access seekers of the Terminal.

The Dynon Intermodal Terminal occupies an area of approximately 9.5 hectares including warehousing. It has a paved area of approximately 45,000m² and consists of approximately 7.3km of track and 39 turnouts and adjoining hardstand. It is served by both broad and standard-gauge rail networks.

It has two 400m dual-gauge sidings and 10 rail paths approximately 500m long serviced by reach stackers. Of these 10 rail paths, six have an interface with a hardstand area, and hence can be used for freight loading and unloading.

The Dynon Intermodal Terminal and Agents' Siding together have a theoretical capacity of 200,000 TEUs per year. They currently handle approximately 120,000 TEUs, up from 50,000 in 2007. VicTrack has communicated that between 6am – 9pm weekdays, the Dynon Intermodal Terminal is operating close to peak capacity — although this peak capacity is constrained by the degraded nature of parts of the hardstand areas.

Within the Terminal, access to the below rail infrastructure is declared, consistent with the Freight Network Declaration Order 2005. The loading and unloading services (i.e. the terminal services) provided by Qube Logistics are not regulated by the Commission as Qube Logistics is not an access provider for the purposes of the RMA.

VicTrack proposes a third precinct, the **North Sunshine maintenance facility precinct** (due for completion in December 2012) to be covered by its access arrangement. The addition of this new infrastructure is related to VicTrack relinquishing parts of its Creek sidings infrastructure and land due to the Victorian Government's Regional Rail Link project.⁷

⁷ The Regional Rail Link is a major new rail line that will run from West Werribee through Deer Park and suburbs including Sunshine and Footscray to Southern Cross Station. It

The Commission notes that the North Sunshine maintenance facility has not been declared by the Freight Network Declaration Order (or any other Order in Council) to be subject to the RMA and regulation by the Commission. Access to that facility therefore is not a 'declared rail transport service' and cannot be a 'reference service', at least until such time as the facility is declared by a Ministerial Order in Council.

This means that the key aspects of the access regime set out in division 3 and division 5 of the RMA will not apply in relation to the North Sunshine maintenance facility. In particular:

- the requirement in section 38X(1) that an access arrangement set out certain matters in relation to 'reference services' and 'declared rail transport services that are not reference services' will not apply with respect to the North Sunshine maintenance facility, and
- the provisions dealing with access regime disputes in division 5 of RMA will not apply with respect to the North Sunshine maintenance facility.

The Commission also notes, however, that under section 38X(2) 'a proposed access arrangement may also include any other matter that the access provider considers relevant'. In the Commission's view, it is open to VicTrack to include within its access arrangement voluntary arrangements for access to the North Sunshine maintenance facility, if it wishes. To avoid confusion, VicTrack's revised access arrangement makes it clear that the inclusion of the North Sunshine maintenance facility is purely voluntary and that many of the provisions of the RMA, including notably the dispute resolution provisions, may not apply with respect to access to that facility, unless and until it is declared.

Therefore, the Commission notes that VicTrack has provided information concerning its North Sunshine maintenance facility; however, because the infrastructure is not declared under the RMA, it is not directly relevant to the Commission's assessment.

VicTrack also provides access to a line section between Somerton and Upfield; however VicTrack states that this line section is unused at present.⁸

Map 2.1 illustrates VicTrack's declared infrastructure in the Dynon precinct in yellow. More detailed maps of VicTrack's entire declared infrastructure and the North Sunshine maintenance facility are presented in Appendix E.

will separate regional trains from metropolitan trains – giving Geelong, Bendigo and Ballarat trains their own dedicated tracks through the metropolitan system from Sunshine to Southern Cross Station. This will increase capacity and reliability for these services and means they will not get delayed by sharing tracks with metropolitan trains.

⁸ VicTrack 2012, *Access arrangement no. 4 for Victorian Rail Track*, Access Arrangement submission by VicTrack to the Essential Services Commission of Victoria, 2 March, p. 2.

In total, VicTrack's infrastructure from its two precincts and North Sunshine maintenance facility is made up of approximately 23.7 kilometres of rail track. The bulk of this is in the Dynon precinct (19.7 km), with the Dynon precinct including 55 turnouts.⁹

2.4 VicTrack's access services

Terminal railway tracks and sidings

VicTrack is responsible for rail track access to its declared infrastructure.

VicTrack provides what it refers to in its access arrangement as a Network Access Service¹⁰ which includes the following services:

- allowing an accredited rail operator to access the Network for:
 - holding of a train or wagons in an arrival road — e.g. a train or wagon may need to be held before gaining access to other parts of the network or terminal, given other train movements,
 - standing on a siding — e.g. access is provided to a siding for the purposes of loading/unloading freight,
 - placement of a rake of wagons while a locomotive changes place — i.e. wagons are placed on a part of the network (e.g. sidings) to allow the train locomotive to reposition itself to change the direction of the train,
 - holding a locomotive or crew car while wagon loading/unloading occurs, and
 - holding a train awaiting access to another terminal or mainline access,
- allocation and scheduling of train paths on the network,
- managing and controlling train operations that operate on the network,
- maintaining the network,
- extending, enhancing or expanding the network, and
- management of incidents — i.e. VicTrack manages incidents on the network to minimise disruptions to other users.

VicTrack's proposed prices for these services are discussed in section 3.1.

VicTrack *does not* provide terminal (loading/unloading) services for freight operators. Qube Logistics provides these lifting services at the Dynon Intermodal Terminal.

⁹ Personal communication from VicTrack, 28 March 2012.

¹⁰ VicTrack 2012, *Access arrangement no. 4 for Victorian Rail Track*, Access Arrangement submission by VicTrack to the Essential Services Commission of Victoria, 2 March, p. 4.

Loading and unloading services

Qube Logistics (previously known as P&O Trans Australia, POTA) operates freight logistics services covering road and rail transport. These services include warehousing, container parks and intermodal logistics hubs (e.g. rail terminals) and international freight forwarding.¹¹ Qube Logistics is part of Qube Logistics Holdings, which is listed on the Australian Stock Exchange.

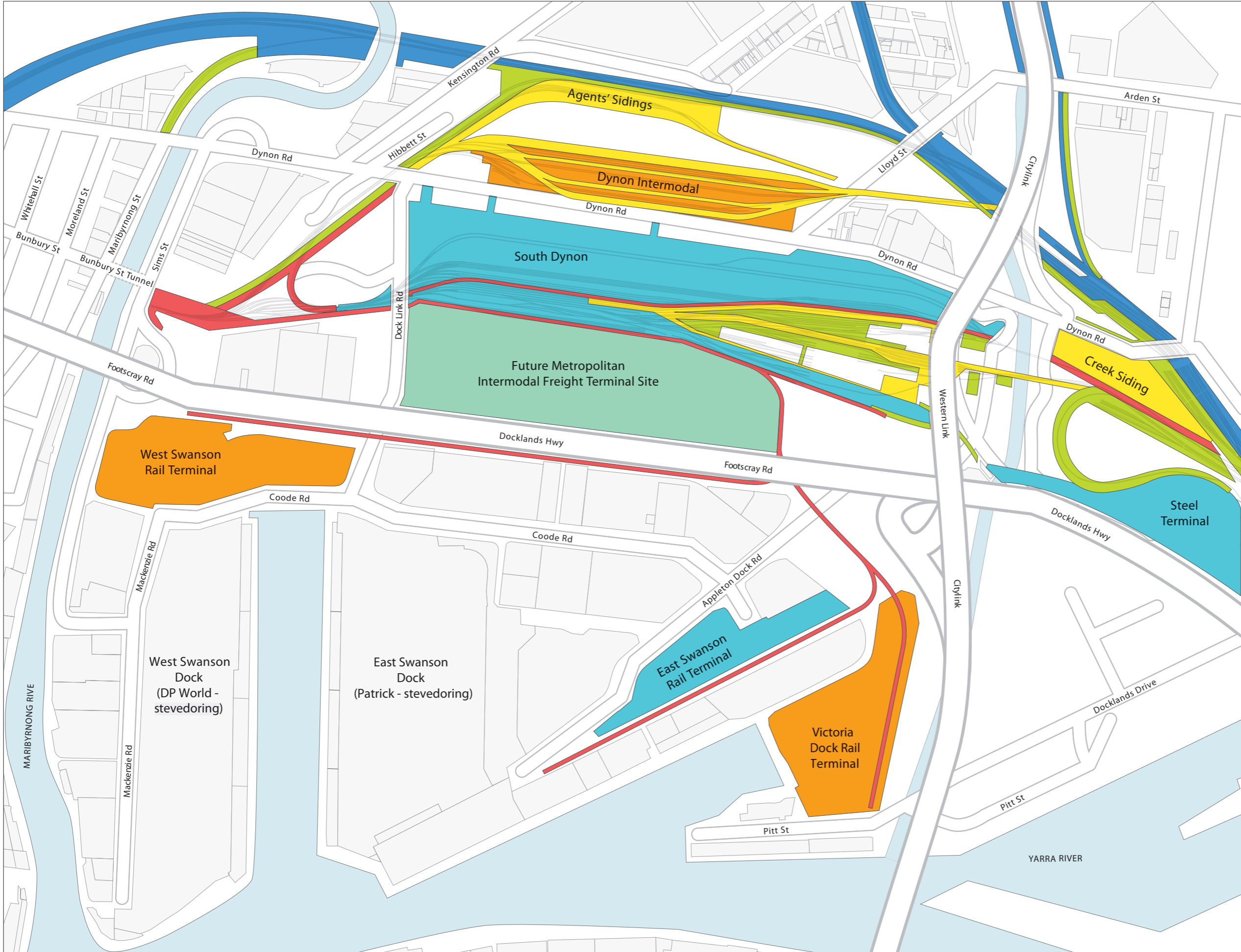
Lifting services (i.e. the loading and unloading of containers) are provided by Qube Logistics at the Dynon Intermodal Terminal via an open access agreement. The (then) POTA provided this agreement to the Commission in 2009.¹² This agreement is not subject to regulation by the Commission, since under the RMA, only access providers are subject to regulation.¹³ It was put in place by POTA as part of its agreement with VicTrack to provide terminal services at the Dynon Intermodal Terminal.

¹¹ P&O Trans Australia 2011, *Victoria*, accessed at www.pota.com.au/locations/victoria on 16 December 2011.

¹² P&O Trans Australia 2009, *Submission to the ESC's Review of the Victorian Rail Access Regime 2009-10*, 10 August, accessed at www.esc.vic.gov.au/NR/rdonlyres/68E810F5-6502-4DC4-9E5D-A5B3A06D8593/0/POTransAustralia.pdf on 20 January 2012.

¹³ POTA is not an access provider as it does not require accreditation as a rail infrastructure manager under the *Rail Safety Act 2006* — accreditation is only required by those operating rolling stock. Since VicTrack manages rail access to the Dynon Intermodal Terminal, it requires accreditation; however POTA does not for its lifting services.

Map 2.1 Dynon/Swanson Precincts Rail Terminals



- VLine
- Metro Trains Melbourne
- ARTC
- Pacific National / Patrick (Asciano)
- VicTrack
- Qube Logistics
- Future Metropolitan Intermodal Freight Terminal Site

Notes:

Agents' Sidings
 Operated by: VicTrack (rail access)
 Caters for: Interstate & intrastate

Dynon Intermodal Terminal
 Operated by: Qube (lifting services) & VicTrack (rail access)
 Caters for: Interstate & intrastate

South Dynon Terminal
 Operated by: Pacific National
 Caters for: Interstate

A key role for the Commission in assessing VicTrack's access arrangement is to ensure that the access prices proposed by VicTrack are efficient.

The Commission's draft decision accepted VicTrack's proposed access prices. This chapter briefly set out VicTrack's proposed access prices and summarises the Commission's assessment of these prices (see Appendix F for a more detailed assessment).

3.1 VicTrack's proposed access prices

The main service provided by VicTrack is the 'Network Access Service' which provides for the use of the rail tracks and sidings within the precincts as discussed in chapter 2 (see section 2.3).

VicTrack's proposed access prices for its service are set out below in table 3.1.

VicTrack's proposed prices are a continuation of its current prices (previously approved by the Commission) escalated by the approved escalation formula in VicTrack's access agreement. VicTrack has proposed that these prices continue to be escalated (adjusted for inflation at the start of each financial year), measured by the year-on-year change to the March quarter CPI (All Groups) Melbourne figure.

Table 3.1 VicTrack's proposed access prices

<i>Price per vehicle per day or part of day</i>	<i>Previous (2009-10)</i>	<i>Proposed</i>
Freight wagons	12.44	13.24
Passenger carriages	18.66	19.86
Locomotives	12.44	13.24

Source: VicTrack 2012, *Access arrangement no. 4 for Victorian Rail Track*, Access Arrangement submission by VicTrack to the Essential Services Commission of Victoria, 2 March, p. 25.

VicTrack's proposed prices apply per vehicle, per precinct, per day. Within the Dynon precinct a vehicle would only incur a single day's charge no matter how many physical locations it visited within the precinct.

The variation in each of the prices in table 3.1 reflects the relative space required to store vehicles in each vehicle group, based on the average length of vehicles.

The length of individual items of rolling stock can vary over a wide range, but typically fall within the following ranges:

- wagons range from 14–16 metres long, although some container wagons are up to 20 metres,
- locomotives range from 13–20 metres, and
- passenger carriages are 23–24 metres long (and incur access prices 1.5 times that of wagons and locomotives as per table 3.1).

3.2 Efficient pricing

The general pricing principles of the RMA requires that VicTrack's proposed access prices should recover the overall efficient costs of providing the access services. Efficient access prices are prices that reflect the efficient costs that make up the service that is provided. To determine whether VicTrack's access prices are efficient, a floor to ceiling pricing band is determined.

The floor to ceiling price band sets the regulatory limits on pricing and is designed to preclude prices that are excessive (i.e. prices higher than would be permitted by a competitive market) and to prevent cross subsidies (i.e. where some prices are less than the incremental cost of service provision and therefore economically inefficient).

Ceiling price

The ceiling price is the maximum price that should be charged for an access seeker's use of the terminal and is generally set at the full economic cost of providing the services required by the access seeker.

The full economic cost of providing the services includes the total efficient operating and maintenance costs of the facility, an appropriate share of overheads as well as allowances for the return of capital and a return on invested capital.

Floor price

The floor price is the minimum price that should be charged and it is generally set equal to the marginal or incremental cost of an access seeker's use of the particular facility (i.e. infrastructure).

In the case of VicTrack, the floor price will be set equal to the incremental efficient costs associated with facility management and maintenance.¹⁴

Where VicTrack's proposed pricing falls between the floor and the ceiling, the Commission considers that VicTrack's pricing is efficient.

¹⁴ It excludes corporate overheads, depreciation and return on investment.

3.3 Commission's assessment of VicTrack's proposed access prices

VicTrack did not submit any costing or financial model associated with its access arrangement application which has made the Commission's job of assessing VicTrack's costs and demand for its services difficult. As a result, VicTrack's regulatory accounts were used as a starting point, supplemented by numerous meetings between VicTrack, the Commission and the Commission's consultants to obtain relevant data and information.

In regard to VicTrack's costs, the Commission's engineering consultant GHD reviewed VicTrack's costs and based on the information available, GHD concluded that VicTrack's overall costs appear to be efficient. GHD has also advised the Commission that this conclusion is reinforced by the fact that all the maintenance work carried out by VicTrack is outsourced to well-regarded contractors after VicTrack obtained quotes for fixed scope costs and unit rates for variable work through a competitive tender process.

3.3.1 Floor and ceiling prices

Table 3.2 presents the floor and ceiling prices by precinct for the future regulatory period, expressed in 2011-12 dollars.

The ceiling price has been derived by dividing the total cost for each precinct, as derived in table F.7 of Appendix F, by the forecast demand (average throughput in units), as documented in table F.2 of Appendix F.

The floor price has been derived in an analogous manner based on the incremental cost for each precinct.

Table 3.2 Floor and ceiling price by precinct 2012-13 – 2014-15 (\$2011-12)

	Cresco		North Sunshine ¹⁵		Dynon	
	<i>Ceiling</i>	<i>Floor</i>	<i>Ceiling</i>	<i>Floor</i>	<i>Ceiling</i>	<i>Floor</i>
Total expenses (\$'000)	37	0	95	18	1,589	284
Usage (vehicles)	1,750	1,750	6,763	6,763	96,911	96,911
Average cost (\$/vehicle)	21.12	0.20	13.99	2.62	16.40	2.93

¹⁵ VicTrack has voluntarily included the North Sunshine maintenance facility in its access arrangement. However, as noted in section 2.3 of this final decision, access to that facility is not a 'declared rail transport service' and cannot be a 'reference service', and many of the provisions of the RMA may not apply to the facility, unless and until it is declared.

3.4 Summary and conclusions

The average floor price over the proposed regulatory period for each precinct, based on the estimated variable costs assuming a change of around 15 per cent in throughput, ranges from \$0.20 per unit for Cresco to \$2.93 per unit at Dynon. The average ceiling price over the period is estimated at between \$13.99 at North Sunshine and \$21.12 at Cresco.

Table 3.3 provides a summary of the floor and ceiling prices that the Commission believes are the efficient levels of minimum and the maximum that VicTrack could charge an access seeker. It also gives the prices proposed by VicTrack (per wagon or locomotive; the proposed charge per carriage is \$19.86, i.e. 1.5 times the wagon or locomotive charge), demonstrating they are at the approximate mid-point of these two prices.

Table 3.3 Summary of floor and ceiling prices^a (2012-13 – 2014-15)
(\$2011-12 per billing unit)

<i>Precinct</i>	<i>Floor</i>	<i>VicTrack proposed</i>	<i>Ceiling</i>
Cresco	0.20	13.24	21.12
North Sunshine ^b	2.62	13.24	13.99
Dynon	2.93	13.24	16.40

^a Prices are per wagon or locomotive. The charge per carriage is 1.5 times the wagon or locomotive charge.

^b As noted in table 3.2 above, VicTrack has voluntarily included the North Sunshine maintenance facility in its access arrangement.

It is clear from table 3.3 that VicTrack's proposed access prices fall within the floor and ceiling limits and therefore, based on the information available, the Commission concludes that VicTrack's access prices are efficient.

Commission's conclusion

The Commission considers that VicTrack's proposed access prices are acceptable.

The non-price issues of an access arrangement includes certain information that the access provider must make available to access seekers, various protocols and procedures regarding the provision of access, and an access agreement which provides the basis for agreeing the contractual terms and conditions of access between an access provider and access seeker.

Under division 2 of the RMA, the Commission is required to make a number of guidelines and rules (i.e. Commission Instruments) in order to facilitate the provision of rail transport services. The Commission consulted with stakeholders in developing the guidelines and rules, which came into effect on 1 January 2006. VicTrack's access arrangement must be consistent with these Commission Instruments.

This chapter outlines VicTrack's response to the draft decision, and provides the Commission's conclusions on whether VicTrack's revised access arrangement is consistent with the RMA. It is organised into five main sections:

- information provision requirements,
- procedure for making an application,
- account keeping rules,
- management of capacity and network, and
- Network Management Rules.

4.1 Information provision requirements

A number of information provision requirements are imposed on access providers by the RMA and Commission Instruments. These information requirements relate to reference services, non-reference services and more broadly, information to be made available to access seekers. For example, the RMA requires that a proposed access arrangement include access arrangement information and indicate the terms and conditions for the provision of non-reference services, and Negotiation Guideline requirements include the provision of an information pack to be made available to access seekers.

Commission's draft decision

The Commission's draft decision indicated that VicTrack's proposed access arrangement did not meet the information requirements for non-reference services, that its information pack was incomplete, and that its declared infrastructure maps could be more clearly presented and required anomalies to be addressed. Specifically, the Commission's draft decisions on these matters were:

- (i) VicTrack's access arrangement needed to include 'indicative terms and conditions for the provision of declared rail transport services that are not reference services'.
- (ii) The Commission required an explanation from VicTrack as to the omission of the following from its Information Pack:
 - access arrangement information that allows access seekers to understand the derivation of elements of the arrangement, e.g. derivation of prices, and
 - a copy of VicTrack's operating handbook (including rolling stock interface standards).
- (iii) The Commission also required VicTrack to update and more clearly present its maps of declared infrastructure, including by:
 - clearly labelling the distinct parts of each precinct, e.g. for the Dynon precinct, including a map legend that separately identifies the Agents' siding, the Dynon Intermodal Terminal and the North Melbourne Creek sidings,
 - clarifying the declaration and location of W and V Tracks as raised by Asciano, and
 - clarifying lot number discrepancies identified by Asciano or removing the lot numbers if these are not required to clearly identify declared parts of the network.

VicTrack's response to the draft decision on the above issues, and the Commission's conclusions, are outlined below.

(i) Indicative terms and conditions for non-reference services

Section 38X(1)(d) of the RMA requires an access arrangement to include 'indicative terms and conditions for the provision of declared rail transport services that are not reference services'.

VicTrack's response to the draft decision

VicTrack has amended section 3.1 of its proposed access arrangement to indicate that if it provides rail transport services that are non-reference services, the non-price terms and conditions would reflect those set out in its Standard Access Agreement. That is, VicTrack propose that terms and conditions for non-reference services be the same as those available for reference services.

VicTrack also states in its revised access arrangement that charges would be calculated consistently with the methodology applied in calculating other access charges under the access arrangement.

Commission's conclusion

The Commission considers VicTrack's amendment regarding the terms and conditions of possible future non-reference services satisfy the requirements of the RMA.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendment to section 3.1 regarding non-reference services.

(ii) Information pack contents

Section 2(a) of the Commission's Negotiation Guidelines requires an access provider to make available an information pack, and section 2(b) details the required contents of that pack. The required contents include access arrangement information (also required by section 38W (2) of the RMA) and a copy of the service provider's operating handbook. Missing from VicTrack's proposal was access arrangement information (including a derivation of the prices charged for access) and the operating handbook.

VicTrack's response to the draft decision

In response to the Commission's draft decision on the provision of access arrangement information, appendix 8 of VicTrack's revised access arrangement notes that it did not submit a formal pricing model and related access arrangement information but that it undertakes to formally submit these as part of the next access arrangement review in 2015. VicTrack also notes that the Commission engaged the services of consultants to calculate efficient floor and ceiling prices for third party access (the Commission's detailed pricing assessment is presented in appendix F of this final decision).

In relation to the provision of its operating handbook, VicTrack has amended clause 4.1.2 of its access arrangement to state that the handbook forms part of its information pack, and appendix 9 of VicTrack's revised access arrangement contains its operating handbook, the contents of which are discussed below in section 4.5.

Commission's conclusion

VicTrack has been unable to provide a pricing model and access arrangement information as part of this access arrangement approval process. This type of information is important in allowing access seekers and users to understand the basis for VicTrack's access prices. While VicTrack has strictly not met the requirements of the RMA and Negotiation Guidelines on these matters, VicTrack has responded to information requests from the Commission so that it could assess the reasonableness of VicTrack's proposed prices. The Commission has therefore determined to accept VicTrack's response on this matter, noting that for the 2015 assessment, VicTrack must submit a pricing model and access arrangement information.

The Commission also accepts that VicTrack now intends to provide its operating handbook as part of its information pack.

Commission's conclusion

The Commission's conclusion is to accept VicTrack will provide a pricing model and access arrangement information as part of its 2015 assessment, and VicTrack's operating handbook will now form part of its information pack and access arrangement.

(iii) Presentation of declared infrastructure maps

A service provider's information pack must contain a detailed diagrammatic map of the rail network. The maps VicTrack originally included to identify its rail infrastructure in the Dynon precinct were confusing insofar as they did not clearly label its distinct parts, the status of W and V track was not clear and there were lot number discrepancies across different maps.

VicTrack's response to the draft decision

The revised maps of VicTrack's infrastructure can be found in Appendix 4 of its revised access arrangement. Each map is now more clearly labelled and specific maps have been amended to give a clearer presentation of the Dynon Intermodal Terminal and North Dynon Agents' sidings.

Overall, each map more clearly focusses on a specific section of VicTrack's declared infrastructure. The maps showing W and V track have been removed and the fact they no longer form part of VicTrack's declared infrastructure is highlighted in a note in section 2.1.4. Further, an explanatory note under the first map (page 30) indicates that lot numbers are for VicTrack internal reference only and are to be ignored.

Commission's conclusion

The Commission considers VicTrack's amended maps now provide a clearer presentation of its declared infrastructure.

Commission's conclusion

The Commission's conclusion is to accept the revised maps of VicTrack's declared infrastructure in Appendix 4 of its access arrangement.

4.2 Procedure for making an application

Sections 38X(1)(d) and (e) of the RMA require VicTrack to include in its access arrangement the procedure an access seeker must follow when making an access application, and the procedure and method VicTrack will employ in assessing an application. The Commission's Negotiating Guidelines address a range of requirements including the time within which an access seeker must notify VicTrack of a dispute in relation to an application for access, applications for interconnection to the VicTrack infrastructure covered by the access arrangement and the assessment of works required to provide additional capacity.

Commission's draft decision

The Commission's draft decision was that VicTrack's proposed access arrangement did not meet the requirements for dispute resolution protocols, nor did it include a process for interconnections application or a satisfactory process for the assessment of works required to provide additional capacity. Specifically, the Commission's draft decisions on these matters were:

- (i) VicTrack's access arrangement needs to include the time period that applies to the notification of a dispute by an access seeker to an access provider, as required by section 4.3(a)(ii)(A) of the Negotiation Guidelines (section 4.4 of VicTrack's proposed access arrangement).
- (ii) VicTrack's access arrangement needs to include a process for interconnection applications that is consistent with section 7 of the Negotiation Guidelines (section 4.6 of VicTrack's proposed access arrangement).
- (iii) VicTrack's access arrangement also needs to include the matters detailed in section 4.4 of the Negotiation Guidelines relating to the assessment of works required to provide additional capacity (section 4.5 of VicTrack's proposed access arrangement).

VicTrack's response to the draft decision on the above issues, and the Commission's conclusions, are outlined below.

(i) Time period for notification of dispute

VicTrack's response to the draft decision

VicTrack has amended section 4.4.2 of its access arrangement to specify a 10 day period in which an access seeker may notify VicTrack of a dispute following receipt of an access offer from VicTrack.

Commission's conclusion

The Commission considers VicTrack's amendment regarding the time period that applies to the notification of a dispute by an access seeker in section 4.4.2 of its revised access arrangement is consistent with section 4.3(a)(ii)(A) of the Negotiation Guidelines.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendment to section 4.4.2 of its revised access arrangement regarding the time period for dispute notification by the access seeker.

(ii) A process for interconnection applications

Section 7 of the Negotiation Guidelines requires an access provider to outline its process for the assessment of interconnection applications.

VicTrack's response to the draft decision

VicTrack has amended section 4.6.3 of its access arrangement to state that the process specified in section 7 of the Negotiation Guidelines will be applied to interconnection applications.

Commission's conclusion

The Commission considers that VicTrack's amendment regarding the process for interconnection applications is consistent with section 7 of the Negotiation Guidelines.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendment to section 4.6.3 regarding the application process for interconnection.

(iii) Assessment of works for additional capacity

Section 4.4 of the Negotiation Guidelines requires an access provider to prepare and maintain protocols for undertaking an assessment of works required to provide additional capacity to meet an access seeker's access request.

VicTrack's response to the draft decision

VicTrack has significantly amended section 4.5 of its access arrangement to address the requirements of section 4.4 of the Negotiation Guidelines (the assessment of works required to provide additional capacity). Its access arrangement now details the process to be followed in assessing works for additional capacity, and includes time periods for:

- acknowledgement of receipt of a request for additional capacity;
- its advice on whether the request contains all the information required;
- its preliminary investigation of the work involved to undertake a detailed assessment when this information is sufficient;
- access seeker acceptance of a proposal to undertake a detailed assessment; and
- provision of the detailed assessment to the access seeker.

Consistent with the Negotiation Guidelines, VicTrack's process notes that the access seeker will have input to the detailed assessment, that a fee may be charged to provide the detailed assessment, and that this fee will represent a 'fair and reasonable' cost allocation between the access seeker and VicTrack. A dispute resolution process is also outlined in section 4.5 of VicTrack's revised access arrangement.

Commission's conclusion

The Commission considers VicTrack's amendments regarding the process that applies to an access seeker's request for additional capacity are consistent with section 4.4 of the Negotiation Guidelines.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendment to section 4.5 of its revised access arrangement regarding the assessment of works required to provide additional capacity.

4.3 Account keeping rules

The RMA (sections 38R and 38X(5)(a)) requires the Commission to create Account Keeping Rules by which access providers (e.g. VicTrack) must abide. These rules address the contents of the accounting records and accounts that VicTrack must submit to the Commission. This information allows the Commission to carry out its regulatory functions.

The requirements include: financial statements, a cost allocation statement, a maintenance and capital works statement for access activities, and prices and revenues information. As part of its proposed access arrangement, VicTrack must include proposed forms for the presentation of this information as well as a proposed cost allocation policy for Commission approval.

Commission's draft decision

The Commission considered the proposed accounting forms to be largely consistent with the requirements of the rules, but with some important deficiencies. Specifically, the Commission's draft decision on this matter was:

The forms for the presentation of accounting records and accounts need to be amended in the following manner to be approved by the Commission:

- consistent with section 2.2(b)(iv) of the Account Keeping Rules, relevant forms should provide for 'related party transactions' entered into by the access activity business unit to be reported – with a nil entry submitted where no such transactions exist,
- consistent with section 2.2(b)(v) of the Account Keeping Rules, relevant forms should provide for contributions to maintenance expenses to be reported – with a nil entry submitted where no such contributions are received,
- the cost allocation statement should be amended to report on information required by section 2.3(a)(ii) of the Account Keeping Rules, and
- a new form addressing section 2.4 of the Account Keeping Rules (maintenance and capital works) should be submitted by VicTrack.

VicTrack's response to the draft decision

VicTrack's proposed accounting records and accounts forms can be found in Appendix 7 of its proposed access arrangement. It has made the following amendments in response to the Commission's draft decision:

- The Statement of Financial Performance (page 50) and the Cost Allocation Statement (page 51) have a new line entry for 'related party transactions'.
- The Statement of External Contributions (page 51) now provides for the reporting of external contributions to maintenance expenses.
- The Cost Allocation Statement (page 52) now presents information on new capital expenditure since 30 April 1999 as required by section 2.3(a)(ii) of the Account Keeping Rules.
- A cost statement on maintenance and capital works expenditure for access activities has been added on page 53 as required by section 2.4 of the Rules.

Commission's conclusion

The Commission considers the amendments made to the proposed forms for accounting records and accounts adequately respond to issues raised in the draft decision, and the forms are now consistent with the Account Keeping Rules.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's proposed forms for accounting records and accounts as fulfilling the requirements of the Account Keeping Rules.

4.4 Management of capacity and network

Section 38X(5)(c) of the RMA requires an access arrangement to be consistent with the Commission's Capacity Use Rules. The purpose of the rules is to ensure a fair and equitable allocation of infrastructure capacity amongst access seekers. The rules stipulate that VicTrack must develop and abide by protocols for its allocation of network capacity and handling user complaints in regard to alleged failures to comply with the rules.

Commission's draft decision

VicTrack's proposed access arrangement did not properly address the issues of train path variations and user complaints. The protocols that addressed these issues were incomplete in regards to the requirements of section 6 of the Capacity Use Rules.

The Commission's draft decision on this matter was:

VicTrack should provide the Commission with an explanation as to why its access arrangement does comply fully with the Capacity Use Rules, namely in relation to:

- permanently varying or surrender of a train path,

- temporary variation of a train path, and
- addressing user complaints.

VicTrack's response to the draft decision

Sections 6.4.9 and 6.4.10 of VicTrack's revised access arrangement address permanent and temporary allocation variations, from the perspective of an access seeker's request and VicTrack request, respectively.

In terms of a request from a user for a temporary or permanent variation, VicTrack undertakes to consider the viability of this with respect to existing capacity and liaise with the user (and others affected) to negotiate the change.

In terms of a VicTrack request for variation, those of a permanent nature may result from a breach of relevant legislation on the part of the user and temporary interruptions may occur due to emergencies, unplanned maintenance, force majeure events, capital works or requests from connecting access providers. These will all be preceded by consultation and reference is made to the procedure for complaint handling.

In regard to customer complaints, VicTrack's proposed protocol (section 6.5) allows 7 days from the issue occurring for an access seeker to lodge a complaint with VicTrack. VicTrack must then assess the issue and respond to the access seeker within 7 days. If no agreement is reached within 21 days from receipt of the complaint, the CEO's of VicTrack and the user company must discuss the complaint within a further 7 days. If a resolution to the problem is not agreed upon through this discussion, the matter shall be referred to the Commission.

Commission's conclusion

The Commission considers VicTrack's amendments regarding the process that applies in the case of variation to a scheduled track allocation and customer complaints to be consistent with section 6 of the Capacity Use Rules.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendments to sections 6.4 and 6.5 regarding the protocols for variation of the scheduled track allocations and customer complaints.

4.5 Network management rules

Section 38X(5)(d) of the RMA requires an access arrangement to be consistent with the Commission's Network Management Rules. The rules are designed to prevent the access provider from discriminating against access users and hindering third party access, thereby promoting competition between above rail operators. The requirements include provision of an operating handbook (and the contents of this handbook) and adherence to the RMA's principle of passenger priority.

Commission's draft decision

VicTrack's proposed access arrangement was incomplete as it did not include an operating handbook and did not completely reflect the principle of passenger priority.

The Commission's draft decision on these matters was:

- (i) To be consistent with the Network Management Rules, VicTrack must prepare and publish on its website its operating handbook. The handbook may be able to consolidate relevant information provided in the access arrangement, but will need to also specifically address the shortcomings discussed by the Commission in this draft decision, namely it must include:
 - network management protocols,
 - communications protocols,
 - rolling stock interface standards,
 - documentation of signalling systems, safe working systems and operational systems, and
 - complaint handling protocols.

Further, VicTrack is required to provide its operating handbook as part of its Information Pack.

- (ii) Finally, VicTrack is required to amend clause 6.2(b) of its access arrangement to clearly state it 'must act consistently with the principle of passenger priority as defined in section 38H of the RMA'.

VicTrack's response to the draft decision on the above issues, and the Commission's conclusions, are outlined below.

(i) Contents and publication of operating handbook

Section 3 of the Network Management Rules requires access providers to prepare an operating handbook and specifies the minimum content requirements of the handbook. Under section 3.2 of the rules, the handbook must be published on the access provider's website.

VicTrack's response to the draft decision

VicTrack has included an operating handbook as an appendix to its access arrangement (Appendix 9). This includes:

- network management protocols — states that capacity is to be allocated on a first come first served basis (subject to the principle of maximum utilisation) and in a manner consistent with section 38H of the RMA; a list of safety and solvency requirements applied to access seekers and users are also listed. This section of Appendix 9 on network management also notes further detail is provided in section 6 of the access arrangement,

- communications protocols — provides communication requirements on train operators, VicTrack processes where it is required to give a direction to a user, and VicTrack contact details for access and real time scheduling,
- rolling stock interface standards — VicTrack's access arrangement states that it will accept rolling stock that has been authorised to run on the networks of V/Line and the Australian Rail Track Corporation, subject to a maximum axle loading of 23 tonnes,
- documentation of signalling systems, safe working systems and operational systems — VicTrack notes that its declared network has no fixed signalling systems and that safety is managed through the establishment of Safety Interface Agreements with rail operators, and
- complaint handling protocols — the process in section 6.5 of VicTrack's revised access arrangement and hence applicable to network and capacity management (discussed above) is repeated as part of the operating handbook.

In regard to provision of the operating handbook as part of VicTrack's information pack, the Commission notes that this is now specifically provided for under section 4.1.2 of VicTrack's access arrangement, in addition to the handbook being part of the access arrangement, which is also provided as part of the information pack.

Commission's conclusion

The Commission considers Appendix 9 of VicTrack's amended access arrangement addresses the issues raised in the Commission's draft decision and is therefore now consistent with the Network Management Rules.

Commission's conclusion

The Commission's conclusion is to accept the operating handbook included in VicTrack's proposed access arrangement and consider its contents to fulfil the requirements of the Network Management Rules. The Commission also accepts that VicTrack will provide the operating handbook as part of its information pack.

(ii) Principle of passenger priority

Section 38H of the RMA legislates the principle of passenger priority, whereby the provision of declared rail transport services to passenger services users is prioritised over other declared rail transport service users.

VicTrack's response to the draft decision

VicTrack has amended section 6.2 of its proposed access arrangement to state that it must act consistently with the principle of passenger priority as defined in section 38H of the RMA.

Commission's conclusion

The Commission considers the amendment of section 6.2 of VicTrack's access arrangement to be consistent with the Commission's draft decision and the RMA.

Commission's conclusion

The Commission's conclusion is to accept VicTrack's amendment to section 6.2 as meeting the requirements of the RMA.

Obligation to submit a proposed access arrangement

Under section 38ZR of the RMA, an access provider must, not less than 90 days before expiry of a binding access arrangement, apply to the Commission for the renewal of that access arrangement.

The required contents of proposed access arrangements are set out in section 38X(1) of the RMA and reproduced in box A.1.

Sections 38X(3) to 38X(5) of the RMA requires a proposed access arrangement to be consistent with the:

- pricing methodologies made by the Commission,
- Negotiation Guidelines,
- Account Keeping Rules,
- Ring Fencing Rules,
- Capacity Use Rules, and
- Network Management Rules.

A proposed access arrangement can include any other matter, in addition to the above requirements, that the access provider considers relevant (section 38X(2)).

Box A.1 Section 38X of the RMA – contents of proposed access arrangements

- (1) A proposed access arrangement must—
 - (a) in relation to every reference service to which the arrangement relates, include—
 - (i) a description of the service; and
 - (ii) information as to whether that service is being provided by the access provider to itself or a related body corporate of the access provider; and
 - (iii) the terms and conditions for the provision of that service; and
 - (iv) the price, or methodology for the calculation of the price, to be charged in respect of the provision of that service; and
 - (b) include information in relation to the availability and the indicative terms and conditions, for the provision of declared rail transport services that are not reference services; and
 - (c) include a description of the information that the access provider will make available to an access seeker; and
 - (d) set out the procedure for the making of an application by an access seeker for the provision to them of a declared rail transport service; and
 - (e) describe the procedure and method how the access provider will assess and determine an application for the provision by them of a declared rail transport service; and
 - (f) specify a date for the expiry of the access arrangement, being a date that is not less than 3 years, and not more than 5 years, after the date on which the access arrangement may be approved by the Commission under this Part in a final decision.
- (2) A proposed access arrangement may also include any other matter that the access provider considers relevant.
- (3) The price or methodology referred to in sub-section (1)(a)(iv) must be consistent with the pricing principles and any methodology for the calculation of prices determined by the Commission under the Pricing Principles Order.
- (4) Information referred to in sub-section (1)(c), the procedure referred to in sub-section (1)(d) and the procedure and method referred to in sub-section (1)(e) must be consistent with the negotiation guidelines.
- (5) The proposed access arrangement must also be consistent with—
 - (a) the account keeping rules, and
 - (b) the ring fencing rules, and
 - (c) the capacity use rules, and
 - (d) the network management rules.

Obligation to submit access arrangement information

A proposed access arrangement must also contain access arrangement information, which is defined in section 38W(2) of the RMA to be 'information that an access seeker would reasonably require to understand the derivation of the elements of the access arrangement so as to form an opinion as to whether the access arrangement complies with Part 2A of the RMA.'

The Commission considers that information included in the access arrangement information must be made available to access seekers and the public.

Supporting information and material

In addition to the access arrangement information, the access provider should provide supporting information and material to establish the compliance of their proposed access arrangement with the requirements of the RMA.

Furthermore, the access provider should provide details of any consultation with industry stakeholders on the proposed access arrangement, or drafts of the proposed access arrangement.

Other material to accompany the proposed access arrangement

When an access provider submits a proposed access arrangement to the Commission for approval, it must at the same time, submit:

- a 'cost allocation policy' and 'templates' for providing accounting information to the Commission under the Account Keeping Rules,
- a 'separation arrangement' under the Ring Fencing Rules,
- a statement of 'capacity management protocols' under the Capacity Use Rules, and
- a 'network operating handbook' and 'rolling stock interface standards' under the Network Management Rules.

In addition, pursuant to section 38ZZZB of the RMA, an access provider must, on the same day as it submits a proposed access arrangement, submit to the Commission for approval, system and business rules for:

- (a) the use or handling of information supplied to the access provider in confidence by an access seeker or a user, including the use or handling of that information by an officer, employee or agent of the access provider, and
- (b) the disclosure of information supplied to the access provider in confidence by an access seeker or a user, including the disclosure of that information by an officer, employee or agent of the access provider.¹⁶

¹⁶ Section 38ZZZB of the RMA.

APPENDIX B | COMMISSION APPROVAL PROCESS

The table below summarises the process for access arrangement approval. The process begins when the Commission receives a proposed access arrangement from an access provider and ends when the Commission publishes its final decision, or appeals on the final decision are determined.

Step	Summary of procedure
1	The access provider prepares and submits a proposed access arrangement under section 38W along with any required accompanying material.
2	<p>The Commission receives a proposed access arrangement from the access provider under section 38W.</p> <p>The Commission must, as soon as practicable, acknowledge receipt of the proposed access arrangement by notifying every interested party in writing and by publication on its website and in a state newspaper (section 38Y(1)).</p> <p>The Commission must provide no less than 21 days for written submissions to be made in respect of the proposed access arrangement from the date of notification (section 38Y(2)).</p>
3	<p>Before making a Draft Decision, the Commission must consider all written submissions received within the specified time, and may, but is not required to, consider late submissions (section 38ZA).</p> <p>The Commission must make a Draft Decision to approve or not approve the proposed access arrangement, stating reasons for its decision. When making a Draft Decision, the Commission must take into account matters listed in section 38ZI. If the Commission does not approve the proposed access arrangement it needs to specify any amendments that should be made and any matters that should be addressed for approval (section 38ZB).</p> <p>The Commission must give a copy of the Draft Decision to every party who submitted comments to the proposed access arrangement and to the access provider. The Commission must also publish the Draft Decision on its website and make it available for inspection at its offices (section 38ZB(5)).</p> <p>The Commission must provide no less than 14 days, from the date the Draft Decision is published, for written comments to be submitted (section 38ZB(6)).</p>

Step	Summary of procedure
4	The access provider may, within 14 days of being given a copy of the Draft Decision, submit revisions to the initial proposal (section 38ZC).
5	<p>Before making a Final Decision, the Commission must consider all written submissions received within the specified time, and may, but is not required to, consider late submissions (section 38ZE).</p> <p>The Commission must make a Final Decision to approve or not approve the proposed access arrangement, stating reasons for its decision (section 38ZF). When making a Final Decision, the Commission must take into account matters listed in section 38ZI. The Commission is required to give notice of its Final Decision as specified in section 38ZH.</p> <p>The Commission's Final Decision must be made within 90 days of the access provider submitting the initial proposed access arrangement (section 38ZG).</p>
6	Appeals on the Final Decision can be made pursuant to section 55 of the <i>Essential Services Commission Act 2001</i> (Vic).

APPENDIX C | MATTERS TO BE TAKEN INTO ACCOUNT

Section 38ZI of the RMA requires the Commission to take certain matters into account. These include:

- the rail-specific objectives in section 38F of the RMA (section 38ZI(a))
- the matters that reflect clause 6(4)(i) of the Competition Principles Agreement (CPA) (see section 38ZI(b) to (i) of the RMA), and
- any other matter that the Commission considers relevant (section 38ZI(j)).

Each of these is discussed in turn below:

Rail-specific objectives

The regulatory objectives of the Commission, as stated in section 38F of the RMA:

in addition to the objectives under section 8 of the Essential Services Commission Act 2001 (but subject to section 5(2) of that Act):

- (a) *to ensure access seekers, and any other person the Commission considers may want to be provided declared rail transport services, have a fair and reasonable opportunity to be provided declared rail transport services; and*
- (b) *to promote competition in rail transport services to achieve an increase in the use of, and efficient investment in, rail infrastructure or tram infrastructure (as the case requires).*

Competition Principles Agreement – matters in section 38ZI(b) to (i) of the RMA

The matters that reflect the CPA and to which the Commission must have regard (as set out in section 38ZI(b) to (i)) are:

- (b) *the access provider's legitimate business interests and investment in the rail network owned or operated by that access provider; and*
- (c) *the costs to the access provider of providing access, including any costs of extending the rail network owned or operated by that access provider but not including costs associated with losses arising from increased competition in upstream or downstream markets; and*

- (d) *the economic value to the access provider of any additional investment that an access seeker or the access provider has agreed to undertake; and*
- (e) *the interests of users; and*
- (f) *existing contractual obligations of the access provider and users of the rail network owned or operated by that access provider; and*
- (g) *the operational and technical requirements necessary for the safe and reliable operation of the rail network owned or operated by the access provider; and*
- (h) *the economically efficient operation of the rail network owned or operated by the access provider; and*
- (i) *the benefit to the public in having competitive markets.*

Other relevant matters

Under section 38ZI(j), the Commission must have regard to any other matter that the Commission considers relevant.



Access Arrangement No: 4

for

Victorian Rail Track ABN 55 047 316 805 of Level 8, 1010 La Trobe Street Docklands VIC 3008 (trading as “VicTrack”)

Access Arrangement submission by VicTrack to the Essential Services Commission of Victoria (“ESC”)



SUBMISSION OF REVISIONS ARISING FROM ESC's DRAFT DECISION MAY 2012

1 June 2012 to 31 May 2015

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1. Preamble

1.1 Introduction

- 1.1.1 VicTrack is the trading name for Victorian Rail Track Corporation, a government corporation established under s.8 of the *Rail Management Act 1996 (RMA)*. VicTrack is a public entity, but does not represent the crown.
- 1.1.2 VicTrack's objectives and functions are established by s.119 and s.120 of the *Transport Integration Act 2010 (TIA)*.

1.2 Objectives

VicTrack provides this access arrangement to the Essential Services Commission (**ESC**), having regard to the requirements under Part 2A of the *RMA* to:

- 1.2.1 Provide an open and transparent method for Access Seekers (also described as **Rail Operators**) to gain access to the Network;
- 1.2.2 Determine access price limits, and access terms and conditions that have a sound basis;
- 1.2.3 Maximise the use of the VicTrack rail infrastructure and network;
- 1.2.4 Balance VicTrack's legitimate business interests and Access Seekers' objectives;
- 1.2.5 Secure fair compensation for the supply of access services, including cost recovery and a fair return on investment;
- 1.2.6 Provide an efficient dispute resolution process.

1.3 ESC's Role

The ESC will review the draft(s) of this access arrangement, under s.38W and s.38ZJ(1)(b) of the *RMA*.

In the balance of this document, the Access Arrangement is referred to as "this **Arrangement**".

2. Administration of this Arrangement

2.1 Scope

- 2.1.1 This Arrangement details the process of seeking access to and operating rail transport services using those parts of VicTrack's rail network that have been declared under the *RMA* (**Network**). This Arrangement does not apply to those parts of the Victorian rail network leased by other parties, including the suburban rail network, suburban tram network, interstate rail network and regional Victorian rail network.

2.1.2 As defined in the Freight Network Declaration Order 2005 – Victoria Government Gazette No. S 259 of 2005, VicTrack’s declared rail infrastructure (shown by maps in Appendix 4) comprises sidings located within:

- a) The Dynon Precinct at the Dynon Intermodal Terminal, the North Dynon Agents area, the South Dynon Locomotive Depot and the North Melbourne Creek Sidings (Appendix 4A),
- b) The Cresco Precinct (Hastings) (Appendix 4B).

~~e) The North Sunshine Maintenance Facility Precinct (due for completion in December 2012) (Appendix 4C).~~

2.1.3 The Network also includes a line section between Somerton and Upfield, which is unused at the present time and currently closed for traffic (Appendix 4C).

2.1.4 VicTrack, under section 38X(2) of the RMA, includes voluntarily arrangements for access to sidings at the McIntyre Rail Maintenance Facility, located in the North Sunshine Precinct, due for completion in December 2012 (Appendix 4D). As this precinct has not been declared by the Freight Network Declaration Order (or any other Order in council) it must be noted that many of the provisions of the RMA, including notably the dispute resolution provisions, may not apply with respect to access to that facility, unless and until it is declared.

Note: Since the 2009 Access Arrangement, W and V tracks are no longer administered by VicTrack.

2.2 Duration and Term of This Arrangement

VicTrack undertakes to comply with this Arrangement for a period of three (3) years from the date of approval by the ESC.

2.3 Variation of This Arrangement

2.3.1 Prior to the termination of this current Arrangement, VicTrack may apply for a variation to this Arrangement in accordance with the procedures in s.38ZO of the Act.

2.3.2 To guide Access Seekers, VicTrack has identified the following examples of circumstances in which it will seek variation of this Arrangement, including (without limitation):

- a) Where the Network is modified (increased or decreased) by an amount equivalent to greater than 10% of the total available track.
- b) Where VicTrack believes its legitimate business interests have been compromised under the Arrangement.
- c) If VicTrack is the beneficiary of a government contribution which materially affects the basis of the revenue cap. VicTrack must advise the ESC in these circumstances.
- d) VicTrack undertakes to seek ESC approval and to consult with Rail Operators before any terms of this Arrangement are sought to be varied.

2.4 Existing Contractual Agreements

It is the intention of VicTrack to align all Rail Operators' Access Agreements to those conditions indicated in this Arrangement. VicTrack must also ensure that such existing agreements are consistent with the requirements contained in the ESC's Capacity Use Rules. VicTrack undertakes to conduct negotiations with existing Rail Operators in good faith.

2.5 Contact details

2.5.1 VicTrack contact details for enquiries related to access or for general network enquiries are:

Director, Rail Group
VicTrack
Level 8, 1010 La Trobe St
Docklands, Victoria, 3008
Telephone 03 9619 8838
Fax 03 9619 8851

2.5.2 VicTrack operates a web site (<http://www.victrack.com.au>) where pertinent details regarding the Network and the process of making an application for access can be obtained.

2.5.3 VicTrack's website also contains details of the Network Management Principles and the protocols relevant to the provision and management of access (including those made in accordance with ESC Instruments).

3. VicTrack Services

3.1 Range of Services

3.1.1 This section of this Arrangement identifies the range of services that can be sought from VicTrack.

3.1.2 VicTrack provides a range of services as defined in s.38A (Definitions) of the RMA that are associated with the use of its Network and sidings and these services are summarised as the Network Access Service. As a Rail Infrastructure Manager only, VicTrack does not provide these services to itself or a related body corporate of VicTrack (s.38X(1)(a)(ii) of the RMA). The Network Access Service includes the following services:

- a) Allowing an accredited rail operator to access the Network for:
 - i. Holding of a train or wagons in an arrival road;
 - ii. Standing on a siding whilst loading/unloading occurs;
 - iii. Placement of a rake of wagons while a train locomotive changes ends – for the purpose of reversing direction of the train;

-
- iv. Holding of a locomotive or a crew car while wagon loading/unloading occurs;
 - v. Holding of a train awaiting access to another terminal or mainline access.
- b) Allocation and scheduling of train paths on the Network,
 - c) Managing and controlling train operations that operate on the Network;
 - d) Maintaining the Network;
 - e) Extending, enhancing or expanding the Network and
 - f) Management of incidents that affect or may affect the operation or safe operation of the network;

3.1.3 Applications for long term storage must be considered if capacity can be found without restricting the daily operations of VicTrack or the daily operations at adjacent rail facilities.

3.1.4 With one exception (described at clause 3.1.8 below) the Network Access Service that is provided by VicTrack under this Arrangement will be defined as a reference service.

3.1.5 There are no non-standard reference services.

3.1.6 In the event that VicTrack, in the future, does provide rail transport services that are not reference services then:

- The non-price terms and conditions would reflect the terms and conditions set out in the Standard Access Agreement attached to the access arrangement, with appropriate modifications.
- Access charges would be calculated consistently with the methodology applied in calculating other access charges under the access arrangement.

~~3.1.6~~ 3.1.7 The Network Access Service can be provided on a scheduled basis (as a Scheduled Service) or on an ad hoc or unscheduled basis (as an Unscheduled Service).

~~3.1.7~~ 3.1.8 If the Upfield to Somerton line becomes operational in the future, the service of providing access to this line will be a non-reference service (see 3.1.6).

4. Application Process

4.1 Information Provided by VicTrack to Access Seekers

4.1.1 Information Pack

VicTrack has provided an Information Pack on its website from which Access Seekers can download the necessary documentation about this Arrangement and the access application form. A hardcopy is also available at a cost of \$200.

4.1.2 The Information Pack contains information covering:

- a) This Access Arrangement;
- b) Diagrams of VicTrack Sidings/Network
- c) VicTrack Operating Handbook containing:
 - i. Network management
 - ii. Communications
 - iii. Rolling Stock Interface Standards
 - iv. Operational Systems
 - v. Complaint Handling
- d) Prescribed form of access applications;
- e) Standard access terms and conditions (in the Standard Access Agreement); and

Note: Information on the current scheduled services and available capacity in sidings can be provided on request by the

*VicTrack, Manager Service Delivery
Telephone (03) 9619 6306
Mobile 0408 535 466.*

4.1.3 VicTrack must respond to any bona fide enquiry regarding access to the Network. It is incumbent on the information seeker to supply relevant details with its enquiry and to seek relevant information.

4.2 Negotiation Protocols

4.2.1 VicTrack must negotiate with all parties equitably and without regard to the identity of that party.

4.2.2 VicTrack's Standard Access Agreement, together with the relevant Information Pack and VicTrack-supplied information, will form the basis of negotiation.

4.2.3 VicTrack must respond to appropriate and bona fide requests for variation to the Standard Access Agreement in a timely manner which is detailed in the procedures in clause 4.3 of this Arrangement.

4.2.4 VicTrack must keep information provided by an Access Seeker private and confidential and must not disclose such Access Seeker information to other parties, except with the specific approval of the Access Seeker. The confidentiality provisions of this Agreement will automatically apply to Access Seekers.

4.2.5 Where the VicTrack Director, Rail Group and the Access Seeker are unable to reach agreement over any matter under consideration within a reasonable time, the matter must be referred to the relevant Chief Executive Officers (**CEO**) of each entity for resolution.

4.2.6 In the event that the CEO's are unable to reach agreement within a reasonable time, the Access Seeker may refer the matter to the ESC for resolution.

4.3 Process of Access Seeker Application

4.3.1 An Access Seeker wishing to apply to VicTrack for access to the VicTrack Network should follow the process identified below and shown in Schedule 2 of the Standard Access Agreement.

4.3.2 Contact:

VicTrack, Manager Service Delivery
Telephone (03) 9619 6306
Mobile 0408 535 466

to enquire on details of the Network and to clarify general requirements and ensure that the facilities are aligned to the needs of the Access Seeker.

4.3.3 Obtain a copy of the VicTrack Application for Track Access and associated Information Pack.

4.3.4 Assess needs and complete the application, forwarding it to VicTrack via email or post.

4.3.5 The Access Seeker will need to demonstrate an understanding of the requirements for Rail Safety Accreditation and provide a plan to obtain accreditation or evidence of accreditation. Rail Safety Accreditation is a pre-requisite for access to the Network.

4.3.6 The Access Seeker will need to demonstrate that its rolling stock complies with VicTrack's requirements, especially the requirement to obtain Rail Safety Accreditation for the rolling stock.

4.3.7 The Access Seeker will need to demonstrate adequate management or staff with the necessary knowledge, experience and competence to carry out the operation or that they will engage a party with these qualities. Rail Safety Accreditation will assist in this regard.

4.3.8 The Access Seeker will need to demonstrate the required financial capacity to meet its obligations under the Standard Access Agreement (contained in Appendix 5).

4.3.9 On receipt of an application, VicTrack must provide within 5 business days, an acknowledgement of receipt of the application and the Information Pack.

4.3.10 Within 10 business days from receipt of an access application VicTrack must advise the Access Seeker whether the application form contains all the information required to process the application. If it does, and capacity is available, the Access Seeker must be requested to execute the Standard Access Agreement in Appendix 5. The Standard Access Agreement sets out the standard terms and conditions for the supply of reference services.

4.3.11 If insufficient information is received VicTrack must advise the additional information required at this time. At this stage an Access Seeker may choose to:

- a) Provide the additional information;
- b) Seek to advise the matter to the Essential Services Commission as a dispute;
- c) Not proceed further with the application.

If VicTrack has not requested further information within a period of 10 business days from application, the application will be deemed to be sufficient.

- 4.3.12 VicTrack must determine within 20 business days from the acknowledgement of an access application including all relevant information whether there is sufficient capacity to grant the access according to the application and advise the applicant. Relevant terms and conditions including price will be provided at this time.
- 4.3.13 If VicTrack determines there is not sufficient infrastructure capacity to grant the access requested, VicTrack must, within 25 business days from receipt of an application (with all relevant information), provide reasons why it cannot be granted and advise whether part of the application can be provided including the terms, conditions and price for that part.
- 4.3.14 If following the receipt of an Information Pack, the Access Seeker requires further information, VicTrack must advise within 14 days:
- a) Whether there is likely to be sufficient available capacity on the network and if so the train capacity likely to be available;
 - b) If there is insufficient available capacity – and what available capacity exists on relevant parts of the Network;
 - c) a description of any reasonably expected upgrades or modifications of the Network;
 - d) a copy of VicTrack’s Standard Access Agreement;
 - e) an estimate of the access charge that would apply to the relevant service and an explanation of how this has been calculated with reference to reference tariffs in this Arrangement;
 - f) Information about other matters an Access Seeker may need for this purpose.
- 4.3.15 In a situation where there is insufficient capacity:
- a) VicTrack must ask the Access Seeker whether it is interested in investigating additional capacity and costs relevant to that requirement;
 - b) If the Access Seeker is interested in information on developing additional capacity, VicTrack must advise the scope of upgrades of the Network that would be required to provide the requested service, and provide documentation on the additional capacity works required.
- 4.3.16 Particularly within the Dynon precinct, the interaction of multiple Rail Operators will require interface agreements to be entered into, and operational plans to be prepared. This is to ensure safety is maintained.

4.4 *Negotiation of Access Issues:*

- 4.4.1 Following receipt of relevant terms and conditions for the provision of access, an Access Seeker can decide whether to proceed and respond to VicTrack. If unresolved issues are identified in the terms and conditions, VicTrack and the Access Seeker will discuss these issues as soon as possible.

4.4.2 Should any issue become disputed and remain unresolved in these discussions, the Access Seeker may notify VicTrack of a dispute within 10 days of receipt of an access offer from VicTrack. The dispute notification will then be handled according to the following process:

- a) VicTrack must further assess the issue and respond within 14 days advising whether there is a possibility for agreement or an altered position.
- b) If no agreement is reached within 21 days from receipt of notice of dispute, the CEO's of both companies must discuss the issue within a further 7 days to attempt to resolve the matter.
- c) If no agreement is reached the matter will be referred to the ESC as a dispute for resolution.

4.5 Access Seeker Specific Works

In accordance with the Negotiation Guidelines¹ this section sets out the protocols that VicTrack will use when undertaking an assessment of works to provide additional capacity to meet an access seekers request for additional capacity.

~~4.5.1—VicTrack must respond to any bona fide request for additional capacity on the Network.~~

4.5.1 On receipt of a request, VicTrack must provide within 5 business days, an acknowledgement of receipt of the request

~~4.5.2—VicTrack and the Access Seeker must negotiate a financial arrangement suitable to both parties for the extra capacity works.~~

4.5.2 Within 10 business days from receipt of the request, VicTrack must advise the Access Seeker whether the request contains all the information required to process the request.

4.5.3 If VicTrack has not requested further information within a period of 10 business days from the request, the request will be deemed to be sufficient.

4.5.4 If insufficient information is received VicTrack must advise the additional information required at this time. At this stage an Access Seeker may choose to:

- a) Provide the additional information.
- b) Not proceed further with the application.

¹Essential Services Commission, Victorian Rail Access Regime, Negotiation Guidelines, pp6-12.

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- 4.5.5 Once the conditions to proceed have been met according to 4.5.3 or 4.5.4(a) then within 28 days VicTrack will conduct a preliminary investigation that will assess the nature of the work required to undertake a detailed assessment of any works required in accordance with VicTrack's policies to provide the additional capacity to meet the access seekers request.
- 4.5.6 VicTrack will then provide to the access seeker the initial assessment of the detailed works required (4.5.5) and a proposed allocation of costs i.e. a fee for the provision of a detailed assessment as per section 6.2 of the Commission's Negotiation Guidelines (exc. GST) of the detailed assessment of the works required to the access seeker prior to the detailed assessment for works proceeding. In allocating costs incurred in providing a detailed assessment, the proposed allocation of costs (fee) will be fair and reasonable having regard to the nature of the request for access, the work undertaken and the benefits to VicTrack and the access seeker of any detailed assessment in relation to works required to provide additional capacity to meet the access seeker's request for access.
- 4.5.7 The access seeker will then have 14 days to respond to VicTrack to proceed with the detailed assessment of works upon receipt of the information provided to it in 4.5.6. If the assess seeker does not respond within 14 days the request will lapse. Once the access seeker agrees to proceed, the detailed assessment of works will be undertaken in accordance with VicTrack's policies. The timeframe for provision of the detailed assessment of works will be advised in each instance of request and will depend on the nature and complexity of the proposed works that need to be undertaken to meet the request to increase capacity.
- 4.5.8 Within 7 days of receipt of the detailed assessment of works VicTrack will provide to the access seeker the detailed assessment of works and may charge a fee for its provision as referred to in section 4.5.6 above.
- 4.5.9 The access seeker will have 28 days upon receipt of the detailed assessment of works to advise VicTrack if they wish to proceed with the works or, the request for additional capacity works will lapse.
- 4.5.10 As appropriate and feasible, alternate time frames to the above may be negotiated between VicTrack and the access seeker. The access seeker will also be provided with an opportunity to input to any detailed assessment, including by responding to/commenting on VicTrack's initial assessment of detailed works required under clause 4.5.6, and by being provided by VicTrack with the opportunity to liaise with VicTrack and the party undertaking the detailed assessment of works, as the assessment is undertaken.
- 4.5.11 Before any contract for these additional capacity works is put to tender as per VicTrack policies, VicTrack and the Access Seeker must negotiate and reach an agreement on terms and conditions for the proposed works including financial arrangements suitable to both parties.
- 4.5.12 Should any issue become disputed and remain unresolved in this process, the Access Seeker may notify VicTrack of a dispute within 10 days of the stage of the process that is in dispute. The dispute notification will then be handled according to the following process:

-
- a) VicTrack will immediately notify the ESC of a notification of dispute.
 - b) VicTrack must further assess the issue and respond within 14 days advising whether there is a possibility for agreement or an altered position.
 - c) If no agreement is reached within 21 days from receipt of notice of dispute, the CEO's of both companies must discuss the issue within a further 7 days to attempt to resolve the matter.
 - d) If no agreement is reached the matter will be referred to the ESC as a dispute for resolution.

4.6 Interconnection

- 4.6.1 VicTrack will assist Access Seekers in the facilitation of interconnection with other networks so as to ensure optimum operating arrangements are available to those Access Seekers.
- 4.6.2 Interconnections must be facilitated with mainline networks. VicTrack will liaise with mainline networks by indicating to that network the operational and engineering requirements of the relevant Access Seeker. The Access Seeker also has an obligation to notify the mainline network.
- 4.6.3 If an Access Seeker wishes to join the Network with its own infrastructure, VicTrack will facilitate the assessment of this application and cooperate with the Access Seeker for the mutual benefit of both parties. This may include agreement to operational and engineering plans by way of review and feedback. The process that will apply to applications for interconnection is the process specified in ~~s.38ZF (Interconnection) and s.38V (Negotiation Guidelines) of the RMA~~section 7 of the Negotiation Guidelines².

5. Network Access Service Pricing

5.1 General Principles

VicTrack establishes pricing for the Network Access Service Charges according to the principles as set out in s.38J of the RCA and s.2.1 of the Pricing Order³.

² See ESC above n1, pp12-14.

³ Essential Services Commission 2009, 'Rail Access Pricing Guideline V.2.0', June.

5.2 Pricing Objectives

- 5.2.1 VicTrack's pricing objective is to recover the costs of providing and maintaining the Network and to receive a margin based on the risks associated with the operation of its business.
- 5.2.2 VicTrack wishes to achieve this objective on an average cost and average revenue basis over the course of the duration of this Arrangement.
- 5.2.3 Price Indexation will be applied in accordance with Appendix 1(C).

5.3 Cost policy

- 5.3.1 Maintenance and operating expenses will be expensed in the year of the accrual.
- 5.3.2 Capital expenses will be expensed by applying a Weighted Average Cost of Capital (WACC).
- 5.3.3 Depreciation will be applied at the rates specified in the Australian Taxation Office Determination TR 2000/18A11 (Addendum as at 21 December 2005).

5.4 Precinct Differentiation

- 5.4.1 VicTrack's Network contains ~~ss-twothree~~ geographic precincts): the Dynon Precinct, ~~the North Sunshine Maintenance Facility~~ and the Cresco Siding (Hastings).

5.4.2 VicTrack may price the ~~twothree~~ precincts separately because the train operations and usage patterns are distinctly different

Note: The North Sunshine Precinct is not currently declared infrastructure (see 2.1.4).

5.5 Revenue Rate Cap

- 5.5.1 VicTrack operates a highly task variable business. Its projections for tasks have been made with the best data available at the time of this Arrangement but the data displays large variation. Therefore while a revenue projection has been made for the duration of this Arrangement there is a high likelihood that significant variations will occur.
- 5.5.2 A revenue rate cap is proposed to limit the total revenue to the total cost of providing access plus margin. A rate cap has been established for each of VicTrack's precincts representing the rate applicable at the forecasted task. This cap applies to Scheduled Users and Unscheduled Users.
- 5.5.3 Notwithstanding the price indexation provisions in Appendix 1, VicTrack may decide to reduce its prices if the actual task is greater than forecast, subject to any additional costs that may arise from the greater task. If the actual task decreases VicTrack will maintain the rate cap until at least the following review of the rate cap (with indexation, in accordance with Appendix 1).
- 5.5.4 If the task continues at a reduced level VicTrack may need to apply to the ESC to seek a variation to this Arrangement under s 38ZO of the RMA (in accordance with

the process outlined at clause 2.3 above). In such circumstances, any increase to Access Charges (other than CPI indexation specified in Appendix 1) will occur only after consultation with the Rail Operators and only after approval by the ESC. Any increase in Access Charges must be consistent with the pricing principles or any methodology determined by the ESC under the Pricing Principles Order (made under s.38J of the RMA). VicTrack must not rely on the identity of an Access Seeker as the basis for charging it different prices to those which it charges other Access Seekers.

- 5.5.5 Where contributions are made by other parties for works, VicTrack will deduct those contributions from its revenue caps with the accounting method most appropriate to those contributions and in accord with the Account Keeping principles identified in this Arrangement.

5.6 Pricing Strategy and Pricing Units

- 5.6.1 As outlined at clause 3.2, the reference services provided by VicTrack are summarised as a Network Access Service (across VicTrack precincts). In accordance with Appendix 1, a charge will apply for the supply of services associated with the Network Access Service.
- 5.6.2 In each precinct, the space occupied by the relevant wagon, carriage, locomotive or train will be an important consideration in determining the Network Access Service Charge.
- 5.6.3 The Network Access Service provided by VicTrack will be for the management and occupation by rolling stock of space on a siding. The standard unit of service provided by VicTrack consists of the space required by a single item of rolling stock, including single wagons, single empty passenger carriages, single locomotives and single units of a multiple unit wagon such as a "5 Pack".
- 5.6.4 Despite the intention to charge for siding space which could be accurately reflected as metres of siding space, it is currently not practical for VicTrack to measure each unit of rolling stock. Under this Arrangement, VicTrack will use representative lengths or freight wagons, locomotives, or empty passenger carriages (as relevant) as the practical method of measurement.
- 5.6.5 VicTrack has developed a pricing regime that is intended to reflect the use of the Network in each precinct and its ability to record usage patterns on a daily basis.
- 5.6.6 In precincts and specific precinct locations where daily wagon movements are recorded, VicTrack will apply specific usage charges in accordance with Appendix 1(A), and invoice on a monthly basis.
- 5.6.7 In precincts where daily wagon movements are not recorded, VicTrack will apply specific usage charges in accordance with Appendix 1(B), and invoice on a monthly or quarterly basis.
- 5.6.8 The effective usage period for a wagon, carriage or locomotive is a single day, beginning at midnight and ending at midnight. Network Access Service Charges will operate on a per day basis. If the occupation period is less than a day then a day's rate will be charged.
- 5.6.9 For clarity, if a wagon enters the VicTrack Network, and is subsequently removed to another Access Provider's network and then returned to the VicTrack Network, within

the same daily period, the Network Access Service Charge will be for a single day, for any Rail Operator.

NOTE: Comments on the derivation of VicTrack's pricing (using the pricing guide⁴) can be found in Appendix 8.

5.7 Quality of Service

- 5.7.1 The Network comprises a low speed storage and transit network. The imperative is that the Network is available and that it is safe for the operation of low speed trains. This speed is 15kph (at up to 23 Tonne axle load) in the Dynon, North Sunshine and Cresco precincts.
- 5.7.2 VicTrack undertakes to provide a service that meets these criteria and which properly reflects the requirements of Access Seekers.

6. Management of Capacity and Network

6.1 Policy

VicTrack must manage the capacity of the Network in an open and transparent way, so that all Access Seekers and existing Rail Operators on the Network are able to validate the following specifications of the network:

- a) the theoretical capacity;
- b) the practical capacity;
- c) the current usage; and
- d) the remaining capacity,

6.2 General Obligations

VicTrack must act in accordance with the general obligations for network management and capacity allocation, as specified in the RMA and in the Capacity Use Rules and the Network Management Rules developed by the ESC under the RMA. Specifically, VicTrack:

- a) must not unreasonably favour itself or any other person or party;

⁴ [See ESC above n3.](#)

-
- b) must act consistently with the provision of passenger priority ~~where it is applicable on the Network and where the users of declared rail transport services use those services to provide passenger services under~~ as defined in s.38H(2) of the RMA.
 - c) must promote compatibility in operations with other networks;
 - d) must use all reasonable endeavours to maximise the use of the Network.

6.3 Capacity Allocation Priority

- 6.3.1 Capacity must be allocated in accordance with the principle of maximum utilisation of the Network, consistent with section 4.3 of the Capacity Use Rules made by the ESC under the RMA. In processing Access Applications, capacity will be allocated on a first come first served basis (subject to the principle of maximum utilisation noted above). The time to be used as the benchmark for the application of this protocol is the time that VicTrack receives a fully compliant Access Application (as defined at clause 6.3.2 below).
- 6.3.2 A fully compliant Access Application is one that provides all the information required in the Access Application Form (contained in Appendix 3), where the Access Seeker can begin operations within two months of the date of Application, and where VicTrack has been able to allocate the capacity required by the Access Seeker.

6.4 Capacity Allocation Protocols

- 6.4.1 VicTrack operates according to the VicTrack Access Protocol (contained in Schedule 2 of the Standard Access Agreement) consisting of four general stages as follows:
 - 6.4.1.1 Long Term planning: Agreement to terms and conditions (contained in Standard Access Agreement or as negotiated) and on scope of operations and scheduling of appropriate available capacity;
 - 6.4.1.2 Short Term Planning: Planning of specific train details, schedules and alignment to daily capacity;
 - 6.4.1.3 Daily operations: Specific train running and adjustments during the day of operation; and
 - 6.4.1.4 Operational Review: Review of operations and collaborative management of the supply of services to obtain best outcomes for all parties on the Network.
- 6.4.2 Traffic patterns on VicTrack sidings vary significantly from siding to siding. Some sidings provide access to scheduled trains whereas other sidings (e.g. South Dynon Common User area) operate with a large percentage of unscheduled train movements including light locomotive moves to the fuel point, maintenance and stabling. The elements of VicTrack's Access Protocol follow below.

6.4.3 Long Term Planning / Track Utilisation Plan

- 6.4.3.1 The Track Utilisation Plan is used to allocate time and tracks within the sidings.
- 6.4.3.2 Under the Track Utilisation Plan, scheduled trains are allocated a time of arrival and a siding usage time to enable loading and unloading, shunting moves and stabling/holding periods (as agreed with the Access Seeker).

6.4.3.3 The Track Utilisation Plan is updated periodically to reflect changes in Scheduled Services and as a result of variations to mainline paths and changes off the Network.

6.4.4 Short Term Planning / Daily Train Plan

6.4.4.1 Scheduled Users and Unscheduled Users must notify and confirm VicTrack of their daily train operations including train information such as train length, tonnage, number of locomotives and number of wagons. This information together with the Track Utilisation Plan will be used to produce the Daily Train Plan.

6.4.4.2 Clause 6.4.4.1 does not apply in respect of a precinct where daily wagon movements are not recorded.

6.4.4.3 Daily operations in the sidings are affected substantially by mainline train running and arrival times from the mainline networks. Communications between the VicTrack Track Access Coordinator, train crew, train control and signallers are used to monitor arrival times and align actual arrival and siding usage periods with the Daily Train Plan.

6.4.4.4 VicTrack manages entry to the sidings to ensure relevant separation of trains and siding activities. This involves coordination with other network managers and prioritisation of scheduled trains according to scheduled arrival and their expected siding usage. This prioritisation provides for “healthy” trains to remain healthy, siding operations to continue and a fair allocation of resources.

6.4.5 Maintenance and Possessions

6.4.5.1 Maintenance and Upgrades

VicTrack undertakes regular inspection of the Network infrastructure and will undertake maintenance and upgrades of the infrastructure as required.

To the extent possible, such maintenance and upgrade works will be undertaken in periods that do not affect the Scheduled Services but will require variance of schedules on some occasions.

6.4.5.2 Routine Maintenance

Where planned works in a siding require some alteration to schedules:

- a) The affected Rail Operators will be advised of the proposed works and alterations with at least two weeks' notice;
- b) The affected Rail Operators will be given an opportunity to respond to the proposed works schedule with an opportunity to highlight issues;
- c) The affected Rail Operators will be provided with the opportunity to discuss alternative arrangements;
- d) Where possible, an agreed time for the works will be formulated between Rail Operators;
- e) If agreement cannot be reached, VicTrack will nominate the most appropriate time for the required works and,

-
- f) Trains will be rescheduled using the priority order of scheduled trains and then non-scheduled trains provided that the conditions as stated in 6.2(b) of this arrangement are satisfied.

6.4.5.3 Emergency/Unplanned Maintenance

Works may be required on an urgent basis in some circumstances where the track is considered unfit for access; these circumstances include:

- a) Incidents;
- b) Network blockages due to an incident or accident;
- c) Flooding or shifting of ground;
- d) Heat buckling of track; and
- e) Where a bridge is struck by a vehicle.

The relevant location will be closed to traffic and relevant Rail Operators will be advised as soon as possible of:

- a) The extent of the works;
- b) The likely duration of works;
- c) When traffic may resume over the Network;
- d) When normal operations can be resumed; and
- e) Any anticipated further works and possible train variation options.

6.4.6 Priority

Any change or variance of schedules will be made with a priority to:

- a) Confirmed Scheduled trains first; and
- b) Confirmed Non-Scheduled trains second;

provided that the conditions as stated in 6.2(b) of this arrangement are satisfied.

6.4.7 Allocation of Unscheduled Siding times

VicTrack will make available unused or available siding time for Access Seekers where the proposed Access Application and use of the siding does not interfere with the operation of existing Scheduled Services. The existing Track Utilisation Plan provides Access Seekers with an overview of available time.

6.4.8 Reassignment of Unused Scheduled Track Allocations

If a Scheduled User fails to fulfil 70% of the Scheduled Services over a period of one month, VicTrack will assess options for reassignment of Scheduled Services and available capacity based on:

6.4.8.1 Whether another operator has applied to utilise this area of the Network;

6.4.8.2 What outcome represents the longer term greater utilisation of the Network;

6.4.8.3 Whether the reduction in services is only temporary and will recover the following month.

Where a reassignment is made, VicTrack will consult the Scheduled User and endeavour to relocate the Scheduled Services to another scheduled time allocation. If no scheduled allocation is available the Scheduled Service will become an Unscheduled Service.

Where a rail operator is not satisfied with the outcome of this process then it may lodge a complaint using the process defined in S.6.5 Handling of Complaints of this arrangement.

6.4.9 User Request to Permanently or Temporarily Vary a Scheduled Track Allocation

Where a user seeks to vary a scheduled track allocation then it must consult with VicTrack prior to permission being given to vary the scheduled track allocation.

In assessing a user's request to permanently or temporarily vary a scheduled track allocation, VicTrack will consider whether capacity is available as requested, and will liaise with the user (and other users as necessary) to determine to what extent the request can be accommodated

Where a user is not satisfied with the outcome of this process then it may lodge a complaint using the process defined in S.6.5 Handling of Complaints of this arrangement.

6.4.10 VicTrack Request to Permanently or Temporarily Vary a Scheduled Track Allocation

VicTrack may seek to vary a scheduled track allocation in certain circumstances and these circumstances might include emergency or unplanned maintenance, VicTrack capital works, force majeure events⁵, requests from connecting access providers, and in the case of permanent variation or surrender of an allocation, circumstances include due to a user breaching relevant legislation (e.g. failing to be appropriately accredited under the Rail Safety Act), and failing to meet VicTrack's rolling stock interface standards.

VicTrack must consult with the affected access seekers prior to permission being given to vary the scheduled track allocation.

Where a rail operator is not satisfied with the outcome of this process then it may lodge a complaint using the process defined in S.6.5 Handling of Complaints of this arrangement.

⁵ Essential Services Commission, Victorian Rail Access Regime, Network Management Rules, p16

6.5 Handling of Complaints

- i. An access seeker may lodge a complaint in writing to VicTrack within 7 days of the matter for complaint occurring. VicTrack will immediately notify the ESC of the notification of complaint.
- ii. VicTrack must assess the issue and respond within 7 days of receipt of the complaint to the access seeker, advising whether there is a possibility for agreement or an altered position.
- iii. If no agreement is reached within 21 days from receipt of the complaint, the CEO's of both companies must discuss the complaint within a further 7 days to attempt to resolve the matter.
- iv. If no agreement is reached the matter will be referred to the ESC as a dispute for resolution.

7. Account Keeping

7.1 General

- 7.1.1 VicTrack will record costs and revenues of its access operations. These records will be distinguishable from other activity areas within VicTrack.
- 7.1.2 Wherever possible, costs will be directly attributed to the access operations. Some corporate costs and common costs will not be attributed directly.
- 7.1.3 VicTrack will comply with its cost allocation policy, developed in accordance with the ESC's Account Keeping Rules and discussed at clause 7.2 below.
- 7.1.4 Rail Operators will be billed separately showing the unit of billing and the quantity.
- 7.1.5 VicTrack will comply with the relevant Australian Accounting Standards.
- 7.1.6 VicTrack will present the ESC with audited accounts for each year no later than four calendar months after the end of the financial year to which the accounts relate.
- 7.1.7 VicTrack's accounts are reported using the ESC approved Accounting Forms as detailed in Appendix 7.

7.2 VicTrack's Cost Allocation Policy

- 7.2.1 Wherever practical, VicTrack will record costs on a precinct basis between Dynon, ~~the North Sunshine~~ and Cresco, and on a directly attributable basis.
- 7.2.2 Where costs are incurred that cannot be directly attributed to any of VicTrack's business units (for example, corporate functions such as human resources, information technology and industrial relations), the costs will be allocated on a pro-rata basis of total direct cost amongst the departments within VicTrack.
- 7.2.3 Where costs are incurred that cannot be directly attributed to a particular activity of VicTrack's rail business (such as the management of the rail business), the costs will

be allocated to access operations and other activities of the rail business on the basis of a reasonable estimate of the causation of those costs (such as management time allocated to the different activities).

- 7.2.4 Where costs are incurred within the access operations but cannot be directly attributed to the Dynon, ~~North Sunshine~~ or Cresco precincts, the costs will be allocated in proportion to their direct costs.

7.3 Cost Categories

- 7.3.1 There are six cost categories identified in the administration of access operations. They are:

Routine maintenance – maintenance performed frequently and routinely, equal to or more than once per year. This is a directly attributable cost.

Major Periodic Maintenance – maintenance performed on an asset at a frequency of greater than once per year and involving wholesale replacement of an asset on a like for like basis or where the objective is to extend the life of the asset. This is a directly attributable cost.

Capital – the provision of a new asset or renewal of an existing asset where improved functionality is the primary aim of the work. This is a directly attributable cost.

Operations – the day to day organisation of access activities including communication with Rail Operators and safety management. This is a directly attributable cost.

Management – the processing of access applications, negotiation of access terms and conditions and the administration of the regulatory regime. Insurance is also in this category. This is a directly attributable cost.

Corporate – the support provided by corporate resources from time to time in the administration of this Access Arrangement. This is an indirect or common cost that requires allocation.

8. Performance Indicators

8.1 General

VicTrack is committed to reporting in accordance with performance indicators that provide certainty and encourage Rail Operators to increase the utilisation of the Network.

8.2 Specific Indicators

VicTrack will report on an annual basis the following indicators;

-
- 8.2.1 Availability – this is the average percentage of total track on the Network available for access on each day. Maintenance and blockage due to incidents are instances where the Network would not be available for Access. VicTrack’s target availability is 97.5%.
 - 8.2.2 Reliability – this is a measure of safety and adequacy of the infrastructure to carry out its task. The measure is 100% minus any unavailability due to an infrastructure caused incident. VicTrack’s target is 99.5%.
 - 8.2.3 Disputes – this is the number of disputes with Rail Operators that are elevated to resolution by ESC. VicTrack’s target is zero.

Appendix 1 Network Access Service Charges and Indexation

The following prices are standing offer prices for 2011-2012 financial years for the Network Access Service Charge:

(A) Network Access Service Charges in the Dynon Precinct (daily wagon usage IS recorded)

- a) The charge per wagon per day or part thereof - \$13.24
- b) The charge per passenger carriage per day or part of day - \$19.86.
- c) The charge per locomotive per day or part thereof - \$13.24.

Note: for the purposes of charging a two-pack will be charged as two wagons, a three-pack wagon will be charged as three wagons etc...

(B) Network Access Service Charges in the Cresco Precinct (daily wagon usage is NOT recorded).

The daily charge will be negotiated with the relevant access seekers and will abide by s.5 of this arrangement.

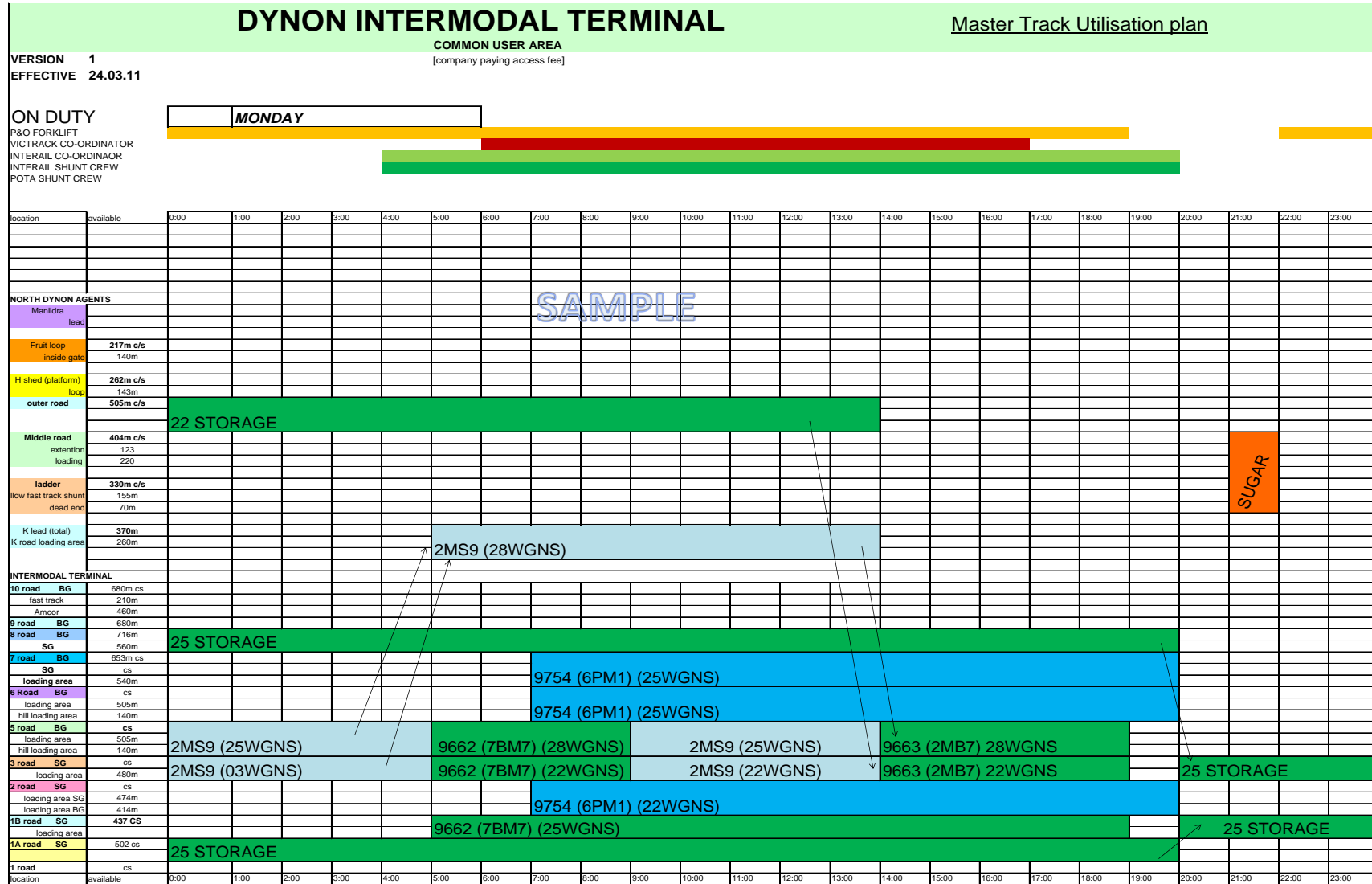
(C) Price Indexation

The price will be indexed as of July 1 each year applying the annual percentage increase in CPI to the end of that financial year. The annual percentage increase in CPI will be calculated using the Consumer Price Index (All Groups), Melbourne year on year, third quarter to third quarter of the preceding year (minimum three per cent and maximum five per cent to be applied).

(D) North Sunshine Precinct

Although, the North Sunshine Precinct is not declared the Network Access Service Charges in the North Sunshine Precinct will be charged as per Appendix 1A above.

Appendix 2 – Scheduled Services – Track Utilisation Plan



Appendix 3 – Application Form and Required Information



TRACK ACCESS APPLICATION FORM

- 1 Applicant:
 - 2 Company/Business address:
 - 3 ABN:
 - 4 Contact details (Telephone/ Fax/Nominated contact):
.....
.....
.....
 - 5 Description of proposed operations on the Network:
.....
.....
.....
.....
- (Attach additional if required.)
- 6 Origin:
 - 7 Destination:
 - 8 Stops en route & duration:
.....
 - 9 Advise the proposed accredited party who will be the rail operator for the task:
.....

10 Details of proposed rolling stock (Locos, no. & type of wagons, axle loads):

.....
.....
.....

11 Advise whether there are any variance from normal rolling stock standards:

.....
.....
.....

12 Type of Freight to be carried (include est. tonnage, seasonal variations, handling and safety requirements):

.....
.....
.....

13 Is there a need for any variation from standard terms and conditions for this freight? If so detail:

.....
.....
.....

14 Evidence of the access seeker's managerial, financial and staff capacity/competency to carry out the rail operations – eg. Capacity elsewhere, accreditation, training for the task, financial and insurance:

.....
.....
.....
.....
.....

(Attach additional as required)

15 Is it proposed to contract out all or part of the operation for which this application applies? If so provide evidence of the contracted parties' capacity for the task:

.....
.....
.....

(Attach additional as required)

16 Please detail the scope of your current accreditation, or your intended accreditation for the task and timing to achieve accreditation:

.....
.....
.....

17 Is the access application for Freight or Passenger services (NB: passenger services are for the carriage of passengers – not stabling of passenger trains)?

.....

18 Is the access requirement to be scheduled service or unscheduled?

.....
.....

19 What is the proposed siding line use within the VicTrack Network?

.....
.....
.....

20 Is there any contractual arrangement relevant to the service that could be affected by the access provision?

.....
.....

21 Is there any expected or proposed growth or expansion of the service applied for – eg. expansion in demand or plant etc?

.....

.....

.....

22 Is there any need for surge capacity or seasonal adjustment to meet demand or industry factors such as shipping?

.....

.....

.....

23 Is there any other detail or condition of the proposed service that VicTrack should be aware of as access provider?

.....

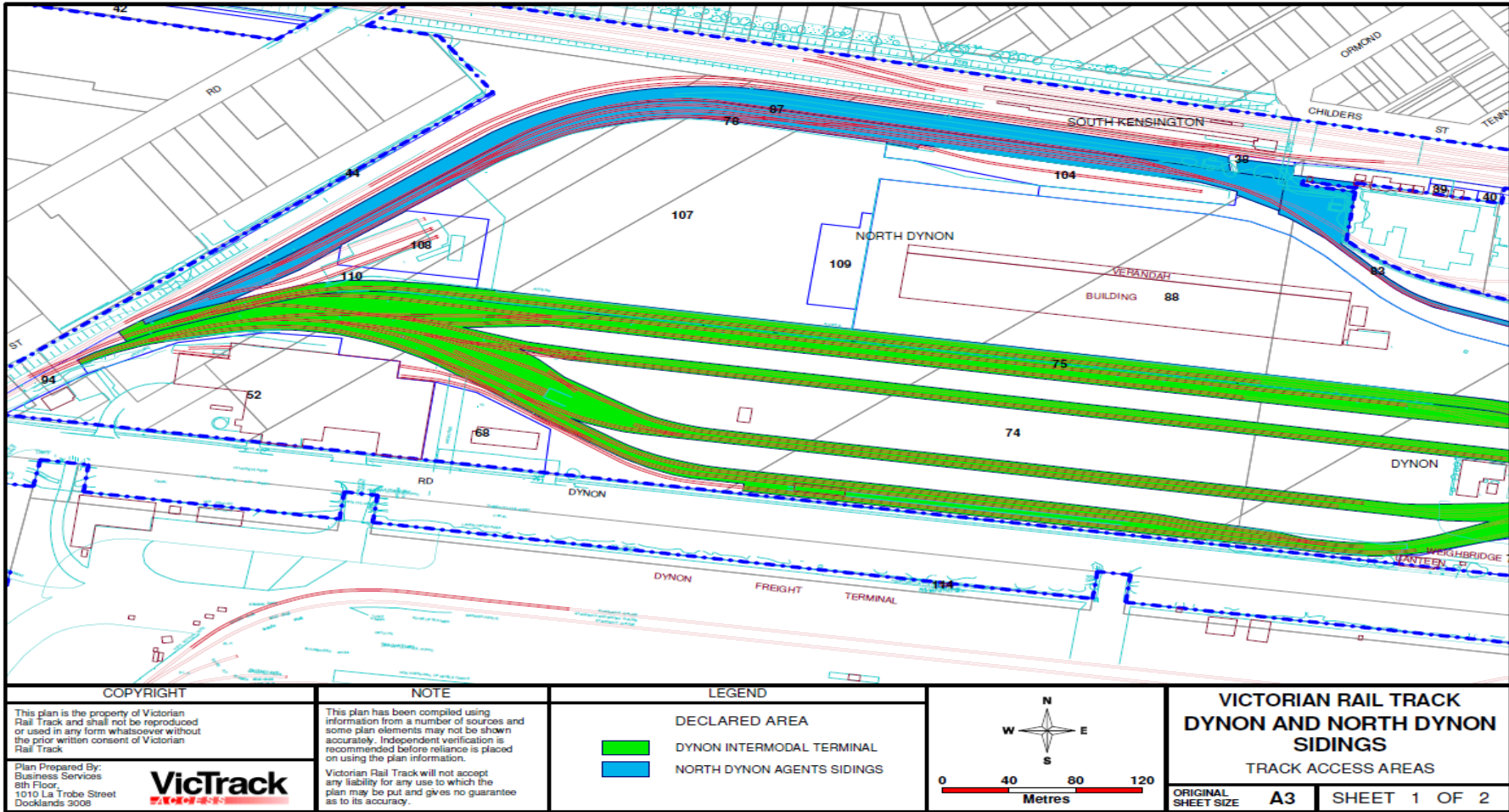
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Appendix 4 – Maps

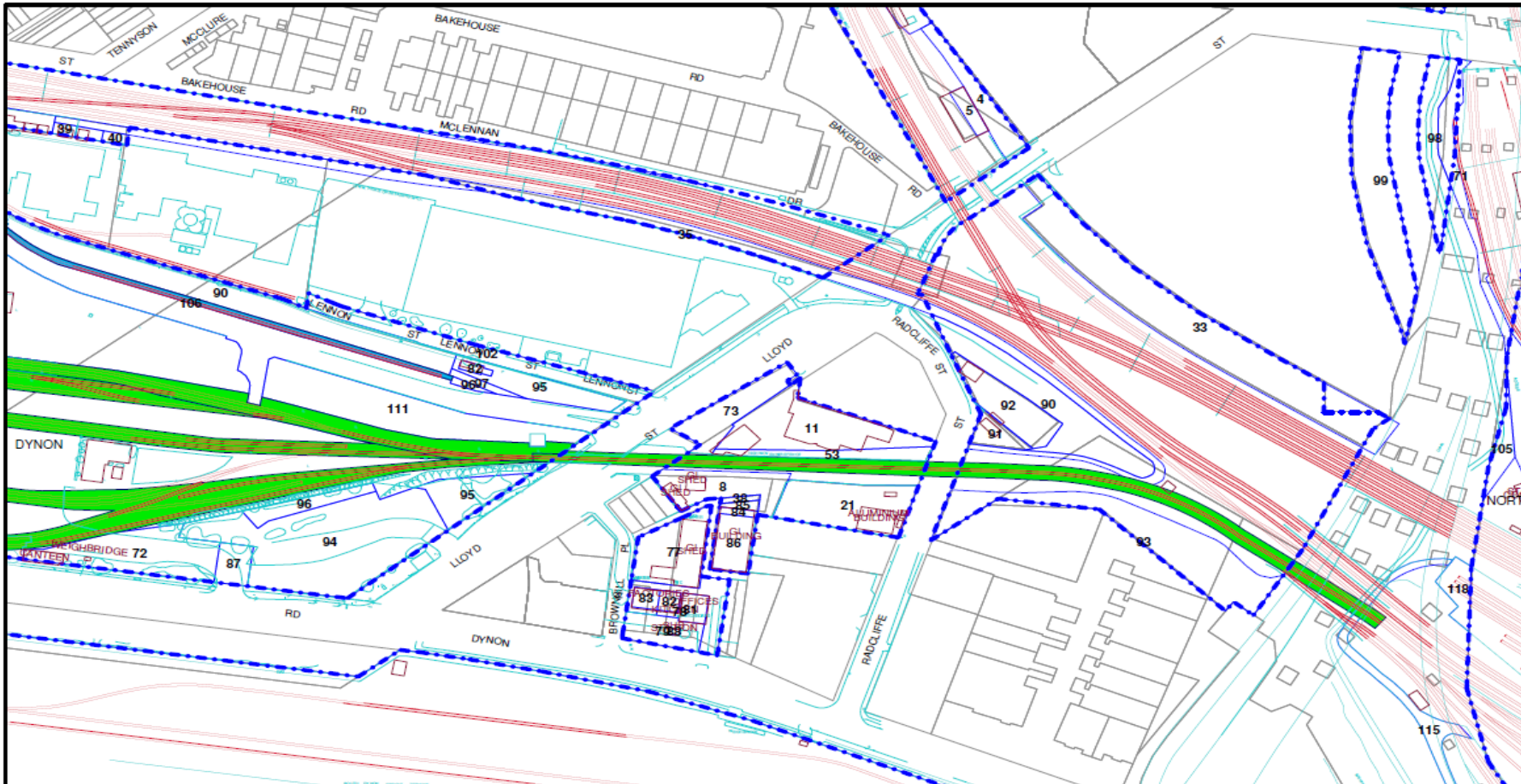
A. DYNON PRECINCT

Dynon Intermodal Terminal and North Dynon Agents (Sheet 1 of 2)



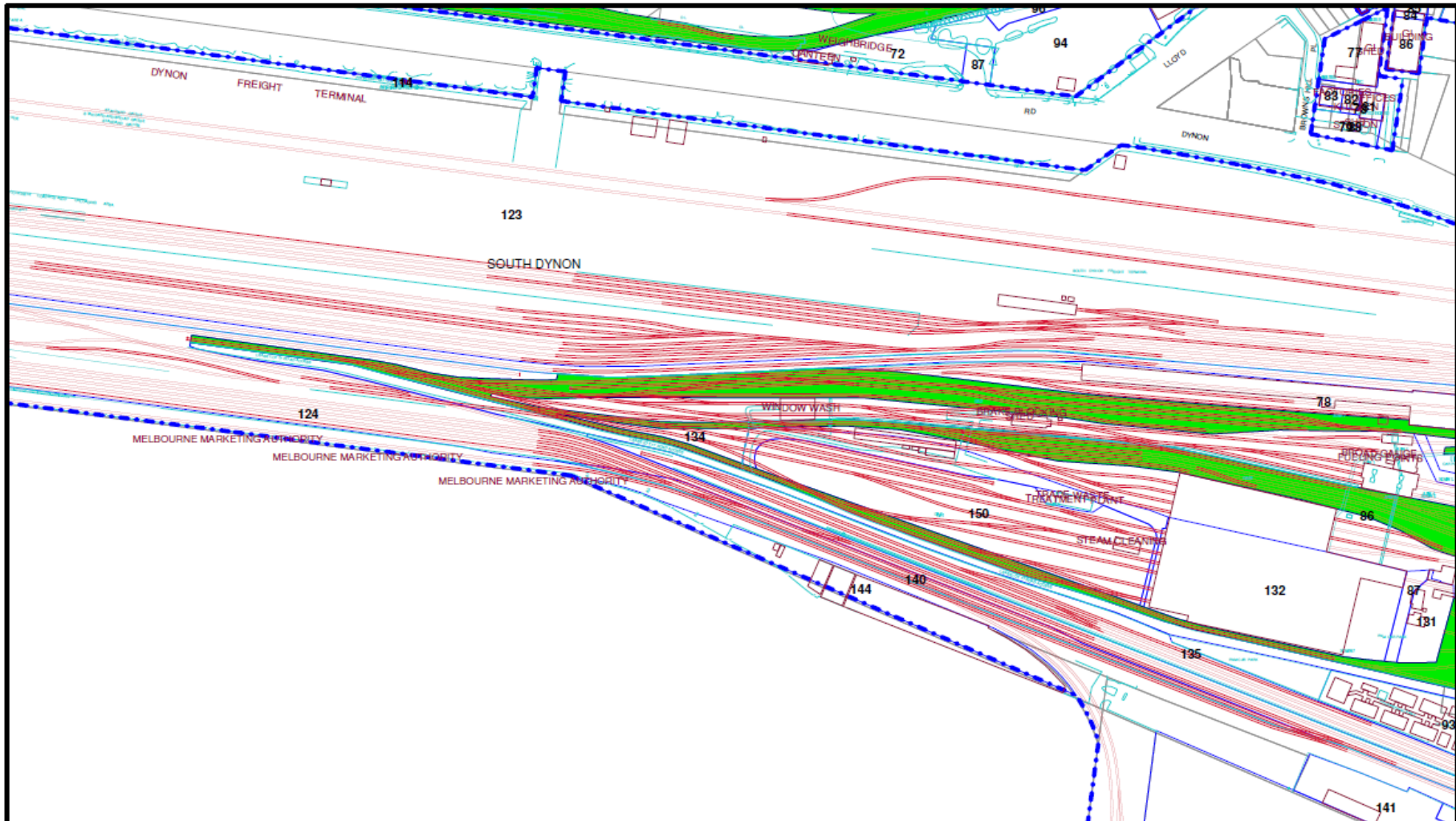
Note: The numbering on all maps is for VicTrack internal lease lot referencing only and is unable to be removed. Please refer only to the shading for identification of the declared parts of the VicTrack Network.

Dynon Intermodal Terminal and North Dynon Agents (Sheet 2 of 2)



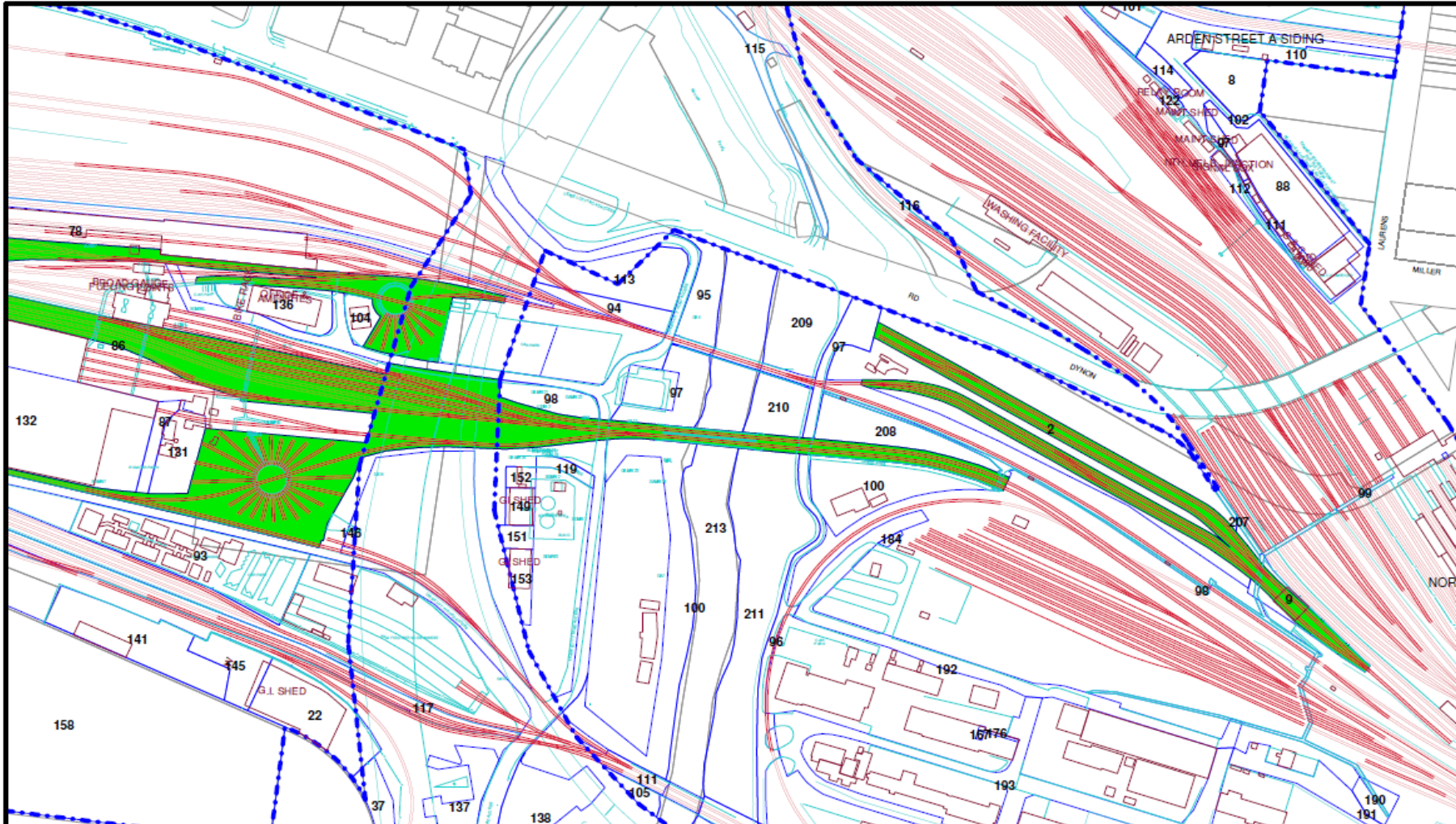
<p>COPYRIGHT</p>	<p>NOTE</p>	<p>LEGEND</p>		<p>VICTORIAN RAIL TRACK DYNON AND NORTH DYNON SIDINGS</p> <p>TRACK ACCESS AREAS</p>
<p>This plan is the property of Victorian Rail Track and shall not be reproduced or used in any form whatsoever without the prior written consent of Victorian Rail Track.</p> <p>Plan Prepared By: Business Services 8th Floor, 1010 La Trobe Street Docklands 3008</p>	<p>This plan has been compiled using information from a number of sources and some plan elements may not be shown accurately. Independent verification is recommended before reliance is placed on using the plan information.</p> <p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>	<p>DECLARED AREA</p> <p> DYNON INTERMODAL TERMINAL</p> <p> NORTH DYNON AGENTS SIDINGS</p>	<p>0 40 80 120</p> <p>Metres</p>	

South Dynon Locomotive Depot (Sheet 1 of 2)



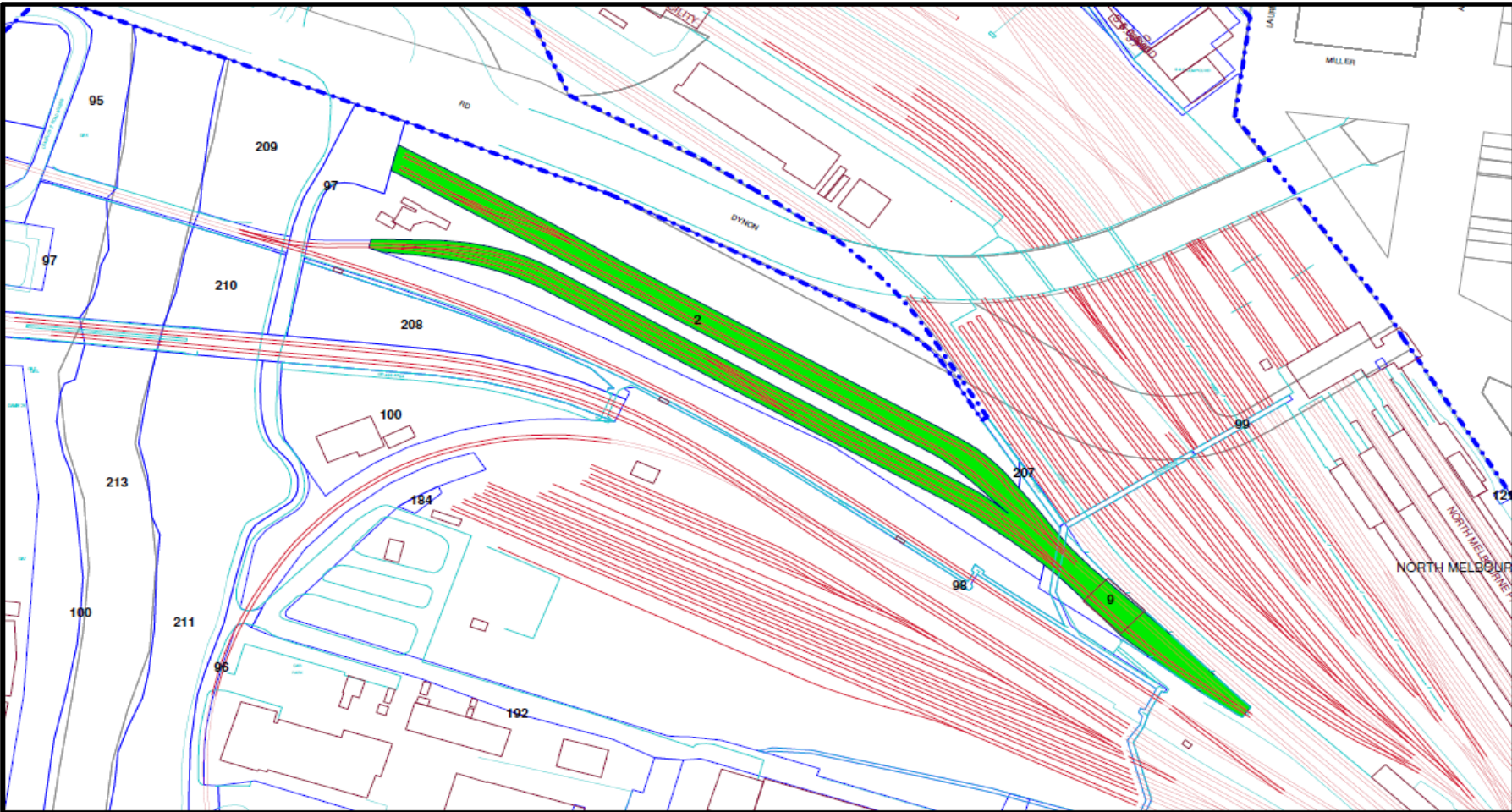
COPYRIGHT	NOTE	LEGEND		<p>VICTORIAN RAIL TRACK DYNON TERMINALS TRACK ACCESS AREAS</p> <p>DATE: 08 MARCH 2012 FOLIO 3.0</p> <p>ORIGINAL SHEET SIZE A3 SHEET 1 OF 2</p>
<p>This plan is the property of Victorian Rail Track and shall not be reproduced or used in any form whatsoever without the prior written consent of Victorian Rail Track</p> <p>Plan Prepared By: Business Services 8th Floor, 1010 La Trobe Street Docklands 3008</p>	<p>This plan has been compiled using information from a number of sources and some plan elements may not be shown accurately. Independent verification is recommended before reliance is placed on using the plan information.</p> <p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>	DECLARED AREA		

South Dynon Locomotive Depot (Sheet 2 of 2)



<p>COPYRIGHT</p>	<p>NOTE</p>	<p>LEGEND</p>		<p>VICTORIAN RAIL TRACK DYNON TERMINALS TRACK ACCESS AREAS</p> <p>DATE: 08 MARCH 2012 FOLIO 3.0</p> <p>ORIGINAL SHEET SIZE A3 SHEET 2 OF 2</p>
<p>This plan is the property of Victorian Rail Track and shall not be reproduced or used in any form whatsoever without the prior written consent of Victorian Rail Track</p> <p>Plan Prepared By: Business Services 8th Floor, 1010 La Trobe Street Docklands 3008</p>	<p>This plan has been compiled using information from a number of sources and some plan elements may not be shown accurately. Independent verification is recommended before reliance is placed on using the plan information.</p> <p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>	<p> DECLARED AREA</p>		

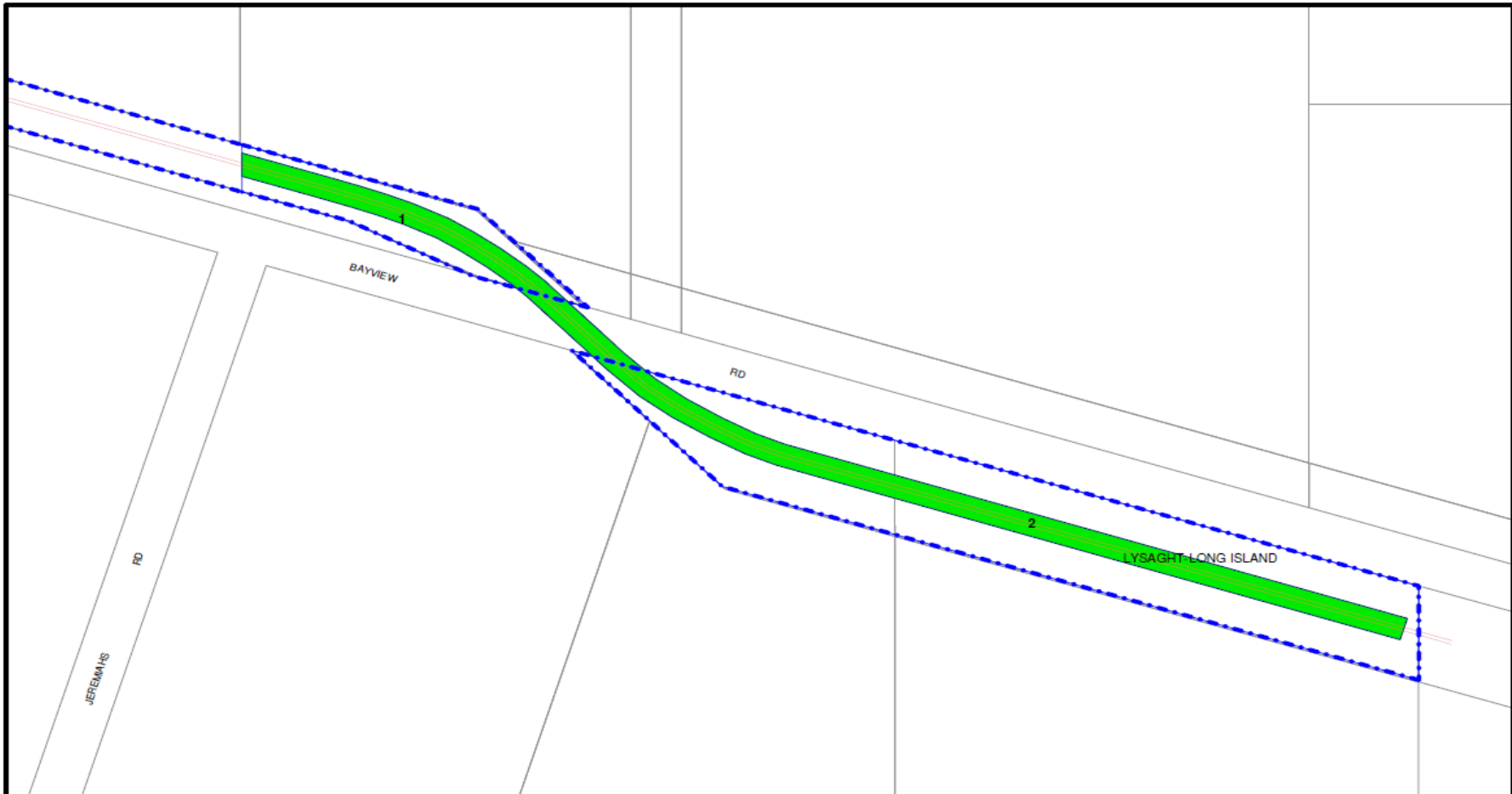
North Melbourne Creek Sidings (Sheet 1 of 1)

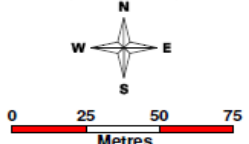




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<p>Plan Prepared By: Business Services 8th Floor, 1010 La Trobe Street Docklands 3008</p>	<p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>			<p>DATE: 08 MARCH 2012 FOLIO 1.2 ORIGINAL SHEET SIZE A3 SHEET 1 OF 1</p>

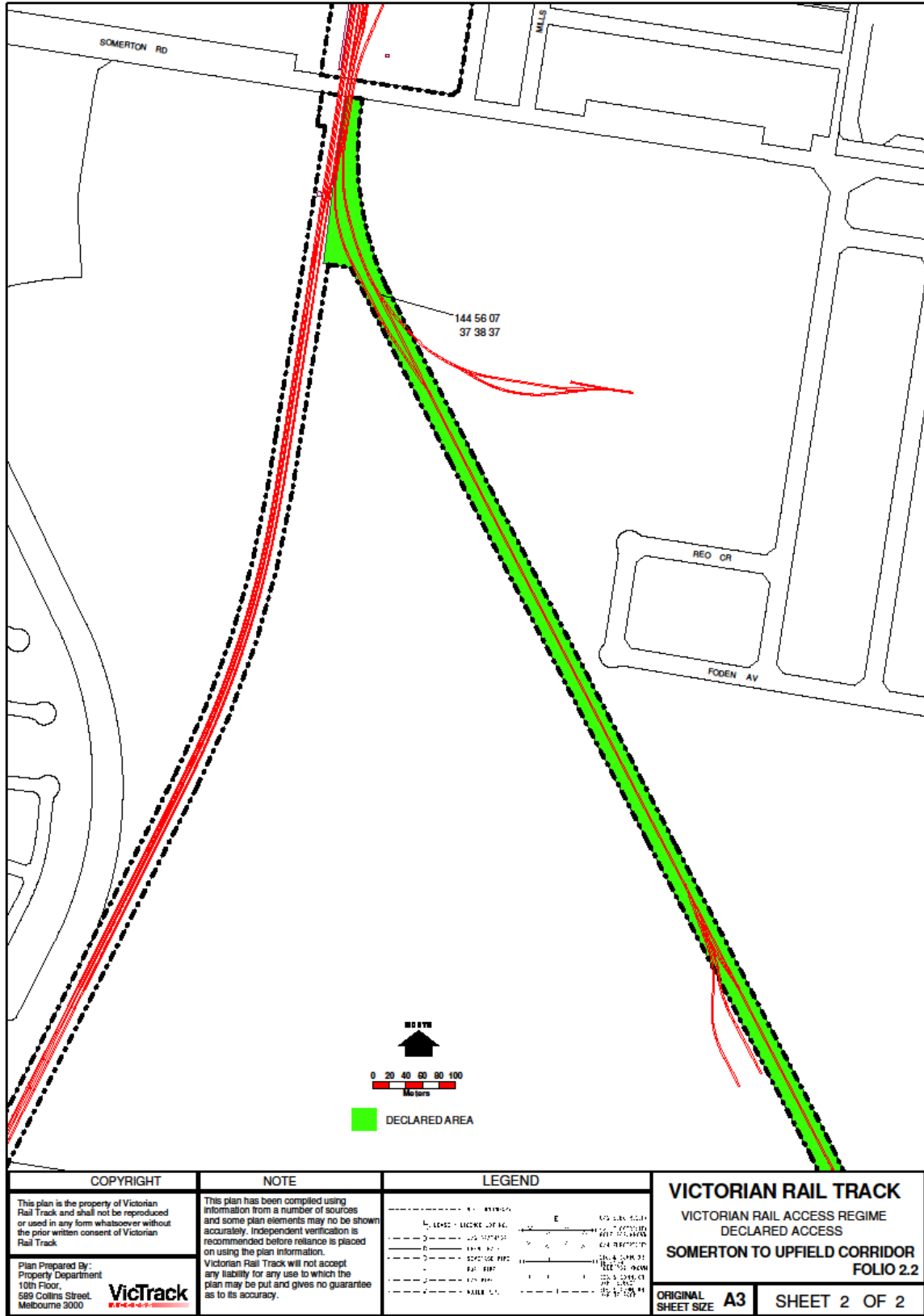
B. CRESCO PRECINCT

Cresco Siding (Hastings) (Sheet 1 of 1)



COPYRIGHT	NOTE	LEGEND		<p data-bbox="1617 1193 1906 1267">VICTORIAN RAIL TRACK LONG ISLAND CRESCO SIDINGS</p> <p data-bbox="1617 1270 1906 1305">VICTORIAN RAIL ACCESS REGIME DECLARED AREA</p> <p data-bbox="1563 1302 1720 1318">DATE: 08 MARCH 2012</p> <p data-bbox="1872 1302 1939 1318">FOLIO 3.0</p> <p data-bbox="1563 1327 1720 1353">ORIGINAL SHEET SIZE A3</p> <p data-bbox="1749 1327 1939 1353">SHEET 1 OF 1</p>
<p data-bbox="197 1216 555 1289">This plan is the property of Victorian Rail Track and shall not be reproduced or used in any form whatsoever without the prior written consent of Victorian Rail Track.</p>	<p data-bbox="564 1216 828 1295">This plan has been compiled using information from a number of sources and some plan elements may not be shown accurately. Independent verification is recommended before reliance is placed on using the plan information.</p>	<p data-bbox="954 1248 1169 1264">  DECLARED AREA </p>		
<p data-bbox="197 1295 331 1353">Plan Prepared By: Business Services 6th Floor, 1010 La Trobe Street Docklands 3008</p> 	<p data-bbox="564 1295 828 1353">Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>			




C. SOMERTON TO UPFIELD LINE



D. NORTH SUNSHINE PRECINCT (Not declared at this time)

McIntyre Rail Maintenance Facility (Sheet 1 of 1)



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<p>Plan Prepared By: Business Services Level 8, 1010 La Trobe Street, Melbourne 3008</p> 	<p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>	<p>0 20 40 60 80 100 Metres</p>	<p>ORIGINAL SHEET SIZE A3 SHEET OF</p>	

Appendix 5 – Standard Access Agreement

DRAFT



Access Agreement with [The Access Seeker]

VicTrackSidings

TERMS & CONDITIONS

RB-XXXX - XXXX-.....
--/1/20--

1. Purpose

This document serves to establish agreement on Terms & Conditions of access for [The Access Seeker] to enter and operate within the VicTrack Sidings

2. Grant of Access

VICTRACK grants [The Access Seeker] access over theSidings as delineated on the accompanying diagram (Schedule 1) under these Terms and Conditions:

3 Sidings Plans and Protocols

The sidings are a shared facility operated under conditions defined in the VICTRACK Access Protocol (Schedule 2). The Protocol is based on a defined area as specified in Schedule 1, and requires that access to the site be carried out in accordance with the provisions of an Interface Co-ordination Plan (ICP), signed by the relevant Network Access Manager.

4. Operational Plan

The first process of the Access Protocol requires [The Access Seeker] to have an Operational Plan (Schedule 3) signed off by VICTRACK. The Operational Plan will specify such aspects of the [Access Seeker's] task as operational parameters, associated train paths and timeframes, key deliverables, consultation and limits. This plan shall also address security requirements.

Stage one of the Access Protocol describes the process of negotiation and consultation to be entered into by VicTrack and relevant parties to produce an agreed Operations plan that can be integrated with the overall site plan and most adequately meet customer expectations.

On the signing of this Access Agreement, use of the siding is understood to be for the purpose specified in the Operations Plan, as mutually agreed.

5 Accreditation

[The Access Seeker] must demonstrate to VICTRACK that it holds appropriate accreditation to operate in Victoria and report all incidents within the siding to VICTRACK in accordance with an agreed Communications Protocol.

6 Communications Protocol

The communications protocol may be included in the ICP, or dependent on the environs, may be a separate document. The communications protocol shall include details of key functions, responsibilities, reporting lines and contact numbers. The Communications Protocol nominates the siding co-ordinator and/or the VICTRACK Manager Service Delivery as the responsible party for management of emergency situations.

DRAFT

7 Environmental Management

[The Access Seeker] must prepare an environmental management plan and agree to operate in accordance with current Victorian environmental management legislation. An environmental management check list must be completed by [The Access Seeker] as a part of an application (refer Schedule 4).

8 Operational Plan Variations

[The Access Seeker] accepts that from time to time there may be a need to move or allow movements of third party's rolling stock within the siding to facilitate yard movements. Should this be the case [The Access Seeker] shall comply with all operational directives issued by the appropriate sidings coordinator. These movements must not materially interfere with [The access seeker's] use of the site in accordance with its Operational plan.

9 Siding Maintenance Standards

VICTRACK will endeavour to maintain the rail track infrastructure in a fit for purpose condition. Fit-for-purpose, shall mean that tracks will be maintained to siding standard capable of sustaining up to 23 tonne axle load traffic at maximum 10kph speed. [NOTE: The track speed limit is based on the traditional yard operating practices requiring crews to maintain train control in confined spaces. At Somerton, where transit trains operate, track speed of 15kph will apply.]

10 Work Cover

[The Access Seeker] must operate in accordance with current Victorian OH&S Legislation & Work Cover requirements.

11 Indemnities

11.1 [The Access Seeker] shall indemnify VICTRACK and VICTRACK's employees, servants and agents against all losses, damage, liabilities, claims and expenses whatsoever arising out of or referable to injury to persons and loss or damage to the VICTRACK or third party property, real or personal, arising from or in any way connected to negligent use of the _____ Sidings by [The Access Seeker].

11.2 VICTRACK shall indemnify [The Access Seeker] and [The Access Seeker] employees, servants and agents against all losses, damage, liabilities, claims and expenses whatsoever arising out of or referable to injury to persons and loss or damage to the [The Access Seeker] or third party property, real or personal, arising from or in any way connected to negligent use or management of the _____ Sidings by VICTRACK.

12 Public Liability Insurance

[The Access Seeker] must take out and maintain a current public liability insurance policy for an amount not less than \$200 million in relation to death, injury, loss or damage

13 Payment

13.1 Pricing

[The Access Seeker] agrees to pay ----- plus GST in accordance with VICTRACK's pricing schedule as posted in its Track Access Arrangement, Appendix 1.

13.2 Billing

VICTRACK will issue a tax invoice to the [The Access Seeker] monthly, for the previous month, payable on a thirty day payment term from the date of invoice specifying amounts payable for services provided plus GST

14 Term

This agreement is for a term of ---years commencing ./. /20--. The agreement may be extended by agreement under the same conditions. Charges will be reviewed each twelve months to assess unit

DRAFT

rates and the usage pattern on site in accordance with VICTRACK's Track Access Arrangement – Appendix 1 – Price and price basis.

15 Termination

VICTRACK may terminate the agreement if [The Access Seeker] fails to comply with the material obligations under this agreement. In the event of [The Access Seeker] failing to comply with the agreement VICTRACK will notify [The Access Seeker] of the issue and request remedy within 14 days. If the issue is not resolved in that period, it will be escalated as a dispute, which is to be discussed by the CEO's of each organisation within a further period of 14 days prior to any withdrawal of access.

16 Confidential Information

For the purposes of this clause, all information exchanged in confidence between VICTRACK and the Access Seeker in relation to the Application Process, Section 3 of VICTRACK's Track Access Arrangement, is Confidential Information. Issues relating to the handling of Confidential Information are included as Schedule 5.

Please confirm your agreement to the terms and conditions set out in this letter by signing and returning the attached duplicate copy.

Accepted by

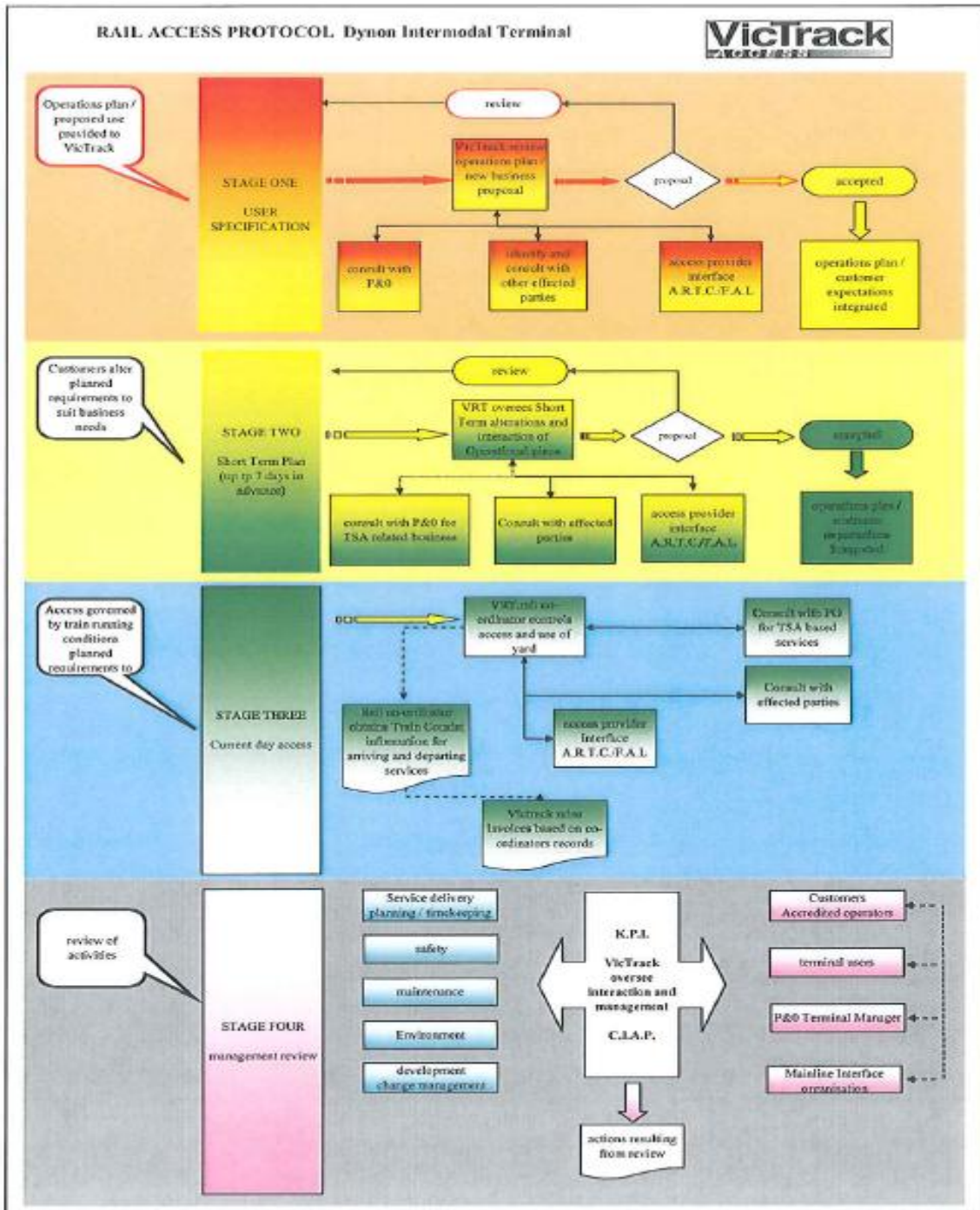
For Victorian Rail Track

Date / /2006

For [The Access Seeker]

Date / /2006

Schedule 2



SCHEDULE 3

Access Seeker's Operational Plan

Include details including

- Train Paths
- Rolling stock description
- Train description
- Dangerous Goods
- Operational limits (time sensitivities)
- Associated service requirements
- Variations
- Potential additional services
- Security requirements

SCHEDULE 4

Environmental Management Checklist

GENERAL SITE MANAGEMENT

	Yes	No	Date to be completed
<ul style="list-style-type: none">• A staff member has been nominated to be responsible for environmental management on the site			
<ul style="list-style-type: none">• All activities with the potential to pollute water or soil are conducted within a roofed and bunded area or indoors.			
<ul style="list-style-type: none">• Spill containment equipment is be located in prominent and accessible locations around the facility and staff are aware of where and how to use them. Spill kits might contain absorbent booms or pellets, a broom, shovel or mop, rags			
<ul style="list-style-type: none">• An inspection regime whereby chemical stores, machinery drip trays, drainage infrastructure etc are checked for integrity, signs of contamination or leaks is established and adhered to			
<ul style="list-style-type: none">• Staff know and understand what to do in case of an emergency, spill or leak. All staff know that pollution of the environment is an offence and that protection of the environment (water, soil, air etc) is expected and required			
<ul style="list-style-type: none">• Drip trays are under all machinery that may generate oily wastes			
<ul style="list-style-type: none">• Roofs exist over and bunds around all minor plant such as compressors, generators, oil-water separators (i.e. triple interceptor traps) and trade waste equipment			

HAZARDOUS MATERIALS

<ul style="list-style-type: none">• All drums, tanks and liquid containers are stored in a designated, sealed, covered and bunded area/s			
<ul style="list-style-type: none">• Store small containers of chemicals are off the ground, away from drains and in a designated area			
<ul style="list-style-type: none">• Appropriate cut off switches and/or alarm systems are installed on liquid transfer equipment (such as fuel transfer pumps and hoses)			
<ul style="list-style-type: none">• Mass balance checks are done to check you using the same amount of chemical as you have purchased. If not, the difference may be leaking or being spilt			
<ul style="list-style-type: none">• Old batteries are stored under cover and in spill trays to ensure acid and lead do not reach stormwater or soil			
<ul style="list-style-type: none">• No hazardous liquids soak into the ground resulting in soil and possibly groundwater contamination			

STORMWATER MANAGEMENT

- Waste, sediment and chemicals are not washed or swept into drains
- Signs and stencils on or near drains remind staff that only uncontaminated rainwater must enter drains.
- Outdoor areas are kept free of litter and waste materials that could pollute stormwater.
- Waste and wash water is directed to sewer (under license) not to stormwater
- Storage and use of chemicals is away from drain openings or gutters

WASTE MANAGEMENT

- Waste skips and bins are in a designated area, under cover and away from drains
- A licensed waste contractor removes liquid waste for treatment and disposal at a licensed waste facility
- All decommissioned or discarded machinery, engine parts, drums, gearboxes etc are in a designated area that is sealed and banded. They are removed as soon as possible.
- Abrasive blasting and sanding is conducted in manner that contains all residue. See Work-cover guidelines
- There are an adequate number of bins including cigarette trays
- Only dry, solid, inert wastes in industrial waste bins. Liquid waste is treated, recycled or removed by a licensed removalist or discharged to sewer via the trade waste system and permit arrangements

Yes No Date to be completed

AIR QUALITY MANAGEMENT

- Air emissions are monitored, minimised and managed
- Where possible, surfaces are sealed to reduce dust emissions
- All stockpiles of powders or sediments (fertilisers etc) are banded and protected from wind
- No materials are burnt on site
- Spray painting is conducted in a spray booth that meets Australian Standards AS/NZS 4114.1 and 4114.1-1995

NOISE MANAGEMENT

- Noise is minimised
- Noisy machinery is enclosed in material that will muffle sound or silences are fitted on noisy inlet and exhausts. Machinery is maintained to improve efficiency and noise

SCHEDULE 5

Management of Confidential Information

1.0 Confidential Information

Information exchanged between VICTRACK and [The Access Seeker] in confidence relating to this Access Agreement and to the Negotiation Protocol of the Access Arrangement is "**Confidential Information**."

2.0 Definition

In this agreement:

"**Confidential Information**" means all information exchanged by or on behalf of VicTrack and the Access Seeker in connection with the Access Application and or provision of access for any other purpose, unless such information:

- a) is public knowledge when it is disclosed to either party;
- b) becomes public knowledge after it is disclosed to either party other than because of a breach of confidentiality by the either party or a person to whom either party discloses it; or
- c) is in, or comes lawfully into, the possession of the either party other than because of a breach of confidentiality by some other person.
- d) is necessary, by agreement by both parties, to disclose for the purpose of consultation to achieve a suitable Operations Plan.
- e) Is required by law or government agency acting within its powers and functions,
- f) Is required for the purposes of safety compliance and accreditation.
- g) Is necessary for dispute settlement mediation, determination by an agreed expert, or a legal proceeding involving VicTrack or the Access Seeker.

3.0 Handling of Confidential Information

- (a) Both VicTrack and the Access Seeker agree undertake to each other that it, its officers, employees, agents and subcontractors will not, without consent of the other party (which shall not unreasonably be withheld) disclose Confidential Information to any person, unless the disclosure meets the criteria detailed in Section 2 above.
- (b) Each party shall take all reasonable steps to ensure that Confidential Information is kept confidential and only made available to those nominated in clause 3.0(a) above who require that information (and only to the extent required) to enable the parties to comply with their respective obligations under this agreement.
- (c) Subject to clause 3.0 (d) neither party may disclose Confidential information related to this agreement to any related body corporate without prior written consent of the other party.
- (d) Nothing in this clause 3.0 prevents the disclosure of Confidential Information to the Director or minister, officer, employee, agent, advisor or consultant of the State of Victoria or a Victorian Governmental Agency.
- (e) The confidentiality obligation under this clause is a continuing obligation and remains in force for a period of two years from the date of the original request by the Access Seeker.

Appendix 6 - Definitions

This Appendix 6 defines some of the terms that are used in this Access Arrangement. Some other terms are defined in the body of the Access Arrangement, as indicated in **bold font** (for instance, “VicTrack” and “ESC” are defined in the Preamble under clause 1).

Access Charges mean the Network Access Service Charges.

Access Seeker – a prospective client of VicTrack who is seeking access, or an actual client of VicTrack who has secured access to the Network (either as a Scheduled User or an Unscheduled User).

Additional Capacity Works Protocol means the protocol of the same name developed by VicTrack in accordance with the ESC’s Capacity Use Rules.

Application – an application for access to VicTrack’s Network.

Capacity – the quantity of access available for Access Seekers expressed in the format of time and location.

Daily Train Plan means the plan that is required to be developed under the ESC’s Network Management Rules.

Dynon Intermodal Terminal Infrastructure is depicted in the plan in Appendix 4 and includes approximately 7.264km of track and 39 turnouts/diamonds and adjoining hardstand.

ESC Instruments mean the Capacity Use Rules, the Network Management Rules, the Account Keeping Rules, the Ring Fencing Rules and the Negotiation Guidelines made by the ESC under the Act.

Information Pack – the information available to Access Seekers, which will be used in compiling an Application (as described at clause 4.1).

Network – the VicTrack Network comprising sidings at the Dynon (including the Dynon Intermodal Terminal Infrastructure), North Sunshine and Cresco Precincts. The Network also includes a section of line between Upfield and Somerton but has not been included in any consideration in this Arrangement because it is currently closed.

Precinct – a geographic area or combined area.

Rail Operator has the meaning in clause 1.2.1.

Track Utilisation Plan – a diagram indicating the total Capacity of VicTrack’s Network, its current use and the available Capacity.

Scheduled Service means a service provided by a rail operator under an agreement with VicTrack, and in accordance with a set or fixed schedule (as nominated by the relevant rail operator), and in relation to a specific use of the Network.

Scheduled User – an operator of a train that has an agreed schedule and arrangements in place with VicTrack to use a defined area of track within a specific time period.

Standard Access Agreement means the agreement contained in Appendix 5 that contains the standard terms and conditions for the supply of reference services (as defined under the Act).

Unscheduled Service means a service provided by a rail operator under an agreement with VicTrack, but on an ad hoc or unscheduled basis.

Unscheduled User – an operator who has an agreement with VicTrack to operate within a specific network precinct for the movement of unscheduled trains or vehicles, subject to scheduled services.

Network Access Service Charges have the meaning in clause s.3.1.1., s.3.1.2., s.5.6.1., s.5.6.2 and 5.6.3.

Appendix 7 – Account Keeping Forms

Title Page

VicTrack Track Access

Accounting Forms

20??-20?? FY

Date: DD/MMM/YYYY

Statement of Financial Position

VicTrack Track Access			
Statement of Financial Position as at 30 June 20??	VicTrack Total	Access Activities Total	Non-Access Activities Total
Current Assets			
Cash Assets			
Receivables			
Inventory			
Prepayments			
Other financial assets			
Total Current Assets	<u> </u>	<u> </u>	<u> </u>
Non Current Assets			
Land			
Track infrastructure			
Property Plant and equipment			
Other Non Current Assets			
Total Non Current Assets	<u> </u>	<u> </u>	<u> </u>
Current Liabilities			
Payables			
Employee Benefits			
Interest bearing liabilities			
Total Current Liabilities	<u> </u>	<u> </u>	<u> </u>
Non Current Liabilities			
Employee Benefits			
Interest bearing Liabilities			
Tax deferred liabilities			
Total Non Current Liabilities	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u> </u>
Net Assets			
Equity			
Contributed Equity			
Reserves			
Cumulative Profit/Loss			
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

Statement of Financial Performance

VicTrack Track Access			
Statement of Financial Performance 20??	VicTrack Total	Access Activities Total	Non-Access Activities Total
Revenue from Ordinary Activities			
Track access wagon equiv. Charges			
Dynon Precinct			
Cresco Precinct			
Interest			
Other Revenue			
Related Party Transactions			
Total	<u> </u>	<u> </u>	<u> </u>
Expenses from Ordinary Activities			
Management			
Operations			
Accreditation/regulation			
Yard control			
Scheduling			
Signalling			
Maintenance			
Track Inspection			
Track Maintenance			
Bridge Maintenance			
Level Crossing Costs			
Other Maintenance			
Corporate			
Employee Benefits			
Administration			
Insurance			
Other Corporate			
Other Rail			
Business expenses			
Other Maintenance			
Office costs			
Safety			
Other			
Capital assets charge			
Supplies and services			
Assets/liabilities provided free of charge			
Depreciation and amortisation			
Interest expense			
Other operating expenses			
Internal transfers for provision of services			
Related Party Transactions			
Total Expenses	<u> </u>	<u> </u>	<u> </u>
Profit from ordinary activities			
Tax equiv expense			
Net Profit	<u> </u>	<u> </u>	<u> </u>
Notes: [to include any external contributions to recurrent maintenance & related party transactions]			

Statement of External Contributions

VicTrack Track Access						
Statement of External Contributions						
Capital expenditure, asset disposals and maintenance expenses						
Capital Expenditure						
Dynon Precinct						
		Desc	Amount	External contributions	Desc	Depreciation Description
	1					
	2					
	3					
	4					
	5					
Cresco Precinct						
		Desc	Amount	External contributions	Desc	Depreciation Description
	1					
	2					
	3					
Asset Disposals						
Dynon Precinct						
		Desc	Amount	External contributions	Desc	Adjustment to cost
	1					
	2					
	3					
	4					
	5					
Cresco Precinct						
		Desc	Amount	External contributions	Desc	Adjustment to cost
	1					
	2					
	3					
Maintenance Expenses						
Dynon Precinct						
		Desc	Amount	External contributions	Desc	Adjustment to cost
	1					
	2					
	3					
	4					
	5					
Cresco Precinct						
		Desc	Amount	External contributions	Desc	Adjustment to cost
	1					
	2					
	3					

Cost Allocation Statement

VicTrack Cost Allocation Statement								Notes :	
Costs allocations between various activities Declared and Non Declared.								1. VicTrack does not provide Declared Terminal services 2. VicTrack does not normally provide Passenger services	
Description	Dynon	Cresco	Non Reference services	Access Activities Total	Other Rail Business activities	Related Party Transactions	Total Rail Business activities	Description of allocation (where appropriate)	Access Services Applicable
Operational costs									
Management									
Accreditation and audits									
Total Operational costs									
Routine Maintenance									
Track Inspection									
Point Inspection & Cleaning									
Signals									
Pathways									
Turntables									
Bridges									
Culverts									
Drainage									
Level crossings (road&track)									
Level crossings (S&C)									
Total Routine Maintenance									
Major Programmed Maintenance									
Track									
Points									
Signals									
Pathways									
Turntables									
Bridges									
Culverts									
Drainage									
Level crossings (road&track)									
Level crossings (S&C)									
Total Major Programmed Maintenance									
New Capital Expenditure since 30/4/1999									
Accumulated Depreciation on New Capital Expenditure since 30/4/1999									
Write down value of New Capital Expenditure since 30/4/1999									
Corporate Costs									
Administration/Overhead									
Insurance									
Depreciation									
Other									
Total Corporate Costs									
Total Costs									
Notes: [to include detail of any allocation of capital expenditure or written down values allocated between activities]									

Cost Allocation Statement for Maintenance and Capital Works

VicTrack Cost Allocation Statement for Maintenance and Capital Works								Notes :	
Costs allocations between various activities Declared and Non Declared.								1. VicTrack does not provide Declared Terminal services 2. VicTrack does not normally provide Passenger services	
Description	Dynon	Cresco	Non Reference services	Access Activities Total	Other Rail Business activities	Related Party Transactions	Total Rail Business activities	Description of allocation (where appropriate)	Access Services Applicable
Routine Maintenance									
Track Inspection									
Point Inspection & Cleaning									
Signals									
Pathways									
Tumtables									
Bridges									
Culverts									
Drainage									
Level crossings (road&track)									
Level crossings (S&C)									
Total Routine Maintenance									
Major Programmed Maintenance									
Track									
Points									
Signals									
Pathways									
Tumtables									
Bridges									
Culverts									
Drainage									
Level crossings (road&track)									
Level crossings (S&C)									
Total Major Programmed Maintenance									
Network Operations									
New Capital Expenditure									
Total of Maintenance and Capital Works									

Contract Arrangement

Contract Arrangement			
Customer	Nature of Access Agreement	Date of Agreement	Price
Customer			

Declared Site Track Access Revenue

Declared Site Track Access Revenue																		
Reference Service - Holding Charges	Customer	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Description	Billing Units	Price	Total	Nature of Access Agreement
Location																		
	Sub Total																	
Location																		
	Sub Total																	
Location																		
	Sub Total																	
Location																		
	Sub Total																	
Location	Customer																	
	Sub Total																	
Total																		

Declared Site Track Access Revenue

Service Standards																	
The following is based on available information only.																	
1 Availability - average percentage of track available for access on each day																	
2 Reliability - 100% minus any unavailable due to an infrastructure incident.																	
3 Disputes any disputes which need to be elevated to the ESC.																	
Nil disputes were elevated to the ESC.																	
8.2.1 Availability – this is the average percentage of total track on the Network available for access on each day. Maintenance and blockage due to incidents are instances where the Network would not be available for Access. VicTrack’s target availability is 97.5%.																	
8.2.2 Reliability – this is a measure of safety and adequacy of the infrastructure to carry out its task. The measure is 100% minus any unavailability due to an infrastructure caused incident. VicTrack’s target is 99.5%.																	
8.2.3 Disputes – this is the number of disputes with Rail Operators that are elevated to resolution by ESC. VicTrack’s target is zero.																	

Appendix 8 – VicTrack Pricing Derivation

For this access arrangement application VicTrack did not submit a formal pricing model and related access arrangement information but worked closely with the ESC and its consultants so they could derive an efficient price range i.e. floor and ceiling prices for the Network Access Charge at each precinct. For the next access arrangement review in 2015, VicTrack will formally submit a pricing model and related access arrangement information for assessment.

Pricing for VicTrack’s precincts is in accordance with the Pricing Guideline⁶.

Appendix 9 – VicTrack Operating Handbook

Network Management

VicTrack will carry out its capacity allocation and network management activities in a manner that is consistent with S.38H of the RMA, will not unreasonably favour itself or any other person or party, promotes compatibility in operations with other networks and uses all reasonable endeavours to maximise the use of the Network.

Capacity will be allocated in accordance with the principle of maximum utilisation of the Network. In processing Access Applications, capacity will be allocated on a first come first served basis (subject to the principle of maximum utilisation noted above). The time to be used as the benchmark for the application of this protocol is the time that VicTrack receives a fully compliant Access Application (as defined in S.6.3.2).

VicTrack requires all access seekers to demonstrate:

- a) an understanding of the requirements for Rail Safety Accreditation and provide a plan to obtain accreditation or evidence of accreditation. Rail Safety Accreditation is a pre-requisite for access to the Network
- b) that its rolling stock complies with VicTrack’s requirements, especially the requirement to obtain Rail Safety Accreditation for the rolling stock
- c) adequate management or staff with the necessary knowledge, experience and competence to carry out the operation or that they will engage a party with these qualities. Rail Safety Accreditation will assist in this regard and
- d) the required financial capacity to meet its obligations under the Standard Access Agreement (contained in Appendix 5).

Note: See Access Arrangement, Section 6 Management of Capacity and Network for full details.

⁶ See ESC above n2.

Communications

VicTrack maintains the following protocols for communications with train operators.

- a) Train operators are required to:
 - i. Submit to VicTrack a train manifest prior to the arrival and departure of train services at locations specified in an access agreement.
 - ii. Establish and maintain a 24 hour communications link with VicTrack, of a type agreed with by VicTrack
 - iii. Seek VicTrack's direction prior to rail movements in the Dynon Intermodal Terminal and North Dynon Agents Sidings during VicTrack manned on-site hours.

- b) In relation to any matter requiring a direction to be given by VicTrack to a user or rail operator:
 - i. VicTrack will specify the procedures and practices that it will follow, and the form of communication, for the giving of the direction, according to the circumstances of the direction;
 - ii. VicTrack will notify the user or train operator as soon as reasonably practical after becoming aware of the need to give a direction

The contact for train operators relating to requests for scheduled access to the network via the track utilisation plan:

VicTrack Manager Service Delivery
Telephone (03) 9619 6306 or Mobile 0408 535 466.
Email: access@victrack.com.au

The contact for train operators relating to requests for real time scheduling of the daily train plan is:

VicTrack Rail Access Coordinator
Telephone (03) 9619 6111
Email: access@victrack.com.au

Rolling Stock Interface Standards

VicTrack will accept rolling stock that has been authorised to run on the Networks of the Australian Rail Track Corporation⁷ and V/Line⁸, subject to a maximum axle loading of 23 tonnes.

Operational Systems

- a) VicTrack has no fixed signalling systems on its declared network.
- b) Safe working systems and operational systems that have been established are typical of low-speed siding requirements.
- c) The Safeworking and operational requirements are managed through the establishment of Safety Interface Agreements (SIA)⁹ with rail operators prior to their initial access onto the VicTrack declared network.
- d) Where VicTrack varies, amends or replaces any of the signalling systems, Safeworking systems or operational systems, VicTrack must amend the statement at paragraph a) and the SIA as referred to in paragraph c).

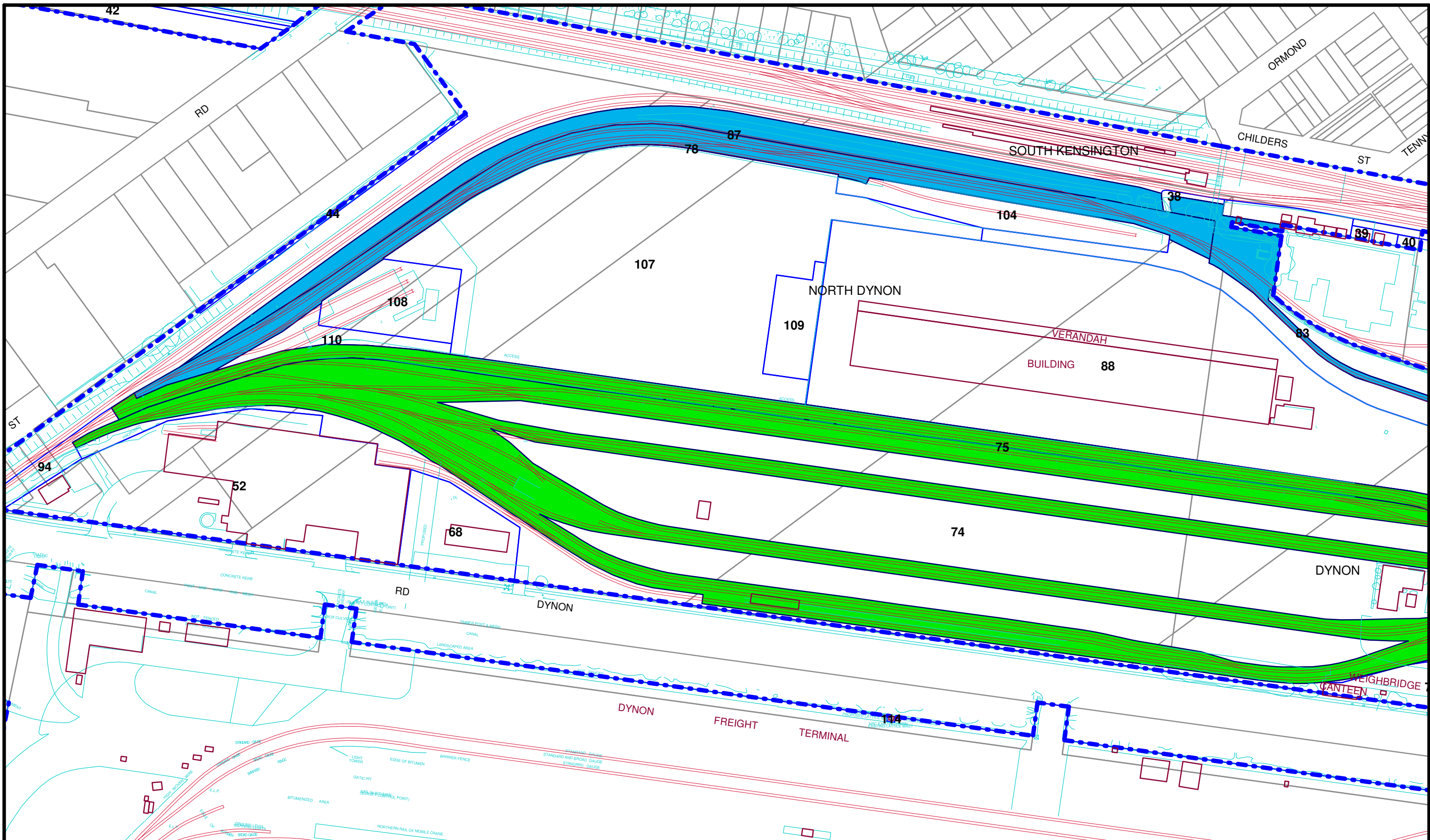
Complaint Handling

- i. An access seeker may lodge a complaint in writing within 7 days of the matter for complaint occurring to VicTrack. VicTrack will immediately notify the ESC of the notification of complaint.
- ii. VicTrack must assess the issue and respond within 7 days of receipt of the complaint, advising whether there is a possibility for agreement or an altered position.
- iii. If no agreement is reached within 21 days from receipt of the complaint, the CEO's of both companies must discuss the complaint within a further 7 days to attempt to resolve the matter.
- iv. If no agreement is reached the matter will be referred to the ESC as a dispute for resolution.

⁷ Australian Rail Track Corporation TOC Manual, section 10 – Locomotive and Rolling Stock Data accessed via the ARTC website at <http://www.artc.com.au/Content.aspx?p=47>

⁸ V/Line Network Service Plan Addenda accessed via the V/Line website at <http://www.vline.com.au/about/networkaccess/infopack.html>

⁹ Rail Safety Act 2006 (Victoria)



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Plan Prepared By:
Business Services
8th Floor,
1010 La Trobe Street
Docklands 3008

NOTE

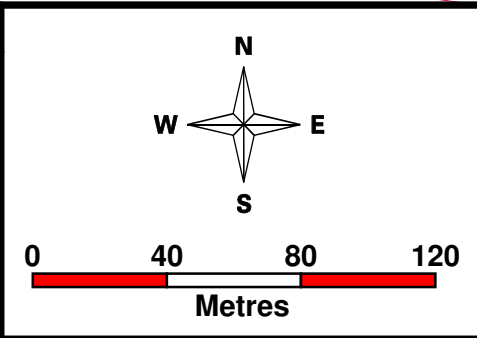
This plan has been compiled using information from a number of sources and some plan elements may not be shown accurately. Independent verification is recommended before reliance is placed on using the plan information.

Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.

LEGEND

DECLARED AREA

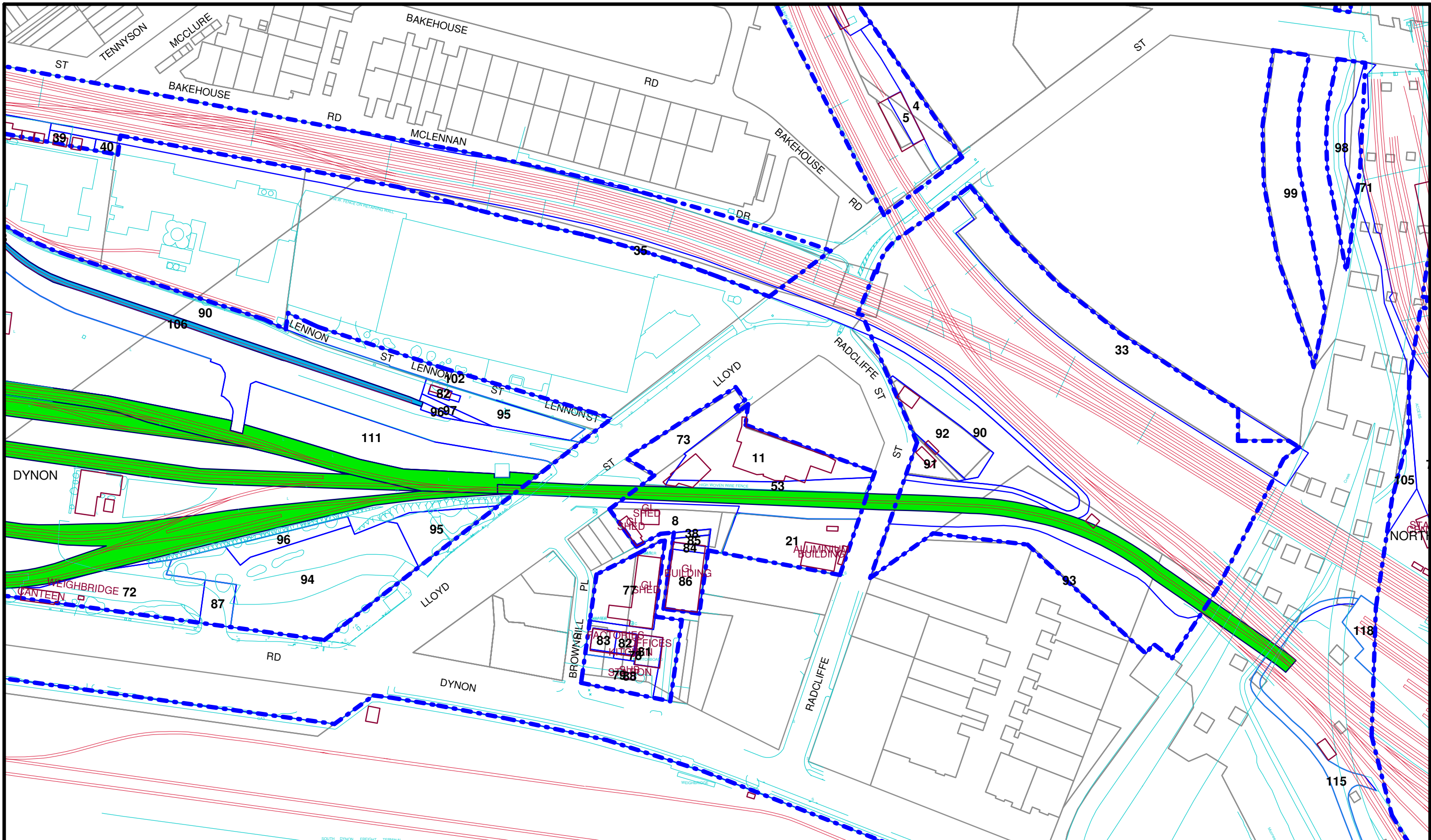
- DYNON INTERMODAL TERMINAL
- NORTH DYNON AGENTS SIDINGS



**VICTORIAN RAIL TRACK
DYNON AND NORTH DYNON
SIDINGS**

TRACK ACCESS AREAS


ORIGINAL SHEET SIZE **A3** SHEET 1 OF 2



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Plan Prepared By:
Business Services
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Docklands 3008



NOTE

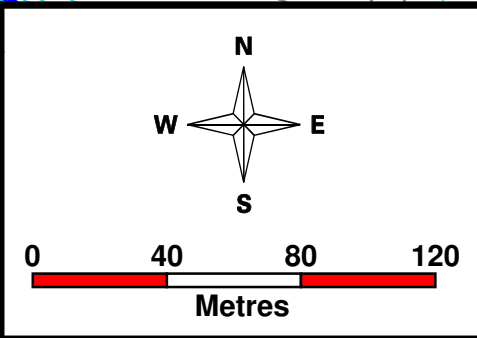
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LEGEND

DECLARED AREA

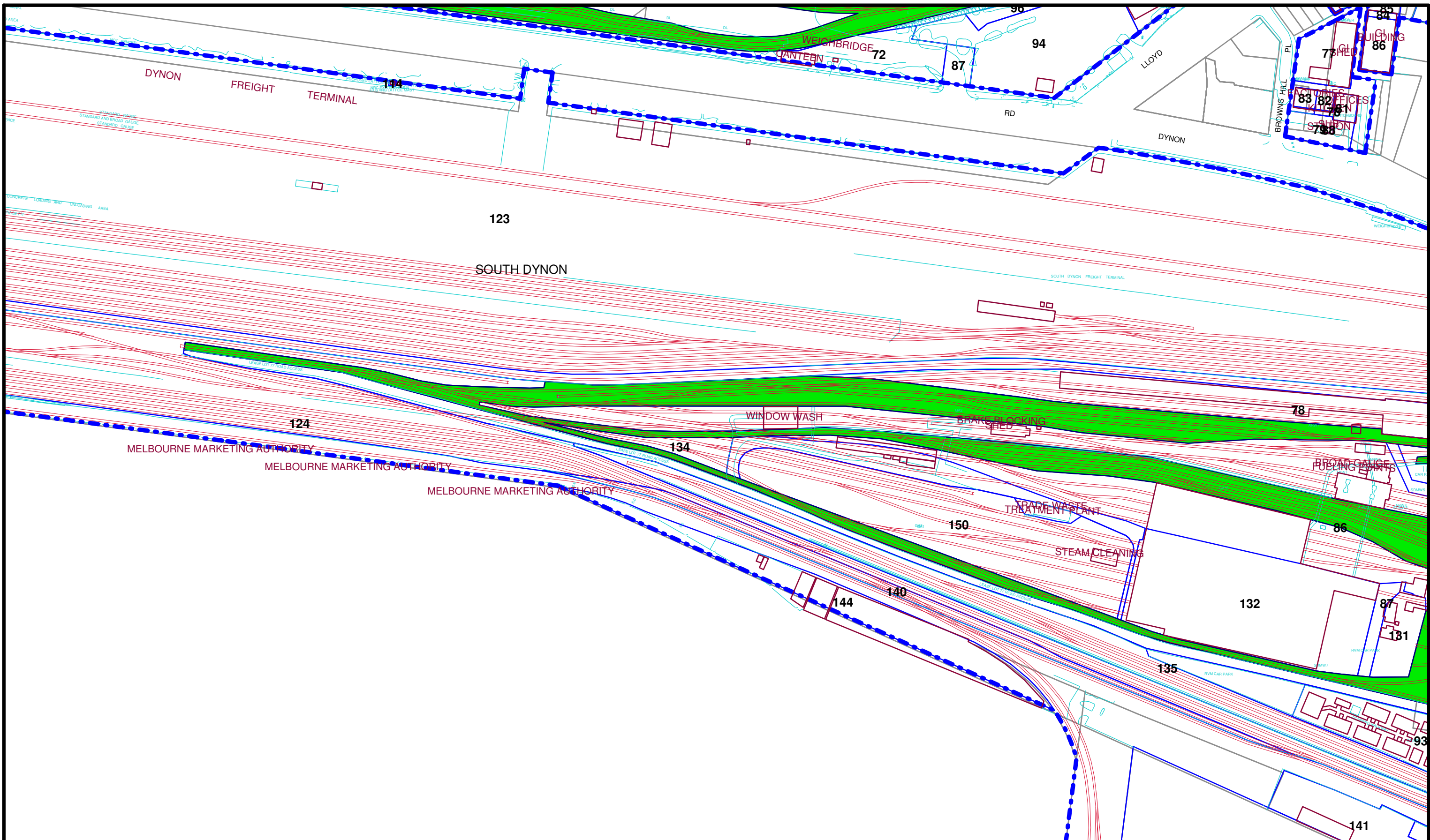
- DYNON INTERMODAL TERMINAL
- NORTH DYNON AGENTS SIDINGS



**VICTORIAN RAIL TRACK
DYNON AND NORTH DYNON
SIDINGS**

TRACK ACCESS AREAS


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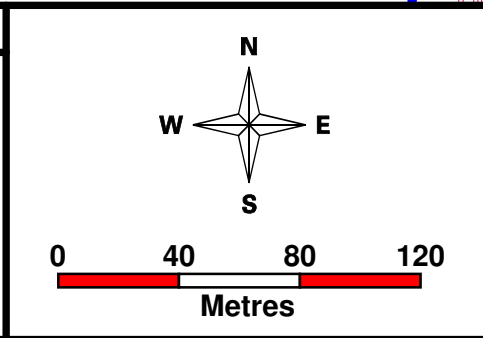
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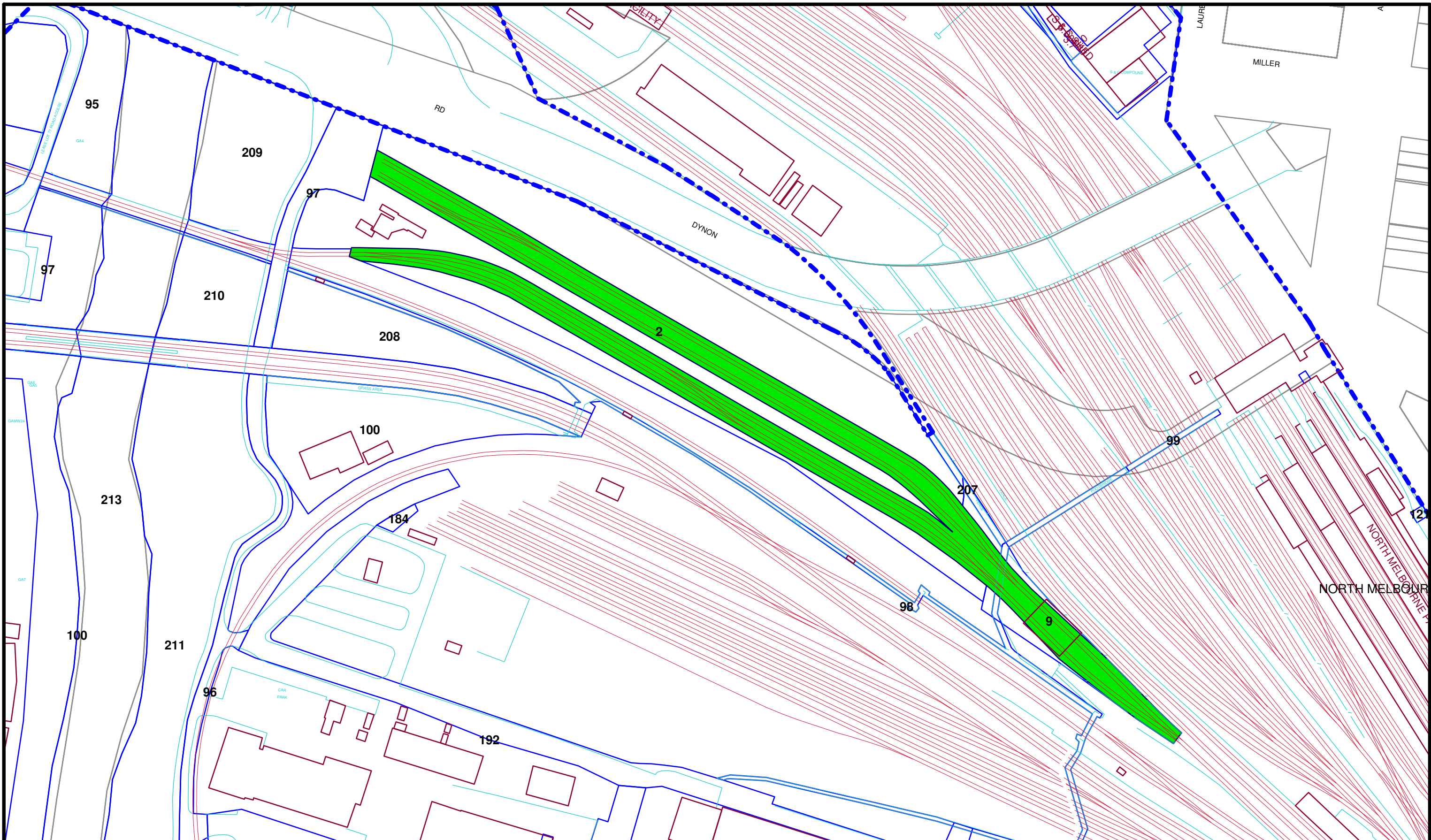
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VICTORIAN RAIL TRACK
DYNON TERMINALS
TRACK ACCESS AREAS

DATE: 08 MARCH 2012 FOLIO 3.0


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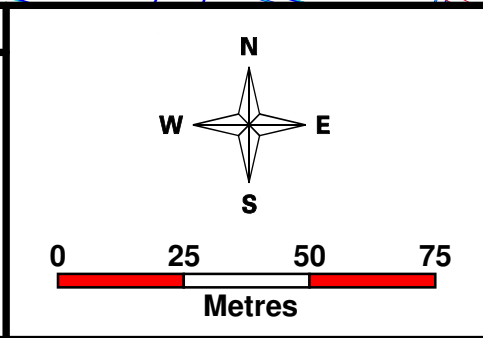
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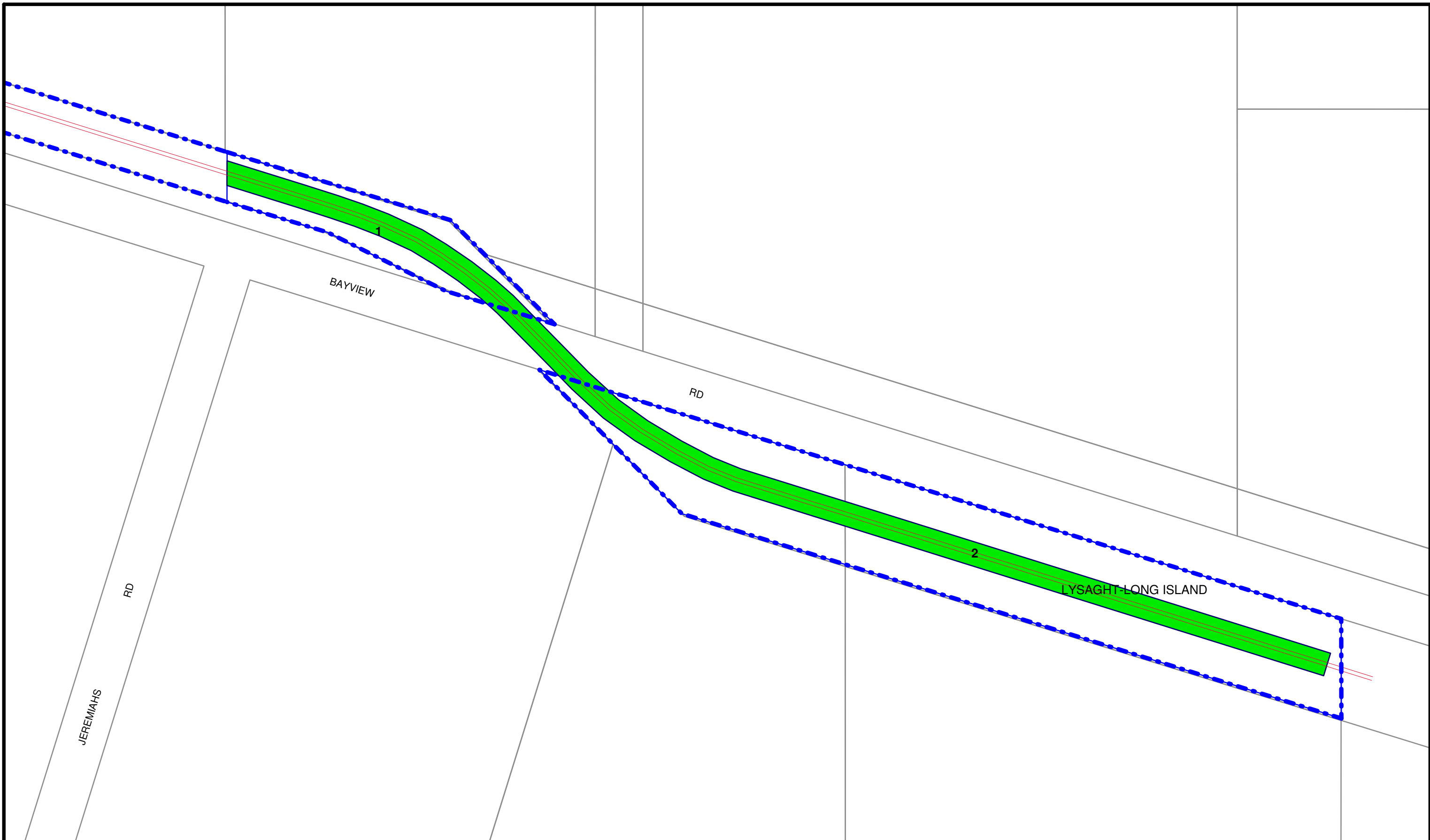


**VICTORIAN RAIL TRACK
NORTH MELBOURNE
CREEK SIDINGS**

VICTORIAN RAIL ACCESS REGIME
DECLARED AREA

DATE: 08 MARCH 2012 FOLIO 1.2


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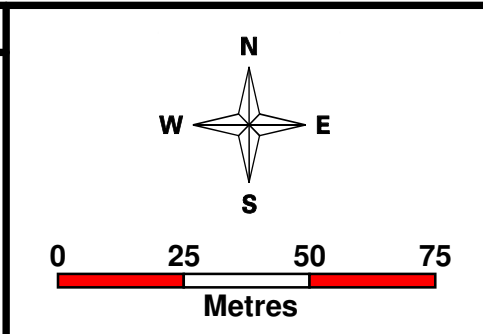
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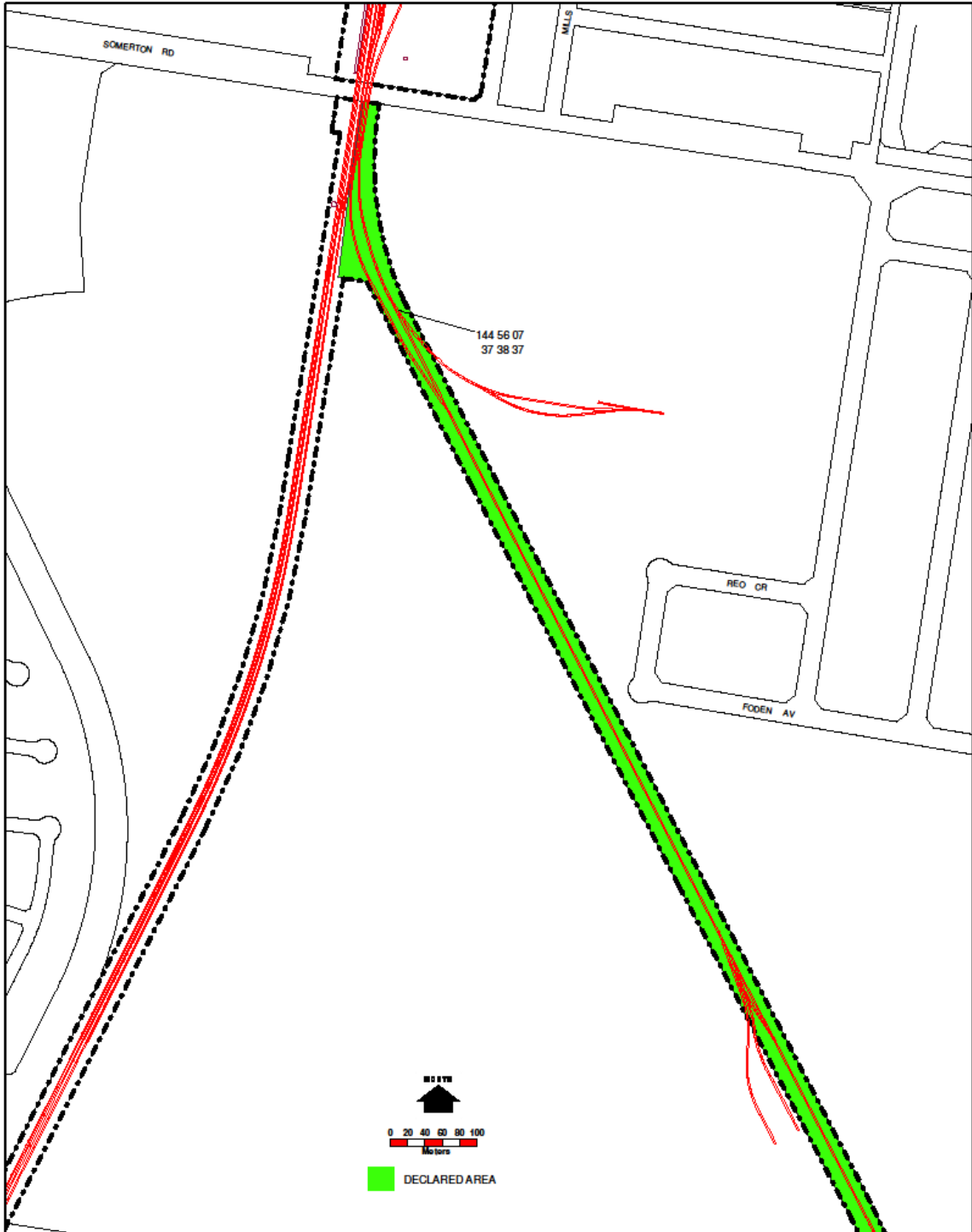


**VICTORIAN RAIL TRACK
LONG ISLAND
CRESCO SIDINGS**

VICTORIAN RAIL ACCESS REGIME
DECLARED AREA

DATE: 08 MARCH 2012 FOLIO 3.0

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<p>Plan Prepared By: Property Department 10th Floor, 599 Collins Street, Melbourne 3000</p> <p>VicTrack VICTORIAN RAIL TRACK</p>	<p>Victorian Rail Track will not accept any liability for any use to which the plan may be put and gives no guarantee as to its accuracy.</p>	<p>--- RAIL TRACK CORRIDOR --- --- DECLARED AREA --- --- ROAD --- --- PROPERTY BOUNDARY --- --- WATERWAY --- --- UNDEVELOPED LAND ---</p>	<p>ORIGINAL SHEET SIZE A3</p>	<p>SHEET 2 OF 2</p>



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LEGEND

 MCINTYRE RAIL MAINTENANCE FACILITY

0 20 40 60 80 100
 Metres



VICTORIAN RAIL TRACK
NORTH SUNSHINE

ORIGINAL SHEET SIZE **A3** SHEET **OF**

F.1 Overview of approach

The Commission and its consultants adopted the following approach¹⁷ to assessing VicTrack's costs:

1. Step 1 is to ascertain current and future usage (i.e. demand) for VicTrack's access service. Given the lack of information submitted by VicTrack as part of its access application, current demand will be used as the basis for predicting future demand for terminal services.
2. Step 2 is to determine the proportions of VicTrack's operations and maintenance costs (for each asset class) *that vary with use*. In order to determine an incremental cost, it needs to be established what percentage of VicTrack's costs actually change with incremental use. The Commission's engineering consultant GHD and technical consultant Booz & Company have determined these percentages.
3. Step 3 is to ascertain VicTrack's historic and forecast total costs associated with providing declared infrastructure. Given the absence of information submitted by VicTrack, the historic costs are used as a guide to determine forecast future costs. Based on these total costs, forecast incremental costs are also determined using the percentages established in step 2.
4. Step 4 is to establish a procedure for estimating costs on a precinct basis. Given there is no reliable information on the costs by precinct this procedure aims to equate the various physical characteristics of each precinct (e.g. turnouts, turntable etc.) to an equivalent basis, namely per track kilometre, to understand the maintenance effort required to be spent for the incremental user.
5. Step 5 is to derive forecast total costs and incremental costs by precinct using the forecast of usage (demand) by precincts and a distribution of maintenance expenditure by precinct (using the equivalent track kilometre percentages of column 7 from table F.6).

¹⁷ This approach is what is referred to as a top down approach (supplemented by a bottom up engineering assessment) where the total costs of operating and maintaining the assets are assessed and estimates are made about the variability of the costs by asset category. See *EU Task Force on Rail Infrastructure Charging: summary findings on best practice in marginal cost pricing*, October 2002.

6. Step 6 is to determine the floor and ceiling prices for each precinct.

F.2 Step 1 – Current and future use of the terminal

In order to calculate both floor¹⁸ and ceiling prices, an understanding of the current and future usage (i.e. demand) of the declared service is required.

F.2.1 Current usage (demand)

Table F.1 below summarises the current and historical demand for VicTrack terminal services for the last four years, categorised into five siding groups, together with the basis of estimation.

Usage is expressed in terms of billing units. A locomotive or wagon is billed as 1 unit and a passenger carriage is billed as 1.5 units¹⁹

Table F.1 VicTrack sidings usage 2007-08 – 2010-11

<i>Siding group/Precinct</i>	<i>Usage (billing units p.a.)</i>				<i>Basis of estimate</i>
	2007-08	2008-09	2009-10	2010-11	
Agents Sidings ¹	22,557	28,008	31,527	22,712	Actual
Dynon Intermodal	45,033	44,820	39,988	54,626	Actual
Creek Siding	7,902	6,991	15,215	8,116	Actual
South Dynon	16,855	14,130	16,230	13,422	Actual/survey
Subtotal Dynon Precinct	92,347	93,949	102,960	98,876	
Cresco Precinct	1,610	1,543	1,305	1,750	Estimate
Total	93,957	95,492	104,265	100,626	

(1) Excluding use of W track.²⁰

Source: Statutory VicTrack records (actuals; some volumes inferred from financial accounts).

F.2.2 Forecast usage

Table F.2 summarises the forecast demand for the five siding groups. Overall total usage is expected to grow by just under 2 per cent per annum over the period, reflecting the combination of continuing interstate traffic growth and flat intrastate traffic.

¹⁸ The incremental cost (i.e. the floor price) is the additional cost imposed on the access provider as the result of the incremental use of the terminal.

¹⁹ These units are adopted by VicTrack to simplify billing. That is, wagons and locomotives are assumed to be the same length on average and thus charged the same daily rate. Passenger carriages are typically 50 per cent longer on average than the average wagon and are charged 50 per cent more per vehicle.

²⁰ The Commission understands W track is a short length of line linking North Dynon, South Dynon and the port which was transferred to ARTC in January 2010 and is no longer part of the VicTrack network.

Table F.2 Forecast VicTrack siding usage 2011-12 – 2014-15

<i>Siding group/precinct</i>	<i>Usage (billing units)</i>				
	2011/12	2012/13	2013/14	2014/15	Average
South Dynon	13,394	13,394	13,394	13,394	13,394
Agents Sidings	22,848	23,428	24,025	24,640	24,031
Dynon Intermodal	55,757	56,922	58,122	59,358	58,134
Subtotal Dynon Precinct	92,000	94,554	97,161	97,015	96,911
North Sunshine Precinct	8,116	7,304	6,493	6,493	6,763
Cresco Precinct	1,750	1,750	1,750	1,750	1,750
Total	101,865	103,610	105,407	107,257	105,425

In the absence of information provided by VicTrack, a forecast demand for usage of terminal services for each siding group has been determined based on a combination of current usage and consultant assessment as discussed below.

Agents' sidings and Dynon terminal sidings

The Agents' sidings and the Dynon Intermodal Terminal sidings are effectively a single group as in practice there is significant movement on an intra-day basis between the two locations. Current usage at Dynon consists of:

- intra-state traffic (24 per cent) — the intrastate traffic is mostly containerised freight, primarily Victorian regional agricultural commodities for export such as grains and dairy products, whose volume is influenced by the weather, the general competitiveness of Australia on the world market and the ability of intrastate rail operators to withstand road competition, and
- inter-state (73 per cent) — the usage of the Agents' sidings by interstate traffic is a function of the general growth of interstate traffic and the extent to which the interstate users of the Dynon and Agents' sidings (primarily Queensland Rail) gain or lose market share against the other rail operators (primarily Pacific National and SCT Logistics) as well as road transport.²¹

In the absence of any forecast provided by VicTrack for the Agents Sidings and Dynon Intermodal terminal, Booz & Company has forecast demand on a customer-by-customer basis to reflect the expected growth rates in each market segment.

The South Dynon Locomotive Depot and sidings

The South Dynon Locomotive sidings are principally used to gain access to the locomotive maintenance depot, the passenger washing plant and related facilities.

The three main users of the South Dynon Locomotive sidings, Pacific National (freight) and Great Southern and V/Line (both passenger), represented over 95 per cent of the usage in 2010-11, with El Zorro (freight) making up most of the

²¹ Over the long-term, the interstate market (which is principally to Perth and to Brisbane) has mirrored GDP growth and this relationship is expected to continue for the foreseeable future, albeit with a slightly reduced sensitivity (see Bureau of Infrastructure, Transport and Regional Economics 2010, *Interstate Freight in Australia*, Report 120, Canberra). Given the expected strong growth in both Queensland and Western Australia over the control period, a growth rate of 3 per cent per annum has been assumed for the interstate usage of the Dynon Intermodal Terminal and Agents' sidings.

remainder. These users largely operate scheduled services which are expected to remain largely unchanged over the regulatory period. Any variation in Pacific National usage is likely to be offset by an equal and opposite variation in an alternative operator (such as El Zorro).

Booz & Company has forecast this demand to stay constant at 13,394 (as this precinct is used mainly for scheduled locomotives and passenger carriage servicing after adjusting for two minor users who no longer use the facility).

Creek siding

This is a small group of sidings principally used for storing wagons awaiting maintenance and maintenance plant.

The area occupied by the siding is due to be used for the Regional Rail project in December 2012 and the activities will be transferred to a new location at the North Sunshine maintenance facility. The new location will have a similar layout and capacity to the existing Creek siding but it is not yet known if it will also be declared infrastructure. No change in the usage of this facility is assumed, whether it is at the current site but only 80 per cent of the demand is forecast to relocate to North Sunshine, with the remainder using other sidings in the Dynon precinct.²²

Cresco siding

This is a short 520 metre stretch of track linking the Bluescope scrap steel plant with the Bluescope Long Island steel plants. It is used on a daily basis to shunt wagons of scrap steel between the recycling plant and main Bluescope yard to attach to the Melbourne-bound train. Unlike the other declared infrastructure belonging to VicTrack, this functions as a short branch line rather than a terminal or storage siding. As there is only a single freight user (Pacific National – who hauls for Bluescope), no detailed usage records are maintained and a fixed monthly charge is made.

Current estimates are at 1,750 units annually. Given there appears to be no plans for any significant change to these operations, Booz & Company has assumed for the forecast the same volume.

F.3 Step 2 – Determining incremental maintenance and operations costs

Given the floor price is based on the change in total costs associated with an incremental change in the usage of the facilities, knowledge of how costs vary with

²² The Commission understands that the Creek siding will become non-operational as a result of the Regional Rail Link construction cutting through the Creek Siding. VicTrack proposes to replace the services offered by the Creek siding with infrastructure at North Sunshine (due for completion in December 2012). While not formally declared, the Commission understands that the North Sunshine facility will eventually be declared under the *Rail Management Act 1996*. The Commission understands the North Sunshine facility will have an identical layout to the current Creek sidings and it has therefore been assumed that its costs will be the same.

use is therefore crucial to determining a floor price. This Section discusses the percentage of costs variable with usage in each cost area.

Assumption about the incremental user

It should be noted that the incremental cost associated with a new rail operator's use of the terminal is a function of the size of the incremental usage as well as the length of time over which it is incurred.

In other words, every incremental change in traffic volume will generate a change in total cost associated with operating and maintaining the terminal. However, this change is not directly variable with usage as a substantial proportion of costs (e.g. some components of track maintenance) are time-dependent rather than usage-dependent²³ and thus unaffected by changes in volume.²⁴

In the absence of information submitted by VicTrack, for the purposes of this assessment, an incremental change (a change in traffic) of 15 per cent has been considered.²⁵

F.3.1 Incremental maintenance costs

Maintenance costs are costs that are incurred in order to ensure that the terminal, sidings and rail track continues to be functional. Seven types of assets associated with the declared infrastructure have been considered for the purpose of assessing maintenance costs, namely plain track, bridges and culverts, turnouts, diamond crossings and level crossings fitted with warning devices, turntables and rights-of-way. While it is generally accepted that there might be some increase in maintenance costs with an increase in volume (i.e. traffic) over the rail network, some engineering judgement is required to estimate the proportion of costs that will be variable with usage as compared to the fixed maintenance costs that are invariant with usage.

Track

Much of the cost associated with plain track maintenance in terminals is fixed with respect to usage. The proportion of plain track maintenance that is variable with usage depends on a wide range of factors but operating speed and annual

²³ Time-based maintenance is maintenance that is done on a regular basis regardless of usage. An example would be routine inspection costs, which might be undertaken every month. Usage-based maintenance is maintenance that is principally determined by usage e.g. the replacement of rail because of wear caused by the passage of trains.

²⁴ The same considerations apply when considering the impact of changes in usage on the management and control functions undertaken by VicTrack. This currently involves relatively few staff, typically one or two each day actually in the terminal, and small changes in volume can thus be handled without any change in staffing. However, a doubling or trebling of usage would almost certainly require additional staff and likewise a halving of volume would probably lead to changes in the way the task was carried out.

²⁵ Booz & Company advises that this is typically the range within which traffic fluctuates on an annual basis and is also the net change in volume that could be expected if a new entrant began operations in VicTrack facilities.

tonnage are two of the most important. However, even on main lines, this proportion rarely exceeds 30 per cent outside the mineral networks.

In the VicTrack terminals with lower operating speeds (normally 15 km/hr or below) and low volumes, rail wear is relatively low and the largest cost component is the replacement of life-expired timber sleepers.

Based on its assessment, GHD has assessed that 10 per cent of the maintenance spend for plain track is variable with use.

Bridges and culverts

Costs associated with maintaining structures are generally more time based than usage based. Most bridge costs in the VicTrack network are associated with the cleaning and maintenance of culverts and are both relatively small and unaffected by usage for practical purposes. These costs have thus been taken as fixed and therefore the percentage variable with usage assessed by GHD is zero.

Turnouts & diamond crossings

Turnouts and diamond crossings are, however, much more affected by usage, with the switch blades and frogs susceptible to on-going repair from repeated use.²⁶

VicTrack has indicated that it collects costs for turnouts separately from plain track but at the time of writing this data was not available. Apart from the replacement of timber bearers,²⁷ the costs of turnout maintenance are largely usage related.

GHD has therefore assessed that 60 per cent of the maintenance cost associated with turnouts and diamond crossings in the terminal is variable with use.²⁸

Level crossings

Level crossing maintenance costs are predominantly associated with periodic inspection costs and call-outs to repair mal-functioning lights, bells and barriers. Unprotected crossings (i.e. those only fitted with warning signs as in the case at terminals) thus have much lower costs overall and the bulk of their costs are associated with the volume of road traffic at the crossing rather than with rail traffic. Therefore GHD has assessed the incremental costs as zero.

Turntables

The maintenance cost of turntables is largely concerned with regular inspection and lubrication of the moving parts of the machinery. As with plain track, most of these costs are invariant with usage and therefore GHD has assessed the incremental cost variability with usage for turntables at 10 per cent.

²⁶ The switch blades are the movable part of the turnout and the frog is the physical junction of the diverging rails.

²⁷ Bearers are sleepers under a turnout.

²⁸ In other words, if you spend \$1000 per annum on turnouts, \$600 of that is variable with usage.

Rights-of-way

The right-of-way is the railway reservation within which an existing or planned rail line is located.

The Upfield – Somerton right-of-way contains a disused rail line (which is declared) along which VicTrack is required to control the vegetation, irrespective of use. GHD has assessed the incremental costs as zero.

F.3.2 Incremental operations costs

Operations costs are costs that are associated with managing the various activities on a day-to-day basis within the terminal. The activities involve the allocation of terminal access to the train operators and the coordination of access activities with the terminal operator.

VicTrack only has four to five staff associated with the management and operations of its declared infrastructure (these are combined under 'Management' in the VicTrack regulatory accounts). Two of these are full-time staff in the Dynon precinct and the others are based in the VicTrack head office, with wider responsibilities than just the declared sidings.

With such a small staff, a 15 per cent change in traffic volume will not significantly affect the staffing level and hence the costs and the incremental component of this cost has been assessed by the Commission's consultants as zero.

F.4 Step 3 – VicTrack's historic and forecast total costs

Step 3 is to establish VicTrack's historic costs as the basis for determining forecast total costs and from that, total incremental costs.

F.4.1 Historic costs

Table F.3 highlights VicTrack's costs related to its declared infrastructure for the last four years. Given the absence of forecast information submitted by VicTrack, these costs will form the basis for forecasting VicTrack's future costs.

The Management Costs are an allocation of the costs (salary and on-costs) of the four staff engaged in the management and day-to-day operation of the various sidings. Accreditation costs are the costs associated with regulatory and safety compliance. Maintenance costs cover all aspects of maintenance and are dominated by track maintenance. Other Rail Business Expenses have in the past included a share of corporate administration but are now zero. Safety costs include the costs of specific safety equipment for staff. Depreciation and amortisation costs are a share of the network-wide rail costs.

Table F.3 VicTrack access-related expenses 2007-08 – 2010-11
(actual \$'000)

	2007-08	2008-09	2009-10	2010-11
Management	463	340	440	299
Accreditation	43	17	5	12
Maintenance	173	471	522	655 ^a
Other Rail Business Expenses	97	65	4	-
Safety Equipment	44	18	34	19
Depreciation and Amortisation	208	176	213	287
Total Expenses	1,051	1,089	1,213	1,272
Capital expenditure	225	47	255	1,582

Source: VicTrack statutory accounts.

^a Includes \$42,000 of costs from 2009-10, as set out in the Statutory Accounts.

F.4.2 Forecast total costs

Table F.4 below summarises the projected total costs during the control period. Following discussions with VicTrack, Booz & Company has assumed management costs to increase at 2 per cent per annum in real terms starting from 2010/11. Real growth rates for the other components are assumed at 2 per cent per annum for maintenance costs, and 1 per cent for the remainder. The projected costs also include an allowance for corporate overheads, assumed at 8 per cent of the other costs excluding depreciation. Costs have been adjusted to 2011-12 price levels by assuming an inflation rate of 3 per cent.

The Pricing Order allows a return on assets to be included in the total costs, based on the investment in infrastructure since 1999. Based on discussions with VicTrack, the Commission's consultant has estimated the capital base since 1999 to be \$2.493 million at the start of 2012-13. This mainly consists of track alterations in the terminal to provide additional capacity for standard gauge trains.

Capital expenditure during the control period, based on VicTrack's advice, is estimated at \$300,000 per annum.²⁹

²⁹ This does not include approximately \$15 million associated with the forced relocation of the Creek sidings to North Sunshine, caused by the resumption of the land occupied by the Creek sidings for the Regional Rail Project, which is expected to be funded by the State government through a special grant.

In 2010-11 the VicTrack assets were revalued. The Commission understands this was done at a relatively high level which did not allow individual revaluation of the declared assets. The carrying value for VicTrack's total track assets (i.e. net of depreciation) was increased from \$1.8 billion to \$5.8 billion, a factor of 3.2. As the declared assets have not been upgraded to the same extent as the rest of the Victorian rail network, the depreciation allocated to them is unlikely to have increased in the same proportion. In the absence of any detail on the change to the value of the declared assets, a more conservative factor of 2 has been adopted for this decision and applied to depreciation on the declared assets.

Table F.4 Forecast total cost 2012-13 – 2014-15
(\$' 000 2011-12)

	<i>Total cost</i>			
	2012-13	2013-14	2014-15	Average
Management	320	327	333	327
Accreditation	12	13	13	13
Maintenance	654	670	683	670
Other	0	0	0	0
Safety	20	20	20	20
Overheads	84	86	88	86
Depreciation	426	426	426	426
Total Operating Costs	1,516	1,538	1,560	1,538
Total	1,684	1,720	1,757	1,721

The forecast total operating costs in table F.4 are consistent with the costs reported by VicTrack in their statutory accounts. The total of \$1.684 million in 2012/13 includes a return on investment as allowed under the pricing order.

F.4.3 Forecast incremental costs

Table F.5 gives the forecast incremental costs over the period. As discussed above, the only VicTrack costs which will vary for an incremental change of +/- 15 per cent in usage are the direct maintenance costs, of which 45 per cent of the total costs are variable.

Table F.5 Forecast incremental cost 2012-13 – 2014-15
(\$'000 2011-12)

	<i>Total cost</i>			
	2012-13	2013-14	2014-15	Average
Management	0	0	0	0
Accreditation	0	0	0	0
Maintenance	296	302	308	302
Other	0	0	0	0
Safety	0	0	0	0
Overheads	0	0	0	0
Depreciation	0	0	0	0
Total Incremental Operating Costs	296	302	308	302
Return on investment	0	0	0	0
Total Incremental Cost	296	302	308	302

F.5 Step 4 – Estimating costs by precinct

Given there is no reliable information on the costs by precinct, step 4 is to estimate these costs.

This has been done by itemising the various physical characteristics of each siding group (i.e. track, turnouts etc) and deriving a unit maintenance cost for each of these. The unit maintenance costs can then be applied to the number of each asset class in each siding group to arrive at the estimated total cost per group.

Table F.6 sets out the physical quantity of each of the assets within the declared area, excluding bridges and culverts³⁰.

In addition to the physical quantity of each asset, table F.6 includes equivalent factors to derive the maintenance effort required for each class compared to the maintenance effort required for one kilometre of plain track, given the conditions and usage currently existing with the sidings. That is, given the absence of information submitted by VicTrack on expenditure in each precinct, a mechanism is required to adjust maintenance costs to reflect the specific configuration of the assets in each precinct. The professional adjustment of the consultants was used to establish a common basis for converting the maintenance effort required for each asset type as a proportion of the maintenance effort required for a kilometre of plain track, i.e. equivalent track kilometres.

Thus, for example, the maintenance effort required for one turnout has been assessed by the Commission's consultants as being equivalent to that required for 0.5 kilometre of plain track. The maintenance effort required for the 137 turnouts

³⁰ No detailed data is readily available giving the number and length of these by siding group but a reasonable assumption would be that their quantity is proportional to track length.

within the VicTrack declared area is thus equivalent to that required for 68.5 kilometres of plain track.

In total, the maintenance effort for the various assets within the declared area is assessed as equivalent to 96.9 kilometres of plain track.

Given the total maintenance cost for 2010-11 in table F.3 of \$613,000³¹, this gives a unit maintenance cost per plain track-kilometre in that year of approximately \$6,300 per annum. This is consistent with the advice from GHD that the expected range for track maintenance in terminals is between \$5,000 and \$10,000 per track kilometre per year.

Table F.6 Physical data and equivalent track kilometres by siding group

	Track (km)	Turn-out (no)	Level Crossing (no)	Turn-table (no)	Right-of-way (km)	Equivalent track-km	
						Km	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Creek Siding	1.6	8				5.6	5.8%
Cresco	0.5	0	1			2.5	2.6%
North Dynon	11.3	55				38.8	40.0%
South Dynon	6.8	74		2		49.8	51.4%
Somerton	0.0	0			2.0	0.2	0.2%
Total	20.2	137	1	2	2.0	96.9	100.0%
Total maintenance							
Equiv. factor	1.0	0.5	2.0	3.0	0.1		
Equiv. track-km (km)	20.2	68.5	2.0	6.0	0.2	96.9	100%
Equiv. track-km (%)	20.8	70.7	2.1	6.2	0.2	100%	
Incremental maintenance							
Variability (%)	10	60	0	10	0		
Equiv. track-km (km)	2.0	41.1	0.0	0.6	0.0	43.7	

The incremental component of this cost can be similarly established using the incremental estimates derived in Step 2 (section F.3.1) and shown as 'Variability (%)' in table F.6. This gives an estimate of incremental maintenance cost of 45 per cent (i.e. 43.7km of maintenance effort divided by 96.9km of maintenance effort in table F.6).

Individual estimates can readily be calculated for the individual precincts, using the same factors, and these give a variability of 2 per cent for the Cresco siding (as it only consists of plain track and a protected level crossing) and 46 per cent for the Dynon and North Sunshine precincts.

³¹ After netting off the carryover from 2009/10.

F.6 Step 5 – Forecast costs by precinct

As discussed earlier, VicTrack has proposed three precincts for charging purposes. This section derives the total and incremental costs by precinct.

As there is little variation in either usage or cost over the forecast period, and these calculations are designed to provide floor and ceiling prices only, average figures over the period have been calculated for the purposes of this decision.

The costs in table F.7 have been derived based on the relative characteristics of each precinct. Total costs require the allocation of a number of the cost components, based on parameters which are most closely associated with the component. Management costs, accreditation and safety costs have been distributed on the basis of the forecast units billed. Maintenance, other operating costs and depreciation have been distributed on the basis of equivalent track-kilometres, as derived in table F.6.

Table F.7 Total and incremental cost by precinct 2012-13 – 2014-15
(\$'000 2011-12)

	<i>Cresco</i>		<i>North Sunshine</i>		<i>Dynon</i>	
	Total	Incremental	Total	Incremental	Total	Incremental
Management	6	0	26	0	295	0
Accreditation	0	0	1	0	11	0
Maintenance	17	0	39	18	614	284
Other	0	0	0	0	0	0
Safety	0	0	2	0	18	0
Overheads	2	0	6	0	78	0
Depreciation	11	0	25	0	390	0
Total expenses	37	0	95	18	1,405	284
Return on investment	0	0	0	0	183	0
Total	37	0	95	18	1,589	284

F.7 Step 6 – Floor and ceiling prices

Table F.8 presents the floor and ceiling prices by precinct for the future regulatory period, expressed in 2011-12 dollars.

The ceiling price has been derived by dividing the total cost for each precinct, as derived in table F.7, by the forecast (demand) average throughput in units, as documented in table F.2.

The floor price has been derived in an analogous manner based on the incremental cost for each precinct.

Table F.8 Floor and ceiling price by precinct 2012-13 – 2014-15
(\$2011-12)

	Cresco		North Sunshine		Dynon	
	<i>Ceiling</i>	<i>Floor</i>	<i>Ceiling</i>	<i>Floor</i>	<i>Ceiling</i>	<i>Floor</i>
Total expenses (\$'000)	37	0	95	18	1,589	284
Usage (vehicles)	1,750	1,750	6,763	6,763	96,911	96,911
Average cost (\$/vehicle)	21.12	0.20	13.99	2.62	16.40	2.93

F.8 Summary and conclusions

The average floor price over the proposed regulatory period for each of the three siding groups, based on the estimated variable costs assuming a change of around 15 per cent in throughput, ranges from \$0.21 per unit for Cresco to \$3.73 per unit at Dynon. The average ceiling price over the period is estimated at between \$17.03 at North Sunshine and \$28.17 at Cresco.

Table F.9 provides a summary of the floor and ceiling prices that the Commission believes are the efficient levels of minimum and the maximum that VicTrack could charge an access seeker. It also gives the prices proposed by VicTrack, demonstrating they are at the approximate mid-point of these two prices.

It is clear from table F.9 that VicTrack's proposed access prices fall within the floor and ceiling limits and therefore, based on the information available, the Commission concludes that these are efficient.

Table F.9 Summary of floor and ceiling prices 2012-13 – 2014-15
(\$2011-12 per billing unit)

<i>Precinct</i>	<i>Floor</i>	<i>VicTrack proposed</i>	<i>Ceiling</i>
Cresco	0.20	13.24	21.12
North Sunshine	2.62	13.24	13.99
Dynon	2.93	13.24	16.40



Essential Services Commission
Regulatory Review of VicTrack
Maintenance and Pricing

May 2012



This Regulatory Review of VicTrack Maintenance and Pricing ("Report"):

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The services undertaken by GHD in connection with preparing this Report:

- were limited by the data made available by ESC and VicTrack in its enquiries;*

The opinions, conclusions and any recommendations in this Report are based on assumptions made by GHD when undertaking services and preparing the Report, including (but not limited to):

- data provided by VicTrack is an accurate representation of its Declared Network including configuration, maintenance activities and report & estimated costs*

GHD expressly disclaims responsibility for any error in, or omission from, this Report arising from or in connection with any of the Assumptions being incorrect.

Subject to the paragraphs in this section of the Report, the opinions, conclusions and any recommendations in this Report are based on conditions encountered and information reviewed at the time of preparation.



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1. Executive Summary

GHD has undertaken a review of the maintenance activities and costs of VicTrack in relation to the Declared Network that VicTrack operates.

The review has focussed on the efficiency of the maintenance practices and costs and the reasonableness of the maintenance costs presented in VicTrack's application for approval of its voluntary Access Arrangement.

As part of that review an estimate of VicTrack's floor costs has been made and also the various factors that would make up the Ceiling cost. Other parties will estimate the Ceiling cost as it involves consideration of capital costs and Corporate costs.

Floor costs have been estimated by considering the incremental costs of providing the access services.



2. Context

This report addresses the maintenance and operations cost of VicTrack's Declared network. VicTrack operates two declared precincts, essentially in the Dynon area and in the Hastings area, the latter being known as the Cresco Siding. VicTrack is also responsible for a non-operational length of track on the Upfield Line.

With respect to the Dynon precinct, it includes:

- ▶ the Dynon Intermodal Terminal
- ▶ the Agents' sidings – which is a 1.9 hectare site that can handle trains up to 1500 metres in a single rake.
- ▶ the South Dynon Locomotive Depot and sidings – primarily used by Pacific National for freight operations and by V/line for its passenger services
- ▶ the Creek Sidings – which is a maintenance area and primarily used by Chicago Freight Car Leasing Australia and El Zorro

The Dynon Intermodal Terminal including the Agents' sidings comprises 11.3 kms of track and 48 turnouts/points. The South Dynon Locomotive Depot and sidings area¹ comprises 6.8 kms of track and 74 turnouts/points. The Creek Siding comprises 1.6 kms of track and 7 turnouts/points. This latter sub-precinct will however become non-operational and be excised for the period of the Regulatory Period (2012/13 to 2015/16). GHD understands that it is proposed to replace that facility with infrastructure at North Sunshine (ie North Sunshine Maintenance Facility Precinct). However, at the time of writing, Department of Transport (DoT) is yet to put a process in place that updates the declaration orders.

Both the Creek Sidings and the North Sunshine Maintenance facilities are similar in configuration and therefore the levelised maintenance costs² could be considered as similar. However for this Regulatory Period, given the newness of the North Sunshine infrastructure, one would not expect any significant maintenance except inspection and vegetation control.

The Cresco precinct consists of a short length of track, sitting between Metro Train Melbourne's (MTM's) Stony Creek Line and the Bluescope private siding, 520 metres in length. It has peculiarities that have a large influence on its maintenance costs and these will be discussed later.

The North Sunshine maintenance facility is discussed in the context of the expected costs of the facility.

¹ Referred to by VicTrack as the South Dynon Common User

² Maintenance costs that are hypothesised as being incurred evenly over the life of the asset whereas they are actually incurred in specific years only



3. Comparative Assessment

These terminal facilities do not have equivalents in the context of access Regulation in Australia. Therefore direct benchmarking of similar terminals will not be attempted in this analysis. Nevertheless, some form of benchmarking is required to draw conclusions about reasonableness. The most common, transparent and relevant is the benchmark measuring maintenance cost per kilometre of track. It is the most relevant because most timber sleepered tracks have maintenance cost drivers that are predominantly time dependent and not usage dependent.

For the purposes of information, this analysis notes that the typical maintenance cost of plain track in the Regulated regimes in Australia varies between approximately \$10,000 per km per year for very lightly trafficked lines, to \$60,000 per km per year for heavy haul situations. Footnote number 8 details relevant range sources.

The presence of many turnouts in a closely defined area will generally result in the perceived cost per km of track to be relatively high. For the purposes of this analysis we have used a common benchmark for the equivalent of plain track for a turnout, being 0.5km. We have also used an equivalent for the turntables at South Dynon Loco being 3 km. In addition we have used an equivalent track km basis for level crossings of 2km.

Therefore we have derived an indirect benchmark basis and made calculations as to minimum maintenance to identify incremental costs to contrast those with fixed costs, to arrive at an estimate of cost variability for the Dynon and Cresco Precincts as well as the proposed North Sunshine Precinct.



4. Cost Variability

In assessing the floor cost of the infrastructure, and hence the appropriate floor price, knowledge of the variability of cost with use is key to the determination of the floor.

The configuration of infrastructure in VicTrack's assets, and its use, point to a cost base which is largely fixed in that the cost driver of operations, corporate and maintenance costs is largely time, and not use. An estimate of the variability using the VicTrack data is detailed later.

The time dependent maintenance cost elements include inspections and replacement of timber components. While some elements of timber deterioration are associated with traffic, by far the majority is associated with dry rot and drying leading to shrinking.

In the context of a floor price, the floor cost will be derived using data provided by VicTrack³ and in the absence of any information from VicTrack at the time of writing; the proportion of cost associated with fixed and variable components will be estimated. The estimate will be derived by treating inspections and timber replacement as fixed, and the remainder of the maintenance cost as variable with use. In addition we will propose that the Operations and Corporate costs are fixed and this is discussed later.

All costs in this paper have been stated in 2010/11 terms to provide the traceability to VicTrack reported costs⁴, and will need to be escalated for the 2012/13 year for the Regulatory Period. This is itemised in the Summary.

³ VicTrack Cost Allocation Statement appended to the Statement of Financial Performance for 2010/2011 Financial Year

⁴ *ibid*



5. VicTrack's Cost Apportionment

We note that for most costs, allocation has been made between Dynon and Cresco in the ratio 97% to 3%. Although some costs would be incurred on the non-operational Upfield Line, we assume that they are minor and that no materiality has been assigned to them given there is no revenue being earned.

We have reviewed the various cost elements as reported and while we have no issue with the spirit of the allocation in that it is very clear that the Dynon precinct would incur much more cost than Cresco, the logic of the allocation is not transparent. We will discuss each of the elements and their appropriateness in the next sections.

The headline costs reported by VicTrack in its Statement of Financial Performance for 2010/2011 Financial Year document and in its "Cost Allocation Statement" are shown in Table 1:

Table 1 VicTrack's Reported Costs 2010/11

Description	Dynon	Cresco	Comment
Operational Costs	\$319,766	\$9,980	All costs except bridge maintenance are allocated between Dynon and Cresco on a 97%/3% ratio basis Depreciation is a proportion of the total VicTrack asset depreciation
Total Maintenance	\$595,518	\$17,821	
Depreciation	\$278,835	\$8,624	
Corporate Total	\$319,161	\$9,871	
Total (Recurrent) Cost	\$1,234,161	\$37,582	
Capital Expenditure	\$1,581,833	\$0	

These costs will be referenced in subsequent sections of this report.



6. Dynon Costs

6.1 Dynon Operational Costs

Operational costs are those associated with managing the various activities on a day to day basis within the terminal. The activities involve allocation of track access to the train operators, allocating priority to the train operators, coordination of the track access activities with the terminal operator of the hardstand and roadways, Qube Logistics, management of maintenance contractors who may need access to the site and implementation of any head office policy guideline including regulation.

In 2010/11 Operational Costs amounted to \$319,766 and consisted of “management, accreditation & audits and safety costs”, the latter two being costs associated with the accreditation to operate and mandated by the Safety Regulator. The Railway Infrastructure Manager (RIM), VicTrack, is required to have a Safety Management System (SMS) in place and risks associated with the operations are to be managed and compliance audits are conducted internally and also by external parties. VicTrack is required to direct trains to locations around the yard, either in a pre-set order and location when events are predictable, or to other places to optimise use of the terminal. There is an oversight function to ensure operators are obeying yard procedures and operating safely while on VicTrack infrastructure. They do not perform “above-rail” work such as train inspection. There is also a part time role for the Director Rail Group and Manager Service Delivery. Corporate costs are separate.

Given that the operation is across a span of greater than 12 hours on any single day it is not practical for there to be any less than two persons allocated to that task.

GHD’s interpretation of these costs is that they are fixed for a very broad range of task. That is, they do not vary with volume coming in and out of the terminal.

It might be possible to use a services company like Serco, who have a large staff and where they can be “on-call” for a particular level of activity, working split shifts or half days, could provide greater efficiency. However, that would mean that Serco would need to train a large number of people in those activities, provide a roster function with management coordination and provide a return to their shareholders all of which is estimated would not in fact produce a more cost effective approach for the small number of man-hours required in this instance.

We therefore believe that the function associated with operating the infrastructure and captured in the Operations Cost is performed efficiently and that the costs are fixed and therefore the floor cost or variable cost is zero.

6.2 Dynon Maintenance Costs

Maintenance costs in the case of Dynon terminal involve the maintenance of the track and physical assets associated with the physical occupation of a space on the track by wagons and locomotives. The assets include track, turnouts/switches, turntables and pavement between the rails of the tracks.



Two categories of cost are recognised by VicTrack and adopted by all other railways around Australia: Routine and Major Programmed Maintenance (MPM).

In routine maintenance 2010/11, VicTrack expended \$595,518 and they expended zero in MPM. Usually one would expect some MPM on any railway but it is “peaky” activity and since VicTrack were spending at the same time on Capital Works, it is not unrealistic. The Capital Works will be discussed elsewhere.

By far the largest proportions of Routine Maintenance reported⁵ by VicTrack was “Track Maintenance” and “Track Inspection”. Track Maintenance is; replacement of sleepers, replacement or repair of switch blades on turnouts, and repair of small sections of rail or joints. Track Inspection is; visual inspection of the asset for safety purposes or for purposes associated with scheduling a maintenance program and electrical testing of signalling equipment, where installed, such as at level crossings. The Dynon precinct does not have any active⁶ level crossings.

The configuration and cost context of the Dynon Precinct, including those tracks identified in Section 2 of this report, provide a basis upon which to assess reasonableness of expenditure. For a track length of 19.7kms⁷, an expenditure of \$595,518 equates to approximately \$30,000 per km which is relatively high compared with plain track in the context of the comments made in Section 3 of this report. However with approximately 137 turnouts in the Dynon precinct and using a commonly used benchmark of 0.5 turnout is equivalent to 1 km track, as well as the turntables at 3kms and level crossings at 2 kms, then a better comparison is approximately slightly less than \$7,000 per km.

These quanta are entirely reasonable because in Section 2 it was noted that plain track commonly attracts maintenance costs of between \$10,000 and \$60,000 per km per year depending on traffic level. The slow speed and infrequent nature of the traffic at Dynon points to an expected maintenance cost at the very lower end of the range. In terminals, where slow speed and infrequent use on all but a few main sidings represents the operating condition, an annual cost of between \$5,000 and \$10,000 is reasonable.

Thus in the Regulatory Period a maintenance cost in 2010/11 terms of \$595,518 is reasonable because the unit cost on a per km basis falls within expectations, that is at the very lower end of a range noted in various Regulators’ Decisions.⁸

6.3 Dynon Variability of Maintenance Costs

In terms of variability with use, the cost driving parameters are those that are associated with components subject to mechanical movement or damage.

⁵ ibid

⁶ Crossings with lights and bells and in other networks, boom gates

⁷ Dynon Intermodal 11.3km, South Dynon Locomotive Depot and Sidings 6.8km, and Creek Siding 1.6km

⁸ ERA of WA Final Determination on WestNet Rail’s Proposed Floor and Ceiling Costs for 2009-10, P 44-47 for the lower estimate and QCA’s Final Approval, Queensland Rail’s Draft Amending Access Undertaking - Take or Pay 28 October 2011, ESC Victoria’s V/LINE PROPOSED ACCESS, ARRANGEMENT – DRAFT DECISION, MAY 2009, Table 3.3



In the Dynon infrastructure the variable cost driving parameters are almost entirely associated those with turnout switchblades and consist of the blade itself and connecting rods used to activate the movement from a lever operated by staff. These are the movable part of the turnout and are constructed with narrow sections of steel, subject to mechanical damaged from the wheels and wear from the movement of rods. For the turntables in South Dynon Loco, a high proportion of their costs are associated with mechanical movement. In addition “other maintenance” shown in VicTrack’s accounts relate to pavement maintenance over tracks which is highly dependent on road truck movements.

Our estimate is that, in a levelised regime, the 19.7 km of track and 137 turnouts will require resleepering at the rate of approximately 1000 units per year (30 year life for 30,000⁹ units) at \$200 per unit¹⁰ installed or \$200,000 per year. Other time related activities reported by VicTrack include inspections, \$20,000, environmental management (vegetation control) \$17,000 and electrical maintenance (lights maintenance) \$17,000 as well as bridge painting and masonry repair \$19,000, a total of \$273,000. Also various costs associated with culverts, formation & ballast and rail repairs, all of which are fixed in nature will increase the level of fixed cost to approximately \$300,000.

Thus the component associated with turnouts and plain track usage, the variable component, is estimated to be approximately 45% to 50% ((\$595,518-\$300,000) of \$595,518) of the total track maintenance cost and a proportion of 23% of the total cost reported by VicTrack of \$1,234,445, including corporate allocations and management.

VicTrack did indicate¹¹ that it collected costs associated with turnouts separately from plain track but at the time of writing this data was not available.

6.4 Dynon Efficiency of Maintenance Cost Base

In order to assess VicTrack’s approach to efficiency we have identified two components of efficiency, what is being done and how it is being done.

VicTrack have identified what work they are performing by capturing separately, track work and other types of work, in their accounts. They have a ready knowledge of their asset base and they have a programmed inspection approach to determine what works needs to be performed. This is a sound approach, a maintenance program based on the condition assessed by inspection.

In terms of how VicTrack performs the work, we note that the maintenance work is performed by contract to McLeod Rail, a well-regarded contractor. VicTrack obtained quotes for fixed scope costs and unit rate for variable work.

⁹ Track has 1500 sleepers per km, plus turnout timbers, \$200 per sleeper is a recent rate for the insertion/renewal of timber sleepers in yard situations

¹⁰ The cost of plain track resleepering in open track situations is lower than this because the accessibility and economies of scale from large scale machinery can be used.

¹¹ Meeting 17th April 2012



One method of reducing costs and taking advantage of economies of scale would be to combine work packages across infrastructure managers. Amalgamation of the work with VLine¹², MTM¹³, Asciano¹⁴ and ARTC¹⁵ through their respective contractors has been considered by VicTrack within the context of the organisation's procurement policies and in some cases work has been contracted to those parties, but on a limited basis depending on the equipment actually needed. Coleman Rail has performed work requiring heavy craneage such as turnout lifting.

6.5 Dynon Floor Cost Estimate

The fixed cost of providing maintenance, previously calculated as approximately \$300,000 subtracted from the total cost, defines the variable cost and could be considered to be the "incremental" or floor cost. The incremental cost is \$295,518 (\$595,518-\$300,000). Noting that the management and corporate costs which were also fixed were reasonable for a large range of activity around the current and projected levels, we therefore define the floor or incremental cost as being approximately \$295,000 per annum and also note that most of the variability is centred on turnout maintenance. Turnout maintenance is approximately 60% variable while plain track is only 10% variable.

6.6 Dynon Ceiling Cost Estimate

The ceiling cost¹⁶ would take account of the long term avoidable costs such as rerailing, ballast replacement, and turnout replacement and the capital depreciation (since 1999), but given that the tracks in these circumstances have their various components replaced over time, many of these costs never materialise. Thus apart from the costs of capital and margin we expect very little difference between the levelised steady state costs and the ceiling.

6.7 Dynon Capital Costs

GHD understand that during 2010 and 2011 VicTrack undertook works designed to expand capability by expanding standard gauge capacity. This largely consisted of extending track and linking those tracks to provide greater capacity, especially for standard gauge trains. This was in response to market demands where new entrants wished to use a terminal that was "independent" of Asciano.

This capital expenditure in 2010/11 was \$1,581,883 and which would be depreciated at "rates of between 2% and 5%¹⁷" depending on component.

¹² VLine Passenger, the government owned manager of regional rail infrastructure and operator of passenger trains over that network

¹³ Metro Trains Melbourne, the Melbourne suburban rail manager

¹⁴ The manager of South Dynon Intermodal Terminal, a Declared Asset.

¹⁵ Australian Rail Track Corporation, the interstate network Rail Infrastructure Manager

¹⁶ Total stand alone costs including long term avoidable and capital charges and margin

¹⁷ VicTrack Track Access Statement of Capital Expenditure and Asset Disposals



The impact of prices of this capital is not only in regard to capital charges but also one would expect an increase in maintenance cost, in time, on a pro-rata basis for the new track. However, for the Regulatory Period, this new track would not be expected to incur any additional maintenance cost¹⁸.

We also note an annual cost of \$278, 835 for depreciation. This should be a reflection of the depreciation for capital expended since 1999. At a depreciation rate of 2% this implies a capital spend of approximately \$14 million or at 5%, an expenditure of \$5.5 million. As these accounts are shown for 2010/11 at the time declared capital improvements were being undertaken, it is not clear what capital expenditure may have occurred since 1999. However, over a period of 10 years one could expect various improvements or major life extending replacements.

VicTrack have indicated during our discussions¹⁹ that the depreciation allocation is an allocation across the whole of VicTrack's asset base. At the time of writing VicTrack was researching the actual capital expended since 1999 and the detailed basis of the allocation so that adjustments to the reported figures could be made if required.

¹⁸ The improvements involved dual gauging, so even inspection costs would not be expected to rise

¹⁹ 19th April 2012



7. Cresco Costs

7.1 Cresco Operational Costs

The Operational Costs for Cresco are the same as those identified for the Dynon infrastructure because the Cresco costs are reported as a simple proportion of total costs for each cost category, as we have discussed in Section 5.

Cresco costs are reported as 3% of the Operational cost component category total such as “Management” or “Safety” and one could assume that the operational costs would have some linkage to the proportion of time the two full time employees identified in the Dynon costs devote to the task.

In VicTrack’s Statement of Financial Performance for 2010/2011 Financial Year, revenue gained from “Track access wagon equiv. Charges” amounts to \$1,179 (000’s) for Dynon Precinct and \$34 (000’s) for Cresco Precinct, a proportion of 97.2% to 2.8%.

Since wagon equivalent charges are the same on a per unit basis across the two precincts then one could assume that the level of effort is similar and the approximation used for the allocation appears to be reasonable.

The allocation method used for Operational Costs at Cresco is not unreasonable and conclusions about the efficiency of the activity and the cost of the activity are similar to those expressed for Dynon. That is, they appear to be reasonable.

7.2 Cresco Maintenance Cost

The activities of maintenance required on the Cresco infrastructure are similar in that there are inspections and track maintenance, and the categories of Routine Maintenance and Major Programmed Maintenance is similarly identified.

Total maintenance incurred during 2010/11 was reported as \$17,821. At face value this represents approximately \$35,000 per km for plain line track, which Cresco is largely plain track.

There are distinguishing features at Cresco however that has an impact on the efficacy of making comparisons with industry benchmarks or with Dynon because it is very different to many lengths of track in other networks. It has an active level crossing²⁰ used by heavy road trucks. It has a cutting with inherent drainage issues. It has a relatively sharp curve on which steel trains with heavy axle loads operate.

The active level crossing requires electrical inspection on a regular basis. The surface of the level crossing needs pavement maintenance. The cutting needs attention to drainage. The curve requires constant fastening attention to avoid rail movement under heavy loads.

For a piece of railway infrastructure in this situation a cost of \$35,000 does not seem unreasonable when compared with large railway line sections as reported in the

²⁰ A level crossing with lights and bells. It does not have boomgates. Active level crossings require signal technology to detect the presence of a train.



aforementioned Regulators' Decisions. However, it represents a unit cost at the upper end of expectations.

We observe that the various components of the total cost as reported in the VicTrack "Cost Allocation Statement" are out of proportion and the allocation may have underestimated some costs while overestimating others.

For example, the track inspection and electrical maintenance on a track that has a level crossing would be greater than a combined total of \$1,149 per year since level crossings with lights and bells require regular inspection and testing. On the other hand, track maintenance at \$15,170 or \$30,340 per km per year appears excessive.

Therefore while we agree that the maintenance costs as reported in total are not unreasonable the actual elements are not accurately reflected using the 97%/3% allocation method that oversees all of the components.

A further concern about costs for Cresco is that VicTrack have identified²¹ that the costs as reported in their Statement of Financial Performance could include costs captured to maintain the Bluescope private siding at Hastings. This has occurred because the contractor performing the work, McLeod Rail, performs the work of both the VicTrack Declared Cresco line plus the Bluescope sidings and then charges VicTrack for the full amount. VicTrack in turn charge Bluescope for the maintenance work associated with their portion. VicTrack were not able to confirm at our meeting²² whether the reported costs were net costs or gross costs for this activity and at the time of writing had not been able to confirm. If the costs reported by VicTrack are gross costs, that is they include the private siding costs, the maintenance cost could be as much as one half overstated (Declared track of 2.5km equivalent made up of - 0.5km plain track plus 1 level crossing at 2km equivalent, Bluescope track of 2.5km made up of - 1.5 km plain track and 2 turnouts at 0.5km equivalent).

7.3 Cresco Efficiency of Maintenance Cost Base

In terms of efficiency, we note that the maintenance work is performed by contract to McLeod Rail, a well-regarded contractor, after VicTrack obtained quotes for fixed scope costs and unit rate for variable work. Amalgamation of the work with Metro Trains Melbourne (MTM), being immediately adjacent to the area, and taking advantage of economies of scale and proximity, would have been a very desirable outcome in an ideal situation. VicTrack have obtained quotes from MTM and found them to be uncompetitive for general work and this may be reflective of MTM's own priorities and cost structure.

MTM do however inspect and test the level crossing signalling apparatus and this is a sensible arrangement given the specialised nature of resources to undertake the task.

²¹ Discussions with GHD 19th April 2012

²² *ibid*



7.4 Cresco Variability of Maintenance Costs

The fixed cost components of maintenance comprise those elements that are driven by time within the context of a broad range of traffic task around that projected for the Regulatory Period.

The costs associated with the level crossing, drainage, and sleeper replacements, and which would be the majority of costs, are fixed costs. The variable costs driven by usage relate almost solely to the wear on the curves and the loosening of the rail fasteners caused by the heavy traffic loads.

On a levelised basis, the timber sleeper replacement would amount to 500m track, approximately 750 sleepers over a 20 year life (given the high loads in comparison to Dynon 30 year life) at \$200 per unit; \$7,500 per year.

Inspections of track and the level crossing are estimated by us as requiring 8 manhrs per month (2 staff for 4 hrs) at \$80 per manhr²³, total \$7,680.

Drain cleaning each year is estimated at 8 hrs for a backhoe and dumper, at \$350 per hr, total \$2,800.

These "fixed" costs amount to \$17,980. The VicTrack reported total maintenance costs are \$17,821.

The conclusion is that fixed costs represent an extremely high proportion of total costs and while the calculations above suggest there are no variable costs, a nominal 5% or approximately \$900 to \$1,000 per annum, representing a visit by the gang to adjust fastenings on the curve and grind joints, is a realistic estimate.

7.5 Cresco Floor Maintenance Costs

VicTrack reported costs for 2010/11 for total maintenance was \$17,821 and implies that during the year some tasks were not completed when evaluated on a levelised basis. This is quite acceptable as long as it is not repeated every year.

The variable costs are therefore not able to be directly calculated from the reported costs but suffice to say that they would be incremental to activities already mentioned.

These incremental activities include "cross boring²⁴" sleepers on the curves to sustain added fastenings as well as some minor hand grinding on joints where the heavy load may have battered the joint. We estimate 8 man hours per year at \$60 per man hour²⁵, \$480 as additional time spent on paying attention to these items during normal (fixed) maintenance activity.

²³ Electrical trades involved

²⁴ Using opposite diagonal holes for new fasteners, but can only be done once in the life of the sleeper

²⁵ Semi skilled



There is also the maintenance of the pavement at the level crossing which is estimated over a 20 year replacement life to incur a levelised maintenance cost of \$500 per year, based on a \$50,000 full replacement cost²⁶ and an on-going maintenance proportion.

The variable component and therefore the floor maintenance cost is estimated at \$1,000 per year.

7.6 Cresco Ceiling Cost Estimate

The ceiling cost would take account of the long term avoidable costs such as rerailling, ballast replacement, and the capital depreciation (since 1999). Even rerailling would probably be expensed each year since the length of the section is small and rerailling would be performed incrementally. Thus apart from the margin we expect very little difference between the levelised steady state costs and the ceiling.

7.7 Cresco Capital Costs

We note that a 3% proportion of capital costs have been allocated in the VicTrack report amounting to \$8,624 for 2010/11. It would be reasonable to see some capital costs over the period since 1999. For example, the full replacement of the level crossing pavement and sleepers under the pavement could have been expected and this expenditure could be capitalised as new (replacement) asset. Other larger scale rerailling on the sharp curves may have occurred but generally the small quantities occur as expensed annually. At 5% depreciation, the implied capital is \$172,480 but it is not apparent exactly what that relates to at Cresco. The quantum is not unreasonable but there is a lack of transparency from the data available.

VicTrack have indicated during our discussions²⁷ that the depreciation allocation is an allocation across the whole of VicTrack's asset base. At the time of writing VicTrack was researching the actual capital expended since 1999 and the detailed basis of the allocation so that adjustments to the reported figures could be made if required.

²⁶ Review of WestNet Rail's 2009 Floor and Ceiling Costs for Certain Rail Lines, Final Report, June 2009, bitumen surfacing plus sleepers and drainage

²⁷ Meeting of 19th April 2012



8. North Sunshine Costs

8.1 North Sunshine Operational Costs

Operational costs are those associated with managing the various activities on a day to day basis within the terminal. The activities involve allocation of track access to the train operators, allocating priority to the train operators, coordination of the track access activities with the terminal operator of the hardstand and roadways, Qube Logistics, management of maintenance contractors who may need access to the site and implementation of any head office policy guideline including regulation.

The terminal is not yet operational so our costs have been estimated on the basis of a per km cost derived from the Dynon terminal costs but with a “penalty” applied on the basis of the fact that the terminal will be separated from the Dynon facility, unlike Creek Sidings and that considerable travelling will be required to physically view the sidings. However, as the sidings will not be used on an interactive day by day basis, instead being used on a longer term lease basis, this “penalty” is relatively small at 10%.

The unit operational cost of the Dynon facility is reported as \$319,766 divided by 19.7 kms track and 137 turnouts (at 0.5 kms equivalent) plus 2 turntables (at 3kms equivalent) plus 1 level crossing (at 2kms equivalent) making a total of 96.2 kms or \$3,324 per km equivalent.

For the new North Sunshine facility, using a similar configuration to the Creek Sidings, the calculated cost is 1.6 km plus 8 turnouts at 0.5 km, 5.6kms, or \$18,614 per annum. Applying a “penalty” for the extra travel now required makes a total of \$20,476.

8.2 North Sunshine Maintenance Costs

Maintenance costs in the North Sunshine facility will involve the maintenance of the track and physical assets associated with the physical occupation of a space on the track by wagons and locomotives. The assets include track, turnouts/switches, and pavement between the rails of the tracks.

In a similar manner to operational costs our assessment of maintenance costs is on a per km basis, derived from Dynon costs but modified taking into account the newness of the facility.

The Dynon costs were reported as \$595,518 for 2010/11 and consisted of equivalent track length of 96.2 kms, implying a unit cost of \$6,190 per km.

For the North Sunshine facility, 5.6 kms equivalent length, a total cost for maintenance is calculated as \$34,644. However, we had previously noted in section 6.2 of this report that resleepering would not be necessary and could be a proxy for the reduced cost expected due to the newness of the facility during the Regulatory Period. The net cost of maintenance therefore is \$18,644 per annum in \$2010/11.



8.3 North Sunshine Variability of Maintenance Costs

In terms of variability with use, the cost driving parameters are those that are associated with components subject to mechanical movement or damage.

In the North Sunshine infrastructure the variable cost driving parameters are almost entirely associated those with turnout switchblades and consist of the blade itself and connecting rods used to activate the movement from a lever operated by staff. These are the movable part of the turnout and are constructed with narrow sections of steel, subject to mechanical damaged from the wheels and wear from the movement of rods.

Similarly to the Dynon facility we expect that the cost variability will be approximately 45% to 50% or approximately \$8,390 per annum (\$2010/11).

8.4 North Sunshine Efficiency of Maintenance Cost Base

We expect the efficiency of the new facility to be on a par with the Dynon facility, and as VicTrack have sought competitive quotes for work previously, we have no reason to believe a similar approach will not be taken with North Sunshine.

8.5 North Sunshine Floor Cost Estimate

We note that Operational costs and corporate overheads remain fixed and therefore we conclude that the floor costs are \$8,390 per annum (\$2010/11).

8.6 North Sunshine Ceiling Cost Estimate

The ceiling cost²⁸ would take account of the long term avoidable costs such as rerailling, ballast replacement, and turnout replacement and the capital depreciation, but given that the tracks in these circumstances have their various components replaced over time, many of these costs never materialise. North Sunshine Capital Costs

GHD understands that VicTrack will be afforded a grant to cover the cost of construction of the new facility.

²⁸ Total stand alone costs including long term avoidable and capital charges and margin



9. Summary

With the costs expressed in 2010/2011 our conclusions as to the relative level of costs, their efficiency and the reasonableness of VicTrack's application are:

- ▶ Dynon Floor Cost (not including Creek Sidings) is estimated to be \$295,000 per annum
- ▶ Dynon Ceiling Cost is estimated to be \$1,234,445 plus return on investment
- ▶ VicTrack's Dynon proposed cost is \$1,234,445

- ▶ Cresco Floor Cost is estimated to be \$1,000 per annum
- ▶ Cresco Ceiling Cost is estimated to be \$37,582 plus return on investment
- ▶ VicTrack's Cresco proposed cost is \$37,582 per annum

- ▶ North Sunshine Floor Cost is estimated to be \$8,390 per annum

We conclude also that while VicTrack's overall level of maintenance and expenditure is not unreasonable there is an absence of transparency in the allocation technique used and its basis. In particular we conclude that various elements of the cost categories of Operational, Routine Maintenance and Major Programmed Maintenance, as well as Depreciation, inaccurately portray the actual costs.

We conclude that VicTrack have attempted to modify, through calculation, its organisation's cost recording to suit the needs of the Declared Infrastructure rather than create specific cost codes to capture the actual costs. This method has been successful at the highest levels of cost but inaccurately portray the costs incurred.

This is an inexpensive technique where the recommended pricing falls neatly between the Floor and Ceiling because there is sufficient leeway between the two extremes. However this is not likely to be the case for the Cresco Precinct where, due to inaccurate cost capture, and distorted cost elements, VicTrack's recommended pricing is likely to be very close to the Ceiling.



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