



**11 February 2011**

**Mr James Cox**

Independent Pricing and Regulatory Tribunal  
Level 8  
1 Market Street  
Sydney NSW 2000

**By Email: To: Patrick\_Iam@ipart.nsw.gov.au**

Dear Mr Cox,

**Review of Compliance with the New South Wales Rail Access Undertaking for 2009/10**

Thank you for the opportunity to provide comments in relation to the review of ARTC and RailCorp's compliance with the Access Undertaking. Vale Australia Pty Ltd (Vale) has commenced coal operations in New South Wales in 2007 through the acquisition of the coal interests of AMCI. During this time Vale related entities (in conjunction with other participants in the Integra Joint Venture) have operated the Integra coal mine in the Hunter Valley producing metallurgical and thermal coal for export through the Hunter Valley Coal Chain.

Given the current contractual arrangements between end customers, above rail operators and ARTC and RailCorp, only IPART and ARTC and RailCorp have access to the information required to prepare and assess the detail in this application. In the absence of the detail Vale is constrained in its ability to draw any conclusions or make absolute recommendations. As such, the process of independent verification by IPART is critical to ensuring thorough assessment by IPART of the ARTC and RailCorp submission.

Whilst the issue of the detailed analysis of the roll forward asset base, ceiling test, unders and overs account will be subject to IPART's review, Vale would like to provide some general comments on the details presented in the public submission.

The Hunter Valley Rail Network is a critical link between the mine and port to ensure coal is available for export. It is important that to maintain this link as efficiently as possible that appropriate capital expenditure is completed. This relies on the network operator completing the capital expenditure at the right place and at the right time. Continuous engagement by the network operator with industry via the Rail Infrastructure Group, Industry Communication sessions, and other forums are a critical component in this process. The producers then rely on the network operator providing this expenditure in the most efficient manner both in terms of cost and timing.

Vale recognises that to ensure efficient capital expansion of the rail network it is important to spend time in pre feasibility and feasibility to agree on the most efficient outcome to improve the throughput of the Hunter Valley Rail Network. Vale believes that these project costs should only be reflected in the asset base at the same time as the capital expenditure is approved to the asset base. This allows IPART the opportunity to review all the costs of the capital expenditure at the same time. Costs for cancelled projects should be assessed for inclusion in the asset base in the year the project is cancelled.

The ARTC submission includes an under recovery of \$20.5M for 2009/10. The confirmation of this calculation and amount will be reliant on the audit investigation of IPART. Our view is that the under recovery by ARTC should be recovered in the same manner as the over recovery was returned to users in the 2008/09 year.

The other concern Vale has is the cost of maintenance of the Carrington Loop being excluded from the ceiling test and the unders/overs calculation. Whilst this infrastructure has only recently reverted to

---

Vale Australia Pty Ltd ABN 17 062 536 270

Level 11, 100 Creek Street, Brisbane Queensland 4000  
GPO Box 731, Brisbane Qld Australia 4001

Tel +61 7 3136 0500 Fax +61 7 3136 0510

ARTC's control this process should have been anticipated and should certainly be included in the definition of the regulated coal network. Rail infrastructure which is such an integral part of the whole coal chain should not be able to be excluded from the regulated coal network.

Please do not hesitate to contact myself if you would like to discuss our submission further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lucas Bertoldo', with a stylized, cursive script.

Lucas Bertoldo

Infrastructure Manager  
Vale Australia Pty Ltd