



Notice

18 September 2015

2015 WEIGHTED AVERAGE COST OF CAPITAL

PUBLIC TRANSPORT AUTHORITY, BROOKFIELD RAIL AND THE PILBARA INFRASTRUCTURE

The Economic Regulation Authority (ERA) has calculated the Weighted Average Cost of Capital (WACC) for the Public Transport Authority, Brookfield Rail and The Pilbara Infrastructure, as at 30 June 2015, as required by the *Railways (Access) Code 2000* (Code).

The ERA has determined the following real, pre-tax WACC values to apply from 1 July 2015 to 30 June 2016:

- Public Transport Authority: 4.25 per cent;
- Brookfield Rail: 7.59 per cent;
- The Pilbara Infrastructure: 10.74 per cent.

In comparison, the 2014 real pre-tax WACC for the three networks were 4.52 per cent (Public Transport Authority), 7.31 per cent (Brookfield Rail) and 10.14 per cent (The Pilbara Infrastructure).

The input variables for the 2015 determination, which were updated as of 30 June 2015, are shown in the table below:

Input Variable	2015
Nominal Risk Free Rate	2.97 per cent
Debt Risk Premium based on a credit rating of	
‘A-’ for Public Transport Authority	1.660 per cent
‘BBB+’ for Brookfield Rail	2.223 per cent
‘BBB-’ for The Pilbara Infrastructure	3.234 per cent
Market risk premium	7.3 per cent

The ERA has based the 2015 calculation of the railway network WACCs on a revised method, which is the result of a review and public consultation which commenced prior to the 2013 WACC determination. The review was deferred because the ERA was undertaking a comprehensive review of its approach to determining the WACC for gas networks under the National Gas Rules, but is now finalised.

Accordingly, the ERA’s Final Report on the review and public consultation is published today, concurrent with publication of this determination, and is available on the [ERA’s website](#). The related Issues Paper, Draft Decision, all submissions and other material are also available on the [ERA’s website](#).

The Code requires the ERA to undertake a process of consultation every fifth year, prior to making a determination of WACC in that year. The ERA will commence its next program of public consultation concerning the determination of WACC prior to the 2018 determination.

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