



# INFORMATION

## 2012 Weighted Average Cost of Capital

### BROOKFIELD RAIL, PUBLIC TRANSPORT AUTHORITY AND THE PILBARA INFRASTRUCTURE

The Economic Regulation Authority has calculated the weighted average cost of capital (**WACC**) for the Brookfield Rail (**BR**), Public Transport Authority (**PTA**) and The Pilbara Infrastructure (**TPI**) rail networks as at 30 June 2012 as required by the *Railways (Access) Code 2000 (Code)*.

The Authority has determined the following WACC values, to apply from 1 July 2012 to 30 June 2013:

- PTA: 4.30 per cent (real pre-tax)
- BR: 6.87 per cent (real pre-tax)
- TPI: 9.16 per cent (real pre-tax)

In comparison, the 2011 real pre-tax WACC for the three networks were 6.14 per cent (PTA), 8.77 per cent (BR) and 11.08 per cent (TPI).

The methodology used in the 2012 determination is the same as the methodology used in 2011. The methodology incorporates the Authority's 'bond-yield' approach for calculating the debt risk premium. This approach is outlined in a discussion Paper "Measuring the Debt Risk Premium" published on the Authority's website on 1 December 2010. The methodology for calculating the WACC is due to be reviewed prior to the 2013 determination.

The input variables to the 2012 determination, which were updated as of 31 May 2012, are shown in the table below.

Input Variables	2012
Nominal risk free rate (%)	3.24
Inflation (%)	2.35
Debt Risk Premium (%) based on a credit rating of:	
"A" for PTA	2.797
"BBB+" for BR	3.223
"BBB-" for TPI	3.234

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