



Notice

6 October 2017

2017 WEIGHTED AVERAGE COST OF CAPITAL

PUBLIC TRANSPORT AUTHORITY, ARC INFRASTRUCTURE AND THE PILBARA RAILWAYS

The Economic Regulation Authority has calculated the weighted average cost of capital (**WACC**) for the Public Transport Authority, Arc Infrastructure, The Pilbara Infrastructure (**TPI**) and the Roy Hill Infrastructure (**RHI**) railways, as at 30 June 2017, as required by the *Railways (Access) Code 2000* (Code).

The Authority has determined that the WACC for RHI should be the same as for TPI, informed by the analysis for TPI which was set out in the 2015 rail WACC method. Therefore, both TPI and RHI are referred to as 'the Pilbara railways', and treated identically.

The Authority has determined the following real, pre-tax WACC values to apply from 1 July 2017 to 30 June 2018:

- Public Transport Authority: 4.35 per cent;
- Brookfield Rail: 7.52 per cent;
- the Pilbara railways (TPI and RHI): 10.56 per cent.

In comparison, the 2016 real pre-tax WACC values were 4.47 per cent (Public Transport Authority), 7.67 per cent (Brookfield Rail now Arc Infrastructure) and 10.90 per cent (Pilbara railways).

The input variables in the 2017 determination – which here are updated as of 30 June 2017, and which contribute to the revised values – are shown in the table below:

Input Variable	2017
Nominal Risk Free Rate	2.49 per cent
Expected Inflation	1.91 per cent
Debt Risk Premium based on a credit rating of 'A' for Public Transport Authority 'BBB+' for Arc Infrastructure 'BBB-' for the Pilbara railways (TPI and RHI)	1.771 per cent 1.992 per cent 2.512 per cent
Market risk premium	7.20 per cent

The Authority's 2017 calculation of the railway network WACCs are based on the approach determined in the 2013 review of the rail WACC method.

The Authority's Final Report on the review and related documents are available on the Authority's [website](#).

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

For further information contact:

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