



# NOTICE

## 2010 Weighted Average Cost of Capital

### WESTNET RAIL, PUBLIC TRANSPORT AUTHORITY AND THE PILBARA INFRASTRUCTURE RAIL NETWORKS

The Economic Regulation Authority has calculated the weighted average cost of capital (**WACC**) for the WestNet Rail (**WNR**), Public Transport Authority (**PTA**) and The Pilbara Infrastructure (**TPI**) rail networks as at 30 June 2010 as required by the *Railways (Access) Code 2000*.

The Authority has determined the following WACC values, to apply from 1 July 2010 to 30 June 2011:

- 8.91 per cent (real pre-tax) for the WNR (freight) network.
- 6.32 per cent (real pre-tax) for the PTA (urban) network.
- 11.43 per cent (real pre-tax) for the TPI network.

In comparison, the 2009 real pre-tax WACC for the three networks were 8.63 per cent (WNR), 5.99 per cent (PTA) and 11.09 per cent (TPI).

The methodology applied in the 2010 determination was similar to that used in 2009. The access code requires public consultation on the WACC methodology in 2003 and every five years thereafter. Therefore, the next public review of the WACC methodology will be undertaken in 2012-13.

The input variables to the 2010 determination, which were updated as of 31 May 2010, are shown in the table below.

Input Variables	2010
Nominal risk free rate (%)	5.44
Inflation (%)	2.6
Debt Risk Premium (%) (Based on credit rating of "A" for the PTA (urban) rail network, "BBB+" for the WNR (freight) rail network and "BBB-" for the TPI rail network)	PTA (urban): 2.460 WNR (freight): 2.990 TPI: 3.720

It should be noted that in calculating the debt risk premiums for 2010, the Authority has used CBASpectrum data rather than Bloomberg data, in order to ensure consistency with the Authority's approach in its other recent regulatory decisions and also because of the more limited nature of the Bloomberg data.

For further information contact:

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