



Notice

5 June 2014

Corrigendum

DRAFT DETERMINATION RELATING TO THE 2014 REVIEW OF METHOD FOR ESTIMATING THE WEIGHTED AVERAGE COST OF CAPITAL FOR RAILWAY NETWORKS

The Economic Regulation Authority (**ERA**) released on 4 June 2014 its Draft Determination relating to the 2014 Review of Method for Estimating the Weighted Average Cost of Capital (**WACC**).

Table 31 on page 127 (the last page) provided detail on the indicative rail WACCs for the urban and freight railway networks, given the revised method. However, Table 31 was incorrect. A revised [draft determination](#) is available on the Authority's website. The revised table is set out below.

Stakeholders wishing to make a submission on the Draft Determination should mark their submissions to the attention of Mr Jeremy Threlfall, Assistant Director – Rail by **4.00pm (WST) on Friday 27 June 2014**.

Postal address: PO Box 8469, PERTH BC WA 6849
Office address: Level 4, Albert Facey House, 469 Wellington Street, PERTH WA 6000
Email address: publicsubmissions@erawa.com.au

CONFIDENTIALITY

In general, all submissions from interested parties will be treated as being in the public domain and placed on the ERA's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission for which confidentiality is claimed, and specify in reasonable detail the basis for the claim. Any claim of confidentiality will be considered in accordance with the provisions of the *Railways (Access) Code 2000*.

The publication of a submission on the ERA's website shall not be taken as indicating that the Authority has knowledge either actual or constructive of the contents of a particular submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence will arise for the Authority.

For further information contact:

General Enquiries

Richard Begley
Economic Regulation Authority
Phone: 08 6557 7900
Email: records@erawa.com.au

Media Enquiries

Richard Taylor
Riley Mathewson Public Relations
Phone: 08 9381 2144
Email: admin@rmpr.com.au



Notice

Table 31 Indicative rail WACCs

Determination	Public Transport Authority	Brookfield Rail	The Pilbara Infrastructure
Nominal Risk Free Rate (10 year term)	4.10%	4.10%	4.10%
Real Risk Free Rate	1.37%	1.37%	1.37%
Inflation Rate	2.70%	2.70%	2.70%
Gearing	50%	25%	20%
Debt Risk Premium	1.015%	1.691%	2.107%
Debt Issuing Cost	0.125%	0.125%	0.125%
Australian Market Risk Premium	6.00%	6.00%	6.00%
Equity Beta	0.60	0.93	1.56
Asset Beta	0.30	0.70	1.25
Corporate Tax Rate	30%	30%	30%
Franking Credit	30%	30%	30%
Nominal Cost of Debt	5.243%	5.919%	6.336%
Real Cost of Debt	2.477%	3.135%	3.541%
Real After Tax Cost of Equity	4.87%	6.82%	10.50%
Nominal Pre Tax Cost of Equity	9.75%	12.28%	17.06%
Real Pre Tax Cost of Equity	6.87%	9.33%	13.98%
Nominal Pre Tax WACC	7.50%	10.69%	14.92%
Real Pre Tax WACC	4.67%	7.78%	11.90%
Nominal After Tax WACC	6.47%	8.76%	12.05%
Real After Tax WACC	3.68%	5.90%	9.11%