

Notice of the Regulator's Determination of the Weighted Average Cost of Capital as at 30 June 2003

Clause 3(1)(a), Schedule 4 of the *Railways (Access) Code 2000* ("the Code") requires the Regulator to determine the Weighted Average Cost of Capital (WACC) for both the urban and freight railway infrastructure as at 30 June in each year.

The 2002-03 real pre-tax WACCs for the urban and freight railway infrastructure of 4.9 percent and 7.8 percent respectively were derived in 30 June 2002 using the methodology recommended by Macquarie Bank for the Department of Transport in August 1999, with amendments to the corporate tax rate and nominal risk free rate.

Early 2003, the Regulator commissioned the Network Economics Consulting Group (NECG) to review and advise on an appropriate methodology and to develop estimates for the appropriate parameters in the calculation of the WACC. In April 2003, the Regulator released a draft report produced by NECG as part of the public consultation process that is required under Clause 3(2)(a), Schedule 4 of the Code.

After consideration of the comments received from stakeholders and taking into account all the factors listed in Section 20(4) of the *Railways (Access) Act 1998*, the Regulator has now determined the methodology and parameter values to be used for calculating the WACC, as well as the WACCs for the urban and freight railway infrastructure as at 30 June 2003.

The final NECG report, submissions from stakeholders and the Regulator's Determination are available on the Office of the Rail Access Regulator's website (www.railaccess.wa.gov.au).

Determination

1. For the urban railway infrastructure WACC – 5.8 percent real pre-tax;
2. For the freight railway infrastructure WACC – 6.9 percent real pre-tax.

Dr Ken Michael
Acting WA Independent Rail Access Regulator

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