


Queensland Competition Authority

File Ref: 607858

23 August 2013

Mr Michael Carter
Chief Executive Officer
Aurizon Network Pty Ltd
GPO Box 456
BRISBANE QLD 4001


Dear Mr Carter

UT4 WACC Averaging Period

Thank you for your letter of 12 August 2013 regarding the proposed weighted average cost of capital (WACC) averaging period for Aurizon Network's 2013 Draft Access Undertaking (UT4).

Your letter seeks the Authority's approval of a revised proposal for the WACC averaging period of 20 business days from Friday 4 October to Thursday 31 October 2013 (inclusive). You note that this period includes the Labour Day public holiday in Queensland, New South Wales and South Australia (Monday 7 October) as bond and debt markets are expected to be open on this day. However, if that proves not to be the case, the starting date for the averaging period would be adjusted to Thursday 3 October 2013.

Your proposal, of 12 August 2013, is consistent with the Authority's earlier advice to you on this matter. In particular, the Chairman's letter, of 24 April 2013, indicated that the Authority saw merit in having a WACC averaging period that occurred after Aurizon Holdings' debt refinancing and restructuring but before the end of October 2013.

The Authority is, therefore, favourably disposed towards your proposal of a WACC averaging period of the 20 business days from 4 (or 3) October to Thursday 31 October 2013 (inclusive).

You will appreciate that the WACC averaging period is one of many matters the Authority will consider when it makes its draft and final decisions on UT4 – and the Authority will rely on submissions from all stakeholders when it makes those decisions.

Therefore, while the Authority accepts the merits of your arguments for the proposed WACC averaging period, it is not in a position to indicate that it has reached a finalised view on this matter – this will only occur once the Authority has approved UT4.

The Authority also agrees to not publicly disclose these views on the averaging period until sometime after 31 October 2013, in order to allow Aurizon Holdings to effectively implement its proposed hedging plan.

Should you have any queries regarding this matter, please contact Leigh Spencer on 07 3222 0532.

Yours sincerely

A handwritten signature in black ink that reads "Mark Gray". The signature is written in a cursive style with a long horizontal stroke underneath the name.

Mark Gray
Chief Executive Officer