



George Passmore  
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Queensland Competition Authority  
Level 27, 145 Ann Street  
Brisbane, Q 4001

## Proposal to use Bloomberg for Australian Government Securities Mid-Rates

19 May 2023

Dear George,

I am writing to the Queensland Competition Authority (**QCA**) to consider and determine a proposed alternate index or rate for the calculation of the Risk Free Rate as an input into the determination of the Reset Risk Free in the forthcoming Reset Schedule F Values in accordance with Clause 6A.5(b) of the 2017 Aurizon Network Access Undertaking (**UT5**).

UT5 defines the Risk Free Rate as:

*The rate for Commonwealth of Australia Government nominal bonds using the RBA indicative mid-rate with a term of 4 years, estimated using methodologies consistent with those applied by the QCA in the development of the rate of 1.9% as set out in Appendix F of the QCA's Final Decision.*

The methodology used to determine the rate for Commonwealth of Australia Government nominal bonds using the RBA indicative mid-rate with a term of 4 years, and affirmed in the QCA Draft Decision on the Schedule F Preliminary Reset Values<sup>1</sup>, is to linearly interpolate the 4-year yield to maturity, using the highest maturity bond shorter than the maturity date and the lowest maturity bond longer than the maturity date.

The rates for these bonds have historically been published by the Reserve Bank of Australia (**RBA**) in Table F16 - Indicative Mid Rates of Australian Government Securities (**AGS**). On 31 March 2023 the RBA ceased publication of the F16 table.

Where a rate or third-party index ceases to be produced in the form needed to update a Limited Update Input then Clause 6A.6 allows Aurizon Network and a Majority of End Users to propose to the QCA an alternate index or rate.

On 12 April 2023, Aurizon Network informed the Chair of the Rail Industry Group (**RIG**) of the cessation of RBA F16 - Indicative Mid Rates of Australian Government Securities and requested the End-Users vote

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<sup>1</sup> QCA (2022) Draft Decision: Aurizon Network's Reset Schedule F Preliminary Values, November, p. 21.

on the use of Bloomberg as the replacement third party provider for the relevant AGS data. Aurizon Network also supplied analysis showing the immaterial difference between the Bloomberg rates and those previously published by the RBA for the AGS bonds relevant to the Reset Risk Free Rate. A copy of the information provided to the Chair of the RIG is attached (Attachment A).

Aurizon Network's proposal effectively seeks to use a replacement source for the rate on the bonds that were previously published by the RBA as opposed to a replacement rate and therefore is not a change in the methodology, such as interpolating between rates for other maturities which themselves have been linearly interpolated using the UT5 methodology.

Aurizon Network recommended the use of Bloomberg as the replacement source for rates, as opposed to the RBA's financial data provider Yieldbroker, as a pragmatic recognition that both Aurizon Network and the QCA hold active Bloomberg subscriptions.

On 19 May 2023 the Chair of the RIG responded to Aurizon Network indicating that given the technical nature of the consideration of the alternative this is best determined by the QCA and that a vote among End-Users was not necessary. A copy of this correspondence is attached (Attachment B).

Consequently, Aurizon Network is requesting the QCA approve the use of the Bloomberg as the alternate data provider for the indicative mid-rates for the relevant AGS. Specifically, for the purpose of the Risk Free Rate for the period of 20 business days ending 30 June 2023 this involve the use of the following alternate Bloomberg series:

	AGS Bond 1	AGS Bond 2
Bond Maturity Date	21 April 2027	21 November 2027
Australian Office of Financial Management (ISIN)	AU3TB0000135	AU000XCLWAQ1
RBA Series ID	FCMYAPR27D	FCMYNOV27D
Bloomberg Ticker (CUSIP)	EI8492650 Corp	JV3198662 Corp

Should you have any questions in response to this correspondence and the proposed alternative rates please contact Dean Gannaway at [dean.gannaway@aurizon.com.au](mailto:dean.gannaway@aurizon.com.au)

Kind regards,



Jon Windle  
Manager

**Attachment A:** Presentation to Chair of the RIG: Replacement Data Source for the RBA Indicative Mid-Rates

**Attachment B:** Email from Chair of the RIG on Proposal for Alternate Index or Rate.