



Russell Silver-Thomas
Queensland Competition Authority
Level 27
145 Ann Street
BRISBANE QLD 4000

10 May 2017

Dear Russell,

Further Submission on Market Risk Premium

We refer to Aurizon Network's 2017 Draft Access Undertaking (**UT5**) submitted to the Queensland Competition Authority (**QCA**) on 30 November 2016, and in particular its Weighted Average Cost of Capital (**WACC**) submission. Aurizon Network wishes to provide a further report on Market Risk Premium (**MRP**) to the QCA for consideration. This is in light of the most recent MRP survey results released by Professor Fernandez on 17 April 2017.

Consideration of survey evidence and independent expert valuation reports, including Professor Fernandez's MRP survey (published yearly), was one of the four MRP estimation methodologies relied upon by the QCA in its UT4 Final Decision. The same approach was adopted by the QCA in its most recent DBCT Final Decision. The QCA has previously indicated that it is important that such estimate should be as close in time as possible to the period under consideration. Accordingly, Aurizon Network submits this short report prepared by Aurizon Network's consultant, Frontier Economics (**New Report**), to draw the QCA's attention to the updated MRP survey results.

Aurizon Network considers it is reasonable that the QCA takes the information contained in the New Report into account as:

- The updated survey evidence contained in the New Report only became available from 17 April 2017, so was not available for submission to the QCA during the last collaborative consultation period which ended on 17 March 2017;
- The New Report is not complex in nature as it is only an update on the most recent MRP estimate to take account of survey evidence and independent expert valuation reports;
- Given the QCA's prior approach to the MRP estimation methodologies, we believe that the updated survey evidence contained in the New Report is relevant to the QCA's decision on UT5 WACC; and
- The QCA has not yet made a draft decision in relation to UT5, and is still in the process of gathering information to enable it to assess Aurizon Network's UT5 submission.

If you have any further enquiries, please do not hesitate to contact Ron Huang at networkregulation@aurizon.com.au.