

## Aurizon Network's 2017 Draft Access Undertaking: Allowable Revenues and Reference Tariffs

The QCA has assessed Aurizon Network's 2017 Draft Access Undertaking (2017 DAU) proposed revenues and reference tariffs and considers it appropriate to approve maximum allowable revenues of \$4.123 billion for the UT5 pricing period.

In total, the QCA's decision is around 16% lower than Aurizon Network's proposal of \$4.892 billion.

The QCA's assessment of Aurizon Network's 2017 DAU has resulted in amendments that underpin the allowable revenues and reference tariffs. The QCA's decision provides for:

- a WACC of 5.7%, which is 108 basis points lower than Aurizon Network's 2017 DAU proposal of 6.78% (and 29 basis points higher than the draft decision of 5.41%)
- an operating cost allowance of \$795 million, which is \$60 million less than Aurizon Network's proposal (and \$52 million higher than the draft decision of \$743 million)
- a maintenance cost allowance of \$739 million, which is \$182 million less than Aurizon Network's proposal, largely offset by an increase in the capital indicator of \$159 million reflecting the capitalisation of ballast undercutting renewal costs from 2019–20 (the draft decision provided a maintenance cost allowance of \$817 million)
- \$3 million for the reconciliation of Aurizon Network's 2016 Undertaking capital carryover account, which is \$51 million less than Aurizon Network's proposal (and \$2 million less than the draft decision of \$5 million)
- recovery of revenue from investments associated with the Moura and GAPE Systems which results in higher return on capital, depreciation and tax allowances (the draft decision accepted the continued deferral of revenue from such investments)
- a forecast inflation rate of 2.37% (consistent with the draft decision) for indexation of the regulatory asset base, and corresponding inflationary gain deduction from the allowable revenues
- annual forecast volumes of 231.2 million tonnes in 2017–18 increasing to 249.2 million tonnes in 2020–21, compared to Aurizon Network's proposal of 225.7 million tonnes in 2017–18 rising to 228.4 million tonnes in 2020–21 (this decision is 36.5 million tonnes lower than the draft decision).

### Further information

The QCA's decision on Aurizon Network's 2017 DAU, along with all stakeholder submissions and other relevant materials can be accessed at

[www.qca.org.au](http://www.qca.org.au)

### QCA Decision: Aurizon Network's allowable revenue components (\$ millions)

<i>Building block</i>	<i>2017–18</i>	<i>2018–19</i>	<i>2019–20</i>	<i>2020–21</i>	<i>QCA decision (UT5 Total)</i>	<i>Aurizon Network's proposal</i>	<i>QCA draft decision</i>
Return on capital	344	347	348	343	1,381	1,592	1,289
Depreciation (less inflation)	219	224	309	283	1,034	1,141	899
Maintenance expenditure	213	220	152	155	739	921	817
Operating expenditure	190	191	205	209	795	855	743
Tax allowance	34	35	53	49	170	328	141
Sub-total	999	1,017	1,066	1,039	4,120	4,838	3,888
2016 Undertaking capital carryover account	1	1	1	1	3	54	5
<b>Total - UT5 pricing period</b>	<b>1,000</b>	<b>1,017</b>	<b>1,066</b>	<b>1,040</b>	<b>4,123</b>	<b>4,892</b>	<b>3,893</b>