

6 August 2021

Charles Millstead
Chief Executive Officer
Queensland Competition Authority

Dear Mr Millstead,

Re: Response to the QCA draft position paper on forecast inflation

DBI welcomes the opportunity to respond to the QCA's draft position paper on forecast inflation. The methodology set out in the QCA's draft position paper represents a significant improvement to the approach that has been applied to determine forecast inflation in previous QCA decisions.

The key difference between the QCA's draft position and DBI's preferred approach concerns the selection of the endpoint at which a linear glidepath for forecast inflation arrives in year five. DBI acknowledges that its preferred approach and the rules-based approach to the selection of this endpoint in the QCA's draft position give rise to the same result in current market conditions.

In DBI's view, the selection of this endpoint should be informed by all available information that can inform expectations as to medium and long term inflation, e.g. RBA commentary, surveys and break-even inflation estimates. In contrast, the QCA's draft position is for the rules-based determination of this endpoint by reference to the RBA's short term forecast of inflation in year two only, which could introduce a source of bias if the drivers of that year two forecast are transitory.

Yours sincerely,



Jonathan Blakey
General Manager – Commercial & Regulation
Dalrymple Bay Infrastructure Limited