

Agenda

Rail access review of rate of return and remaining mine life

Topic	Stakeholder hearing
Date	1 April 2009
Time	3 to 5.30 pm
Location	IPART's offices - Level 8, 1 Market Street Sydney

1. Format for the hearing

The stakeholder hearing will be a roundtable format. The discussion on the day will be broken up into two parts: rate of return; and remaining mine life.

After a brief introduction of each part by members of IPART's Secretariat or its consultant, the Chairman - Dr Michael Keating AC - will ask those sitting at the roundtable to briefly provide their views on the issues identified by IPART. Each participant will be given a maximum of 10 minutes followed by general discussion amongst the roundtable participants. Participants need not address each of the questions/issues set out in IPART's discussion paper on rate of return and LECCG's issues paper on remaining mine life in their presentations. The questions/issues are provided more to assist stakeholder prepare for the day. A list of the key issues for stakeholders is provided below.

After each roundtable participant has been given the opportunity to speak the Chairman will allow questions from the other stakeholders in attendance. After the key issues have been discussed the Chairman will ask the roundtable participants to briefly make any further comments, call for any final comments from the floor then he will finalise proceedings and make his closing address.

The organisations who are invited to participate at the roundtable are as follows:

1. ARTC
2. RailCorp
3. Asciano
4. Minerals Council
5. Individual mining companies

Representatives from other organisations and members of the public are invited to attend the hearing however participation on the roundtable will be limited to the organisations listed above. As explained above, after the roundtable participants have been given the opportunity to speak on the issues raised in each part the Chairman will ask for comments and questions from the floor.

2. Roundtable agenda

Time	Topic
2:45	Registration
3.00	Welcome and introduction by the Chairman
3.10	<p>Part 1: Rate of return</p> <p>In its discussion paper IPART indicated its preliminary thinking on the rate of return parameters and put forward a number of key issues for stakeholder comment.</p> <p>In its proposal ARTC nominated a WACC range of 8.84% to 10.53% and argued that it should be provided with a rate of return at least at the 75th percentile in that range. ARTC proposed a rate of return of least 10% real pre-tax based on the market conditions at the time of its proposal.</p> <p>IPART is keen to get stakeholder's views on the following issues in particular:</p> <ul style="list-style-type: none"> ▼ <i>What is the WACC range that is acceptable to stakeholders? Is it appropriate to set a rate of return above the mid-point in that range as proposed by ARTC?</i> ▼ <i>Are the costs of setting a WACC too low greater than setting a WACC too high taking into account ARTC's proposed capital program over the coming years?</i> ▼ <i>Should the global financial crisis change the way regulators estimate the WACC? If so, how should this be done? Should any adjustments be temporary?</i> <p>IPART would also welcome any stakeholder views on the individual parameters identified in its discussion paper, including: the appropriate methodology to estimate the debt margin and forecast inflation; appropriate capital structure and asset beta; and should asymmetric risk be considered in choosing the WACC for the Hunter Valley Coal Network?</p>
4.30	<p>Part 2: Remaining mine life</p> <p>LECG's issues paper on remaining mine life sets out the key issues for stakeholder comment. These include:</p> <ul style="list-style-type: none"> ▼ <i>Is there any reason why the estimated remaining mine life should not be 30 years starting 1 July 2009?</i>

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- ▼ *What would be the benefits of altering the existing estimate of remaining mine life? How would any change to the current implied mine life terminal year affect ARTC or its customers?*
 - ▼ *The appropriateness of the Booz & Co methodology.*
 - ▼ *The appropriateness of the Booz & Co approach to modelling coal chain bottlenecks in its estimate of mine life.*
 - ▼ *What alternative approaches should be considered to quantify future coal production from mines that are not yet in production but which are likely to make a material difference to the mine life estimate?*
 - ▼ *The treatment of lines which have recently joined the constrained group.*

5.20 **General discussion of other issues**

5.30 **Chairman's closing remarks**
