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8 April 2009

Mr Patrick Lam
Senior Analyst
Independent Pricing and Regulatory Tribunal
PO Box Q290, QVB Post Office
SYDNEY NSW 1230

Dear Mr Lam

Review of the Rate of Return under the New South Wales Rail Access Undertaking

Thank you for the opportunity to comment on the proposed rate of return under the NSW Rail Access Undertaking and the opportunity for QRNational Coal to be an observer at the Stakeholder Hearing on 1 April 2009.

QRNational Coal supports the proposed submission from ARTC and the IPART preliminary thinking on the required Weighted Average Cost of Capital (WACC) with the following exceptions:

- 1) QRNational Coal prefers that the WACC be calculated, expressed and applied in post-tax nominal terms rather than pre-tax as proposed by ARTC. It is our belief that nominal rates of return are more in line with commercial practice and reflects the more common use of nominal interest rates in financial markets. In addition, it is considered that inflation expectations can be more accurately and differentially applied to forecast cash flows for pricing purposes rather than being encapsulated in the WACC rate itself.
- 2) QRNational Coal supports the ARTC proposal for the use of a zero value for gamma. As there is still significant conjecture as to whether dividend imputation has any significant bearing on market returns, use of a value above zero for this WACC parameter is not supported by QRNational Coal.
- 3) QRNational Coal supports the use of a mid-point in the range of WACC outcomes.

If you wish to talk further on this matter, please contact myself or John Harnischfeger on 07 32351818.

Yours sincerely,



Michelle Yeaman
National Access Manager
QRNational Coal