

Australian Competition and Consumer Commission (ACCC)

Via email: [telco.regulation@accc.gov.au](mailto:telco.regulation@accc.gov.au)

### Submission to ACCC's Draft WACC Methodology Report and Note on Voice Interconnection Services WACC

I am writing in response to CEPA Australia's Draft WACC Methodology Report and Note on Voice Interconnection Services weighted average cost of capital (WACC). We understand that the Australian Competition and Consumer Commission (ACCC) is seeking feedback on the proposed general methodology for estimating the WACC from interested stakeholders, including those from non-telecommunications industries including Airservices Australia.

Airservices Australia is a government owned corporation providing safe, secure, efficient and environmentally responsible services to the aviation industry.

The ACCC's review intended to develop a general methodology that informs its consideration of WACC across a range of regulatory decision-making processes. The general methodology would promote consistency in the approach to estimating the WACC and so provide regulatory certainty to industries regulated by the ACCC. Notwithstanding the development of this general WACC methodology, the ACCC proposes to continue to have regard to, and consult on, the circumstances and factors significant to the WACC for the relevant regulated business, and where necessary depart from its general methods.

I note that CEPA Australia's report is structured to consider:

- **market-wide parameters** which include the risk-free rate, market risk premium and gamma, which can be equally applied to any Australian regulated service; and
- **sector-specific parameters** which includes beta, gearing, cost of debt, and estimates for these parameters only apply to the specific services being examined.

Airservices Australia is encouraged by the ACCC's process of developing and consulting on a general WACC methodology. Further, Airservices Australia is supportive of the CEPA Australia's draft approach to estimating market-wide WACC parameters.

Notwithstanding our support for the process, we note that the CEPA reports are primarily directed to the estimation of a WACC for regulated telecommunications services providers, which operate in a different market and have different risk considerations to those applying to aviation network service providers. Consequently, it is difficult to comment directly on CEPA's draft approach to sector-specific parameters without information on how the listed factors would be applied in the circumstances of Airservices Australia. We intend to estimate sector-specific WACC parameters through our formal price notification process.

Airservices Australia appreciates the opportunity to participate in the response to draft WACC methodology. Should you have any further questions regarding this submission, please contact [pricing@airservicesaustralia.com](mailto:pricing@airservicesaustralia.com).

Yours sincerely



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Chief Financial Officer

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