

PEXA submission to IPART Draft Report on Electronic Lodgment Network Operator service fees



August 2026

1	Key Observations	6
2	Overview of PEXA's key submissions	9
2.1	PEXA accepts price regulation, and submits that the existing CPI-linked cap remains the appropriate framework	9
2.2	The draft recommendation is not well-founded, results in a manifestly excessive price cut, and is unprecedented.....	10
2.2.1	Consequences for business stability	10
2.2.2	Consequences in future review periods	11
2.2.3	Projected consequences for a future review period should be considered now ...	12
2.3	The BBM mechanically depletes a digital asset base contrary to economic reality.....	14
2.4	Alternative frameworks support the status quo	16
2.5	If IPART determines a price reduction using a BBM, its application must be adjusted so that it is applied consistently with principle and IPART's own stated methodology.....	20
2.5.1	IPART should allow a rate of return on PEXA Exchange's historical investments between 2011 and 2019.....	21
2.5.2	The rates of return between 2011 and 2019 were far too low relative to the risks	22
2.5.3	The rates of return between 2019 and 2023 that IPART applied in its Recovered Capital cross-check were also too low	24
2.5.4	IPART should commence depreciation only once the platform reached maturity, so that PEXA Exchange has the opportunity to earn a return of its initial investment	24
2.5.5	IPART should recognise PEXA Exchange's under-recovered investment as an intangible component of the asset base	25
2.5.6	IPART should apply the platform's true 20-year economic life to the unrecovered historical expenditure recognised as an intangible asset	26
2.5.7	After being adjusted, the BBM produces an Initial Asset Base 3.5 times higher than IPART's draft.....	26
2.6	Submissions on other matters	28
2.6.1	Volume forecast should reflect the latest available data.....	28
2.6.2	Productivity enhancement requirements appear to have been double counted ..	29
2.6.3	IPART should retain the pass-through of uncontrollable government costs	30
2.7	Sovereign risks	30
2.8	Competition and eConveyancing prices.....	31
2.9	Conclusion	32
3	Initial Asset Base.....	34
3.1	General comments.....	34
3.2	IPART's roll forward method is flawed and inconsistent with its own principles	35
3.2.1	IPART's roll forward methodology	35
3.2.2	Inconsistency with the building block approach, the FCM principle and IPART's own approaches	36
3.2.3	How to modify IPART's roll forward approach.....	39
3.2.4	Asset life for tangible and intangible assets	39
3.3	If applied correctly, the Recovered Capital Method can be used to assess PEXA's IAB	40
3.4	Early years rate of return – the most crucial parameter in IPART's analysis	41
3.4.1	The same parameter should apply to both 'rolled forward' and 'recovered capital' methodology	43
3.4.2	IPART's illogical arguments about venture capital returns	43
3.4.3	Portfolio and individual investment returns	43

3.4.4	Not an arms-length seed-stage venture due to bank and government support	44
3.4.5	Plausible failure rates imply much higher expected rates of returns for PEXA.....	51
3.4.6	Expert assessments suggest much higher rates of return	52
3.4.7	IPART rate of return is inconsistent with the envisaged and actual return of initial investors	53
3.4.8	IPART rate of return is inconsistent with typical returns applied to high-risk investment.....	53
3.4.9	IPART rate of return lacks sufficient justification	54
3.5	IPART's regulatory WACCs for FY2020 onwards also need amendment	55
3.6	Amended application of the RCM approach.....	56
3.6.1	An opening IAB of about \$1,301m	56
3.6.2	Intangible assets in the IAB are worth \$934m.....	56
3.7	A sound cross-check against both rolled forward approach and RCM is required	57
3.8	Summary of our position	59
4	Regulation of service fees	63
4.1	Continued price regulation	63
4.2	Lack of power for more intrusive price regulation.....	64
4.3	Regulation of other eConveyancer prices	64
4.4	Non transaction based services	64
4.4.1	Mobile signing and digital certificates	64
4.4.2	Optional subscriber products	64
4.4.3	PEXA Key.....	66
4.5	Nationally consistent pricing.....	67
4.6	Inclusion of externally imposed fees in the cost base and within period pass through	68
4.7	Appropriate method of regulatory oversight.....	70
4.7.1	Considering the most appropriate method for review.....	71
4.7.2	Applying alternate approaches to PEXA and eConveyancing	74
4.8	Problems with applying BBM to digital platforms	80
4.8.1	Why the assumptions of a BBM do not hold for PEXA	81
4.8.2	Some of the difficulties in applying a BBM to a digital platform are a result of accounting standards.....	87
4.8.3	The cumulative effect on BBM	89
4.8.4	ASX — a digital infrastructure case study.....	90
4.8.5	The tax dimension — one government should not value the same asset two ways	93
4.9	Modifications to the BBM	94
4.9.1	Modification 1 — Regulatory capital base anchored to the 2019 trade sale	94
4.9.2	Modification 2 — Bifurcated useful life	95
4.9.3	Modification 3 — Recognise opex-as-investment	96
4.10	Efficient costs established using PEXA's costs, not a hypothetical efficient ELNO.....	97
4.11	4-year regulatory period	98
4.12	No indexation after 4 years.....	98
5	Design of price regulation for service fees	100
5.1	Fees not WAPC.....	100
5.2	Recommended notional revenue requirement and ELNO service fees	100
5.3	Pricing structure.....	100
5.4	Period for implementing price change.....	101

6	Demand	102
6.1	Recent housing market data and our updated forecasts indicate transactions are likely to be materially lower	103
6.1.1	A shift in market conditions	103
6.1.2	Conflict-driven macroeconomic uncertainty	108
6.1.3	Policy intervention aimed at investor withdrawal from the market	108
6.1.4	Market commentary suggests sharpening price falls through 2026 and 2027	109
6.1.5	Our updated internal forecasts reflect new information and show lower demand	111
6.1.6	Response to IPART comments on forecasting approach	117
6.1.7	Responses to IPART's suggestions and observations	118
6.2	PEXA should face normal market volume risk and should not be subject to a DVAM	120
6.2.1	PEXA is able to bear normal market risk	121
6.2.2	A DVAM would blunt the incentives for PEXA to grow the market and innovate	121
6.2.3	A DVAM would blunt incentives if competition emerges	121
6.2.4	A DVAM increases the regulatory burden	121
6.2.5	A DVAM will not provide symmetrical benefits and costs to PEXA's stakeholders	121
6.2.6	A DVAM unfairly transfers benefits between different people over time	122
7	Costs	123
7.1	Projection of historic expenditures as the basis for future expenditures	123
7.2	Productivity adjustment to controllable costs	123
7.2.1	Double counting of potential productivity gains	123
7.2.2	Appropriate rate of any productivity factor	124
7.3	External fees	126
7.3.1	Future external fees	126
7.3.2	Recovery of historic external fees	126
7.4	Costs associated with additional / ancillary services	127
8	Return on and of capital	128
8.1	Depreciation and asset lives	128
8.2	Weighted average cost of capital	128
8.3	Allowance for working capital	130
9	Summary of PEXA responses	131
	<u>Draft Recommendations</u> : Summary of PEXA responses	131
	<u>Draft decisions</u> : Summary of PEXA responses	132
	<u>Requests for comment</u> : Summary of PEXA responses	133
10	Appendices	137
	Appendix A: Methodology to translate expert's submissions into IAB estimates	137
	Appendix B: Notes and sources for key charts	140
	Appendix C: Methodology for post-modelling adjustments	149

01

Key Observations

PEXA respectfully submits detailed analysis and a number of independent expert reports which demonstrate IPART's draft recommendations lack a rational foundation and are unreasonable.



1 Key Observations

This submission responds to IPART's Draft Report on Electronic Lodgment Network Operator service fees, published on 3 July 2026. PEXA accepts the need for a form of price regulation. However, IPART has not established a justified rationale for moving away from the existing CPI-linked PEXA Exchange prices.

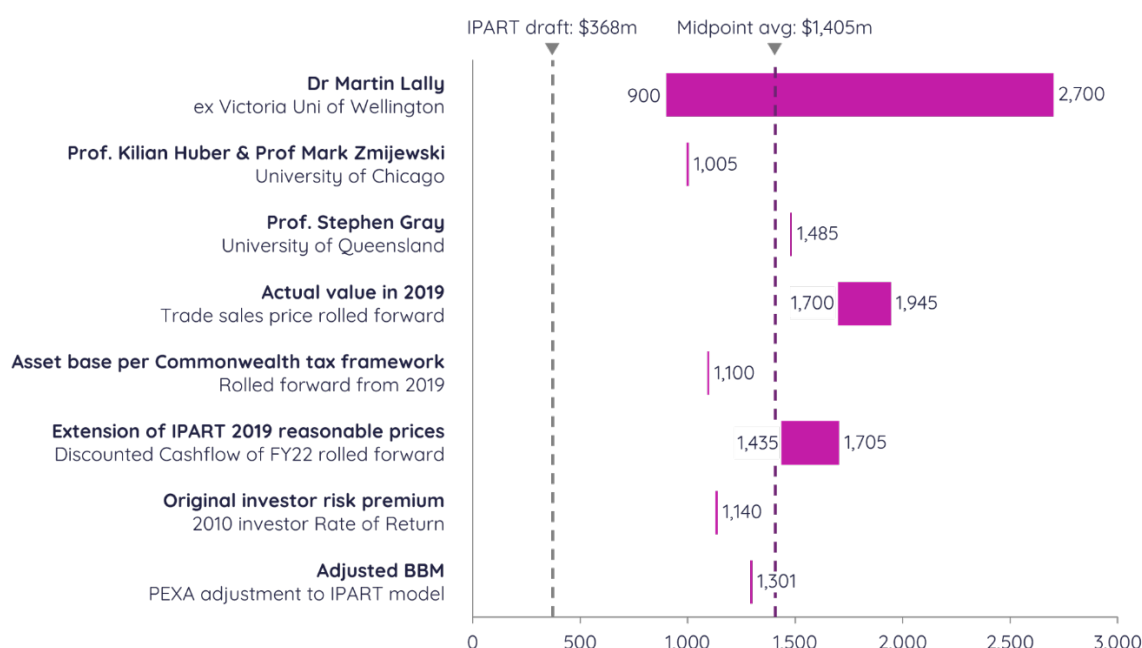
PEXA respectfully submits that IPART's proposed recommendations are based on fundamentally erroneous economics and irrational reasoning. Absent a wholesale shift in approach, the implementation of IPART's recommendations would be so unreasonable as to exceed the powers granted to the Registrars under the Electronic Conveyancing National Law. In summary, PEXA submits that:

- **The proposed price reduction is extreme and not well-founded.** A reduction of the magnitude proposed is manifestly excessive and risks significant adverse consequences for the PEXA Exchange and the broader eConveyancing ecosystem.
- **IPART has failed to address the full terms of reference.** IPART's terms of reference require it to recommend whether continued regulation of ELNO service fees is required and if so, what the method or level or price should be. However, there is no indication that IPART has considered whether the benefits of applying the Building Block Model (BBM) exceed the costs, and it has failed to consider alternative methodologies that are more appropriate.
- **The BBM is not appropriate for capex-light digital businesses:** A BBM using a 'rolled-forward' method of establishing an asset base does not fit the PEXA Exchange. It is the wrong model, using the wrong inputs, producing the wrong outcome.
- **Material adjustments are required to IPART's inputs:** If IPART persists with the BBM, PEXA seeks material adjustments to the application and input assumptions used in the Draft Report.
 - **IPART has failed to apply its own stated methodology consistently.** The Draft Report denies the PEXA Exchange both a return on, and a return of, its initial investment, the core principle that underpins a BBM. This is driven by commencing depreciation of spend before the PEXA Exchange earned any revenue, and failing to provide any rate of return on those investments.
 - The **rates of return on PEXA's investments between 2011-2019**, which IPART uses in its cross check, and which should also be applied in IPART's rolled forward approach, are **far too low** given the risk of the initial PEXA venture. Any retrospective pricing recommendation will be highly sensitive to the fair rate of return on early investment, requiring research, data and analysis for such a highly contestable input.
- **This submission contains numerous cross-checks** – including the opinions of three globally recognised economic experts - providing relevant, well-researched and well-founded approaches to determining the Initial Asset Base (IAB). The independent analysis and other cross checks which produces a **midpoint IAB of \$1,405m, approximately 3.8 times higher than IPART's recommendation**, demonstrate that IPART has manifestly understated the PEXA Exchange IAB.
- **IPART's recommendation creates increased sovereign risk:** Retrospectively and materially undervaluing an established investment increases perceptions of sovereign risk and regulatory uncertainty, undermining Australia's reputation as an attractive destination for technology investment and reducing investor confidence in future government privatisations.

- **The downsides outweigh the purported benefits of the recommended extreme price reduction:** The significant price reduction recommended may be politically attractive but if it is implemented it will come at the expense of the investment required to maintain long-term system stability, cyber hardening, customer service and technology innovation. Therefore, IPART's recommendation is thus neither sustainable nor reasonable.
- IPART's recommendation puts at risk a platform that carries a **~90% customer satisfaction score, is reliable and robust**, and is globally recognised for its efficiency, innovation, value and stability.

If IPART persists with the BBM, then the final revenue determination is extremely sensitive to the Initial Asset Base (IAB). A variety of approaches all suggest that IPART's draft assessment of the IAB is much too low.

Several approaches could be used to calculate PEXA Exchange's Initial Asset Base (which drives pricing outcomes); all of them suggest that IPART's draft calculation is much too low
PEXA Initial Asset Base, \$2027 (for details see Section 2.5.7)



Note: All estimates are based on PEXA calculations from official sources and expert reports. See appendix A for overview of details supporting each estimate. The quoted expert reports have been submitted to IPART as: Huber and Zmijewski (2026) 'Expert report_IPART_Report'; Gray, 31 July 2026 "The required rate of return for the RCM method applied to PEXA"; and Lally, August 2026, "The initial asset base for PEXA in 2027"

For these reasons, PEXA respectfully submits that IPART's draft recommendations lack a rational foundation and are unreasonable having regard to the object of the Electronic Conveyancing National Law (ECNL).

02

Overview of PEXA's position

PEXA submits that IPART should recommend that the current exchange prices should be maintained, and increases should continue to be limited to CPI and pass through of government charges.

IPART's proposed Building Block Model (BBM) is not appropriate for capex light digital businesses.

If, despite its inherent flaws, IPART uses a BBM but modifies its inputs and application in accordance with the analysis and cross checks submitted by PEXA, then the resulting recommendation would be to continue with current prices (with CPI adjustments and pass through of government charges)



2 Overview of PEXA's key submissions

2.1 PEXA accepts price regulation, and submits that the existing CPI-linked cap remains the appropriate framework

PEXA accepts that its Australian Exchange service holds a strong position in the market and is appropriately subject to price regulation. PEXA has engaged with this review on that basis. PEXA welcomes IPART's finding that its historical and forecast costs are efficient.

IPART examined PEXA Exchange's prices in 2019 and found them to be reasonable. That review was conducted under terms of reference requiring IPART to identify regulatory settings that were "fair and transparent for all parties",¹ and to have regard to "the extent to which PEXA had invested capital and developed intellectual property [...] in its capacity as the initial ELNO".² IPART found "no compelling evidence to suggest that maximum prices should be lower than PEXA's current prices".³ In reaching that finding, IPART recognised the costs PEXA had incurred as first mover: developing the first eConveyancing platform of its kind across international jurisdictions, building relationships with stakeholders to encourage the uptake of eConveyancing, and educating subscribers to use an ELNO platform.⁴

Those prices have not increased in real terms since 2014, being capped at CPI under ARNECC's Model Operating Requirements. PEXA Exchange has meanwhile incurred additional costs to extend coverage to every Australian jurisdiction, and deliver substantial improvements in functionality, reliability and security while maintaining customer satisfaction of around 90%. PEXA Exchange's fees also remain a small and diminishing share of the total cost of transacting property, at approximately 0.3%.

PEXA submits that nothing in these circumstances establishes a rationale for price reduction, and that the existing CPI-linked cap remains the appropriate form of price regulation. That conclusion is supported by numerous cross-checks set out in this submission including, but not limited to, the excessive pricing framework applied to PEXA Exchange (section 4.7.2); the price investors paid for PEXA Exchange's assets in the 2019 trade-sale (section 4.9.1.); a roll forward of IPART's decision that prices were reasonable in 2019 (PEXA's original submission); and IPART's own BBM, once it uses adjusted inputs and assumptions (section 3.6).

IPART should act consistently with the precedent of its 2019 inquiry and conclude that PEXA Exchange's prices are reasonable, with the existing CPI-linked cap remaining the appropriate form of regulation.

¹ IPART (2019), *Final Terms of Reference - Review of pricing regulation of Electronic Conveyancing Network Operators in NSW - January 2019* <https://www.ipart.nsw.gov.au/sites/default/files/documents/terms-of-reference-review-of-pricing-regulation-of-electronic-conveyancing-network-operators-in-nsw-january-2019.pdf>, p. 1

² IPART (2019), *Final Terms of Reference - Review of pricing regulation of Electronic Conveyancing Network Operators in NSW - January 2019* <https://www.ipart.nsw.gov.au/sites/default/files/documents/terms-of-reference-review-of-pricing-regulation-of-electronic-conveyancing-network-operators-in-nsw-january-2019.pdf>, p. 2

³ IPART (2019), *Final Report - Review of pricing framework for electronic conveyancing services in NSW - November 2019* <https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-review-of-pricing-framework-for-electronic-conveyancing-services-in-nsw-november-2019.pdf>, p. 5

⁴ IPART (2019), *Final Report - Review of pricing framework for electronic conveyancing services in NSW - November 2019* <https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-review-of-pricing-framework-for-electronic-conveyancing-services-in-nsw-november-2019.pdf>, p. 53

2.2 The draft recommendation is not well-founded, results in a manifestly excessive price cut, and is unprecedented

PEXA submits that the draft recommendation – in applying the BBM on a roll-forward basis, an approach typically used for physical, capital-intensive assets - does not account for critical features of an eConveyancing asset. The draft recommendation would reduce PEXA Exchange's revenue by approximately 20% over FY28 to FY31. The unprecedented, manifestly excessive 20% proposed price reduction would have significant damaging impacts on PEXA Exchange and, as a consequence, on the eConveyancing ecosystem.

This is a consequence of the methodology's treatment of PEXA Exchange's past and future expenditure, and in particular:

- the historical investment recognised in the Initial Asset Base, including the allowance for inception operating expenditure, depreciates too steeply; and
- recognised capital expenditure added each year is smaller than depreciation, because ~80% of PEXA Exchange's sustaining expenditure is accounted for as operating expenditure, unlike the physical infrastructure assets to which the BBM is typically applied.

The draft recommendation is unprecedented in scale. PEXA is not aware of any occasion on which IPART or another Australian price regulator has proposed price regulation that would reduce the revenues from the bulk of a regulated entity's business by as much as the ~20% contemplated here.

2.2.1 Consequences for business stability

PEXA submits that a 20% reduction in revenue and a corresponding ~50% reduction in free cash flows is patently unreasonable and would place PEXA management under significant and real pressure from its investors and lenders to reduce operating costs, particularly as under a BBM no return is provided on operating costs.

If IPART's draft recommendations were implemented, PEXA Exchange would respond to that pressure by first reducing operating expenditure that, while important, is ultimately discretionary: expenditure on service quality, relationship management, insurance levels, continuous improvement and product expansion. These are services customers value and expect as part of their service.



The public costs of not sufficiently maintaining critical digital infrastructure can be very high. For example, in 2022 an unauthenticated API exposed 9.8 million telco customer records. Optus lost 10,000 customers and set aside \$140m for its own remediation costs.⁵ The costs to customers are unknown, and a civil action brought by the Office of the Australian Information Commissioner has not yet been resolved.⁶ The root cause was a legacy system that was left internet-facing without

⁵ Samios (2022) 'Optus hack to cost at least \$140 million' *Sydney Morning Herald* <https://www.smh.com.au/business/companies/optus-puts-aside-140m-to-replace-customers-hacked-identity-documents-20221110-p5bx4g.html>

⁶ Office of the Australian Information Commissioner (2025) 'Australian Information Commissioner takes civil penalty action against Optus' <https://www.oaic.gov.au/news/media-centre/australian-information-commissioner-takes-civil-penalty-action-against-optus>

controls.⁷ Credentials stolen via a third-party IT provider to Medibank exposed the health data of 9.7 million people. The direct costs to Medibank were estimated to be more than \$126m, not including potential civil penalties as a result of an action filed by the Office of the Australian Information Commission or the costs of a class action lawsuit.⁸ Again the costs to customers were probably large, but haven't been quantified.

As national critical infrastructure, PEXA Exchange should never be placed in a position where it must make a choice between operating unprofitability and maintaining security. Clearly this was not the intended outcome of the current pricing review.

Even with those cost reductions, and their consequent impact on quality, reliability and security for users of the platform, PEXA Exchange as an asset would still exhibit a higher risk profile than its treatment in IPART Draft Report suggests. The Draft Report effectively repositions PEXA Exchange as utility infrastructure, even though PEXA lacks the protections from risk which justify investors accepting low yields. Relative to traditional utility infrastructure, PEXA operating margins would be much lower, its business would inherently be more vulnerable to disruption, and its revenues would be more volatile, and the outcomes of future regulatory determinations are less predictable. Such an unprecedented change should be accompanied by a financeability assessment to ensure risk and allowed returns match and are financeable by investors other than government, now and over time.

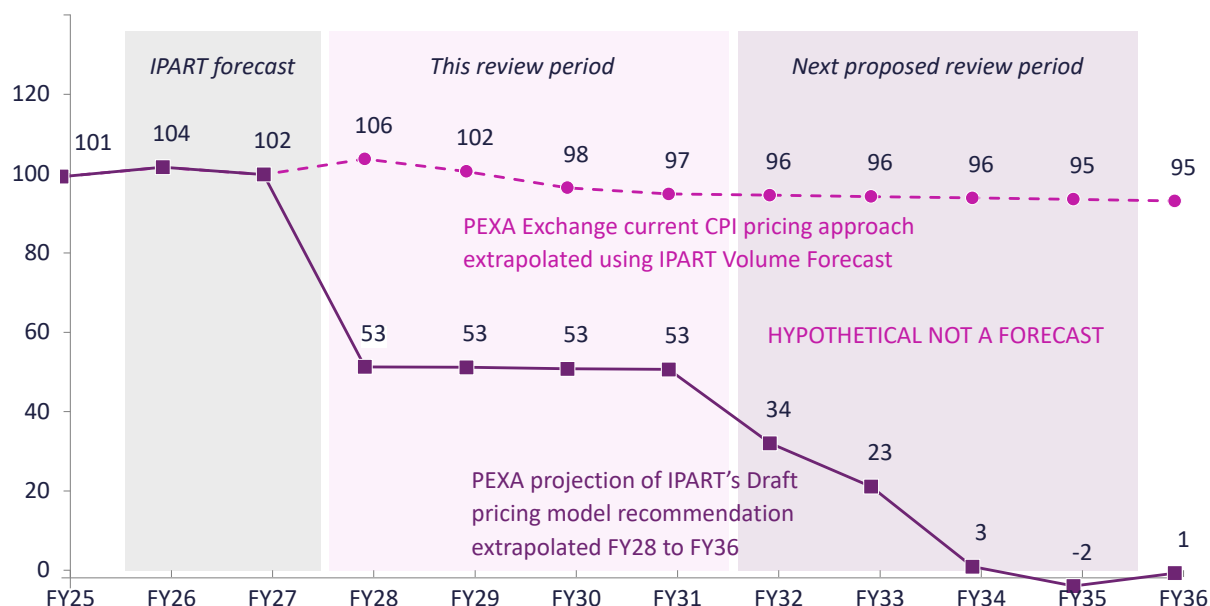
2.2.2 Consequences in future review periods

The Draft Report proposes that PEXA's prices be set for 4 years from 1 July 2027. The impact would be even more severe in a future review period, if IPART's logic were hypothetically maintained beyond the proposed 4-year regulatory period. IPART's recommended prices are derived from the IAB and the resulting notional revenue requirement (NRR). Applying IPART's logic and assumptions, from FY31 PEXA's IAB and NRR would decline further, PEXA Exchange's prices would be further reduced, and PEXA would have minimal free cash flow from FY34. This perverse outcome that PEXA submits could not reasonably have been intended by IPART is illustrated in Figure 1.

⁷ Kost and Pollock (2025) 'How did the Optus data breach happen?' *Upguard* <https://www.upguard.com/blog/how-did-the-optus-data-breach-happen>

⁸ Crozier (2024) 'Medibank's data breach costs anticipated to reach \$126m by mid-2025' *ITnews* <https://www.itnews.com.au/news/medibanks-data-breach-costs-anticipated-to-reach-126m-by-mid-2025-610905>

Figure 1: If IPART’s draft recommendation is implemented and maintained into the next regulatory period, illustrative hypothetical cash flow projections indicate minimal free cash flow from FY34
PEXA Exchange free cash flow post-tax, A\$m, in FY27 values
(PEXA scenario analysis extrapolates IPART’s Draft pricing model for illustrative purposes only, not a forecast)



Note: This is not a company forecast and should not intended to be relied on as such. It is a hypothetical extrapolation that has been prepared for illustrative purposes only to show the fundamental problem of applying a BBM to PEXA Exchange’s business. It illustrates the potential impact on PEXA Exchange’s free cash flows if IPART’s pricing methodology (including its proposed IAB for PEXA Exchange) was adopted in a subsequent pricing review and, following that review, further reductions were made to PEXA Exchange’s prices. The ‘PEXA projection of IPART’s draft’ scenario extrapolates modelling used by IPART to determine PEXA Exchange’s IAB and prices in this review. It assumes that IPART’s recommended pricing for the period FY28-FY31 is implemented and that PEXA Exchange’s prices would be further reduced in the next review period to reflect IPART’s projected notional revenue requirement in the period FY32-FY34. Note that, IPART’s draft report recommends setting prices for the period FY28-FY31 only. There is no guarantee that any further pricing review would recommend that PEXA Exchange’s prices be further reduced. PEXA’s projected cash flow would be different to those shown if prices remained at the levels proposed in the draft report following FY31, or if an alternative pricing methodology was adopted in a subsequent pricing review (including by revising the value of the IAB or modifying other key assumptions used by IPART in this review). The ‘Current PEXA Exchange pricing approach extrapolating IPART vol. forecast’ scenario is for comparison only and does not represent PEXA’s forecast or expectation. It assumes PEXA Exchange’s current prices are maintained and adjusted for CPI only and PEXA Exchange’s transaction volumes follow IPART’s projection. In both scenarios FY33+ volume growth is set to 0.5% (equivalent to FY32 growth rate), and there is no change to trajectory of costs or capex profile.

Source: IPART Draft Report July 2026 (FY25 Actuals – FY26 onwards IPART proposed / projected)

2.2.3 Projected consequences for a future review period should be considered now

Concerns about negative cash flows, while hypothetical, must be given due consideration by IPART. The illustration above shows that, in a scenario in which IPART’s pricing methodology was maintained beyond the proposed 4-year regulatory period, projected free cash flows could fall to less than \$4m per year by FY 2034. While that outcome is by no means certain, it is a logical extension of IPART’s approach in this review. IPART must, therefore, address these inherent problems with its methodology now, as part of this review. Although it should go without saying that no regulator should aim to set prices at such unsustainable levels, this section aims to highlight some of the problems specific to PEXA, if prices were to continue to track IPART’s modelling.

From FY34, the hypothetical free cash flows implied by IPART's own BBM and NRR would leave limited capacity for PEXA Exchange in the real environment to absorb external shocks. With such narrow margins, a capital-light business with a largely fixed cost base such as PEXA Exchange, would be vulnerable to such external shocks. A small variation in revenue could theoretically have serious potential consequences for profitability, which is an outcome so extreme that it could not have been intended by IPART.

With minimal free cashflow (as implied from FY34 under PEXA's illustrative projection), any of the following events could hypothetically cause PEXA to become cash flow negative:

- Volumes drop by 7.5%, as they did in 2022-2023;
- All States increase their land service fees to the same level as Queensland (assuming IPART's draft recommendation is accepted to deny cost pass through)
- NECDS transaction fees increase; or
- ARNECC imposes new capital expenditure requirements.

Regulatory interventions could also lead to negative cash flows. In just the last 12 months, PEXA has experienced unprecedented and unforeseen regulatory interventions by ARNECC, such as:

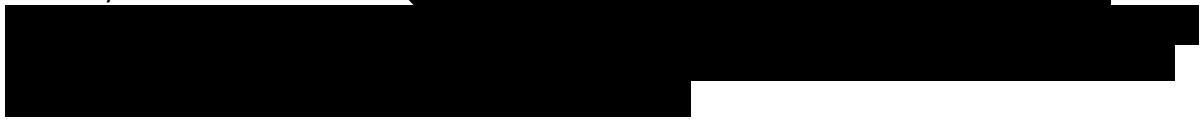
- Increased minimum performance levels, and new requirements for PEXA to invest substantial additional resources to monitor these standards;
- New continuous improvement requirements;
- Formal proposals for mandatory levels of capex spending equal to 10% of revenues (equivalent to around \$30m of capex) – currently not being pursued by ARNECC;
- Formal proposals (currently in consultation) that PEXA engage at its own cost a wide range of independent experts to verify previously self-certified operating requirements on an annual basis; and
- Formal proposals (currently in consultation) that PEXA substantially increase its cyber security insurance and assurance.

If an external shock did lead to negative cash flows, PEXA would have few available levers to respond. Like most digital platforms, most of PEXA's costs are fixed, and given the efficiencies of its operations PEXA would have limited ability to cut costs. Highly prescriptive regulatory requirements for service and reliability standards and ongoing investment would further constrain ability to cut costs. There would also be limited balance sheet assets to sell – so even if the assets are acquired for nominal consideration, the business would continue to have negative cashflows.

PEXA submits that this could not be the outcome IPART intended.

With the prospect of minimal free cash flows, lenders would be likely to be unwilling to lend and PEXA would struggle to raise funds to invest in its eConveyancing platform. Commercial lending relies on a low risk of default – even junk bonds require less than a 5% risk of default. Equity investors would likely also be unwilling to provide capital. This is illustrated by the market's response to IPART's Initial Asset Base discussion paper and, subsequently, its draft report, with PEXA's share price declining by around 50% as shareholders, including many long-term investors, have sold down their positions. A recent report estimated that almost half of PEXA's value can be attributed to PEXA's

relatively immature UK business.⁹



While hypothetical, these are not problems for another day; IPART must consider and address them now, as part of this review. IPART's terms of reference require it to consider, among other things, promoting ongoing investment by ELNOs. The manifest unsustainability of IPART's proposed approach is a design flaw. No reasonable regulator could maintain the pricing methodology into the next review period. Infected with such a fundamental problem, IPART's methodology cannot reasonably be used in this review period.

It is no answer to this problem to say that IPART's methodology may be revised at the next review. To begin with, as noted, the problem is a design flaw in IPART's proposed methodology *in this review*, even if some effects would not be apparent in the next 4 years. In any case, the design flaw means that there would need to be a wholesale change of approach, representing the third pricing regime since 2019. If there is a need for such a change at that point, that, in itself, strongly suggests that the wrong choice has been made now. It is not consistent with regulatory practice for the methodology to be changed during the asset life and certainly not within a period as short as four years.

PEXA is entitled to expect consistency in IPART's application of its methodology over time. The methodology adopted in this regulatory period must be considered in light of its implications for future periods. A materially different approach between regulatory periods without a clear basis would create unnecessary uncertainty and would be difficult to reconcile with a consistent and predictable regulatory framework. PEXA operates over horizons longer than four years and applying a regulatory framework that does not provide certainty beyond a review period of four years is unreasonable for PEXA, its employees, customers, suppliers and shareholders, and other industry stakeholders.

PEXA submits that the draft recommendations are therefore more than simply a pricing issue. If implemented, they would cause a significant shift in the operational and funding risks facing PEXA Exchange as national critical infrastructure, and in doing so they would place eConveyancing as it currently operates at risk. PEXA accordingly submits that whichever methodology IPART adopts, it must arrive at a more enduring and sustainable conclusion than the draft.

2.3 The BBM mechanically depletes a digital asset base contrary to economic reality

As part of this review, PEXA has, in good faith, attempted to apply a BBM to eConveyancing. This was the focus of its initial submission to IPART because it is IPART's default approach, and in IPART's previous examination of e-Conveyancing when it set the 'default RELNO surcharge' it effectively used a BBM.¹⁰ However, when PEXA proposed using a BBM in its submission, it did so using a 'line in the sand' approach derived from IPART's finding that prices in 2019 were reasonable. PEXA has never supported using a BBM, as IPART now proposes, to set an IAB on the basis of PEXA's early years expenditure, precisely because the results for a start-up digital platform such as PEXA are highly unpredictable, and extremely sensitive to key assumptions that lack precedents and predictable calculation, particularly the WACC applied to expenditure between 2011 and 2019.

⁹ Shapiro, 2 August 2026, "PEXA faces a steep price cut and investors a hard reality check", AFR, <https://www.afr.com/markets/equity-markets/pexa-faces-a-steep-price-cut-and-investors-a-hard-reality-check-20260730-p60k41>

¹⁰ IPART (2023), *Interoperability pricing for Electronic Lodgment Network Operators: Final Report*, p.48

As is abundantly clear from IPART's draft report and the financial model IPART provided to PEXA, there are fundamental problems with applying a BBM to a digital platform where most of the expenditure is classified as operating rather than capital expenditure. These problems may explain why other regulators have been reluctant to do so.

These problems can be ameliorated by using historic costs to set the IAB if a BBM is applied correctly, or by basing the IAB on a 'line in the sand' based on IPART's 2019 finding that prices were reasonable. But these approaches merely postpone the inherent problems of applying a BBM to a capital light asset.

In their independent analysis commissioned by PEXA, RBB notes that:¹¹

"While BBMs are commonly used to regulate and set prices for physical utilities in Australia, we do not consider that such an approach can be soundly transplanted directly to set or otherwise regulate PEXA's prices. PEXA differs in important respects from the physical network utilities for which conventional building block regulation is most familiar. In particular, it operates a software-intensive digital platform that reliably connects different stakeholder groups, rather than an extensive network of owned physical infrastructure."

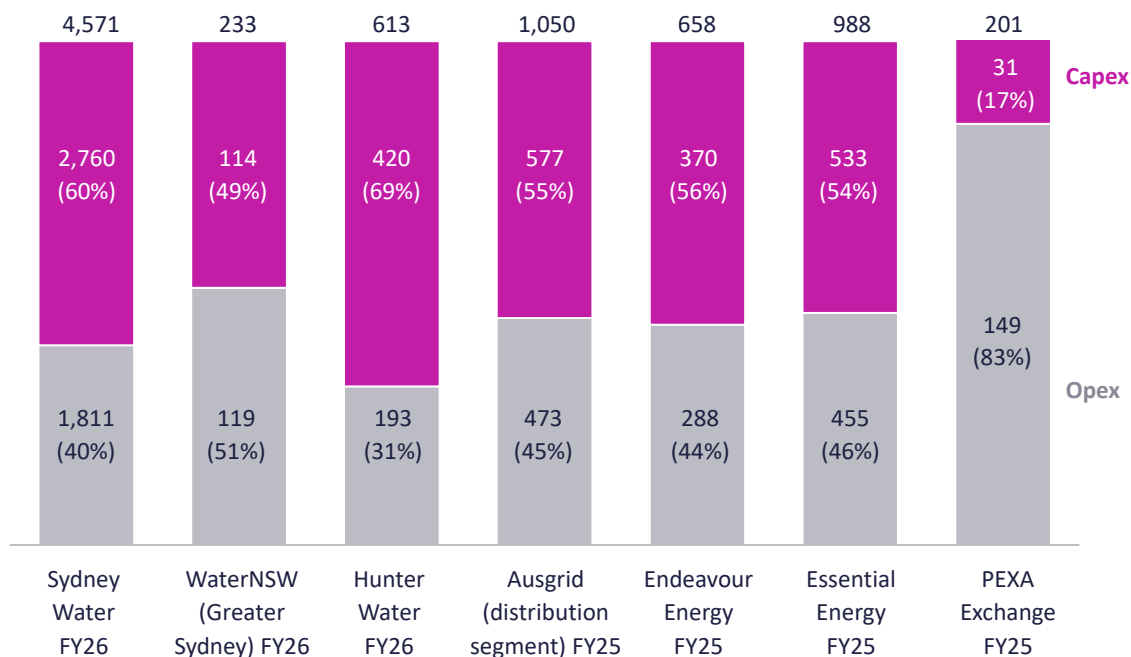
The BBM, as applied in IPART's Draft Report, is typically applied to a capital-intensive physical utility that sustains its asset base through capitalised maintenance. Physical utility infrastructure assets, which are commonly the subject of the BBM, typically direct ~60% of sustaining expenditure to capital expenditure, because physical assets decay and are replaced. That expenditure enters the asset base and earns a return.

PEXA Exchange, by contrast, sustains its asset predominantly through operating expenditure, as is the case for most digital infrastructure assets. Indeed, PEXA Exchange's expenditure profile is close to the inverse of the physical asset profile described above: platform maintenance, security uplift, regulatory compliance and market development are predominantly operating costs, even though they perform the function analogous to maintenance capital expenditure in relation to a physical infrastructure asset. Figure 2 sets out the contrast in capex and opex for comparator infrastructure assets in Australia.

¹¹ IPART Review of ELNO Service Fees - RBB Economics Report, p 5, paragraph 12

Figure 2: Capex is 49–69% of total expenditures for physical infrastructure companies, but only 17% in FY25 for PEXA Exchange, leading to a lower return on and of assets

Breakdown of total expenditures between capex and opex across physical infrastructures and PEXA Exchange, A\$m, in nominal values



Note: Comparator values in nominal terms; capex and opex value at the first year of the determination, else it is total capex/opex, divided by the number of years in the period. PEXA Exchange capital expenditure was 17% of total expenditure for FY25. PEXA Exchange capital expenditure is 21% of total expenditure from FY11 to IPART's projection for FY29.

Source: See Appendix B

The consequence, for a business with PEXA Exchange's cost structure, is mechanical depletion of the asset base over time regardless of how much PEXA Exchange actually invests, an effect compounded by the use of a short accounting life. IPART constructs an Initial Asset Base from accumulated historical investment less depreciation, arriving at approximately \$368 million in FY27. Applying the same mechanics and assumptions would see that base decline to approximately \$203 million by FY33. That decline is not a consequence of PEXA Exchange investing less; it is a consequence of the limitations of a model that recognises only a small fraction of what PEXA Exchange invests.

IPART itself recognised these issues in constructing the Initial Asset Base, applying an uplift to 100% of PEXA Exchange's operating expenditure up to FY19 on the basis that this expenditure built the asset. As discussed further below, while PEXA welcomes the uplift, it is an implicit acknowledgment of the fundamental problem of applying a BBM to a business like PEXA Exchange. It is also only a partial solution that has been misapplied. PEXA submits that the draft report does not appear to have considered the wider implications of these structural differences between physical infrastructure and a digital network platform.

2.4 Alternative frameworks support the status quo

IPART's draft report fails to undertake the tasks required by its terms of reference in that:

- having determined that fees should continue to be regulated, there is no analysis of the range of options available to deliver some form of regulatory oversight on prices. There are **less interventionist responses** (rather than explicitly setting prices) that have not been considered; and

- it **failed to consider any frameworks** other than the BBM to set prices (See section 4.7.1 and 4.7.2 as well as separate submission: 'IPART Review of ELNO Service Fees - RBB Economics Report').

IPART's failure to consider these alternatives is surprising, because when regulating digital platforms, other regulators have almost invariably used them rather than attempting to apply a BBM.

IPART has not undertaken any assessment of whether a heavy-handed form of cost-based regulation is appropriate in the circumstances. Having made a decision that some form of regulatory oversight is appropriate given the highly concentrated nature of the market,¹² IPART's next step should be to determine what form of regulatory intervention is appropriate by assessing the range of options available and considering why one methodology is to be preferred. Typically, a regulator will undertake an assessment of the range of regulatory oversight mechanisms that are available and then select the least interventionist approach that addresses the issue at hand. In other words, the regulator monitors markets to determine if the costs of the dominant player's conduct outweigh the costs of regulatory intervention. IPART's draft report does not contain this assessment.

In their independent analysis commissioned by PEXA , RBB notes that:

Alternative regulatory approaches sit on a spectrum. Towards the more light-handed end, a regulator may retain an existing price constraint, monitor price and non-price outcomes and reserve stronger intervention for circumstances in which evidence of harm emerges.

*The further regulation moves towards prescriptive price-setting, the more precisely the regulator must identify the price that would prevail under workable competition (where we would consider a price that emerges from workable competition to be a 'reasonable price'). That increases the risk of regulatory error where the relevant price cannot be estimated reliably. A price set too high may permit the exercise of market power; a price set too low may weaken incentives for investment, innovation and service quality."*¹³

If a regulator did conduct this assessment of the eConveyancing market, it would be reasonable to conclude that a less interventionist approach would be appropriate given that the substantial business has not increased prices in real terms, and the regulatory regime already regulates the business' conduct in adjacent markets.¹⁴

Applying a BBM to a digital platform would make IPART a regulatory outlier. Other jurisdictions have recognised that building block models are not well suited to assessing the pricing of digital platforms, as shown in Figure 3. PEXA and its expert advisors have been unable to identify a regulator anywhere in the world that has applied a BBM to set prices for a dominant digital platform.

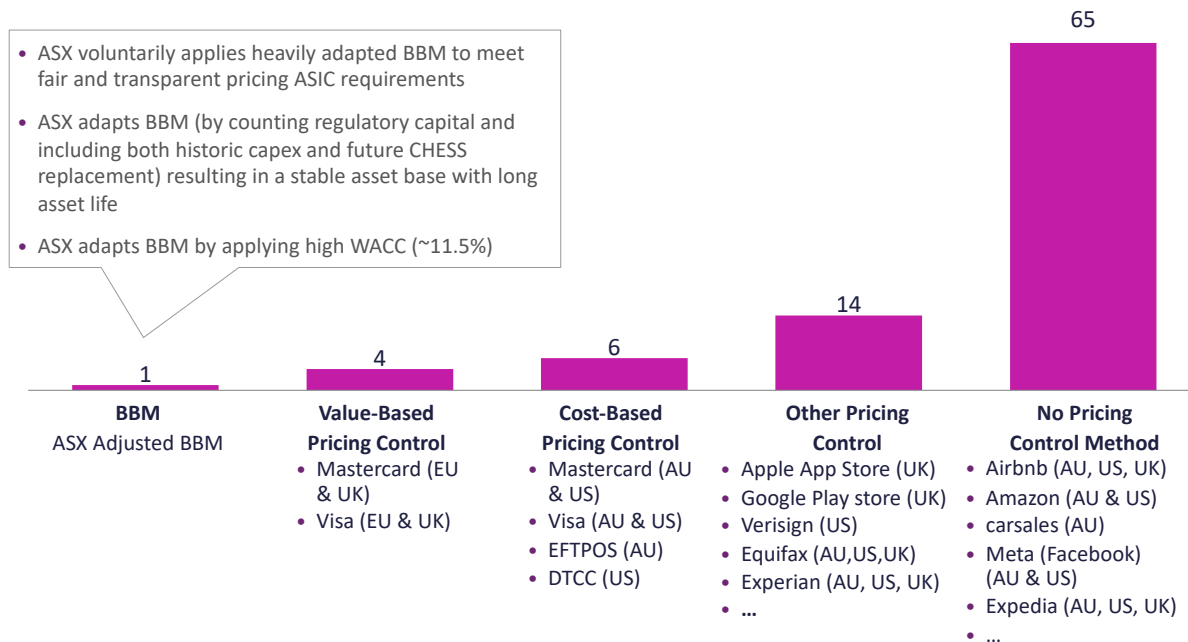
¹² *ibid*; Draft Report at p25

¹³ IPART Review of ELNO Service Fees , August 2026 paragraph 30 and 31

¹⁴ MOR 5.6 prevents an ELN from being integrated with Downstream and Upstream businesses; and MOR 5.5 requires an ELN to offer integrations to all comers on equivalent terms.

Figure 3: No other regulator, domestically or globally, has set prices using a BBM when reviewing a digital platform

Number of digital platforms per regulatory regimes (49 firms considered across 6 jurisdictions, totalling 90 observations)



For sources, see Appendix B

Given its terms of reference and the lack of regulatory precedent, it is incumbent on IPART to consider the alternatives, and what might be learnt from the practices of other regulators given that IPART otherwise has little experience in regulating digital platforms, or businesses with relatively low capital expenditure.

Where regulators elsewhere have reviewed digital platforms with dominant market positions, they have generally not assessed prices purely by reference to a cost base. They have instead asked whether prices are excessive, applying the framework established by the European Court of Justice in *United Brands* in 1978.¹⁵ That framework tests whether a dominant firm is abusing its position through its prices, and holds a price unlawful where it bears no reasonable relation to the economic value of the product or service. It has two limbs. The first is **excessiveness**, assessed through margin analysis: whether there is a disproportionate gap between price and economic cost, and how the value created is divided between the platform and its customers. The second is **unfairness**, assessed by comparison: whether the price is unfair in itself, or relative to comparable products benchmarked against appropriate comparators.

¹⁵ European Court of Justice (1978), *United Brands Company and United Brands Continentaal BV v Commission of the European Communities. Chiquita Bananas. Case 27/76* (61976J0027) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A61976J0027&qid=1786403458631>

The framework has been applied recently, and specifically to digital platforms. In October 2025 the United Kingdom's Competition Appeal Tribunal found Apple's 30% App Store commission excessive, on the basis of a significant and persistent gap between actual costs and revenues, and unfairness when benchmarked against comparators including Steam and the Microsoft Store.¹⁶ A collective action against Google Play advancing the same argument in respect of the same commission rate is listed for trial on 28 September 2026.¹⁷

PEXA submits that this framework is better suited to the present review than a BBM, for two reasons:

- **It fits PEXA Exchange's profile.** As a dominant digital platform whose value derives from network effects, PEXA Exchange has considerably more in common with the App Store or Google Play than with a physical infrastructure asset. The reasons the BBM does not accommodate an asset of this kind are set out at section 4.8
- **It answers IPART's question directly.** The framework is designed to test price against economic value, which is precisely the question IPART must resolve in determining what an ELNO should be permitted to charge.

Applying that framework, PEXA Exchange's prices are not excessive. PEXA Exchange's platform generates substantial value beyond the fees it charges. PEXA Exchange contributed approximately \$480 million to Australian GDP in 2025, and approximately \$3.02 billion cumulatively since 2015.¹⁸ It generates approximately \$390 million each year in cost savings for its customers.¹⁹ The balance flows to solicitors, conveyancers, and financial institutions, who benefit from the removal of in-person title exchange and physical lodgment at land registries. Competition between them may result in these benefits being passed on to consumers as lower conveyancing fees, lower financing fee, or lower interest rates.

Applying that framework, PEXA Exchange's prices are also fair. PEXA Exchange's operating margin is not an outlier. It sits in the bottom quartile of comparable digital businesses, including many that operate in competitive markets, as shown in Figure 4. PEXA Exchange's fees have risen only broadly in line with CPI since 2014, while other components of property transaction costs have increased considerably more. A price that has not risen in real terms in 12 years, while the service has materially improved in functionality, reliability and security, does not exhibit the indicia the framework is designed to detect.

¹⁶ UK Competition Appeal Tribunal (2025), *Dr. Rachael Kent v Apple Inc. and Apple Distribution International Ltd* <https://www.catribunal.org.uk/judgments/14037721-dr-rachael-kent-v-apple-inc-and-apple-distribution-international-ltd-judgment-0>

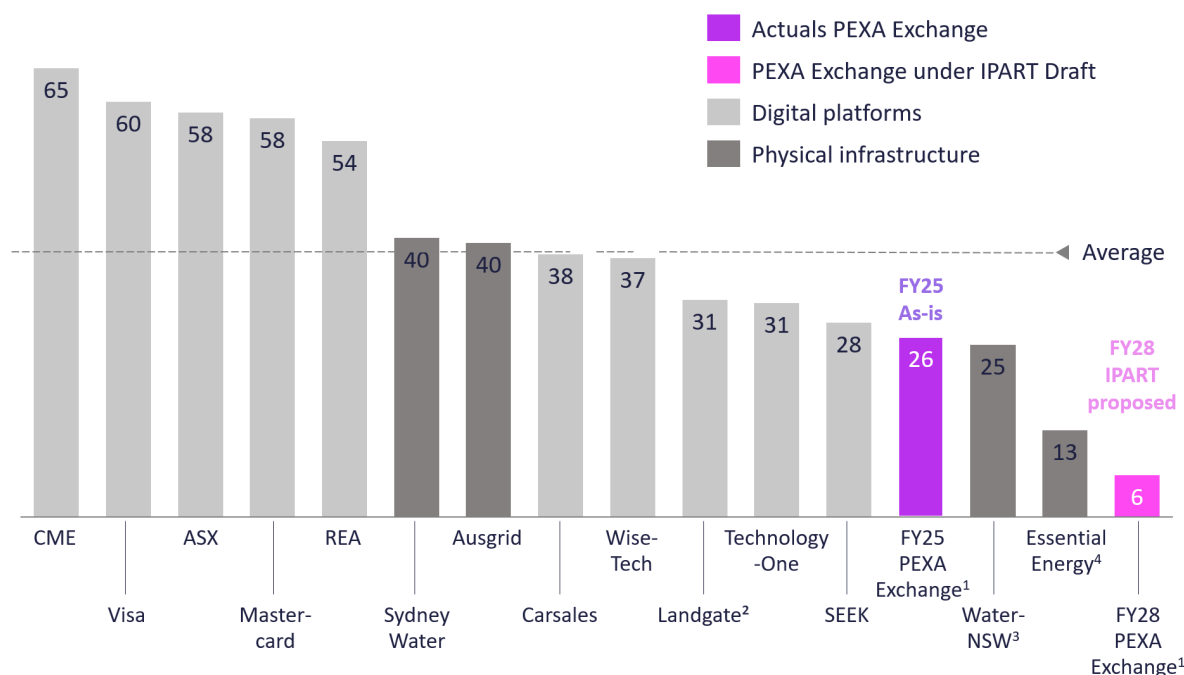
¹⁷ UK CAT (September 2021), *Elizabeth Helen Coll v Alphabet Inc. and Others*, *Summary of collective proceedings claim form* https://www.catribunal.org.uk/sites/cat/files/2021-09/2021.09.13_1408_%20rule_76_website_summary_CPDrevs.pdf; UK CAT (July 2026), *Elizabeth Helen Coll v Alphabet Inc. and Others*, *Order (PTR)* <https://www.catribunal.org.uk/sites/cat/files/2026-06/Google%20App%20Distribution%20Market%20%281408%20%26%201673%29%20-%20Order%20%28June%20Hearing%29%20-%2010th%20June%202026.pdf>

¹⁸ PEXA ECONOMIC IMPACT REPORT 2015-2025 – Connecting People to Place – How Australia's digital property settlement platform has contributed to the Australian economy; p. 12

¹⁹ PEXA ECONOMIC IMPACT REPORT 2015-2025 – Connecting People to Place – How Australia's digital property settlement platform has contributed to the Australian economy; p. 12

Figure 4: PEXA's profit margins are not unusual for comparable businesses and IPART's proposal would reduce them dramatically

EBIT margins (EBIT to Revenue ratio) for Australian technology businesses similar to PEXA, %



Note: FY25 numbers if not mentioned otherwise; Revenue includes revenue from the government, where applicable;

1. PEXA's Australia business; FY25 PEXA Australia excludes impairments; 2. Landgate provides land tenure management, titling, valuation, location, and access to information services; 3. Excludes other revenue, i.e., ancillary services, insurance recoveries; 4. Excludes other revenue from contracts with customers, i.e., customer contributions, recoverable capital works

Source: FY25 annual reports; PEXA actuals (FY11 – FY25), IPART draft July 2026; company margins as per Appendix B

The framework corroborates PEXA's core argument. Applied properly, this framework demonstrates that PEXA Exchange's current price level and its proposed CPI escalation are reasonable, and do not meet the indicia of excessive profits. PEXA submits that IPART should apply it — if not as its primary approach, then at least as a cross-check on the draft. On either footing it arrives at the same conclusion as PEXA's primary submission: that PEXA Exchange's prices are reasonable, and that the existing CPI-linked cap should be maintained.

2.5 If IPART determines a price reduction using a BBM, its application must be adjusted so that it is applied consistently with principle and IPART's own stated methodology

While PEXA submits that no change to the current CPI-linked cap is warranted, if IPART elects to review prices using the BBM, it must amend its Draft Report so that it applies the BBM consistently with its foundational principle and with IPART's previous determinations. That principle is that over the life of the business, the present value of the revenue PEXA Exchange is allowed should equal the present value of its efficient costs — recovering the efficient capital PEXA Exchange has invested (the return of capital), together with a return on the capital still employed, set at the WACC (the return on capital), as well as its efficient operating costs.

IPART's application of the BBM is flawed because:

- PEXA would **get no return on its original investment** between 2011 and 2019 because IPART rolled it forward at CPI, allowing no return on that investment;

- The **rate of return between 2011 and 2019**, which IPART applied in its Recovered Capital cross-check, and should have applied in its primary rolled forward approach, was far too low relative to the risks of PEXA's early years
- The **rate of return between 2019 and 2025** which IPART applied in its Recovered Capital cross-check is too low, based on comparator sets that IPART has since decided are inappropriate
- PEXA would **not get a return of much of its original investment** because IPART depreciated that investment between 2011 and 2019 when PEXA had minimal offsetting revenue
- The **economic life of PEXA's initial** investment is too low, reflecting accounting life rather than the economic reality
- PEXA's operating costs from 2027 onwards are underestimated because IPART has **double-counted productivity gains**
- **PEXA's volumes are overestimated** from 2027 onwards because IPART forecasts use an outdated baseline of Jul-Dec 2025

Below PEXA outlines the basis of these issues, and potential mitigations. The mitigations are imperfect but essential if IPART uses the BBM. The imperfections ultimately demonstrate the fundamental problems with applying a BBM for an asset like PEXA Exchange, and why the existing CPI-linked pricing regulation should be retained. The draft denies PEXA Exchange both a return on, and a return of its initial investment

The foundation of the BBM is that over the life of a business, the present value of a business's revenues should equal the present value of its costs, including a reasonable return on investment. Under the model, a regulated business recovers its capital investment through two allowances each year: depreciation, which returns the original investment (the return of capital), and a return on the remaining value of the asset base (the return on capital). The assumptions adopted in the draft report have the effect that PEXA Exchange receives no return on capital and a significantly reduced return of capital in respect of the historical costs it incurred before FY20. This is inconsistent with the foundational principle of the model set out above and materially understates the IAB.

2.5.1 IPART should allow a rate of return on PEXA Exchange's historical investments between 2011 and 2019

IPART's proposed approach in calculating the IAB adjusts investments between 2011 and 2019 at CPI only, preventing PEXA Exchange from earning a return on its investments and ignoring the risk borne by PEXA Exchange's initial investors. As a result, there is no mechanism by which PEXA Exchange can recover the cost of funding that expenditure. This appears inconsistent with the statement in the draft report that the approach "allows for the time value of money through indexation and the application of a rate of return",²⁰ and with IPART's treatment of pre-operational expenditure in its 2019 review of WaterNSW's Murray River to Broken Hill Pipeline.²¹

²⁰ IPART Draft Report, p.69

²¹ IPART (2019), *Murray River to Broken Hill Pipeline: Water NSW: Final report* https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-murray-river-to-broken-hill-pipeline-waternsw-may-2019_0.pdf, p.50: depreciation was not applied to capital expenditure over three years on a new pipeline until the pipeline commenced operations.

PEXA submits that IPART should correct its methodology and IAB calculation to allow for a rate of return before FY20. Applying a risk-adjusted rate of return would increase the PEXA Exchange's end of FY27 Initial Asset Base (IAB) by between ~\$200m and ~\$1,115m,²² depending on the rate selected. That range is itself an indication of how sensitive the outcome is to a single judgment for which there is no obvious regulatory precedent.

IPART applies no rate of return to expenditure between FY11 and FY19 in its roll-forward model used to calculate the IAB. However, as discussed below, IPART does apply rates of return to expenditure between FY11 and FY19 in applying its cross-check methodology, although those rates of return are manifestly too low.

2.5.2 The rates of return between 2011 and 2019 were far too low relative to the risks

The **rate of return between 2011 and 2019**, which IPART applied in its Recovered Capital cross-check for the IAB, and should have applied in its primary IAB rolled forward approach, is far too low relative to the risks. IPART acknowledges that the Recovered Capital cross-check is "highly sensitive to the early-year rate of return" assumption.²³ Despite this, IPART's rate of return assumptions are speculative, arbitrary and wrong.

For the period 2011 to 2019, IPART tested a range of rates of return that all were far too low relative to the risks:

- IPART's reasoning has **confused the average rate of return** to venture capital investments with the rate of return for *successful* investments
- IPART's consideration of the risks facing PEXA amounts to no more than **unsourced speculation and produces arbitrary results**
- PEXA's **actual fundraising sources and methods** suggest it was a high-risk investment
- The **actual risks** faced by PEXA were typical for an early-stage digital platform (particularly the risk that PEXA did not attract a critical mass of users), for which typical rates of return are much higher than suggested by IPART
- The early **participation of banks and governments did not materially reduce the risks** – history reflects that such participation did not materially reduce risks, and such participation could not possibly materially reduce the critical risks of failing to develop a secure and functional platform, and failing to attract a critical mass of conveyancers / legal practitioners
- Applying a **plausible risk of failure** for PEXA between 2011-2019 of at least one-in-three implies a much higher required rate of return between 2011-2019 for a successful investment, than the one-in-four risk of failure implied by IPART's rate of return
- **Assessments by well-regarded academic finance experts** indicate that a much higher rate of return should be applied to PEXA
- **Benchmark rates of return** applied by venture capital investors to an investment such as PEXA at its stages of evolution are higher than the rates of return applied by IPART
- The rate of return applied by IPART is **inconsistent with the actual return earned** (35%) by initial investors, including State Governments (Figure 15)

²² Delta between Recovered Capital Method and IPART IAB draft of \$368m with a WACC profile linearly decreasing from 35% (IPART Crosscheck), 50% & 65% in FY11-19; 7.1% in FY20-22; 6% in FY23-25 6.5% in FY26-27

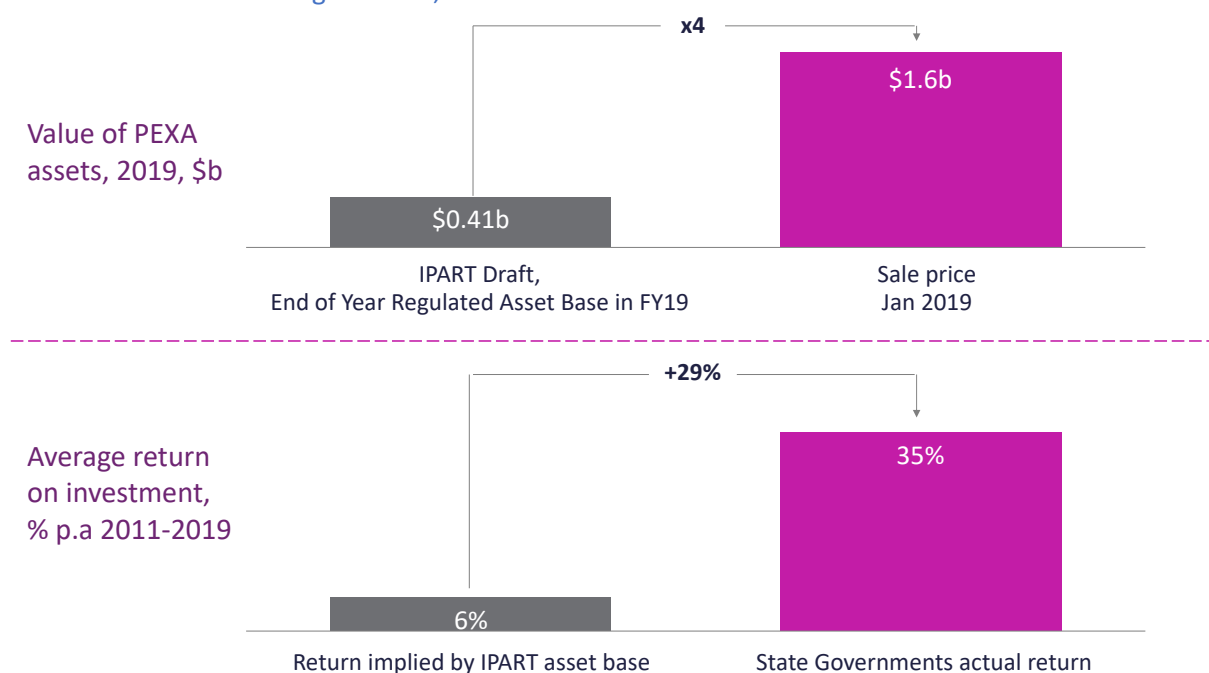
²³ IPART *Draft Report*, p.76

- In contrast to the substantial evidence outlined above, **IPART has provided insufficient justification** for the rate of return that it has proposed in its draft report

PEXA's trade sale in 2019 provides a real-world reference point consistent with higher rates of return: the original investors, including the State governments of New South Wales, Victoria, Western Australia and Queensland, realised an actual return over FY11 to FY19 averaging ~35% per annum, as shown in Figure 5. Applying an average rate of return of ~35% between FY11 to FY19 would increase PEXA Exchange's end of FY19 Initial Asset Base (IAB) by \$870m,²⁴ and with an additional modification for the rate of return from 2019 to 2023 detailed below of \$90m²⁵ would result in an IAB which would be more consistent with the price paid by investors in 2019 of \$1.6 billion.

Figure 5: IPART draft doesn't represent the reality of 2019 sale

Valuation of PEXA exchange in FY19, nominal values



Note: IPART-implied IRR calculated using annual cash flows from FY11–19, assuming a sale end of FY19 at \$0.41m
Source: IPART Draft July 2026 & PEXA data

²⁴ RCM method FY11 to FY19 WACC starting at 60% and approximate average 35%, FY20-FY22 WACC 4.6% and FY23-FY25 WACC 5.7%, FY 26 WACC to FY29 WACC 6.5%

²⁵ RCM method FY11 to FY19 WACC starting at 60% and approximate average 35%, FY20-FY22 WACC 7.1% (from 4.6%) and FY23-FY25 WACC 6.0% (from 5.7%), FY26 WACC to FY29 WACC 6.5%

2.5.3 The rates of return between 2019 and 2023 that IPART applied in its Recovered Capital cross-check were also too low

In applying the Recovered Capital Method, for the period from FY20 to FY27, the draft applies different rates of return derived from different comparator sets. For FY20 to FY22 it uses the set IPART adopted in its 2019 study, based on retail mortgage banks.²⁶ For the years from FY23, it uses the set IPART adopted that year, having found that real estate and data exchange companies are a more appropriate proxy for PEXA Exchange.²⁷ PEXA Exchange's business model did not change in the interim, and the draft does not explain why the comparator set IPART has since rejected, should continue to determine the return for the earlier years. PEXA submits that the comparator set IPART has itself accepted since FY23, and adjusted in its Draft Report, should be applied consistently across the period. Correcting the comparators increases PEXA Exchange's end of FY27 Initial Asset Base (IAB) by ~\$200-300m.²⁸ Further detail on this correction, including equity beta and gearing across the peer set, is set out at section 3.5.

The Recovered Capital Method ("RCM") used by IPART is highly sensitive to the fair rate of return, which further reinforces the need for a cautious approach. As IPART's draft report acknowledges, the rate of return is the most influential assumption in the cross-check method used in the draft report.²⁹ Where a recommendation of this materiality depends so heavily on a single contestable input, PEXA submits that the appropriate response is caution: to draw on external data sources, to test the assumptions rigorously, and to reconcile the result against verifiable external evidence as submitted by PEXA throughout this and previous submissions.

2.5.4 IPART should commence depreciation only once the platform reached maturity, so that PEXA Exchange has the opportunity to earn a return of its initial investment

Returning to IPART's BBM, the draft report commences depreciation of PEXA Exchange's capital and operating expenditure between FY11 and FY19 in the year of spend, even though PEXA Exchange earned no revenue until FY15 and did not have positive cashflows until FY20 (Figure 6). By starting depreciation before the PEXA Exchange was earning any revenues, the PEXA Exchange can never recover that investment. PEXA submits that depreciation should instead commence in FY20, when the asset was operational and generating significant revenue. This is consistent with IPART's own approach in its 2019 review of WaterNSW's Murray River to Broken Hill Pipeline,³⁰ where depreciation did not commence until the pipeline began operating. This adjustment alone adds ~\$175m to PEXA Exchange Initial Asset Base (IAB) in FY27.³¹

²⁶ PEXA notes that it made no submission on the WACC in response to IPART's draft report in 2019 because the issue was moot given IPART's overall finding that PEXA's current prices were reasonable.

²⁷ IPART (2023), *Interoperability pricing for Electronic Lodgment Network Operators: Final Report*, p.75-77

²⁸ Comparison of EoFY27 IAB level in RCM when adjusted FY20-25 from FY20-22: 4.6% vs 7.1%, FY23-25: 5.7% vs 6% in two scenarios with fixed FY11-19 & FY26-27 WACC levels (FY11 starting at 60% or 35% and linearly decreasing to 7.1% respectively)

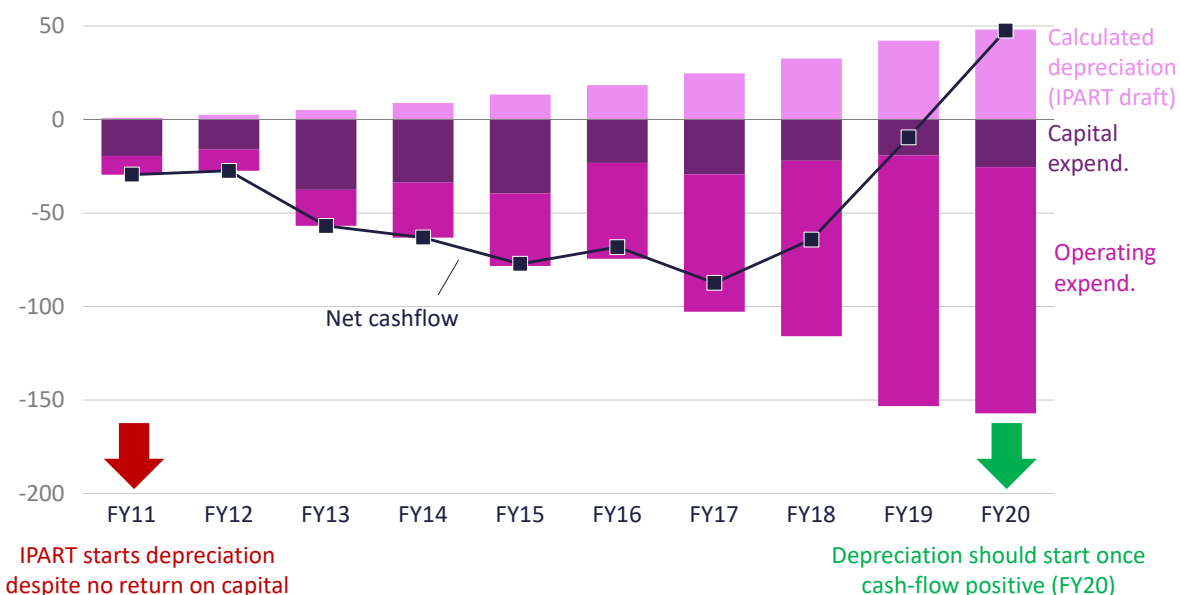
²⁹ IPART, *Draft Report*, p.74-77

³⁰ IPART (2019), *Murray River to Broken Hill Pipeline: Water NSW: Final report*

https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-murray-river-to-broken-hill-pipeline-waternsw-may-2019_0.pdf, p.50: depreciation was not applied to capital expenditure over three years on a new pipeline until the pipeline commenced operations.

³¹ Estimated in roll forward framework indexing all capital & operating expenditure from FY11-19 to FY20 with no depreciation before FY20

Figure 6: IPART draft commences depreciation of PEXA Exchange's capital in FY11, notwithstanding that PEXA Exchange earned no revenue until FY15
 PEXA Exchange's early years depreciation and costs, in FY27 value, A\$m



Source: IPART Draft July 2026

RBB's 'Review of IPART draft report' also notes:³²

"IPART's assumption that capital depreciation starts in the year of purchase does not reflect the economic usage of the assets employed by a digital platform or allow for capital recovery of PEXA's early investments under a BBM. Applying alternative depreciation profiles that may better reflect the period in which PEXA's assets generated economic value increases the estimated NRR by approximately 4% to 9% relative to IPART's approach."

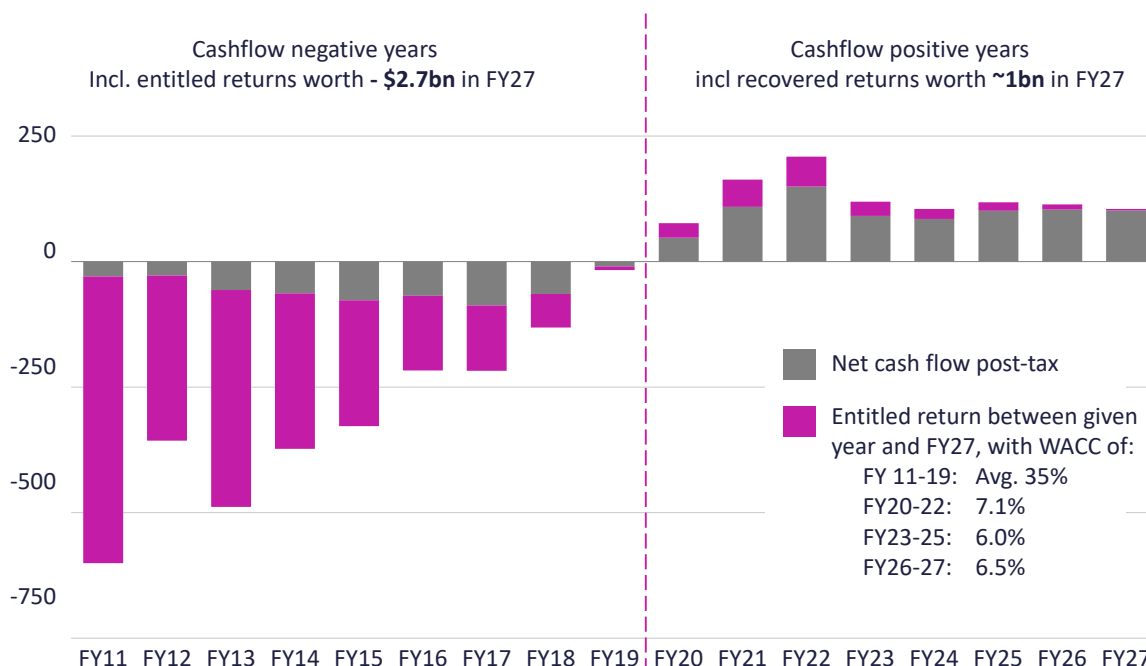
2.5.5 IPART should recognise PEXA Exchange's under-recovered investment as an intangible component of the asset base

Adjusting for the return of, and on, PEXA Exchange's initial investment also demonstrates that PEXA Exchange has under-recovered that investment to 2027. Figure 7 sets out PEXA Exchange's net cash flow over time, including a rate of return. It shows eight consecutive years of net investment to FY18, and recoveries since that are yet to offset it. PEXA Exchange remains under-recovered as at FY27. PEXA submits that the present value of this unrecovered efficient historical expenditure should be recognised as an intangible asset, and should be part of the IAB.

³² IPART Review of ELNO Service Fees - RBB Economics Report, page 48, paragraph 234

Figure 7: PEXA Exchange has under-recovered its initial investment

Net Present Value (NPV) of PEXA Exchange net cash flow, in FY27 value, A\$m



Note: Each year represents the FY27 present value of cash flow generated from that year onwards, including the assumed rate of return, the following WACC scenarios: WACC declines linearly from 60% over FY11–19, 7.1% in FY20 and 6.0% in FY23 and 6.5% from FY26 onwards.

Source: IPART Draft July 2026

2.5.6 IPART should apply the platform's true 20-year economic life to the unrecovered historical expenditure recognised as an intangible asset

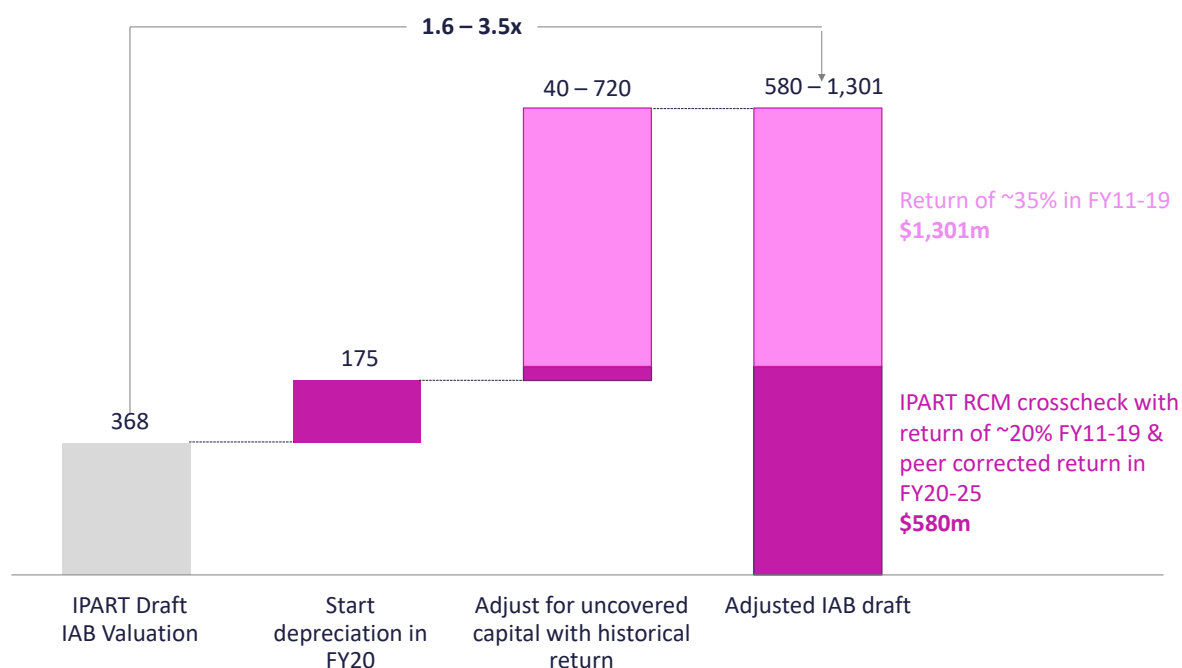
IPART should reflect a 20-year remaining economic life for the intangible assets embedded in PEXA's Exchange core platform when calculating depreciation within the IAB. The basic principle of the BBM is that the life of an asset should reflect its economic life. IPART's approach implicitly treats the platform's intangible value as generic commercial software on a normal refresh cycle. PEXA Exchange is digital infrastructure, crucial to the operation of the Australian property transaction ecosystem. As Figure 12 in section 3.2.4 illustrates, most successful two-sided networks have operated far longer than the average accounting life of their component assets, reflecting the longer economic life of the intangible assets that underpin them. PEXA submits that a 20-year remaining economic life should be applied to the intangible asset component of the Initial Asset Base from FY28 (the first year of the review period), consistent with PEXA's November 2025 submission.

2.5.7 After being adjusted, the BBM produces an Initial Asset Base 3.5 times higher than IPART's draft

Adjusting IPART's model for the issues identified above, and updating it with appropriate assumptions, produces a materially higher Initial Asset Base, as illustrated in Figure 8.

Figure 8: Adjusting the issues identified in IPART's methodology would imply an increase in Initial Asset Base (IAB)

Adjusted Initial Asset Base (End of year FY27), in FY27 values, A\$m



Note: Depreciation impact estimated in roll-forward framework by indexing all capital and operating expenditure incurred from FY11–19 to FY20, with no depreciation recognised prior to FY20. Unrecovered capital is adjusted by capturing intangibles through the RCM, using linearly declining profiles from 35% over FY11–19 (averaging 20%), and from 60% over FY11-19 (averaging 35%) and WACC assumptions of 7.1% in FY20–22, 6.0% in FY23–25 and 6.5% from FY26 onwards.

Source: IPART draft July 2026

That result is also consistent with the external evidence available. IPART's draft methodology produces an Initial Asset Base of \$368 million at FY27.³³ Figure 9 sets out eight estimates of the same asset base:

- the estimates based of input from three independent economic experts (commissioned by PEXA)
- the 2019 trade sale price rolled forward to FY27 (\$1,700–1,945 million³⁴)
- Asset base recognised under the Commonwealth tax framework following the 2019 trade sale, rolled forward
- Extension of IPART's 2019 finding that prices were reasonable (a DCF "line in the sand" approach of \$1,435–1,705 million³⁵)
- Valuation based on internal IRR (internal rate of return) in 2010 offered to investors
- IPART's own model with necessary adjustments identified in section 2.5.7. above, as shown in Figure 8.

³³ IPART, *Draft Report*, p.5

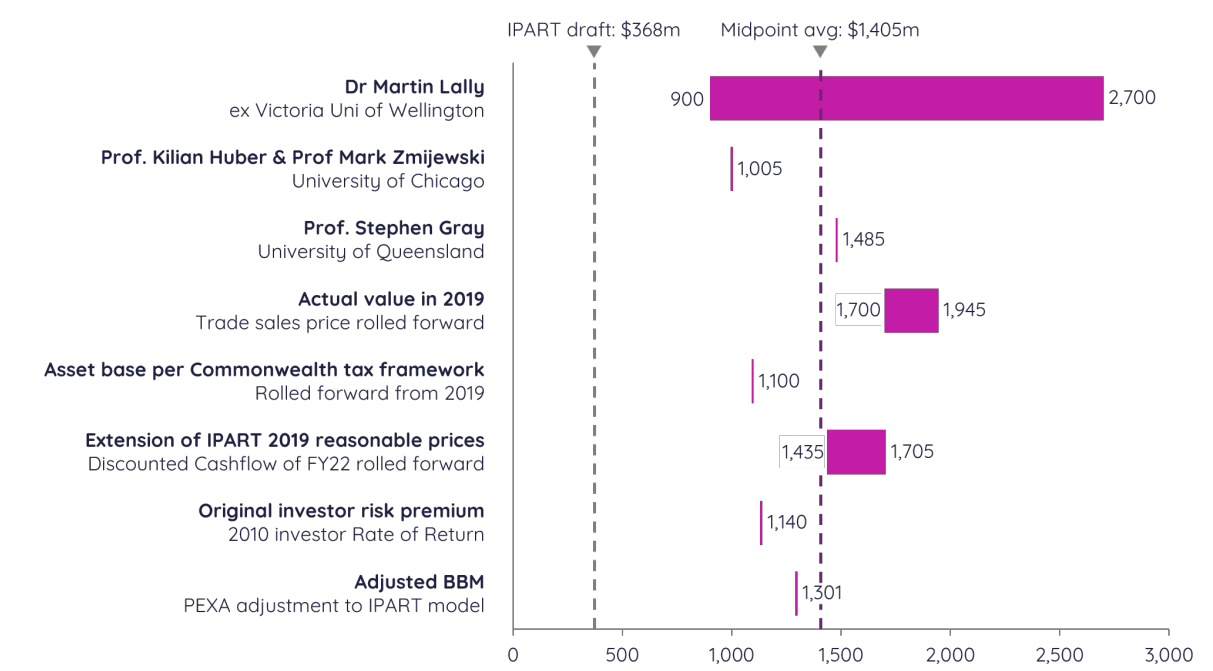
³⁴ Trade sale price of 1.62bn (nominal) used to set IAB EoFY19 – From FY20, the roll forward approach is applied treating the assets valued at the sale price as one class (with an asset life of 20-35 years) and all other capital expenditure treated as their respective asset classes drafted by IPART

³⁵ As submitted in the November submission: Pre-tax cashflow is used to define the lifetime value of PEXA (assuming WACC of 8.6%) by EoFY22 – From FY23, the roll forward approach is applied treating the assets valued at the DCF as one class (with an asset life of 20-35 years) and all other capital expenditure treated as their respective asset classes drafted by IPART; range reflect asset life at 20 yrs and 35 yrs

Their midpoint average is \$1,405 million, some 3.8 times the figure in IPART’s draft. The adjusted IAB produces \$1,301 million, which sits within that range. PEXA accordingly submits that, should the BBM be used, PEXA Exchange's Initial Asset Base should be set at \$1,301 million (Figure 9): The proposed adjustments reduce the gaps between the asset base value in IPART draft and the external evidence of 2019 PEXA sale price.

Figure 10: Multiple approaches suggest that the IAB should be much higher than IPART has calculated

Value of PEXA Exchange end of year FY27 Initial Asset Base across submissions, in FY27 values, A\$m



Note: All estimates are based on PEXA calculations from official sources and expert reports. See appendix A for overview of details supporting each estimate. The quoted expert reports have been submitted to IPART as: Huber and Zmijewski (2026) ‘Expert report_IPART_Report’; Gray, 31 July 2026 “The required rate of return for the RCM method applied to PEXA”; and Lally, August 2026, “The initial asset base for PEXA in 2027”

2.6 Submissions on other matters

2.6.1 Volume forecast should reflect the latest available data

PEXA anticipates that IPART will update its volume forecast in the final report to reflect data that has become available since the draft was prepared. The forecast used in the IPART draft report appears to take July to December 2025 as its starting point. H1 FY26 saw strong market volumes, delivering above average transaction levels in FY26. Conversely early FY27 activity has been well below the same period in FY26, with FY27 volumes expected to fall, as depicted in Figure 10.

PEXA also notes that the draft IPART forecast does not reflect the structural shift arising from the housing tax reforms announced in the May 2026 Federal Budget,³⁶ which are designed to make investment in existing housing less attractive. Investors hold property for an average of 14 years against 23 years for owner-occupiers, so it is widely accepted that the reforms are likely to lead to structurally lower transaction volume.³⁷ PEXA submits that IPART should update its volume forecasts to reflect actual volumes to June 2026 and the structural effects of the Federal Budget reforms.

³⁶ Commonwealth Government of Australia, 2026, Budget 2026–27: Negative Gearing and Capital Gains Tax Reform, with a Treasury factsheet at budget.gov.au

³⁷ NSW Treasury, Holding periods of residential property buyers in NSW (TRP22-13), Appendix 6



2.6.2 Productivity enhancement requirements appear to have been double counted

The draft applies a 1.7% annual productivity adjustment to controllable costs that were themselves projected forward from the average change in PEXA Exchange's costs over the preceding three years. However, that projection already reflects the savings PEXA Exchange achieved over the preceding period. PEXA had strong commercial incentives to reduce its costs where possible between 2022 and 2025, and did so. PEXA had publicly reported on several occasions that its financial results reflected significant annual savings.³⁸ The fact that the costs increased overall does not demonstrate that PEXA failed to achieve annual savings – IPART's draft report accepted PEXA's submissions that its overall costs have been increased by a range of factors including spending to increase the reliability, functionality, coverage to an additional three jurisdictions, security, resilience, and regulatory compliance of its services.³⁹ Applying a further adjustment counts the same savings twice. PEXA submits that IPART should not apply any productivity adjustment, as the savings it represents are already reflected in the projected cost base.

If IPART does apply an annual productivity adjustment, it should be 1.1%, not 1.7%. The lower figure is the average for the market sector over 30 years, rather than the average for PEXA's specific sectors over 15 years. Using the specific sectors is inappropriate because it is inconsistent with IPART's own previous explicit decisions, and it does not recognise the regulatory constraints that constrain PEXA's ability to achieve productivity savings.

³⁸ For examples, please see PEXA FY24 Investor presentation, 1HFY26 Investor presentation at <https://www.pexa-group.com/investor-centre/>

³⁹ IPART *Draft Report*, p.61-62

2.6.3 IPART should retain the pass-through of uncontrollable government costs

The removal of the pass-through of uncontrollable costs reverses an approved position. IPART proposes to revert to national pricing. Jurisdiction-based pricing, which allows charges levied directly by government agencies to be recovered in the jurisdiction where they are incurred, has already been approved by a majority of States and Territories. PEXA has developed that capability with the approval of State and Territory Registrars at significant cost and it will be fully operational by November 2026. IPART's draft would remove that pass-through, recommending nationally consistent prices instead. PEXA Exchange would instead absorb these charges until the next review, with a possible true-up at that point. Those charges are material: LSS, NECDS and Revenue Office fees, represent 29% of PEXA Exchange's total operating costs,⁴⁰ and IPART accepts that they are uncontrollable⁴¹. PEXA submits that requiring a commercial company to fund government agencies for four years or more, on the prospect of a true-up that may not eventuate, is an unreasonable allocation of a risk that PEXA Exchange is not in a position to manage.

It is true, as IPART noted, that eConveyancing prices are not cost-reflective overall, because the cost per transaction is likely to be higher in jurisdictions with low volumes,⁴² and sharing the costs of developing an eConveyancing system was a core part of the original national scheme.

However, sharing the costs of specific charges levied by individual State and Territory governments was never part of the national scheme. Under national pricing one State government can effectively raise revenues that are largely paid by residents from other jurisdictions, with no democratic means to pressure the government responsible, as IPART's draft report acknowledges.

IPART's draft report underplays the effectiveness of jurisdiction-based pricing in holding governments responsible. In the past year, a State-based agency postponed – potentially indefinitely – a significant price increase because of the prospect that the additional charge would be explicitly passed through to customers. IPART's draft report suggested that these charges would be “transparent” because they would be published on websites.⁴³ However, as a matter of political reality, this is an extremely weak control on government charges. The charges would be invisible to most customers, and customers would pay the same overall Subscriber fee in every jurisdiction irrespective of the government charges in their jurisdiction. Indeed customers from States charging high fees would pay *less* than they would otherwise.

2.7 Sovereign risks

Commentators have already publicly questioned the inconsistency between the price for which PEXA was sold in 2019 and IPART's valuation of this asset base in 2019.⁴⁴ The inconsistency implies that either governments misled investors in 2019 about PEXA's potential future cashflows, or that IPART is proposing to retrospectively change the rules in ways that are inconsistent with the reasonable expectations of the purchasers of a government asset. Similar concerns are raised by RBB Economics in their review of IPART's draft report.⁴⁵

Perceived inconsistencies between purchaser expectations in 2019 and IPART's recommendations are reinforced by IPART's failure to reconcile the recommendations of its draft report with its finding in

⁴⁰ IPART, *Draft Report*, p.63

⁴¹ IPART, *Draft Report*, p.64

⁴² IPART, *Draft Report*, p.33

⁴³ IPART, *Draft Report*, p.32

⁴⁴ E.g. Shapiro, 2 August 2026, “PEXA faces a steep price cut and investors a hard reality check”, AFR, <https://www.afr.com/markets/equity-markets/pexa-faces-a-steep-price-cut-and-investors-a-hard-reality-check-20260730-p60k41>

⁴⁵ IPART Review of ELNO Service Fees - RBB Economics Report, p 6, paragraph 21 and page 7, paragraph 29

2019 that PEXA's prices were reasonable. PEXA provided exactly this reconciliation with its "line in the sand" approach in its initial submission.⁴⁶ IPART has not provided a clear explanation for why it has rejected this approach, even though it has been used in a number of previous regulatory determinations.⁴⁷

These outcomes raise difficult questions for those considering investment in government assets in future. Inevitably the outcome proposed by IPART will increase investor perception of the risks that governments will subsequently intervene to reduce the value of their assets. As a result, in future they are likely to pay less for assets that government attempts to privatise.

The outcomes are also likely to discourage investment in digital platforms. IPART's draft recommendations set a precedent for price-setting for digital platforms in Australia. Investment in such platforms will be very unattractive given the substantial risks of the initial investment, and ongoing risks of operation, if their prices are set by applying a BBM that inherently generates uncommercial long-term returns for digital platforms.

2.8 Competition and eConveyancing prices

The unstated assumption of IPART's draft recommendation may be that because ARNECC has decided not to pursue interoperability, effective competition in eConveyancing is now less plausible, and consequently PEXA's prices should be reduced.

It is now clear that an interoperable market was never feasible. Seven years after the interoperability program began, ARNECC has concluded, as IPART summarised, that interoperability is complex, costly, time consuming, may well never deliver significant long-term benefits (including competition outcomes), and provides no benefit to financial institutions.⁴⁸

However, the theory that the prices set by a dominant market participant are inherently higher than they would be in a more competitive market only applies if the dominant market participant has been unconstrained in setting prices. PEXA has never had that freedom. Its initial prices had to "compete with paper" including substantial switching costs. Since setting those initial prices, PEXA has never been able to increase them by more than CPI.

eConveyancing prices have always been reasonable. Prices were accepted by customers between 2014 and 2019 even though at the time they also incurred substantial switching costs. IPART found prices were reasonable in 2019. PEXA has not abused its market power since by raising prices beyond inflation, ever. Unlike many monopolists, PEXA has continued to invest in its platform to improve functionality, services levels, reliability and security, as evidenced by industry-leading customer satisfaction. In the meantime, many other prices incurred in transacting property have increased substantially in real terms.⁴⁹ Overall, customers today do not regard eConveyancing prices as a major issue, as evidenced by customer surveys with an overall customer satisfaction score of ~90% (which is very high for a service industry), and only 15% of customers ranking price in the top 3 most important PEXA attributes.⁵⁰

⁴⁶ https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Online-Submission-PEXA--Property-Exchange-Australia-Name-suppressed-3-Oct-2025-151952598-%281%29.PDF

⁴⁷ Decker, C. (2015). *Modern Economic Regulation: An Introduction to Theory and Practice*. Cambridge University Press, on the setting of initial regulatory asset values at privatisation; Stern, J. (2014). 'The British utility regulation model: its recent history and future prospects'. *Utilities Policy*, 31, pp. 162–172; Productivity Commission (2013). *Electricity Network Regulatory Frameworks*, Inquiry Report No. 62 — on DORC and privatisation-based asset values

⁴⁸ IPART, *Draft Report*, p.18.

⁴⁹ See footnote 96

⁵⁰ As PEXA laid out in its initial submission to IPART, section 3.4

It might be mistakenly assumed that PEXA's prices are unreasonable because they haven't reduced since 2019, despite a large increase in volume. However, PEXA demonstrated in its initial submission to IPART, taking a "line in the sand" approach, that if prices were reasonable in 2019, they are reasonable in 2027.⁵¹ Although volumes have increased substantially, costs have also increased substantially due to investments to significantly improve jurisdictional coverage, functionality, service levels, reliability, and security and to comply with escalating regulatory requirements.

2.9 Conclusion

PEXA submits that IPART should recommend that the current CPI-linked cap on its exchange prices be maintained on the basis that:

- **The costs of increased regulation outweigh the benefits** given PEXA's stable pricing over 12 years, and the inherent uncertainties in setting prices for a digital platform and the public costs of under-estimating appropriate revenues
- **Alternative frameworks such as excessive pricing suggest PEXA's prices are reasonable** given the economic benefits created are much larger than PEXA's profits, and PEXA's profit margins are not disproportionate to those of other digital platforms
- Analysis that uses **IPART's 2019 report as a 'line in the sand'** indicates that current prices are reasonable
- Analysis based on the **price paid for PEXA's assets in 2019** indicates current prices are reasonable
- A **properly applied BBM** indicates current prices are reasonable

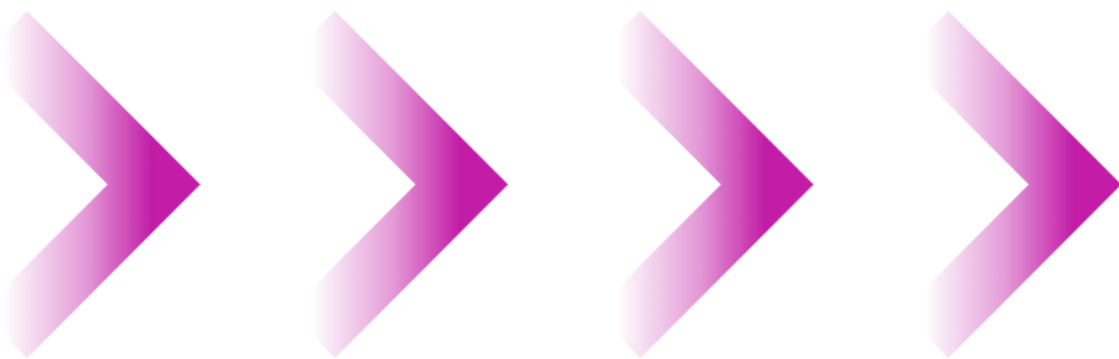
PEXA has engaged with this review in good faith and will continue to do so. It does not dispute that its Exchange service should be regulated and asks that the view IPART reaches be tested against external evidence, applied consistently with the principles IPART has stated, and reconciled with its own earlier findings. An effective regulatory framework should protect customers, while also preserving the incentives to build and sustain the digital infrastructure on which they depend.

⁵¹ https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Online-Submission-PEXA--Property-Exchange-Australia-Name-suppressed-3-Oct-2025-151952598-%281%29.PDF

03

PEXA's detailed response to IPART's draft report

The following sections provide a comprehensive response to IPART's draft eConveyancing report from 3 July 2026. Where applicable, the response references the draft recommendations, draft decisions and questions for consultation as raised in section 1.3 in IPART's draft report.



3 Initial Asset Base

PEXA's response to IPART's draft report begins with PEXA's response to IPART's draft decision on the Initial Asset Base (IAB). We have responded to this issue in a different sequence to IPART's report because the IAB is by far the most significant driver of the Draft Report's proposed reduction in PEXA's allowable revenues. The issues in reliably determining an IAB, and the extreme sensitivity to assumptions (particularly the rate of return to be applied to early year investments while building the business) are themselves a powerful reason for not using a Building Block Methodology (BBM) to set prices for eConveyancing and PEXA, as is discussed in the remainder of our submission.

3.1 General comments

This section sets out PEXA's response to IPART's draft decision on the Initial Asset Base (IAB), which is the most significant driver of the Draft Report's proposed reduction in PEXA's allowable revenues.

As noted in these submissions, PEXA's primary submission is that a BBM is fundamentally the wrong tool for establishing the IAB of PEXA's capital-light, opex-heavy digital business with significant intangible assets. Applying the BBM would require such a radical departure from precedent as to completely undermine the reasons for using it in the first place. Having regard to the unprecedented nature of this task, IPART ought to have adopted an approach that was fit for purpose, rather than trying to retrofit an established methodology used in the regulation of physical infrastructure.

Without resiling from that primary submission, PEXA submits that, in applying the BBM to establish PEXA Exchange's IAB, IPART has made numerous unjustifiable methodological errors. This has produced an IAB that is fundamentally flawed and materially wrong which flows on to produce an unfair and materially wrong price reduction. IPART's roll forward methodology for establishing the IAB is fundamentally flawed because it depreciates historical expenditure from the time it was incurred and indexes that expenditure by inflation only (rather than a suitable rate of return). Under this approach, PEXA would only recover its costs if its revenue equated to its building block costs from the time its expenditure was incurred from FY2011 onwards. However, as IPART itself has acknowledged, this was not the case – with PEXA's historical revenues significantly lagging its building block costs.

This means that the IAB under this approach is less than the present value of PEXA's unrecovered efficient historical expenditure incurred to establish and provide eConveyancing services. Consequently, under IPART's draft decision, PEXA will be unable to recover the present value of its efficient historical expenditure – which is inconsistent with the building block methodology, the Financial Capital Maintenance (FCM) principle and IPART's own approach to regulating prices for all other businesses.

To remedy these problems with its roll forward approach, IPART would need to calculate an IAB by deferring depreciation and indexing PEXA's historical expenditure by an appropriate rate of return until PEXA started earning revenues equivalent to its building block costs, while offsetting this value by the relatively small amount of revenues PEXA was receiving over this period. This should result in the same IAB as that calculated under the Recovered Capital Method (RCM).

The RCM, if it is applied correctly and if it uses an appropriate historical rate of return, can calculate an IAB that accurately reflects the present value of PEXA's unrecovered efficient historical expenditure incurred to provide eConveyancing services.

However, when IPART uses the RCM approach as a cross-check, it calculates the IAB incorrectly because it:

- relies on rates of return between FY11 and FY19 that are too low, given the risks faced by PEXA and its stage of development; and

- uses rates of return from FY20 to FY25 that are too low, given they reflect regulatory WACCs with incorrect gearing and beta assumptions (as effectively acknowledged by IPART in its Draft Report).

The IAB – and therefore PEXA’s revenue requirement – is very sensitive to rate of return assumptions, as IPART noted in its Draft Report⁵². PEXA suggests therefore suggests that any estimate of the IAB should be cross-checked against other credible reference points, such as:

- the discounted cash flow (DCF) ‘line in the sand’ approach previously used by IPART to establish IABs in other sectors when transitioning to economic regulation; and
- the market valuation of PEXA’s assets as reflected in its 2019 sale price.
- If IPART persists with a building block approach, then PEXA’s IAB should be \$1.301 billion at 1 July 2027. This reflects the present value of PEXA’s unrecovered efficient historical expenditure to establish and provide eConveyancing services. It addresses the flaws in IPART’s roll forward methodology and is calculated by applying appropriate rates of return to capitalise and roll forward PEXA’s unrecovered historical expenditure from FY2011 (starting with a rate of return of 60% in FY2011 and transitioning this down to the regulatory WACC by FY2020). Of this, \$368 million can be estimated as the tangible asset component of the IAB, with the remaining \$934 the intangible component.

3.2 IPART’s roll forward method is flawed and inconsistent with its own principles

3.2.1 IPART’s roll forward methodology

IPART’s draft report used a method to establish the IAB that has 4 steps:

1. It identified historical expenditure attributable to the PEXA Exchange. It excluded expenditure relating to non-Exchange assets and businesses.
2. It rolled forward historical capital expenditure from FY11 to FY27. It indexed the expenditure to 2026-27 dollars and depreciated it from FY11 over the asset lives proposed by PEXA. This gives the depreciated, indexed value of the capital expenditure PEXA has incurred on PEXA Exchange since FY11.
3. It added a separate uplift for eligible non-capitalised operating expenditure incurred to FY19. This reflects that some costs of establishing a digital platform are expensed under accounting standards, even where they contribute to the ongoing provision of eConveyancing services. An asset base limited to capitalised expenditure would omit these costs.
4. It tested the resulting IAB using a recovered capital cross-check. This assesses whether historical expenditure has already been recovered through past revenues.

According to IPART:

*this approach is appropriate because it is based on actual expenditure rather than market valuation, allows for the time value of money through indexation and the application of a rate of return, and produces an asset base that can be rolled forward in future regulatory periods without reopening historical valuation issues.*⁵³

⁵² IPART, *Draft report*, p.74-75

⁵³ IPART, *Draft report*, p.69

However, as outlined below, steps 2 and 3 in IPART's approach do not provide a return on and of PEXA's investments up until FY20. Rather, IPART mechanically applied the roll-forward approach it adopts for businesses that are in a steady state and receiving building block revenues equal to their building block costs, by simply indexing the historical capital expenditure by CPI and depreciating this expenditure from when it was incurred. This approach assumes that PEXA was able to fully recover its building block return on and of its capital investment from 2011, and ignores the fact that there was no relationship between PEXA's building block costs and its revenues in its early years. IPART also treats historical operating expenditure from FY2011 to FY2019 in the same way, again ignoring the disconnect between PEXA's costs and revenues in its early years.

In step 4, the separate recovered capital cross-check, IPART's approach does include a rate of return when capitalising losses. However, as outlined below, the rate of return that IPART applies is too low given the risks faced by PEXA's investors at the time. Further, IPART only considers step 4 as a "cross-check" against the outcome of its roll forward method (steps 2 and 3) when this outcome is flawed and should not be considered.

3.2.2 Inconsistency with the building block approach, the FCM principle and IPART's own approaches

The basic principle of the building block methodology, consistent with the Financial Capital Maintenance (FCM) principle and cost-reflective⁵⁴ prices, is that the present value of regulated revenues should equal the present value of the costs of the business, including a reasonable return on investment.⁵⁵ In other words, regulated businesses should receive a return on and on their efficient expenditure incurred in providing regulated services, over the economic life of assets.

IPART's draft approach results in an IAB that is less than the present value of PEXA's unrecovered efficient historical expenditure incurred to establish eConveyancing. Under IPART's draft decision, PEXA will not be able to recover the return on and much of its initial investment of ~\$385m (in nominal terms) between FY11 and FY19 in building an eConveyancing platform and creating an eConveyancing ecosystem.

IPART's flawed roll forward approach results in an IAB value that is less than the present value of PEXA's unrecovered efficient historical costs because IPART:

- depreciates expenditure (both capital and operating) between FY11 and FY19 from the time it was incurred – meaning a large proportion of expenditure is written off and unrecovered, not even making it into the IAB
- only indexes historical expenditure between FY11 and FY19 by CPI (rather than a rate of return), which means the IAB does not provide a return on this historical investment (and, contrary to IPART's statement on page 69 in its Draft Report, does not account for the time value of money through the application of a rate of return appropriate to the level of risk).

By depreciating historical expenditure from when it was incurred and not indexing historical costs by a rate of return, IPART seems to have implicitly assumed that PEXA was recovering revenue

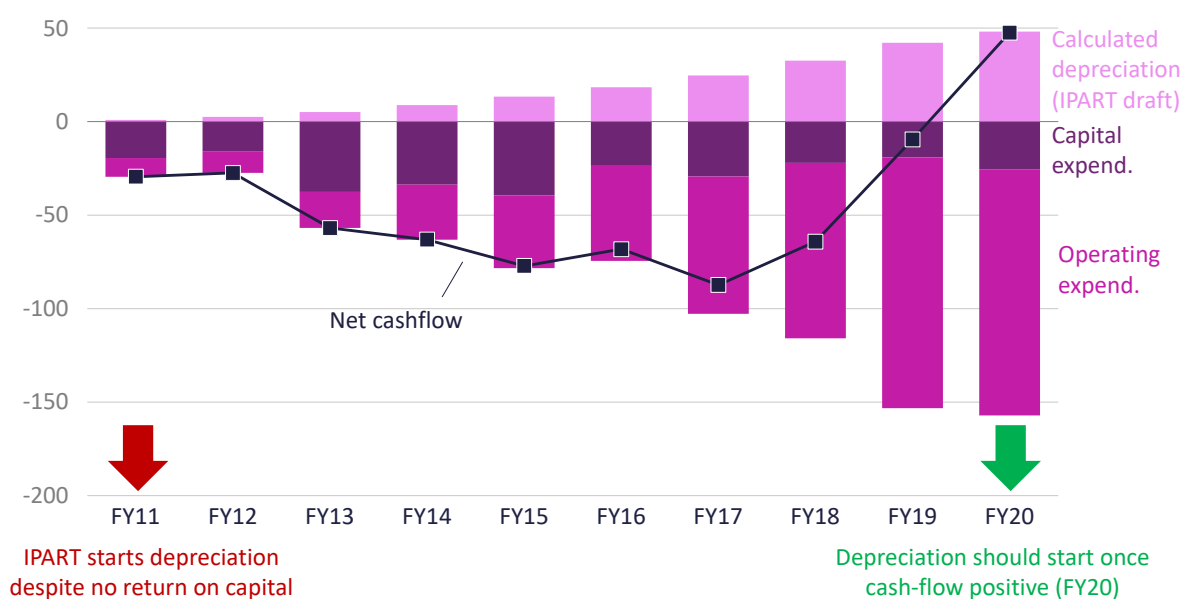
⁵⁴ As the Queensland Competition Authority (QCA) has noted, "The financial capital maintenance (or NPV=0) principle refers to the requirement that the present value of expected regulated returns for an asset over its economic life should be equal to the initial asset value or purchase cost. This principle forms the basis for the building blocks model of regulation". (QCA, Financial Capital Maintenance and Price Smoothing, Information Paper, February 2014, www.qca.org.au/project/research/financial-capital-maintenance-and-price-smoothing/).

⁵⁵ As the Queensland Competition Authority (QCA) has noted, "The financial capital maintenance (or NPV=0) principle refers to the requirement that the present value of expected regulated returns for an asset over its economic life should be equal to the initial asset value or purchase cost. This principle forms the basis for the building blocks model of regulation". (QCA, Financial Capital Maintenance and Price Smoothing, Information Paper, February 2014, www.qca.org.au/project/research/financial-capital-maintenance-and-price-smoothing/).

equivalent to its notional building block costs from 2011 onwards. However, this was clearly not the case, as shown in Figure 11. In fact, at the public hearing on 21 July 2026, IPART staff noted that *“In the early stages, PEXA was building a new national platform from scratch in a context where it had limited ability to generate revenue. That means a large portion of these early costs weren't fully recovered or weren't recovered at the time they were incurred.”* IPART presenters also stated that a *“provider should have a reasonable opportunity to recover the costs of delivering its regulated services”,* and that *“This is particularly relevant given the role PEXA played as the first mover in developing eConveyancing infrastructure at scale.”*⁵⁶

Figure 11: Between FY11 and FY19, PEXA's revenues did not cover costs, but IPART deducted substantial depreciation from PEXA's asset base

PEXA Exchange's early years depreciation and costs, in FY27 value, A\$m



Source: IPART Draft July 2026

For a business in its early years, particularly one establishing a new, innovative service without an established or steady-state customer base, it is usual for expenditure to exceed revenue for some years. If there is no allowance for the business to ultimately recover the return of this investment and an appropriate return on this investment, there would be no incentive for businesses to invest in developing and delivering the services – which would be to the detriment of customers and the community in general.

Recognising this, economic regulators (including IPART), have applied approaches that ensure that regulated businesses ultimately receive the full return on and of their efficient expenditure where there is a lag between “building block” costs being incurred and “building block” revenues being received. In fact, this is reflected in all “NPV” or “Present Value” calculations conducted by economic regulators including, for example, IPART’s approach to smoothing prices over a determination period in an “NPV neutral way”, applying end of period true-up mechanisms in an “NPV neutral way”, calculating developer charges as the present value of net costs over a time period to service new development, etc.

⁵⁶ IPART, Electronic Lodgement Network Operator Service fees review, Public Hearing Transcript, July 2026.

When IPART and other economic regulators delay including capital expenditure in the Regulated Asset Base (RAB) (for example, on a “as commissioned” rather than “as incurred” basis), they provide the regulated business with an allowance for holding costs (interest at the rate of return) and they delay depreciating the asset until it enters the RAB and the business can start receiving a depreciation allowance via regulated prices. Examples of this include:

- IPART’s template building block model on its website notes that when assets are included in the RAB on an as commissioned basis, holding costs are also added.⁵⁷
- In 2019, when IPART first determined prices of WaterNSW’s Murray River to Broken Hill Pipeline, it added WaterNSW’s prudent and efficient capital expenditure to build the Pipeline (from 2016 to 2019), adjusted for CPI and funding costs. WaterNSW’s opening IAB for the Pipeline included funding costs of \$15.9 million, to reflect the costs associated with financing capital expenditure incurred in building the Pipeline from 2016 and before WaterNSW could start recovering a return on and of this expenditure via regulated prices from 2019 onwards.⁵⁸ Notably, IPART also did not start depreciating expenditure incurred on the Pipeline from 2016 until the IAB was established and WaterNSW could commence earning a return on and of this historical expenditure from 2019 onwards via regulated prices to customers that generated revenue equal to its building block costs.
- In 2008, IPART decided to include Sydney Water’s capital expenditure on the Sydney Desalination Plant in the IAB only once the plant was delivering water. However, IPART provided for an allowance for the holding costs of this capital expenditure, to account for the delay between when the capital expenditure was incurred and when an allowance for a return on this expenditure was provided via regulated prices (after it entered the IAB). IPART also did not commence depreciating the capital expenditure until it was included in the IAB, and Sydney Water (the owner of the Desalination Plant at that time) could be compensated for that depreciation via an allowance in its regulated prices.⁵⁹ That is, while revenue for the capital expenditure on the Desalination Plant could not be recovered from customers until the plant was delivering water, IPART ensured that the Financial Capital Maintenance (FCM) principle was met and Sydney Water was able to fully recover the present value of its costs in due course, including an appropriate return on capital and a full return of capital.

We note that including the operating expenditure “uplift” in the roll forward IAB (step 3) does not address PEXA’s concerns with this IAB methodology. Indeed, it is an implicit acknowledgment of the fundamental problem of applying a BBM to a business like PEXA Exchange. And, in any event, it is only a partial solution that has been misapplied. IPART acknowledges that this operating expenditure contributed to the ongoing provision of eConveyancing services and therefore should be included in the IAB. However, like capital expenditure, under IPART’s roll forward approach, this expenditure is depreciated starting in 2011 and does not earn a suitable rate of return. This adds to the failure of IPART’s roll forward IAB to reflect the present value of PEXA’s unrecovered efficient historical expenditure incurred to establish and deliver eConveyancing services.

⁵⁷ See row 61 in the “IPART policies” worksheet, in the template Excel model at:

www.ipart.nsw.gov.au/Home/Industries/Special-Reviews/Regulatory-policy/IPART-cost-building-block-and-pricing-model

⁵⁸ IPART, Water NSW Murray River to Broken Hill Pipeline, Final Report, May 2019, p 43, 49 and 53.

⁵⁹ IPART, Review of prices for Sydney Water Corporation’s water, sewerage, stormwater and other services, 2008, p 57, https://www.ipart.nsw.gov.au/sites/default/files/documents/final_report_and_determination_-_review_of_prices_for_sydney_water_corporations_water_sewerage_stormwater_and_other_services_-_june_2008.pdf

3.2.3 How to modify IPART's roll forward approach

Given the above concerns, if IPART was to maintain a roll forward approach to determine PEXA's IAB, it would need to defer depreciation and index PEXA's historical expenditure by an appropriate rate of return until PEXA started earning revenues equivalent to its building block costs, while offsetting this value by the relatively small amount of revenues PEXA was receiving over this period.

Such modifications should result in the same IAB as that calculated under the Recovered Capital Method (RCM) – which, in turn, should reflect the present value of PEXA's unrecovered efficient historical investment in establishing and providing eConveyancing services, and therefore allow PEXA to ultimately recover a return of and on its historical investment in delivering eConveyancing services, consistent with building block and FCM principles.

Such an approach involves the following steps:

1. Determine the FY28 opening IAB under IPART's roll forward approach
2. Determine the FY28 opening IAB under the recovered capital method (RCM), using appropriate rates of return (as discussed below)
3. Add the difference between these two values to the FY28 opening IAB under IPART's roll forward approach to calculate the IAB that should apply when determining PEXA's prices.

The difference between the IAB under IPART's roll forward approach and the IAB under the RCM can be considered the amount of intangible assets that must be added to the roll forward approach IAB at the start of FY2028 to ensure that the IAB equals the present value of PEXA's unrecovered efficient historical expenditure, and therefore that this IAB satisfies the building block and FCM principles.

The asset lives (useful and remaining) for the tangible assets could be the same as those presented in the IPART roll forward model. For intangible assets, the assumed life should reflect the period over which PEXA expects to recover the intangible value; a period of 20-years from FY28 is consistent with PEXA's November 2025 proposal and with price stability.

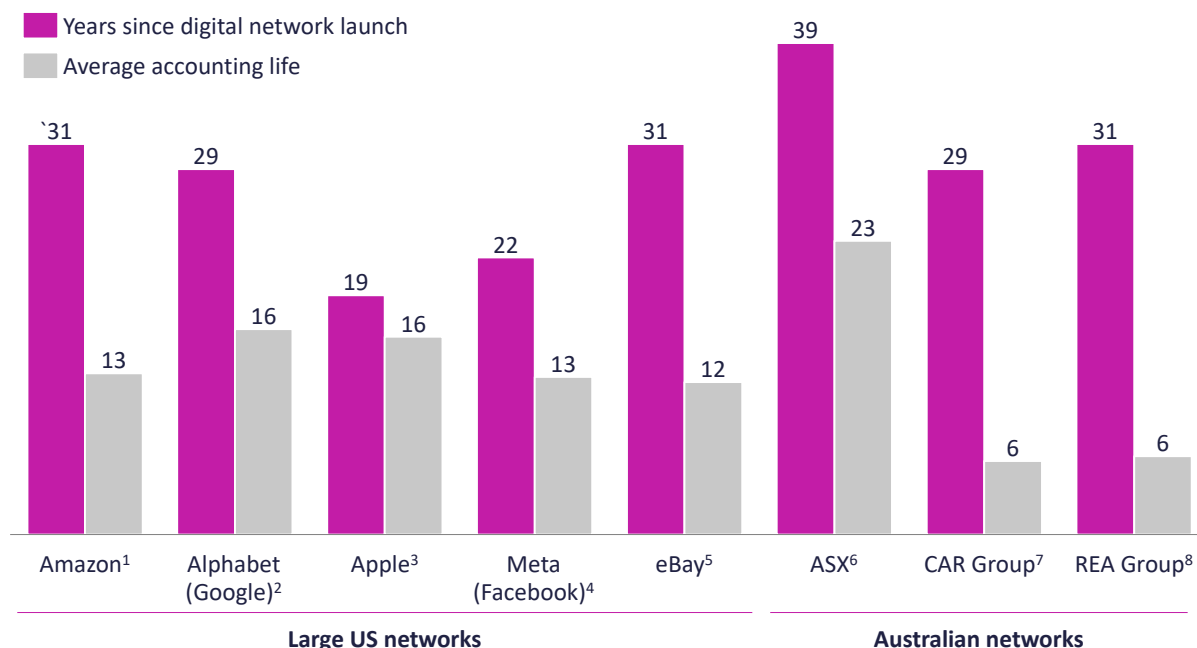
3.2.4 Asset life for tangible and intangible assets

The asset lives (useful and remaining) for tangible assets could be the same as those presented in the IPART roll forward model.

Intangible assets tend to have a longer asset life than tangible assets. For intangible assets, the economic life should reflect the period over which PEXA expects to recover the return on and of the investment. A period of 20-years from FY28 would promote price stability and reflect that, while uncertain, the remaining economic life of intangible assets is likely to be neither very short nor indefinite. It also reflects that digital platforms that create a two-sided network such as PEXA tend to have an effective economic life much longer than the average accounting life of their assets, as shown in Figure 12.

Figure 12: Two-sided networks typically have an economic life much longer than the accounting life of their assets

Years since digital network launch compared with average accounting asset life, in years



Note: Average asset life approximated through: Gross property, plant and equipment (including software, excluding goodwill) divided by depreciation and amortisation; 1. Amazon was launched in 1995 as an online book store; 2. Alphabet (Google) launched in 1997; 3. Apple launched iOS in 2007; 4. Meta (Facebook) launched in 2004; 5. eBay launched as AuctionWeb in 1995; 6. ASX formed in 1987 through an amalgamation of six state based exchanges; 7. Carsales.com founded in 1997; 8. REA Group was founded in 1995

Source: Amazon launched 30 years ago with one product. Now it's an empire that sells everything <https://www.businessinsider.com/amazon-launch-date-anniversary-empire-evolution-bezos-2025-7>; Search Through Time <https://www.google.com/intl/en-AU/search/howsearchworks/our-history/>; Apple Reinvents the Phone with iPhone <https://www.apple.com/newsroom/2007/01/09Apple-Reinvents-the-Phone-with-iPhone/>; A brief history of Facebook <https://www.theguardian.com/technology/2007/jul/25/media.newmedia>; The Small-Scale Story Behind eBay's Big Bucks <https://time.com/4013672/ebay-founded-story/>; ASX Story <https://www.asx.com.au/about/asx-story>; Carsales.com promotes Cameron McIntyre to CEO as founder Greg Roebuck retires <https://web.archive.org/web/20170120025048/https://mumbrella.com.au/carsales-com-announces-new-ceo-greg-roebuck-retires-420727>; Our Story <https://www.rea-group.com/about-us/our-people-and-story/our-story/>; Amazon Annual Report (2025) https://s2.q4cdn.com/299287126/files/doc_financials/2026/ar/Amazon-2025-Annual-Report.pdf, p. 54, 71; Alphabet Annual Report (2025) https://s206.q4cdn.com/479360582/files/doc_financials/2025/q4/GOOG-10-K-2025.pdf, p. 52, 72; Apple Annual Report (2025) https://s2.q4cdn.com/470004039/files/doc_financials/2025/ar/10-K-2025-As-Filed.pdf, p. 39; Meta Annual Report (2025) <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001326801/b919eb05-86d9-4412-a8ff-308be1afb070.pdf>, p. 92, 107; eBay Annual Report (2025) https://ebay.q4cdn.com/610426115/files/doc_financials/2026/ar/2025-Annual-Report.pdf, p. 94; ASX Annual Report (2025) <https://www.asx.com.au/content/dam/asx/annual-reports/asx-2025-annual-report.pdf>, p. 103, 114, 116; CAR Group Annual Report (2025) https://cargroup.com/wp-content/uploads/2025/08/CAR-Group_FY25_Annual_Report_Final.pdf, p. 69, 70, 110; REA Group Annual Report (2025) <https://onlinereports.irmau.com/2025/REA/136/#zoom=true>, p. 134, 136

3.3 If applied correctly, the Recovered Capital Method can be used to assess PEXA's IAB

As outlined above, IPART's roll forward approach does not account for the difference between PEXA's historical costs and its historical revenues.

Under the RCM, the difference between PEXA's historical revenues and costs since FY11 would be capitalised at the appropriate historical rate of return and rolled forward to FY28. Provided that appropriate rates of return are used in this approach, the RCM should ensure that the FY28 IAB value

reflects unrecovered historical expenditure, accounting for the time value of money. This is consistent with IPART's building block and cost recovery principles.

However, as explained below:

- The rates of return that IPART has applied in calculating the IAB under its RCM scenarios in the Draft Report are too low, which means that IPART has significantly underestimated the value of PEXA's IAB in applying the RCM. This is because:
 - the rates of return that IPART has applied between FY11 and FY19 do not appropriately reflect the risk at the time; and
 - the rates of return that IPART has applied between FY20 and FY25 do not reflect IPART's own best estimates of the appropriate cost of capital to PEXA in these periods.
- By underestimating the value of the IAB, IPART has also underestimated the value of PEXA's investment in intangible assets. Significantly, intangible assets have a longer remaining economic life than physical assets. This means that not only is PEXA's IAB under IPART's Draft Report way too low to allow PEXA to recover a return on and of its efficient historical investment, but also this lower IAB value will diminish faster than the true economic life of PEXA's asset base.

The amended application of the RCM suggests that PEXA's IAB is \$1,301m at 1 July 2027. This comprises an estimated \$368m in tangible assets and \$934m in intangible assets.

3.4 Early years rate of return – the most crucial parameter in IPART's analysis

The most crucial parameter in determining PEXA Exchange's unrecovered investment, and in turn setting PEXA Exchange's IAB and prices, is the rate of return applied to PEXA's investments between FY11 and FY19, before PEXA had positive cashflows, and when the business was therefore inherently a much higher risk. IPART applied no rate of return to these investments between FY11 and FY19 in applying its 'roll forward' method, and an average 21% rate of return in the highest scenario applying its 'recovered capital' method (RCM) cross check.

A range of considerations, detailed further below, all suggest that in applying the RCM cross-check, the various rates of return that IPART applied to PEXA's investments between FY11 and FY19 were much too low:

- IPART's own reasoning has **confused the average rate of return** to venture capital investments with the rate of return for successful investments
- IPART's consideration of the risks facing PEXA amounts to no more than **unsourced speculation and produces arbitrary results**
- PEXA's **actual fundraising sources and methods** suggest it was a high-risk investment
- The **actual risks** faced by PEXA were typical for an early-stage digital platform (particularly the risk that PEXA did not attract a critical mass of users), for which typical rates of return are much higher than suggested by IPART
- The early **participation of banks and governments did not materially reduce the risks** – history suggests that such participation does not materially reduce risks, and such participation could not possibly materially reduce the critical risk of failing to attract a critical mass of conveyancers / legal practitioners
- Applying a **plausible risk of failure** for PEXA between FY11 and FY19 implies a much higher required rate of return between 2011-2019 for a successful investment

- **Assessments by academic finance experts** indicate that a much higher rate of return should be applied to PEXA
- **Benchmark rates of return** applied by venture capital investors to an investment such as PEXA at its stages of evolution are higher than the rates of return applied by IPART
- The rate of return applied by IPART is **inconsistent with the actual return earned** by initial investors when PEXA was sold in 2019
- In contrast to the substantial evidence outlined above, **IPART has provided insufficient justification** for the rate of return that it has proposed in its draft report.

Applying a more plausible rate of return – an average of 36% between FY11 and FY19 - would increase PEXA's IAB in FY2028 from \$384m to \$1,301m (the appropriate rate of return is discussed in more detail below).

Not only is this issue critically important, but there is also no precedent for setting an appropriate historical rate of return for a high-risk technology venture in any previous IPART review. Indeed, there is no obvious precedent by any regulator. As outlined in PEXA's submission to IPART's IAB Methodology Paper, economic regulators have rarely used historical costs to set the IAB for a utilities business that was established well before economic regulation was applied.

Consequently, PEXA has sought independent expert reports from a variety of distinguished academics about the appropriate rate of return that should be expected for a successful high-risk venture such as PEXA. These experts include:

- Prof Kilian Huber (Professor of Economics and Finance, University of Chicago Booth School of Business; PhD London School of Economics) and Prof Mark Zmijewski, (Professor Emeritus, University of Chicago Booth School of Business; PhD, State University of New York at Buffalo)
- Prof Stephen Gray (Professor of Finance, University of Queensland Business School; PhD Stanford University; Chairman, Frontier Economics)
- Dr Martin Lally (formerly Assoc Prof of Finance, School of Economics and Finance at Victoria University of Wellington; PhD Victoria University of Wellington).

These expert reports have been submitted directly to IPART. All of the experts have indicated that they would be happy to respond to any issues that IPART wishes to raise with them directly.

PEXA notes that the *only* evidence cited by IPART for a lower rate of return on PEXA's early stage investment is a submission by Infotrack⁶⁰ - and indeed this was the only submission suggesting that there should not be high returns on early year investments. PEXA suggests that IPART should consider the reliability of any submission from Infotrack on the basis that it is part of the ATI Group, which may have commercial incentives to prefer that PEXA has a weaker financial position. PEXA is a potential competitor in adjacent markets where ATI Group has a dominant market position. PEXA is disappointed that by contrast, IPART chose not to acknowledge submissions suggesting that it would be appropriate either to apply a high rate of return, or to use a substantial IAB based on the 2019 sale price, from a number of investors including Yarra Capital, AFIC, Mirrabooka, UniSuper, Paradise Investment Management, Equity Trustees, Lakehouse Capital, Schroder Investment Management and Berkholts Investments.

⁶⁰ IPART Draft Report, p.75, fn.92.

3.4.1 *The same parameter should apply to both ‘rolled forward’ and ‘recovered capital’ methodology*

As discussed in section 3.2.2, in applying a ‘roll forward’ methodology, it would be consistent with both basic principle and IPART’s past practice to apply a rate of return to cash outflows made before the business had positive cashflows. The appropriate rate of return during this period (until FY20) should be the same as the rate of return applied during this period using an RCM.

3.4.2 *IPART’s illogical arguments about venture capital returns*

IPART’s Draft Report states that, in applying the RCM ‘cross-checks’ it did not apply venture capital benchmark returns between FY11 and FY19 for two reasons:

First, venture-capital benchmark returns are portfolio returns. They reflect the performance of many investments, most of which return little or nothing, averaged with a small number of successes. The high average return compensates for the probability of failure across the portfolio, so applying it to a single investment that is known to have succeeded overstates the return that was required on that investment ex ante, because it applies the portfolio’s failure probability, with hindsight, to the surviving investment alone.

Second, we consider that PEXA Exchange’s establishment did not carry the risk profile of an arm’s-length seed-stage venture. The platform was established with government sponsorship and funding from major banks that were expected to be subscribers, which would be expected to reduce the probability of total failure, and to reduce adoption and stranding risk, relative to a typical seed-stage venture.

As a matter of logic and evidence neither of these reasons can be sustained. All of the independent experts commissioned by PEXA to examine this issue have rejected them in clear terms, as discussed below.

3.4.3 *Portfolio and individual investment returns*

IPART’s first reason appears to assert that a successful venture capital (VC) investment should have a lower return than the average for VC investments, but this is not possible mathematically. A venture capital portfolio cannot possibly earn its average return if successful investments earn less than the average – as IPART appears to be proposing.

All of the experts commissioned by PEXA have categorically rejected IPART’s reasoning at this point.

Prof Kilian Huber and Prof Mark Zmijewski state that⁶¹:

The return required on an individual investment therefore reflects the investment’s expected risk profile at the time of investment, including the possibility of partial or complete loss.

The fact that venture capital returns are often observed and reported at the portfolio level does not imply that the required return on a successful investment should be reduced after the fact because the investment ultimately survived ...

Ex ante, assuming that a venture capital investment survives, investors expect it to generate a higher return than the return they expect from the average investment (across existing and surviving investments) or the overall portfolio.

⁶¹ Huber_Zmijewski_Expert_Report_IPART_2026, page 43, paragraph 63-64

Prof Stephen Gray's view is that⁶²:

The above paragraph is almost exactly wrong in almost every respect ...

The reference to venture capital benchmark returns as being 'portfolio returns' is incorrect.

IPART then states that 'the high average return compensates for the probability of failure across the portfolio.' That is also incorrect

IPART then appears to suggest that, because PEXA is known to have succeeded, there is no need to apply a higher target return to account for the possibility of failure. This is clearly incorrect.

Dr Martin Lally disagrees with IPART's argument and notes⁶³:

The "average return" referred to is the expected return for the portfolio in toto, comprising the high expected returns on those investments that succeed and the -100% returns on those that fail. So, the average is not high. It is the expected return on successful investments that is high. So, the third sentence commences by confusing the average return with the expected return on the successful investments. The sentence then objects to applying this allegedly high average to investments that succeed. However, the average return is neither high nor should it be applied to anything. The principle instead is that successful investments must be expected to earn high returns in order to compensate for the fact that some investments will have returns of -100% because they fail, and these high expected returns should then be applied to projects like PEXA if they succeed and are then regulated.

In competitive markets, investors will only commit funds to a firm if they expect to (a) recoup their initial investment, and (b) earn at least a reasonable rate of return that compensates them for the risk they bear in venturing and tying up their scarce capital in that investment. If the investor expects that there is some possibility of their investment becoming stranded, then the return they require on successful investments will increase accordingly, to compensate for capital lost on stranded investments.

This risk of stranding explains why investors in start-ups require what appear to be very high rates of return. Without the benefit of perfect foresight, investors in such enterprises face the material risk that they will lose the entirety of their investment. This is particularly the case for investors in new platforms and markets (i.e., for which there is no existing blueprint), which can only be brought to market once complex technology challenges can be solved, and which are unlikely to yield substantial revenue unless they are widely adopted by users. When broad adoption depends on a network effect – i.e. every other potential user adopting the platform – then it is far from certain that a platform will succeed.⁶⁴

3.4.4 Not an arms-length seed-stage venture due to bank and government support

IPART speculated, without providing any supporting evidence, that the establishment of PEXA did not carry the risk profile of an arm's-length seed-stage venture, and that government and bank funding

⁶² Stephen Gray - The required rate of return for the RCM method applied to PEXA (August 2026), paragraph 39

⁶³ Dr Martin Lally - THE INITIAL ASSET BASE FOR PEXA IN 2027- August 2026, page 11

⁶⁴ For a discussion of online network business that have – and have not – succeeded in marketing their services to create a network, see Hugo and Varian, Information Rules.

significantly reduced the risk profile. IPART's view appears to be influenced by significant hindsight bias based on conjecture, rather than external evidence or facts.

Funding sources and methods indicate PEXA was a high risk / high return venture

As will be outlined below, NECDL (PEXA) was set-up and managed as a typical venture investment with the majority of funding provided by Venture investors and facing typical technology Venture risks. There were no regulatory 'free-kicks' provided by Government or go-to-market certainties from the banks.

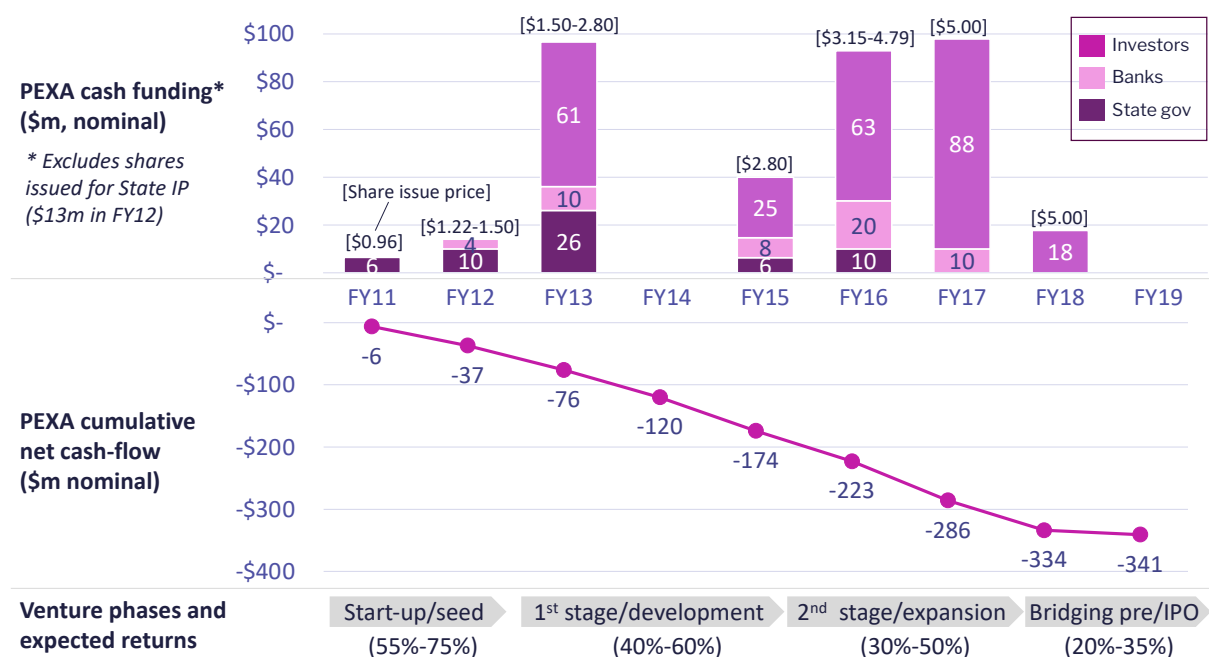
A simple observation helps to frame IPART's conjecture about the risk profile of PEXA's early years: **if PEXA was a low-risk, high growth opportunity, why did Governments and major Banks not self-fund or invest more?** If PEXA had been a low-risk opportunity, State Governments and major banks could have funded PEXA directly, in a similar manner to funding from Victoria and NSW for earlier eConveyancing efforts, or relied on external debt-funding. Despite having rights to do so, most State governments and banks did not invest further in PEXA between 2011 and 2019 through 13 fundraising rounds, so their shareholdings were effectively diluted. At the time they clearly did not view investing in PEXA as a guarantee of high returns.

Instead, governments and the major banks turned to private arms-length venture capital investors to provide 70% of the cash injected over an 8 year period. These venture capital investors fund high-risk early-stage startups, expecting high returns if the venture succeeds.

As shown in Figure 13, of the cash provided to fund PEXA between FY11 to FY19, State governments provided \$59m, Banks provided \$53m and arms-length private equity investors provided \$254m.

Even this picture exaggerates the contributions of most governments and banks. NSW, Victoria and Queensland only ever contributed \$20.5m in cash, in FY11-FY12. NAB, ANZ and Westpac each provided \$1m in FY12. Although they always had the option to invest more in all of the subsequent funding rounds, these entities did not contribute any further funding after FY12. After December 2012, WA was the only State and CBA was the only bank that provided further cash funding beyond the initial \$1million in FY12. The bulk of the funding from FY13 onwards was provided by arms-length venture capital: Macquarie Capital (Australia) Ltd; Naramong Investments P/L (Little Group); and Link Property P/L.

Figure 13: PEXA cash funding and net cash-flow, \$m nominal, FY11-FY19



The fund raising was initially led by Grant Samuel and subsequently Credit Lyonnais Securities Asia (CSLA). The submission from the lead financier and the original PEXA CEO (2010-2019) to IPART provides evidence that funds were raised on the basis that PEXA was a high risk / high return venture capital investment. Each of the capital raising processes was conducted in accordance with standard venture capital methodologies, incorporating appropriate levels of diligence, assessment and verification. Each funding round involved a structured evaluation of the business opportunity and associated risks, including technology, go-to-market execution, funding requirements and regulatory considerations. The release of capital was linked to the achievement of tangible implementation milestones across both technical and commercial dimensions.

In short, PEXA was set-up and managed as a VC investment with traditional VC risks, thus attracting arms-length VC precisely because it was a VC investment.

PEXA's original CEO (2010-2019) notes⁶⁵:

...the business came close to failing on several occasions. The original forecast capital requirement of circa \$75 million proved to be a fraction of the circa \$370 million ultimately required, and cumulative net cash outflow reached approximately A\$341 million before the business inflected. There was no forward committed funding at any stage. Each raise had to be earned against results, and there were several inflection points at which the business was at genuine risk of failure through insolvency, with existing shareholders under no obligation to follow their money and no assurance that new capital could be found. Those moments were not theoretical.

PEXA faced risks typical for a high risk / high return venture

PEXA's ambition from the outset was grand - to build the world's first real-time, digital settlement and lodgement systems to support all property transactions across all of Australia. This in effect required build of a new world first processes, technology, and collaboration tools, while coordinating the

⁶⁵ Submission to IPART, PEXA original CEO (2010-2019)

requirements of 8 Land Registries, 150+ financial institutions, RBA, ATO, and more than 10,000 legal practitioners and conveyancers.

PEXA's risks were similar to those of many other digital start-ups, including feasibility of technological/product solution; deployment/go-to-market risks; regulatory and competitive risks; and funding and ownership risks. These risks were comprehensively documented in PEXA's contemporaneous Board papers and other internal documents. They are detailed in the report prepared by Profs Huber and Zmijewski submitted to IPART⁶⁶, and summarised below.

PEXA's **technology and product risks** were substantial:

- PEXA needed to build the world's first national platform that connected financial institutions, legal practitioners and government registries and entities and simultaneously handled document lodgement and financial settlement.
- There was no single set of rules or processes that PEXA could use as a blueprint. PEXA had to take a plethora of land title and property conveyancing rules, processes and forms that differed between jurisdictions, and combine them with a different set of rules, logic and processes for the movement of money. PEXA had to define a new common set of rules and processes, which included defining new national data standards that accounted for hundreds of permutations, multiple failure points and complex orchestration between multiple parties.
- Given the significant amounts of money being transferred, PEXA needed a platform that provided absolute confidence around identity, authorisation, privacy, information security and the integrity of funds transfers.
- PEXA had to build a robust and secure platform from the outset, because any serious outage, incorrect transaction or integration failure would have undermined confidence in the PEXA proposition.

PEXA's **market penetration risks** were perhaps the biggest uncertainty:

- PEXA needed banks, legal practitioners, land registries and governments to all participate at the same time; if one participant was not ready and willing to pursue a digital transaction then all parties would need to use existing paper conveyancing processes.
 - Even if the big four banks were all participants, there were more than 120+ other banks and financial institutions in Australia. Big four banks had around 75-80% market share⁶⁷, which implies that unless other financial institutions participated, only 50%-65% of refinance transactions would be processed on PEXA's platform.⁶⁸
 - Property transfers typically involve two banks and two conveyancers / legal practitioners. Until PEXA persuaded a large proportion of 10,000+ conveyancers / legal practitioners to embrace eConveyancing, most of these transfers remained paper based.

⁶⁶ Huber_Zmijewski_Expert_Report_IPART_2026; submitted to IPART August 2026

⁶⁷ Reserve Bank of Australia, Financial Stability Review – March 2011, "The Australian Financial System," p. 26; and ACCC, *Lack of transparency stifles mortgage price competition*, December 2018

⁶⁸ A refinance transaction typically involves two financial institutions; the probability of both institutions using the platform is the square of the probability of one institution using the platform

- Legal practitioners and conveyancers, in particular, were challenging to onboard. Getting 10,000+ often small business to change the way they worked and make the investment in their time to understand how to use the technology and see the benefits was incredibly challenging and led to the creation of PEXA Direct from 2015, which was an Account Management workforce that grew to 70-75 FTEs by 2018 and which helped convert legal Practitioners to eConveyancing.
- In December 2013 a paper to PEXA's Board noted, 'Transaction volumes are still low and the most significant current risk to the business is the slower than anticipated uptake by the banks.'⁶⁹.
- ARNECC had made clear in a 2012 consultation paper that it would not mandate an end to paper conveyancing: '...the decision to participate will be up to the individual member of the conveyancing industry. There is no present intention to make participation in National Electronic Conveyancing mandatory or to remove paper-based conveyancing'.⁷⁰
- Government mandates were in fact not issued until PEXA had already convinced most practitioners to use the platform, as shown in Figure 23 (section 4.7.2).
- Previous attempts in Victoria to establish eConveyancing had failed to attract a material number of users, because users were unconvinced that the platform would attract a critical mass of other users.
- Current developments in Tasmania show that an eConveyancing platform may not attract a critical mass of users even if the platform is fully functional. PEXA launched its fully-functional Australian platform in Tasmania in February 2025, once its use had been almost universal in Victoria and NSW for over 5 years and all of Australia's financial institutions operating in Tasmania were already subscribers. But as of August 2026, while 68 of ~75 conveyancers in Tasmania have signed up to use the platform, the eConveyancing market share for Transfers in Tasmania is ~2%.
- Current developments in the United Kingdom also show the challenges of attracting a critical mass of users to a functional platform. PEXA has had a functional eConveyancing refinance platform in the UK since 2022. PEXA is effectively competing with paper - there are no meaningful digital platform competitors. However, PEXA's platform today processes less than 1% of refinance transactions in the United Kingdom. The venture may yet succeed, but it illustrates how a functional eConveyancing platform may not necessarily build a critical mass of subscribers.

PEXA also faced significant **regulatory and competition risks**:

- Each jurisdiction was responsible for regulating electronic conveyancing locally so there were risks of inconsistent rules, different commencement dates, or even that a State might decide not to participate in eConveyancing.
- A PEXA investor presentation in November 2012 explicitly warned that 'one or more Land Title Offices might not implement the systems needed to interface with PEXA on time—or at all'.⁷¹
- PEXA was dependent on individual land registries, revenue offices, and banking regulators setting up electronic systems to accommodate eConveyancing, and adapting their processes, document types and requirements to the nationally harmonised system embodied in PEXA's system.

⁶⁹ PEXA Board minutes: CEO's supplementary report, 17 December 2013

⁷⁰ ARNECC: Introduction of the Electronic Conveyancing National Law, section 1.3, July 2012

⁷¹ PEXA Board paper; 7 November 2012

Like all start-up businesses, PEXA faced **funding risks**:

- The venture would have failed if it had exhausted its funds and had been unable to raise further cash from investors before it achieved positive cashflows for the first time in FY 2020.
- Debt funding was not available at reasonable rates as noted in a PEXA Board paper in December 2013⁷²: *'Grant Samuel advised that debt funding was not available on commercially reasonable terms'*.
- PEXA was at times close to insolvency. Board minutes from late July 2011 notes that the *"Current cash balance was adequate only through 21 September 2011"* and in June 2014, the PEXA board provisioned approximately \$12 million as a contingency for solvency and potential wind-up costs.⁷³
- Multiple rounds of fundraising demonstrate PEXA's continued funding vulnerability, as investors were unwilling to commit more than about 18 months of cashflow in advance, as shown in Figure 13.
- As noted above, other than the Western Australia Government and CBA, none of the original investors were willing to invest further in PEXA from December 2012.
- While the original business case⁷⁴ suggested the total funding requirement would be \$75m, in practice the total funding requirement ballooned to more than \$360m. The original business case envisaged break-even by 2016, but PEXA did not in fact break even until 2020.

Overall, PEXA wasn't simply introducing a new technology; rather, PEXA was looking to transform a conservative property eco-system and replace a longstanding paper process. PEXA had to demonstrate that digital settlement and lodgement was sufficiently reliable and advantageous to justify many parties changing their established habits and workflows.

Early government and bank participation didn't materially reduce risks

IPART's draft report did not provide any evidence for its assertion that the participation of State governments and banks as investors reduced the risk of failure. As noted above in Figure 13, most governments and banks only ever invested relatively small amounts in PEXA.

Prior to 2011, several States had attempted to implement eConveyancing and had failed. Victoria built a functional platform - "Electronic Conveyancing Victoria" (ECV) - at a reported cost of at least \$50m, but it failed to attract users and only ever conducted a single transaction.⁷⁵ Victoria received shares in PEXA worth only \$6.7m in return for its intellectual property developed through ECV.

All States and Territories had promoted eConveyancing through the National Electronic Conveyancing System between 2005 and 2008, but by 2009 their efforts had not resulted in a functional platform,

⁷² PEXA Board minutes from 17 December 2013

⁷³ PEXA Board minutes from 26 July 2011 and 19 June 2014

⁷⁴ NECDL Business Plan, September 2010

⁷⁵ Drummond (2008), "Vic may drop its e-conveyancing system, *Australian Financial Review* <https://www.afr.com/politics/vic-may-drop-its-e-conveyancing-system-20080704-jcngd> cites costs of \$30m in 2008. The relevant shadow minister said that the costs had increased to \$50m by mid 2009: Merritt (2009), 'E-conveyancing edges closer to total collapse' *The Australian*, https://www.theaustralian.com.au/business/econveyancing-edges-closer-to-total-collapse/news-story/2486f563a12e12671072bbf9cd09dfdb&ved=2ahUKewip1tvX25SWAxXJOEIHRUjGuUQFnoECBwQAQ&usg=AOvVaw1lxbBtXB5x07i6v4-P_R. A regulatory impact statement in 2009 indicated the costs could be \$80m by 2013-14, and the Victorian project was abandoned in 2011: Merritt, 'States get property rights system', *The Australian*, https://www.theaustralian.com.au/nation/politics/states-get-property-rights-system/news-story/eeef605ee270775a7f0c3bc5a9d0044a1&ved=2ahUKewiK4eD_25SWAxUMmuEIHVCHk8QFnoECBsQAQ&usg=AOvVaw1OmosApoWbfR15DWXnz-QF

and no network of customers.⁷⁶ The failure to agree over whether the National Electronic Conveyancing System should adopt the Electronic Conveyancing Victoria platform was a major sticking point.⁷⁷

PEXA has been unable to identify any other joint venture between State governments to promote a digital platform. There are numerous examples of State systems that struggle to interact across State boundaries: COVID tracking and bushfire emergency management are two of the more well known examples⁷⁸

There are many examples of bank consortiums that have failed, including:

- Australia's four largest banks were all part of a consortium in 2007 to build MAMBO, a real-time person-to-person payments platform. Five years and at least \$200m later MAMBO was cancelled.⁷⁹
- Three of the four major banks were part of Lygon, a joint venture to digitise bank guarantees using blockchain technology. After five years it went into liquidation with debts of \$14m in 2024.⁸⁰
- Three of the four major banks created a joint venture in 2017 called Beem-It, a new app to enable phone to merchant and peers payments that would compete with Apple Pay.⁸¹ There appear to have been significant differences between the banks in developing the solution.⁸² The platform did not gain substantial market share, and was ultimately sold to eftpos in 2020.⁸³

Contrary to the assertion in IPART's draft report, PEXA may be the exception to the rule and one of only a few examples of successful cooperative investments between banks.

In any case, the involvement of banks and State Governments did little to attract a critical mass of users, particularly conveyancers, which as outlined above were the key risk to PEXA's success. For the typical conveyancer, the key issue was whether other conveyancers had already been attracted to use the platform; and by contrast involvement of banks and governments was a peripheral consideration

⁷⁶ A project to create the National Electronic Conveyancing System (NECS) was set up in 2005, and involved all states and territories, the Australian Bankers Association and the Law Council of Australia. It produced substantial documentation, but no actual system over 6 years. Its early history and extensive documentation between 2005-2008 is described in a speech by the incoming President of the Law Council of Australia: Corcoran (2008) *Torrens Today: e-conveyancing and the possible harmonisation of Australian property law* <https://cyberprecedent.com.au/lawcouncil/images/LCA-PDF/docs-dated/20080620%20Torrens%20Today.pdf>. The intellectual property of various States in NECS was explicitly recognised in return for the issue of shares in PEXA, although the value received by Victoria was much less than its historic expenditure.

⁷⁷ Corcoran (2008) *Torrens Today: e-conveyancing and the possible harmonisation of Australian property law* <https://cyberprecedent.com.au/lawcouncil/images/LCA-PDF/docs-dated/20080620%20Torrens%20Today.pdf>.

⁷⁸ See e.g. Royal Commission into National Natural Disaster Arrangements at p.165

⁷⁹ Banking Day (2011), "Mambo on shaky foundations" <https://www.bankingday.com/article/mambo-on-shaky-foundations>; Banking Day (2011), "Mambo scuttled by leaden banks" <https://www.bankingday.com/article/mambo-scuttled-by-leaden-banks>. The RBA noted that one of the reasons for failure was "the different investment cycles and commercial interests of the banks": RBA (2014), "Developments and innovation in the payments system", <https://www.rba.gov.au/publications/submissions/financial-sector/financial-system-inquiry-2014-03/developments-and-innovation.html>, para 8.4.1

⁸⁰ Turner-Cohen (2024), "Blockchain start-up backed by major banks collapses into liquidation owing \$14m" <https://www.news.com.au/finance/business/technology/blockchain-startup-backed-by-major-banks-collapses-into-liquidation-owing-143m/news-story/2b80327fda4322243915abd518cfd80a>

⁸¹ CBA (2017), 'CBA, Westpac and NAB build next generation of mobile payments and wallets in Australia' <https://www.commbank.com.au/guidance/newsroom/next-generation-mobile-payments-and-wallets-201710.html>

⁸² Kruger and Hutchinson (2020) 'Beem I in spotlight over dumping of CEO Angela Clark' Sydney Morning Herald <https://www.smh.com.au/cbd/beem-it-in-spotlight-over-dumping-of-ceo-angela-clark-20200701-p55874.html>

⁸³ Rogers (2020) 'Banks offload Beem It to Eftpos' Banking Day <https://www.bankingday.com/banks-offload-beem-it-to-eftpos>

to their decision to participate. As Dr Lally points out, the slow uptake between 2014 and 2019 demonstrates that bank and State Government participation had little impact on this key risk.⁸⁴

3.4.5 Plausible failure rates imply much higher expected rates of returns for PEXA

The required rate of return on a higher risk investment is a function of a normal return and the expected rate of failure. For example, PEXA's submission to IPART's IAB Methodology Paper sets out an example where a 30% probability of failure will require a target return of 57.1% to produce an expected return of 10%:

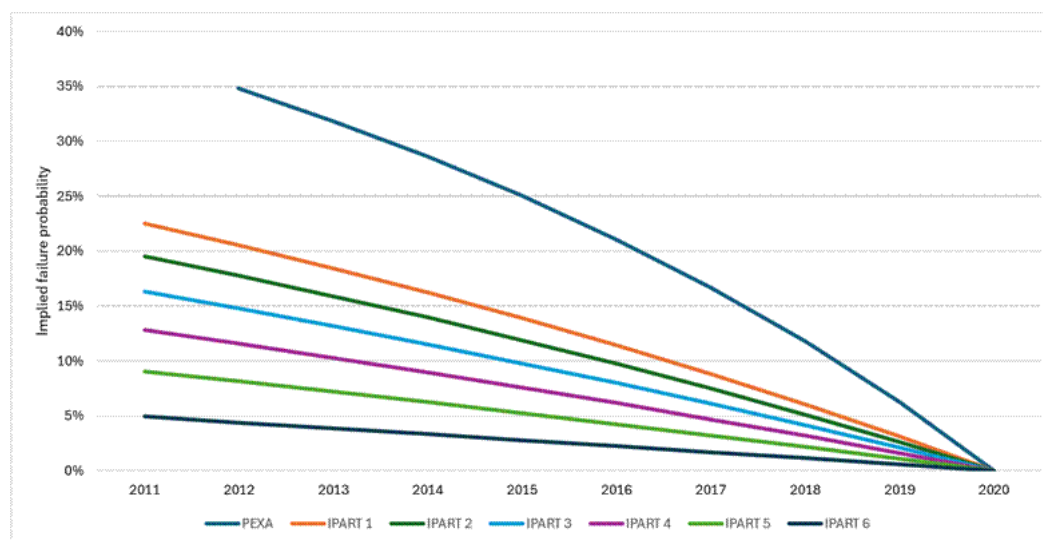
$$\text{Expected return} = 30\% \times -100\% + 70\% \times 57.1\% = 10\%$$

IPART's draft report suggests 7 alternative rate-of-return paths from FY11-FY20. The highest of these suggests a ~20% annual return (based on a starting return in 2011 of 35%, linearly decreasing to 4.6% in FY20). IPART provides no justification for selecting these rates-of-return (beyond its illogical rejection of venture capital benchmarks). This is highly problematic in circumstances where it concedes that the "rate of return is the most influential assumption in the recovered-capital method", because "the residual is highly sensitive to the early-year rate of return". IPART's approach has all the hallmarks of post-hoc justification, rather than being a genuine cross-check.

Despite IPART's suggestion that it has used several rate-of-return paths "that apply an elevated return in the early years", even the highest of IPART's return paths implies an implausibly low expected probability of failure.

The report by Prof Gray calculates the probability of failure implied by IPART's Draft Report scenarios and PEXA's May 2026 submission to IPART's IAB Methodology Paper, as shown in Figure 14.

Figure 14: Implied failure probability of IPART and PEXA rate-of-return scenarios



IPART's declining rate of return implies that the probability of failure reduces over time as PEXA business gradually evolves, and by 2020, the risk of failure is deemed to have reduced to zero so that the allowed return includes no premium to compensate for the possibility of business failure.

Prof Gray concludes that

'the implied failure probability in the first year of PEXA's development is:

⁸⁴ Lally, August 2026, "The initial asset base for PEXA in 2026", p.13

35% in the PEXA submission; and

23% in the highest scenario developed by IPART.

That is, the analysis and conclusions in the Draft Report imply that IPART considers that, in the first year of PEXA's development:

A 1 in 3 chance of failure is so unreasonable as to be rejected outright; but

A 1 in 4 chance of failure is sufficiently reasonable to be included among the scenarios considered."

Using a Bayesian analysis approach, adjusted for a number of factors affecting the probability of PEXA's success, Dr Lally suggests that the probability of failure was somewhere between 30% and 50%, with a point estimate of 40%.⁸⁵

Intuitively, the risk of failure in FY11 when PEXA set out to build the world's first eConveyancing solution based on a new technology while transforming a 100+ year old established paper process across 8 different legal jurisdictions, was much higher than 1 in 4 given:

- The previous failures between 2005 and 2011 to establish such a system;
- The absence of a successful model anywhere in the world at the time;
- The fact that no other successful system has subsequently been established anywhere in the world;
- The inherent challenges to attracting a critical mass of users;
- All of the other risks set out in section 3.4.4 above.

Considering these factors, PEXA submits that IPART's implicit claim that PEXA's risk of failure in 2011 was less than 1 in 4 displays strong hindsight bias. IPART should revise up the rate of return it would apply to PEXA's investments between FY11 and FY19 to reflect a higher risk of failure

3.4.6 Expert assessments suggest much higher rates of return

Prof Huber and Zmijewski use three complementary approaches to estimate the return PEXA investors required:

- Established WACC adjusted for exit risk: They start with the WACC of an established comparable business and adjust it upward for PEXA's estimated probability of exit, using observed Australian business-exit rates.
- Discounted Cash Flow: They use PEXA's contemporaneous business-plan cash-flow forecasts and the market value implied by actual PEXA share issuances/sales, then solve for the discount rate that makes the present value of those forecast cash flows equal the observed equity value.
- Venture capital hurdle rates: They benchmark PEXA against observed hurdle rates required by venture capital investors for businesses at comparable stages of development.

The results generated by each of these approaches were broadly consistent. They outline that:⁸⁶

⁸⁵ Lally, August 2026, "The initial asset base for PEXA in 2026", p.24

⁸⁶ Huber and Zmijewski, p.50

PEXA's return is 44.8% in 2011 and 44.0% in 2012.... PEXA's return is 32% in 2013, 29.2% in 2014, and 26.4% in 2015..... PEXA's return is 23.6% in 2016, 20.8% in 2017, and 17.9% in 2018.... PEXA's return is 16.2% in 2019 and 12.4% in 2020

3.4.7 IPART rate of return is inconsistent with the envisaged and actual return of initial investors

The initial NECDL Business Plan from September 2010 suggests an **Internal Rate of Return (IRR) of 38%** for NECDL foundation investors by 2017 and cash-flow break-even by 2016.⁸⁷ In other words, this Business Plan envisaged that (if PEXA succeeded), initial investors would earn an average rate of return between 2010 and 2017 of 38% p.a.

The actual return earned by the initial investors, the State Governments, was about **35% p.a.** throughout the period from 2011-2019, as implied by Figure 15.

Figure 15: State Governments earned a return of around 35% p.a. between 2011 and 2019 on their investments in PEXA

Investor	Initial investment Amount, \$m	Initial Investment Date	Other investment (cash), \$m	Other investment (IP), \$m	Total invested, \$m	Jan-2019 Exit amount, \$m	IRR %
State gov't #1	1.6	May 2011	5.3	4.9	12.0	104.6	35.3%
State gov't #2	1.6	May 2011	5.3	0.3	7.1	62.7	37.2%
State gov't #3	1.6	May 2011	5.3	6.8	13.6	117.0	34.8%
State gov't #4	1.6	May 2011	16.7	0.5	38.8	185.5	34.2%

Note: Each of the investing State Governments had already invested to some extent to develop an electronic transfer system. The IP from these investments were sold into PEXA Group in return for shares based on their value. Although the actual investments were made earlier, calculation of rates of return assume that these investments were made in August 2011.

Source: Based on NECDL/PEXA share registry 2010-2019

The rates of return from 2011 to 2019 applied by IPART in calculating IABs under the RCM in its draft report are much lower than this actual return received by initial investors.

PEXA submits that the envisaged and actual rates of return achieved by the initial investors are highly relevant reference points for IPART's analysis.

3.4.8 IPART rate of return is inconsistent with typical returns applied to high-risk investment

Venture capital firms have "rules of thumb" about the required rate of return for a high risk venture – assuming that the venture succeeds. This rate of return accounts for the risk that the venture ultimately provides no return at all. The submissions by all of the academic experts commissioned by PEXA explain how these "rules of thumb" are mathematically related to risks of failure. The rates of return applied by IPART in all of its RCM scenarios in its draft report are much lower than these "rules of thumb", as shown in Figure 16.

Figure 16: Venture capital investors typically require higher rates of return on successful investments than IPART has used

Venture/Business maturity à

⁸⁷ NECDL Business Plan, September 2010

Source	Start-up / Seed	First-stage / Early development	Second-stage / Expansion	Bridging finance / IPO
Plummer (1987) ¹	50% - 70%	40% - 60%	35% - 50%	25% - 35%
Scherlis and Sahlman (1989) ²	50% - 70%	40% - 60%	30% - 50%	20% - 35%
Sahlman et al (1998) ³	50% - 100%	40% - 60%	30% - 40%	20% - 30%
Manigart et al (2002) ⁴	Not reported	36% - 45%	26% - 30%	26% - 30%
Damodaran (2009) ⁵	50% - 70%	40% - 60%	35% - 50%	25% - 35%
Equidam (2025) ⁶	76% - 94%	57%	49%	35%

^[1] Plummer, J. L., QED Report on Venture Capital Financial Analysis, QED Research Inc., 1987.

^[2] Sahlman, W. A., Scherlis, D. R., A Method for Valuing High-Risk, Long Term, Investments: The 'Venture Capital Method,'" Harvard Business School Teaching Note 9-288-006, Harvard Business School, 1989.

^[3] Sahlman, W. A., Stevenson, H. H., Roberts, M. J., Bhidé, A. V. (1999), The Entrepreneurial Venture, Harvard Business School Press, 2nd edition.

^[4] Manigart, S., De Waele, K., Wright, M., Robbie, K., Desbrieres, P., Sapienza, H. J., Beekman, A., (2002), Determinants of required return in venture capital investments: a five-country study, Journal of Business Venturing, 17(4), pp. 291-312.

^[5] Damodaran, A., Valuing Young, Start-up and Growth Companies: Estimation Issues and Valuation Challenges, NYU Stern School of Business working paper, May 2009.

^[6] Equidam, Understanding the Venture Capital Method for Calculating Required Returns, 20 May 2025.

3.4.9 IPART rate of return lacks sufficient justification

IPART's reasons for selecting such a low rate of return to apply in PEXA's early years in its RCM approach are flawed (as outlined above), and its reasoning rests on assertions for which it has provided no supporting evidence – and indeed the available evidence suggests that IPART's assertions are incorrect. It is concerning that IPART's draft report does not provide comments or analysis of its consideration of the evidence in PEXA's submission in response to IPART's IAB methodology paper, which addressed this period of history in detail.⁸⁸

Professor Stephen Gray notes in his report⁸⁹:

"In my view, the Draft Report falls well short of the usual standard of regulatory decisions. Particularly in the circumstances of a draft decision that proposes a very substantial reduction to the allowed revenues that the regulator has previously approved"...

He also notes that the draft report⁹⁰:

Contains no analysis and provides no estimate of what IPART considers the risk of failure to be;

Performs no calculation of the failure risk that is implied by its various rate of return scenarios; and

Performs no assessment of whether the implied failure probabilities are reasonable or even plausible.

⁸⁸ PEXA (2026), Submission to IPART Methodology Paper – Initial Asset Base for an Electronic Lodgment Network Operator, p.21-23

⁸⁹ "The required rate of return for the RCM method applied to PEXA", report prepared for PEXA, Professor Stephen Gray, 31 July 2026, section 1.3, paragraph 6 (f). Report submitted directly to IPART.

⁹⁰ "The required rate of return for the RCM method applied to PEXA", report prepared for PEXA, Professor Stephen Gray, 31 July 2026, section 3.1, paragraph 28. Report submitted directly to IPART.

Similarly, RBB Economics finds that:⁹¹

IPART's proposed significant reductions to PEXA's revenue and prices are not robust to alternative estimates of PEXA's asset base. Given the genuine and significant uncertainty, it is in our view inappropriate to rely on IPART's single proposed approach to estimating the value of PEXA's asset base. Moreover, the estimate that IPART uses is a lower bound, cost-based estimate, rather than a midpoint within the wide range presented above.

3.5 IPART's regulatory WACCs for FY2020 onwards also need amendment

In addition to our concerns about the rate of return IPART applied prior to FY20, we also note that the regulatory WACC to be applied from FY2020 onwards needs to be amended to reflect the appropriate beta and gearing assumptions.

As acknowledged in IPART's Draft Report, and supported by Frontier Economics' expert report attached to PEXA's November 2025 submission, the beta and gearing values IPART previously used to estimate PEXA's WACC in 2019 and 2023 were based on an inappropriate set of comparator firms.

For FY20 to FY22 IPART's draft report used the set of comparator firms that IPART used in its 2019 study, based on retail mortgage banks.⁹² For the years from FY23, IPART's draft report used the set IPART adopted that year, having found that real estate and data exchange companies are a more appropriate proxy for PEXA Exchange.⁹³ PEXA Exchange's business model did not change in the interim, and the draft does not explain why the comparator set IPART has since rejected, should continue to determine the return for the earlier years. PEXA submits that the comparator set IPART has itself accepted since FY23, and adjusted in its Draft Report, should be applied consistently across the period. Applying IPART's Draft Report beta and gearing values to regulatory WACCs from FY20 onwards, consistent with the correct comparator set, would increase the regulatory WACC from FY20 onwards. Figure 17 presents our estimates of these corrected WACCs.

Figure 17: Consistently applying IPART's most recent approach to PEXA's WACC implies substantially higher WACC than IPART has applied between FY20-FY25

IPART Decision	Years applied in RCM	Beta/gearing applied	Real WACC applied	Corrected beta/gearing	Corrected real WACC
November 2019	FY20-FY22	1.00, 60%	4.60%	1.02, 12%	7.10%
June 2023	FY23-FY25	1.00, 15%	5.70%	1.02, 12%	6.00%

Note: The beta values presented in the figure are equity betas. The implied asset beta values are 0.40 for the 2019 decision, 0.85 for the 2023 decision and 0.90 for the 2026 draft decision.

We note that making these changes to the WACC from FY20 onwards alone would increase IPART's RCM IAB from \$384m to \$581 in FY2028 (applying a starting WACC of 35% in FY11 as per IPART's 7th scenario in its Draft Report). The impact will be even larger if a higher starting WACC is applied in FY11 as discussed above.

⁹¹ IPART Review of ELNO Service Fees - RBB Economics Report; p26, paragraph 121

⁹² PEXA notes that it made no submission on the WACC in response to IPART's draft report in 2019 because the issue was moot given IPART's overall finding that PEXA's current prices were reasonable.

⁹³ IPART (2023), *Interoperability pricing for Electronic Lodgment Network Operators: Final Report*, p.75-77

3.6 Amended application of the RCM approach

3.6.1 An opening IAB of about \$1,301m

In Figure 18 below, we present a plausible range of IAB values under the RCM approach, if reasonable rates of return are applied to roll forward PEXA's historical net cash flows, so that the IAB reflects the present value of PEXA's unrecovered efficient historical costs.

In each scenario, we start with a rate of return in FY11 and linearly reduce the rate of return to the regulatory WACC from FY20 onwards, albeit using IPART's correct beta and gearing values in estimating these regulatory WACCs. The overall rates of return between FY11 and FY19 are consistent with:

- PEXA's initial risk of failure being at least 35% (consistently with our submission to IPART's IAB Methodology Paper and the expert reports explaining the relationship between this risk of failure and required rates of return),
- the rates of return explicitly forecast in 2013,
- the actual rates of return realised by the original investors in PEXA when PEXA was sold in 2019,
- the reports of academic experts commissioned by PEXA, and
- typical rates of return applied by venture capital investors to an investment of PEXA's risk at each stage of its evolution.

We consider the IAB derived from the midpoint of this range of rate of return scenarios (\$1,301m at 1 July 2027) produces the best and most defensible estimate.

Figure 18: Applying a sensible rate of return to PEXA between FY11 and FY19 implies an IAB of more than \$1 billion

FY2011 WACC	FY11-FY19 average WACC	FY2028 opening IAB (\$2026-27)
55%	33.7%	\$1,131m
60%	36.5%	\$1,301m
65%	39.3%	\$1,487m

3.6.2 Intangible assets in the IAB are worth \$934m

By underestimating the IAB, IPART has also underestimated the value of PEXA's investment in intangible assets. Intangible assets have a longer remaining economic life than physical assets. This means that not only is PEXA's IAB under IPART's Draft Report way too low to allow PEXA to recover a return on and of its efficient historical investment, but this lower IAB value will diminish faster than the true economic life of PEXA's asset base.

IPART's 2019 final report recognised that expenditure to establish PEXA's intangible assets should be included in PEXA's IAB. If not appropriately included, the IAB will significantly understate the investment required to establish an ELNO, particularly a benchmark efficient first mover ELNO.

IPART's recent IAB methodology paper also recognises that ELNOs rely predominantly on intangible assets, rather than long-lived physical assets, and that costs incurred to establish intangible assets may not be reflected accurately in records of historical capital expenditure.

The share of tangible and intangible assets in the IAB can be estimated using an RCM approach as follows:

- If we start with a rate of return of 60% in FY11, let this decline linearly to a regulatory WACC of 7.1% in FY20 and thereafter set the rate of return as the regulatory WACC each year to FY2026, and we apply these rates to PEXA's unrecovered costs in each year over this period we calculate an IAB of \$1,301m (real \$2026-27) at 1 July 2027. This reflects the present value of PEXA's unrecovered efficient historical costs incurred to establish and provide eConveyancing services at 1 July 2027. An IAB at this value is necessary to allow PEXA to recover its efficient historical costs, consistent with IPART's building block and FCM principles.
- Taking PEXA's historical capital expenditure from FY11, indexing this by CPI and applying a weighted average asset life of 15 years (the assumed life of physical assets) and including capitalised operating expenditure, derives a value for investment in PEXA's physical (or tangible) assets of \$367.6m (real \$2025-26) at 1 July 2027.
- The difference between these two values (the IAB and the tangible asset component of this IAB) is an estimate of the value of PEXA's unrecovered investment in its intangible assets (\$934m) at 1 July 2027.

We propose a remaining economic life of 20 years for intangible assets from FY28. We recognise there is some uncertainty about the economic life of intangible assets, as it can be subject to technological, legal or other market changes. The economic life of PEXA's intangible assets will not be indefinite, but nor are they expected to be very short-lived. Therefore, a remaining economic life of 20 years from FY2028 is a reasonable estimate, which balances a range of considerations including price stability.

From FY2028, the IAB can then be rolled forward assuming remaining average asset lives that reflects the remaining economic life of PEXA's existing tangible assets (ranging from 1.7 to 12.4 years, with a weighted average of around 6 years) and intangible assets (20 years).

The value of the RCM IAB and therefore the intangible assets within this IAB is sensitive to WACC assumptions. In Figure 19 below, we present IAB values and tangible and intangible asset values within these IAB values, for various WACC scenarios. For each scenario, we calculate these values by following the 3 steps above, starting with WACCs in FY2011 ranging from 50% to 65%. We also adjust the regulatory WACC from FY20 onwards to account for IPART's corrections to gearing and beta (which, prior to IPART's Draft Report, were previously based on inappropriate comparator firms, as explained in Section 3.5 above).

Figure 19: Opening IAB values, including intangible and tangible components of these values, for various WACC scenarios

FY11 WACC	FY28 opening IAB (total)	FY28 opening intangible asset IAB	FY28 opening tangible asset IAB
55%	\$1,131m	\$763m	\$368m
60%	\$1,301m	\$934m	\$368m
65%	\$1,487m	\$1,120m	\$368m

3.7 A sound cross-check against both rolled forward approach and RCM is required

Given the inherent sensitivity of the IAB to the rates of return applied, particularly between FY11 and FY19, it is important to cross check results against plausible reference points. As PEXA proposed in its submission to IPART's IAB Methodology Paper, a suitable approach would be to triangulate the results of different approaches to determining the IAB. Such a triangulation is consistent with sound decision-making, given the high sensitivity of outcomes to rate of return assumptions (which can be

highly uncertain, given the need to retrospectively determine the appropriate historical rates of return) and the consequences of the decision on the IAB value for PEXA, e-conveyancing customers and other stakeholders.

IPART's rolled forward approach, particularly with the modifications required so that it is consistent with IPART's historic approach and basic principle, inherently generates similar results to the RCM approach we have outlined above. Consequently the rolled forward and RCM approaches are not effective cross-checks of each other.

Other plausible reference points, most of which were outlined in PEXA's submission to IPART's IAB Methodology Paper, are:

- PEXA's sale price when privatised in January 2019 of \$1.62 billion, rolled forward to account for capex and depreciation since then, which would equate to an IAB value of \$1.7 billion at 1 July 2027. This is effectively an investor (or 'the market') view of the future cashflows that would be provided by PEXA's tangible and intangible assets, and therefore their value. Notably, the NSW Government referred review of ELNO service fees to IPART in November 2018, meaning the market valued PEXA at its sale knowing that it would be subject to economic regulation and therefore that its revenues would reflect the efficient costs of service provision (rather than any expectations of monopoly returns).
- PEXA's proposed Discounted Cash Flow (DCF) 'line in the sand' approach, which yields an IAB of about \$1.435 billion at 1 July 2027. This approach is consistent with the DCF approach that IPART and other economic regulators applied to establish the initial "line in the sand" IABs for existing businesses when introducing economic regulation. It reflects the IAB implicit in PEXA's 2021-22 prices, which IPART found to be reasonable in its 2019 review of ELNO service fees. The outcome of PEXA's DCF approach is that its prices would not vary substantially in real terms from the prices that IPART found to be reasonable in 2019.
- The \$1.55 billion valuation recognised as PEXA's tax asset base, as the value of the business in 2019 and the basis on which the ATO has allowed the business to claim tax deductions against since that date.
- PEXA has total assets on the balance sheet as at 30 June 2026 of \$1.32 billion⁹⁴, which are audited annually by the Group's external auditors.
- The Initial Asset Base calculated applying the risk premium demanded by PEXA's original investors of an Internal Rate of Return (IRR) of 38%.⁹⁵

IPART's Draft Report does not include any explanation on why these other cross checks have not been considered. This is concerning for the following reasons:

- IPART's draft decision IAB is substantially below these values.
- IPART's roll forward approach is fundamentally flawed and inconsistent with its own cost recovery principles (as outlined above) and its only cross-check against this is unreliable because in using the RCM approach IPART has applied implausibly low rates of return to PEXA's cashflows between 2011 and 2019.

⁹⁴ PEXA Exchange total assets on balance sheet as at 30 June 2026 of \$1.32 billion are draft as at publication date, subject to final year end adjustment and external auditor finalising their review and sign off.

⁹⁵ The initial NECDL Business Plan from September 2010 stated that if the venture succeeded, initial investors would earn an average rate of return between 2010 and 2017 of 38% p.a., with cash-flow break-even by 2016.

- PEXA's proposed discounted cash flow (DCF) line in the sand approach to determine its opening IAB in its November 2025 submission is based on PEXA's net cash flow in 2021-22, and hence its 2021-22 fees approved by IPART in 2019. If IPART adopts a methodology that results in an IAB significantly lower than this, then it will effectively write-off a proportion of the 2019 asset base that it previously found to be reasonable. Such a retrospective revaluation would be counter to regulatory principles and precedent, given the significant investment uncertainty that it creates.

We note that if the DCF line in the sand approach was used to set PEXA's IAB, a similar approach to that outlined above for the RCM method could be used to derive estimates of the remaining economic lives of tangible and intangible assets within the IAB. The DCF line in the sand approach outlined in PEXA's November 2025 submission and again in its recent submission to IPART's IAB Methodology Paper has a range of advantages as a "cross-check" or as a means of setting the IAB value. This approach would:

- Ensure that only efficient expenditure is embedded in the IAB, noting that in 2019 IPART found PEXA's prices to be reasonable (which have since remained unchanged in real terms) after comparing them to the building block costs of modelled, efficient benchmark ELNOs.
- Provide reasonable levels of investment certainty to PEXA and other ELNOs, by not retrospectively re-setting the IAB implied in IPART's 2019 decision and maintaining reasonable levels of revenue stability - which is important in promoting efficient investment decisions, at a time when customers and ARNECC value reliability, resilience and security of ELN services.
- Provide reasonable levels of price stability to customers – that is, it avoids the potential price volatility that could occur if another model was used to calculate the IAB, particularly given the significant uncertainty around the input values to be applied in other approaches.
- Reduce the need to rely on inherently uncertain information or input values – which can increase the risk and potential for error. Similarly, IPART's IAB Methodology Paper states that a potential strength of the DCF approach is that it can reflect value associated with uncapitalised intangible investment, including costs incurred when establishing a market that may not be fully captured in accounting records.

For these reasons, the DCF approach has significant regulatory precedent when setting an IAB for an existing business transitioning to economic regulation (or, in the case of IPART's current review, transitioning to a more detailed form of economic regulation). For example, IPART set the opening IAB values of NSW metropolitan water utilities based on the NPV of each utility's future cash flows at prevailing price levels. According to IPART, "the initial 'line in the sand' RABs were calculated in 1999 as the net present value of future cash flows, assuming they would continue."⁹⁶ For IPART's 2000 determination of Sydney Water's prices, it used the "line in the sand" methodology to determine the "economic value" of Sydney Water's assets, with this value for 1 July 1999 equal to the present value of future net cash flows, assuming they would continue at 1998-99 levels.⁹⁷

3.8 Summary of our position

IPART's roll forward approach is fundamentally flawed because it sets an IAB that is lower than the present value of PEXA's unrecovered efficient historical expenditure incurred to establish and provide eConveyancing services. This means that PEXA will be unable to recover its efficient historical costs, which is inconsistent with IPART's own cost-recovery, building block and FCM principles.

⁹⁶ IPART, Cost Allocation Guide, Water Industry Competition Act 2006, March 2018, p 18.

⁹⁷ IPART, Sydney Water Corporation, Prices for Water Supply, Sewerage and Drainage Services, Medium-term price path from 1 October 2000, p 21.

This flaw arises because IPART's roll forward approach does not recognise that PEXA's historical revenues were significantly less than its building block cost allowances. Under its roll forward approach, IPART depreciates expenditure from when it is incurred, even though PEXA was not receiving a depreciation allowance via prices – which means that much of this expenditure is depreciated before PEXA has had a chance to recover it. Similarly, IPART indexes historical expenditure by CPI rather than a rate of return – which implicitly assumes that PEXA was receiving a rate of return via historical prices, which it was not.

To remedy these problems with its roll forward approach, IPART would need to calculate an IAB by deferring depreciation and indexing PEXA's historical expenditure by an appropriate rate of return until PEXA started earning revenues equivalent to its building block costs, while offsetting this value by the relatively small amount of revenues PEXA was receiving over this period. This should result in the same IAB as that calculated under the RCM.

However, in applying the RCM, IPART also needs to modify key flaws in its Draft Report by:

- Applying a rate of return to cashflows between FY11 and FY19 that appropriately compensates for risk (i.e. substantially higher than the highest scenario presented in IPART's report)
- Correcting the rate of return applied to cashflows between FY20 and FY25 to use IPART's more recent assessment of the appropriate WACC to apply to PEXA
- Dividing the resulting 2027 IAB into a tangible component (which can be obtained using the roll forward model applied by IPART to historical expenditure) and an intangible component (the remainder of the calculated IAB).

Response to request for Comment 12:

IPART's roll forward approach is fundamentally flawed because it sets an IAB that is lower than the present value of PEXA's unrecovered efficient historical expenditure incurred to establish and provide eConveyancing services. This means that PEXA will be unable to recover its efficient historical costs, which is inconsistent with IPART's own cost-recovery, building block and Financial Capital Maintenance (FCM) principles.

This flaw arises because IPART's roll forward approach does not recognise that PEXA's historical revenues were significantly less than its building block cost allowances. Under its roll forward approach, IPART depreciates expenditure from when it is incurred, even though PEXA was not receiving a depreciation allowance via prices – which means that much of this expenditure is depreciated before PEXA has had a chance to recover it. Similarly, IPART indexes historical expenditure by CPI rather than a rate of return – which implicitly assumes that PEXA was receiving a rate of return via historical prices, which it was not.

To remedy these problems with its roll forward approach, IPART would need to calculate an IAB by deferring depreciation and indexing PEXA's historical expenditure by an appropriate rate of return until PEXA started earning revenues equivalent to its building block costs, while offsetting this value by the relatively small amount of revenues PEXA was receiving over this period. This should result in the same IAB as that calculated under the RCM.

However, in applying the RCM, IPART also needs to modify key flaws in its Draft Report by:

- Applying a rate of return to cashflows between FY11 and FY19 that appropriately compensates for risk (i.e. substantially higher than the highest scenario presented in IPART's report)

- Correcting the rate of return applied to cashflows between FY20 and FY25 to use IPART's more recent assessment of the appropriate WACC to apply to PEXA.

Response to request for Comment 13:

To allow PEXA to recover its efficient expenditure incurred to establish and provide eConveyancing services, the IAB must equate to the present value of PEXA's unrecovered efficient historical expenditure. To do this, the RCM must be applied to calculate the IAB, accounting for the difference between PEXA's historical capital and operating costs and revenues in establishing and providing eConveyancing services to the date of the IAB (e.g., 1 July 2027). This calculation should include all of PEXA's historical operating (and capital) costs, as IPART itself acknowledged that PEXA's historical operating expenditure contributed to the ongoing provision of eConveyancing services.

Response to request for Comment 14:

See response to Comment 13.

Response to request for Comment 15:

For reasons outlined above, IPART's draft IAB would lead to material under-recovery of PEXA's efficient historical expenditure because it is less than the present value of PEXA's efficient unrecovered historical expenditure.

The RCM can be used to determine the present value of PEXA's efficient unrecovered historical expenditure and therefore the IAB, provided it uses appropriate rates of return to capitalise and roll forward PEXA's net cash position. However, this is not the case in IPART's Draft Report.

As explained above, the rates of return in IPART's Draft Report RCM scenarios are too low between 2011 to 2019, when considering:

- the rate of return for successful investments should be higher than the average rate of return to venture capital investments
- PEXA's actual fundraising sources and methods that suggest it was a high-risk investment
- the actual risks faced by PEXA, which were typical for an early-stage digital platform
- the early participation of banks and governments did not materially reduce the risks
- applying a plausible risk of failure for PEXA between 2011-2019 implies much higher rates of return between 2011-2019 for a successful investment
- assessments by academic finance experts suggest much higher rates of return

- benchmark rates of return applied by venture capital investors to an investment such as PEXA
- the rates of return (assuming PEXA succeeded) that were forecast for by initial investors
- the actual rates of return earned by initial investors.

As explained above, the rates of return in IPART's Draft Report RCM scenarios are also too low between FY20 and FY25, given IPART's Draft Report findings on appropriate values for gearing and beta for the regulatory WACC.

Draft decision 3:

Amend to:

PEXA's Initial Asset Base for inclusion in the building block calculation should be \$1.301b at 1 July 2027.

This reflects the present value of PEXA's efficient unrecovered historical expenditure to establish and provide eConveyancing services, applying appropriate rates of return to roll forward PEXA's net position to 1 July 2027.

4 Regulation of service fees

4.1 Continued price regulation

PEXA agrees in principle with IPART's recommendation that ELNO service fees should continue to be regulated given the current market structure. Continued market oversight is appropriate for a highly concentrated market.

However, "regulated prices" are not necessarily "prices set by a regulator". In 2019 IPART decided that PEXA's prices were reasonable (and they have not changed since then in real terms, except for the pass through of uncontrollable costs imposed by government agencies). If prices are reasonable, then the costs of regulatory intervention are likely to exceed any public benefit. A regulator is unlikely to identify a pricing structure that better serves the interlocking interests of different customers than a commercial operator, provided that prices overall remain reasonable.

As discussed below, PEXA believes that IPART's proposed approach to price regulation is not appropriate because it is likely to further entrench the current market structure, discourage investment, and destabilise a successful and highly functional national eConveyancing system.

IPART's approach to price regulation is particularly inappropriate because, as PEXA demonstrated at length in its initial submission, but IPART failed to recognise in its draft report, current eConveyancing fees are not a user concern, and users believe that the PEXA platform provides an excellent service.⁹⁸ As documented in that submission, according to PEXA's customer research the vast majority of users of the PEXA platform say that pricing of eConveyancing is secondary to security, ease of use, on-day availability, platform availability and ongoing support.

This is consistent with recent independent research by Macquarie Equity Research, finding that 61% of conveyancers and solicitors are "very satisfied" and 29% are "somewhat satisfied" with the PEXA settlement platform delivering a positive customer satisfaction level of 90%.⁹⁹ IPART's recommendations offer lower prices at the expense of the platform, jeopardising these high levels of customer satisfaction

It is particularly unclear why there is any need for IPART to intervene to set eConveyancing prices when those prices have not increased in real terms since 2014, PEXA maintains ~90% customer satisfaction and PEXA has delivered approximately \$3.02 billion cumulatively to the Australian economy from 2015 to 2025. By contrast, a variety of other property transaction costs (which are ~99.7% of total property transaction costs) have increased substantially in real terms since 2014, including Online listing fees (~177%) and effective stamp duty (~50%)¹⁰⁰

Given the consistently high customer satisfaction with PEXA's product and service at its current price-point, and the lack of real price increases in over 12 years, the evidence strongly points to the need for a cautious approach to price regulation. IPART's draft report is the opposite – and its extreme recommendation for a price cut of 20% in the short term, and implicitly more in the medium term would have substantial impacts on PEXA's ability to raise the funding that is ultimately critical to maintaining a highly functional, resilient and secure eConveyancing system that is critical infrastructure for Australia.

⁹⁸ PEXA (2025), *Submission to the NSW IPART review of ELNO service fees*, p.49-53

⁹⁹ Macquarie Equity Research (2026): *PEXA Group: AML/CTF presenting new revenue opportunities*, p.14

¹⁰⁰ Online listing fee: Conservative estimate of % increase between 2019 and 2025, based on reported real estate agent experience (400-1000% growth in the decade from 2015-2025) adjusted for 2019-2025 assuming a constant growth in the period, The Guardian (2024); Stamp duty calculated on median price of established house transfers (Unstratified), Sydney, in FY19 and FY25 as the majority of NSW residents live in Sydney, ABS Total Value of Dwellings dataset (2026)

PEXA supports efficient regulation and reasonable prices. However, the regulatory framework must continue to support the secure operation and ongoing development of Australia's national eConveyancing infrastructure and provide a reasonable and sustainable return. Aggressive price reduction in a relatively young industry is premature and will have long term consequences that will outweigh any short-term price benefit to customers or end-users.

4.2 Lack of power for more intrusive price regulation

There are questions about the scope of the power to implement the proposed price regulations under the existing ECNL. PEXA understands that those questions are not matters that IPART will consider in its final report. This submission assumes, without admission, that such a power exists, but PEXA reserves the right to pursue this question in due course.

4.3 Regulation of other eConveyancer prices

PEXA agrees in principle that IPART's recommendation should only apply to PEXA for the upcoming period assuming the current market conditions remain relatively stable. It would be appropriate to reconsider this if market conditions change significantly, for example through emergence of new competitors and/or new business models that cherry-pick particular segments leaving universal service obligation with established ELNOs.

However, although the pricing that IPART has recommended would only apply to PEXA, the prices that IPART have proposed are less than Sympli's current prices. The regulated price will effectively be a cap on Sympli's prices, and therefore undermines Sympli's, or any other proposed competitor business model and incentives to compete with PEXA. This seems a perverse outcome that is inconsistent with the objective of promoting competition.

Response to draft recommendation 1:

Agree, but add that:

If market conditions change significantly, the application of regulation should be reviewed.

4.4 Non transaction based services

4.4.1 Mobile signing and digital certificates

PEXA agrees that pricing for mobile signing and digital certificates should be regulated, and that there should be no change to their current pricing in real terms.

4.4.2 Optional subscriber products

IPART's draft report notes a number of PEXA optional subscriber products, including PEXA Projects, PEXA Planner, PEXA Tracker, and subscriber APIs. All of these are available on an opt-in basis. While IPART notes these products help subscriber segments be more efficient, it is worth noting – as per PEXA's submission to IPART's workshop discussion document in March 2026 - that all subscribers benefit from these as there are strong externalities associated with these products, i.e. efficiencies for one user segment benefits all as they increase the likelihood of successful completion of the underlying transactions.

Given this, PEXA has historically priced these services at or below cost to drive higher on-day settlement rates, and such services have yielded less than 1% of PEXA's Exchange Revenue. However, there is an argument that the benefits primarily reaped by one subscriber group should be covered by that subscriber group which also help ensure that new functionality is only built if customers perceive that its value to them is greater than its cost. Consequently, there is value in moving towards more cost-reflective pricing which PEXA has shared with both customers and IPART.

In PEXA's submission, "Response to issues raised in Workshop Discussion Paper"¹⁰¹ (March 2026), PEXA outlined that revenues and costs driven by services such as PEXA Project, PEXA Planner, PEXA Tracker, PEXA Allocation, and PEXA Key should be included in ELNO Service Fee cost base as these are features intrinsically linked to the ELN service, while system-to-system integrations (like APIs) should be excluded as they are different as they merely facilitate an alternative access mechanism between the electronic systems of the user and PEXA. However, at IPART's public hearing on eConveyancing on 21 July 2026, concerns were raised about PEXA's potential pricing power over APIs although PEXA has recently agreed to a CPI only annual increase on recent API pricing.

As noted, APIs facilitate access between the electronic systems of the user and PEXA. These integrations do not involve the provision of services 'in addition to' the ELNO's core function but rather facilitate the performance of that core function through an alternative interface. Such arrangements are 'Integrations', and governed by cl.5.5 rather than cl.5.4 of the MOR. Under the MOR, pricing is set by agreement between the user and PEXA, provided that PEXA offers equivalent terms for a particular type, level and class of integration.

System to system integrations typically require substantial capital outlay from both PEXA and Subscriber. Consequently, the pricing is typically agreed before any party is committed. The purchasers of such services are typically substantial financial institutions, mortgage processors, and law firms. Functionality (and costs) can be bespoke to a customer's needs (although PEXA is obliged to then offer a similar service to any other customer that requests it). Consequently, there is significant competitive discipline so that optimal results are more likely if the pricing for these services continues to be set by negotiation rather than regulation. In practice, PEXA's pricing for such functionality reflects cost recovery and investment in integration capability, with flexibility for bespoke solutions where required.

These commercial realities suggest that even if prices for these functions were categorised as 'ELNO Service Fees', to promote continued innovation, IPART should recommend that they should not be regulated, and should exclude both revenues and costs from its determination of other ELNO Service Fees. This also aligns to IPART's questions as to whether some of these ancillary services are 'gold plating'. System to system integrations aren't required to operate an ELNO, and primarily benefit individual subscribers. Market discipline is maximised if these fees are not regulated, but instead are commercially priced.

This would be consistent with IPART's treatment of some services provided by monopoly water utilities. For example, IPART does not set prices for 'voluntary' recycled water services, and instead allows water authorities and customers to reach mutual agreement¹⁰². There are strong parallels between voluntary recycled water services and system to system eConveyancing integrations:

- customers have a choice about whether to buy the 'standard' service or the unregulated non standard functionality
- the functionality is often bespoke to the needs of the customer
- IPART can provide a 'backstop' price determination if the parties are unable to agree

¹⁰¹ <https://www.ipart.nsw.gov.au/documents/document/submission-pexa-elno-workshop-march-2026>

¹⁰² IPART (2019) Review of pricing arrangements for recycled water and related services, Final Report, p 12

- The costs and revenues of these agreements are 'ring-fenced' from the regulated service cost base.

PEXA has provided IPART with the historical and run costs of APIs which shows that APIs have been provided at below cost-reflective prices. Recent price changes clearly only go a short way in making APIs more cost-reflective and with PEXA contractually agreeing to maintain prices in real-terms, there is little rationale for intervention.

If IPART was to suggest that API pricing should be regulated it would remove the incentive for PEXA to continue the development of new and enhanced APIs. This would lead to less innovation; less efficient workflows for customers; and ultimately fewer opportunities for the overall eco-system to improve on-day settlement time for end-customers. This would counter-productive for all.

Response to request for comment 1-3:

Alternative products to PEXA's additional services, such as Tracker, Planner, Allocations and Projects, are currently not available.

Third parties could offer substitutable services to PEXA's services such as Tracker, Planner, Allocation and Projects if they used PEXA's APIs, and built alternative services.

Unbundling Tracker, Planner, Allocations and Projects would be uneconomic as the design of these services is deeply integrated into PEXA's exchange platform. However, the tools already offered by PEXA effectively allow third parties to provide alternative services with similar functionality to Tracker, Planner, Allocations and Projects, so there is no regulatory purpose to requiring PEXA to unbundle these services.

4.4.3 PEXA Key

PEXA Key is offered to buyers and sellers **for free** to minimise the risk of fraud and delays to settlements. It covers the safe and accurate transfer of bank account details and offers a Residential Seller Guarantee (PRSG) that protects for up to \$2 million if information is corrupted or intercepted by fraud through the application.

PEXA agrees that the historical costs of PEXA Key should be included in its cost base, and that PEXA Key should remain a free service.

However, PEXA should be allowed to charge for potential additional functionality developed in future to improve transaction security. Otherwise, PEXA would have no incentive to develop this additional functionality. Consequently, IPART should amend its Draft recommendation 2 to confine its operation to services currently offered by PEXA, and exclude services that have not yet been developed.

Response to draft recommendation 2:

Amend to:

Price regulation should also apply to additional services offered by PEXA that are closely related to ELNO transactions and that are not subject to effective competition, including mobile signing, digital certificates and PEXA Key, although price regulation should not apply to optional subscriber products and subscriber API integrations.

4.5 Nationally consistent pricing

PEXA notes that its original submission to IPART in October 2025 supported national pricing.¹⁰³ However, that submission noted that differences in Revenue Office charges and pass through of NECDS fees might compel PEXA to implement jurisdiction-specific pricing. Unfortunately, that has come to pass, as some jurisdictions increased Revenue Office charges, some increased LSS charges, and unlike all other jurisdictions, NSW denied approval to pass through the NECDS fee of \$1 per transaction. The financial imperative for PEXA to implement jurisdiction-specific pricing was material. If it had not done so, PEXA would have not been able to pass through NECDS fees in all jurisdictions other than NSW, and SRO fees in VIC, WA and Tasmania representing circa \$4 million per annum in FY26 and FY27. That is a substantial uncontrollable new cost and is likely to increase further as other States considers new SRO fees.

IPART's draft report recommends that PEXA should offer national pricing, despite big and growing differences between jurisdictions in the direct costs charged to PEXA by government agencies such as Lodgment Support Service (LSS) fees for land registry data, and Revenue Office fees.¹⁰⁴ Historically, differences between jurisdictions were small, but significant price increases over the past two years in some jurisdictions have made these differences material.

Under national pricing, one State government can effectively raise revenues that are largely paid by residents from other jurisdictions, with no incentive to constrain the actions of the government responsible, as IPART's draft report acknowledges.

IPART's draft report suggests that this consideration has little weight on the basis that eConveyancing prices are not cost-reflective anyhow, because the cost per transaction is likely to be higher in jurisdictions with low volumes.¹⁰⁵ However, while sharing the costs of developing a nationally consistent eConveyancing system was a core part of the original national scheme, allowing one jurisdiction to levy additional revenue that was effectively largely paid by the residents of other jurisdictions was not part of the national scheme.

IPART's draft report acknowledges the importance of 'transparency' but underplays the effectiveness of jurisdiction-based pricing in holding governments responsible. In the past year, a State-based agency postponed – potentially indefinitely – a significant price increase because of the prospect that the additional charge would be explicitly passed through to customers. IPART's draft report suggested that these charges would be 'transparent' because they would be published on websites.¹⁰⁶ However, as a matter of political reality, this is an extremely weak control on government charges. The charges would be invisible to most customers, and customers would pay the same overall Subscriber fee in every jurisdiction irrespective of the government charges in their jurisdiction. Indeed, customers from States charging high fees would pay *less* than they would otherwise.

IPART's reasons for not allowing jurisdiction-based pricing are at best peripheral considerations.

- IPART asserted that including fees in the cost base '**encourage[es] PEXA to look for operational efficiencies**'.¹⁰⁷ However, it is unclear how including costs that IPART concedes are uncontrollable can possibly create additional incentives for PEXA to look for operational efficiencies. By definition, PEXA has no ability to 'manage' these costs as they are imposed by government, and a necessary cost of operating an ELNO.

¹⁰³ PEXA (2025), *Submission to the NSW IPART review of ELNO service fees*, p.108-109

¹⁰⁴ IPART, *Draft Report*, p.33

¹⁰⁵ IPART, *Draft Report*, p.33

¹⁰⁶ IPART, *Draft Report*, p.32

¹⁰⁷ IPART, *Draft Report*, p.32

- IPART asserted that there are **‘different regulatory requirements’ imposed by each jurisdiction** due to variations in each jurisdiction’s operating agreements. IPART asserted that the differences in regulatory requirements ‘are likely to lead to greater cost differences between jurisdictions than variations in LSS and revenue office fees’.¹⁰⁸ IPART provided no supporting material for this assertion beyond mere supposition. If IPART had examined the operating requirements in each jurisdiction, it would have found that in practice variations have not historically been material, and PEXA has (for example) provided nationally consistent service levels. In PEXA’s experience, any variation in cost due to regulatory requirements has been much smaller than the variation that results from different government charges.
- IPART asserted that jurisdiction-based pricing would put **‘unnecessary regulatory and administrative burden on ELNOs’**.¹⁰⁹ IPART did not consult with PEXA on this issue, and PEXA’s view is that the regulatory and administrative burden of reverting back to national pricing would be far greater than the burden of maintaining the jurisdiction based pricing that will already be in place. The costs of *maintaining* 8 different fee schedules now that they are in place is not particularly material as PEXA will have implemented automated systems to do so by the end of 2026.
- IPART noted that **‘banks and organisations operating across jurisdictions prefer nationally consistent ELNO service fees’**,¹¹⁰ presumably because it reduces minor complexities in their operations. However, IPART’s draft report has not considered that PEXA developed and implemented jurisdiction-based pricing at significant cost after engagement with jurisdiction’s which expected that it was already built or that it would be built. This system is currently partially in operation and will be fully operational by November 2026 with customers already incurring jurisdictional fees. It would be unreasonable for ARNECC members to then approve a recommendation that is counter to their express instructions in some jurisdictions.

If jurisdictions consider nationally consistent pricing is important, then they must harmonise the disparate prices charged for LSS fees and Revenue Office fees. It is inequitable for residents of one State to subsidise the residents of another State, and even more inequitable for PEXA, as a commercial company, to absorb the differences.

Response to draft recommendation 3:

The recommendation for nationally consistent service fees should not be pursued.

4.6 Inclusion of externally imposed fees in the cost base and within period pass through

IPART’s draft recommendation on national pricing appears contrary to a recent decision by all Registrars but NSW to pass-through new regulatorily imposed transaction costs. It appears to reflect a view that all external fees should be included in the cost base and that PEXA should be unable to pass through additional uncontrollable costs to customer pricing. Instead IPART’s draft recommendation is that PEXA should absorb such costs, with a potential “true up” when IPART next considers eConveyancing prices.

These government charges are material. As identified in IPART’s draft report, uncontrollable government charges (particularly LSS, NECDS and RO fees) are 29% of PEXA’s total operating costs.¹¹¹

¹⁰⁸ IPART, *Draft Report*, p.33

¹⁰⁹ IPART, *Draft Report*, p.33

¹¹⁰ IPART, *Draft Report*, p.32

¹¹¹ IPART, *Draft Report*, p.63

IPART's draft report acknowledges that these costs are uncontrollable and should not be subject to any productivity adjustment.¹¹²

IPART's draft report fails to consider many factors that make it unreasonable for PEXA to absorb uncontrollable costs until the next pricing review.

- PEXA **should not be required to cover new government fees** for up to four years without any recourse as a result of the proposed removal of the model operation requirement section 5.4.4.
- It may be **more than four years until the next pricing determination**, and this is beyond PEXA's control. The time between pricing determinations is ultimately an ARNECC decision. History suggests that substantial delay is possible. In November 2019, IPART recommended prices to apply from July 2020, and another review should identify prices to apply from **2 years** later July 2022. As a result of decisions by ARNECC, the current review is not expected to take effect until **7 years** later, in July 2027
- **IPART may not conduct the next pricing review**, as ARNECC may appoint an alternative regulator given that eConveyancing is a national, not NSW, scheme. Another regulator may take an alternative approach to IPART and ignore uncontrollable costs that have been imposed on PEXA in the interim.
- PEXA **cannot be confident that IPART would true up government charges**. IPART's draft recommendation on this occasion is that PEXA should simply absorb NECDS fees in all jurisdictions until PEXA began to pass them on in May 2026, and in NSW until July 2027.¹¹³ IPART's draft justification is that PEXA has exceeded its revenue requirement in 2025-2027 (which PEXA disputes), and so does not need to be compensated for government charges that it was forced to pay. PEXA cannot be confident that IPART would not make a similar determination at the next review.
- The overall outcome is **inconsistent with competitive outcomes**. In a competitive market, an uncontrollable government charge would typically lead all competitors to increase their prices accordingly to reflect unavoidable costs – competitive pressure would lead to jurisdiction-specific pricing reflecting different government charges.

As with IPART's reasons for a national pricing scheme, its reasons for not allowing within-period pass-through are at best peripheral considerations.

- IPART asserts that cost pass-through '**bypasses the scrutiny of a pricing review**'.¹¹⁴ While IPART would not conduct the review, in practice any request to pass through costs is scrutinised by ARNECC collectively and each Registrar individually. They would only approve PEXA's request if it was consistent with the provisions of the MOR 5.4.4, which effectively only allow pass through of costs that are not controllable. In PEXA's experience, the time, level of scrutiny, and expertise applied when ARNECC and individual registrars have considered requests to pass through costs has been significant, and IPART has no basis to believe that they provide an insufficient level of scrutiny.
- IPART asserts that Registrars do '**not also consider costs that may have decreased**' when considering a request to pass through costs.¹¹⁵ In practice, a Registrar is entitled to consider the *net* increase in costs due to an additional charge, and under the MOR section 5.4.4 would be reasonable in withholding approval if the request failed to factor in offsetting reductions in costs.

¹¹² IPART, *Draft Report*, p.64

¹¹³ IPART, *Draft Report*, p.64-65

¹¹⁴ IPART, *Draft Report*, p.34

¹¹⁵ IPART, *Draft Report*, p.34

- IPART asserts that increased government charges might reflect **‘improvements in registry or revenue office integration’** that reduce PEXA’s costs.¹¹⁶ In practice, this is unlikely. Changes to registry or revenue office integration might well increase PEXA’s costs as it changed its systems to adapt, but they are unlikely to reduce the costs of PEXA’s system which is already fully operational and integrated with these agencies.
- IPART asserts that **‘improved data standards’** might reduce PEXA’s costs.¹¹⁷ This misunderstands the nature of the National eConveyancing Data Standards. These are typically amended in response to changes by Titles Offices reflecting variations in land title. These changes are unlikely to reduce PEXA’s costs – indeed they are much more likely to increase them as PEXA adapts its systems for the new changes to the standards, while managing thousands of inflight transactions on the old standard. In fact, PEXA’s assignment of the data standards to NECDS Ltd has substantially increased costs compared to PEXA’s historical cost to manage the data standards and PEXA’s expert’s estimates of the reasonable and efficient costs to manage the data standards externally. NECDS Ltd is charging PEXA ~\$3mill per annum, and it has the discretion to change these charges annually over the review period.

IPART appears to suggest that it would only allow the pass through of costs if it would ‘impact PEXA’s financial sustainability’.¹¹⁸ This is not the relevant consideration: it is contrary to basic principle that governments be able to raise revenue from charges on PEXA that it is unable to pass through for a potentially indefinite period unless PEXA’s financial sustainability is at stake.

The regime proposed by IPART would be incongruous overall. IPART’s draft report recommends an immediate cut of PEXA’s eConveyancing fees by an average of \$16 per transaction. By contrast, IPART’s draft report recommends that when governments increase charges paid by PEXA by up to ~\$4 per transaction,¹¹⁹ then PEXA’s price increase would be delayed by up to four years.

Response to request for comment 4:

External fees should not be included in the cost base for setting ELNO services fees, and should be treated as separate charges passed through to customers.

While nationally consistent pricing has advantages, it is fundamentally inequitable for PEXA to wear the risk of increasing and new government charges, unless government charges are consistent between jurisdictions, and not altered between pricing determinations.

4.7 Appropriate method of regulatory oversight

IPART’s draft report proposes to use a BBM on the basis that:

This is the most appropriate methodology for this review because competition is not currently placing sufficient constraint on PEXA Exchange’s prices, and we do not consider market conditions are likely to constrain prices to costs over the regulatory period.

The building block methodology directly addresses this issue by linking prices to the cost of providing regulated transaction services. This protects subscribers from paying more than

¹¹⁶ IPART, *Draft Report*, p.34

¹¹⁷ IPART, *Draft Report*, p.34

¹¹⁸ IPART, *Draft Report*, p.35

¹¹⁹ Based on the precedent of recent increases in one jurisdiction to SRO and NECDS fees.

*necessary, while giving PEXA Exchange a reasonable opportunity to recover its expenditure and earn a return on capital investment.*¹²⁰

IPART's draft report ignores two crucial issues at this point. It fails to undertake the tasks specifically required by its terms of reference in that:

- having determined that fees should continue to be regulated, there is no analysis of the range of options available to deliver some form of regulatory oversight on prices. There are **less interventionist responses** (rather than explicitly setting prices) that have not been considered; and
- it **failed to consider any frameworks** other than the BBM to set prices.

IPART's failure to consider these alternatives is surprising, because when regulating digital platforms, other regulators have almost invariably used them rather than attempting to apply a BBM.

4.7.1 Considering the most appropriate method for review

IPART does not appear to have undertaken an assessment of the potential pricing review methodologies that could be considered for a unique, digital platform like PEXA with predominately intangible assets. The terms of reference specifically require IPART to make recommendations on whether continued regulation of ELNO service fees is required and if so, what the method or level or price should be.¹²¹

Having made a decision that some form of regulatory oversight is appropriate given the highly concentrated nature of the market,¹²² IPART's next step should be to determine what method or form of regulatory intervention is appropriate by assessing the range of options available and considering why one methodology is to be preferred. Whilst IPART states that it has 'considered the most appropriate form of regulation for determining ELNO prices', there is no indication of that on the face of the draft report, nor does the reasoning contain information which would enable a reader to conclude that other methodologies were taken into account and subsequently rejected as less appropriate than the BBM. The discussion at p.39 identified the lack of constraint on price from market conditions and then asserted the appropriateness of the building blocks approach because of its link between prices and costs without consideration of any alternative approach.

Best practice is that a regulator will undertake an assessment of the range of regulatory oversight mechanisms that are available and then select the least interventionist approach that addresses the issue at hand. This is reflected in the RBB Economics' report at [p8, para 31]:

Alternative regulatory approaches sit on a spectrum. Towards the more light-handed end, a regulator may retain an existing price constraint, monitor price and non-price outcomes and reserve stronger intervention for circumstances in which evidence of harm emerges. Towards the more prescriptive end, the regulator prescribes exactly the prices or revenue allowance that the regulated business will recover. Consistent with Australian regulatory practice, prescriptive price regulation is generally reserved for circumstances in which lighter-handed measures are unlikely to be effective and the expected benefits of intervention justify its costs and risks.

Preferring a less interventionist approach is particularly important in this current circumstance where the task of pricing a digital (intangible intensive) platform is a relatively novel problem. In other

¹²⁰ IPART, *Draft Report*, p.35

¹²¹ Draft Report at p.24

¹²² *ibid*; Draft Report at p25

words, the regulator monitors markets to determine if the costs of the dominant player's conduct outweigh the costs of regulatory intervention. If a regulator did conduct this assessment of the eConveyancing market, it would be reasonable to conclude that a less interventionist approach would be appropriate given that the substantial business has not increased prices in real terms, and the regulatory regime tightly limits the ability of the business to exercise any market power in adjacent markets.¹²³

The challenges of using BBM for a digital platform are substantial, and are detailed further below at section 4.8, and are also discussed in detail in the submission by RBB Economics, which concludes that¹²⁴:

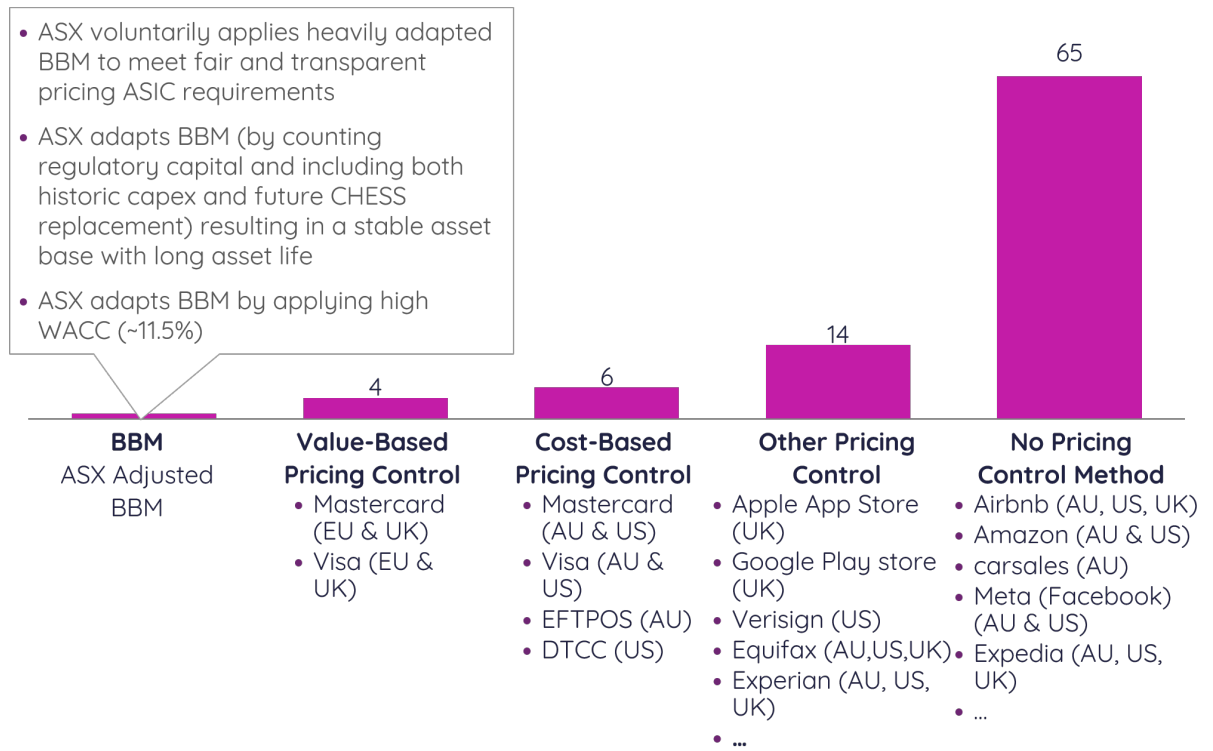
“While BBMs are commonly used to regulate and set prices for physical utilities in Australia, we do not consider that such an approach can be soundly transplanted directly to set or otherwise regulate PEXA’s prices. PEXA differs in important respects from the physical network utilities for which conventional building block regulation is most familiar. In particular, it operates a software-intensive digital platform that reliably connects different stakeholder groups, rather than an extensive network of owned physical infrastructure.”

Applying a BBM to a digital platform would make IPART a regulatory outlier. Other jurisdictions have recognised that building block models are not well suited to assessing the pricing of digital platforms, as shown in Figure 20. PEXA and its expert advisors have been unable to identify a regulator anywhere in the world that has applied a BBM to set prices for a dominant digital platform.

¹²³ MOR 5.6 prevents an ELN from being integrated with Downstream and Upstream businesses; and MOR 5.5 requires an ELN to offer integrations to all comers on equivalent terms.

¹²⁴ RBB Economics: Review of IPART Draft Report dated July 2026, page 5, paragraph 12

Figure 20: No other regulator, domestically or globally, has set prices using a BBM when reviewing a digital platform
 Number of digital platforms per regulatory regimes (49 firms considered across 6 jurisdictions, totalling 90 observations)



Note: More details on pricing controls of each category in Appendix B

Given its terms of reference and the lack of regulatory precedent, it is incumbent on IPART to consider the alternatives, and what might be learnt from the practices of other regulators given that IPART otherwise has little experience in regulating digital platforms, or businesses with relatively low capital expenditure.

A broad range of alternative analytical tools might be applied to PEXA. As discussed in more detail in the report of RBB Economics,¹²⁵ and summarised in Figure 21, none of these tools is without issues, but collectively they assist in answering the question of whether there is a sufficiently strong basis for prescribing prices, rather than simply maintaining the existing CPI cap.

¹²⁵ RBB Economics: Review of IPART Draft Report dated July 2026, page 43, Table 4

Figure 21: A variety of regulatory tools might be applied to PEXA, and given their limitations, they collectively suggest that current CPI cap should be maintained

Available regulatory tools that might be applied to PEXA

Regulatory approach	Applicability to eConveyancing and PEXA	Outcome if applied to PEXA
Excessive-pricing	 - Has been used for many other digital platforms - Inherently retrospective - Useful to determine if costs of regulatory intervention outweigh benefits	 - No change to current arrangements - No obvious indications of excessive pricing - PEXA margins similar to other Australian digital platforms - Profits only a small proportion of economic value generated - Minimal customer dissatisfaction with prices - No history of real price increases
Willingness to pay	 Prone to concerns that usage reflects limited alternatives	 - No change to current arrangements - History suggests high willingness to pay when genuine alternatives existed (customers embraced PEXA when paper-based conveyancing was a genuine alternative, and moving to eConveyancing incurred additional switching costs)
External comparators	 - Genuine comparators not available - Australian eConveyancing a world-first	 Not a useful check
Previous regulator determinations	 Could use IPART 2019 finding as starting point	 - No change to current arrangements - PEXA's "line in the sand" approach demonstrates that if prices were reasonable in 2019, then they are reasonable in 2027
BBM	 - Inherently unsuitable for capex-light businesses - Prone to regulatory error if applied to start up business because sensitive to early stage rates of return	 If correctly calculated, implies IAB of \$1,301m, and no change to current CPI arrangement

Given the problems of applying a BBM to PEXA (discussed further below in section 4.8), PEXA submits that the IPART should conclude that the costs of heavy handed regulation using an unreliable method that sets an inappropriate price exceed the costs of continuing with light-handed regulation that maintains the existing CPI cap, particularly considering that PEXA was constrained in setting the initial fee level by the need to persuade practitioners and financial institutions to incur the substantial costs of altering well-established paper-based processes.

4.7.2 Applying alternate approaches to PEXA and eConveyancing

Around the world, regulators have grappled with regulating digital platforms with dominant market share. Their general objective has been to ensure that customers get good value, while ensuring the platform doesn't extract excessive profits. Where promoting competition wasn't realistic, they have recognised that digital businesses typically take significant risk to create a network that is valuable to customers. Excessive constraints on pricing would reduce the incentives to create such networks – whose value is demonstrated by the fact that customers are often prepared to pay a lot to remain part of the network.

Where regulators around the world have intervened with digital platforms, they have often applied an "excessive profits" framework to digital platforms with dominant market positions such as the Apple App store, music licensing monopolies, payments platforms, and monopoly data providers. The excessive pricing framework involves two considerations – excessiveness and unfairness.¹²⁶ It examines whether the firm has reaped 'trading benefits' that could not have been obtained in 'normal and sufficiently competitive' conditions; and (ii) whether the selling price is 'excessive' in that it bears no reasonable relation to the 'economic value' of the product or service. Courts will only consider that intervention is necessary if both these two conditions are satisfied. Courts have

¹²⁶ *United Brands Company and United Brands Continental BV v Commission of the European Communities* (Case 27/76) [1978] ECR 207, para. 252; *Kent v Apple Inc* [2025] CAT 67 at [528]

recognised that there is no single method or way in which this excessive or unfair pricing might be established¹²⁷ and exceeding a relevant cost benchmark is not sufficient to warrant intervention.

Regulators have not intervened merely because prices were higher than costs plus a cost of capital.¹²⁸ Instead they have intervened only if prices are “excessive” – a judgment that in practice rests on a number of factors. These factors are detailed further below. Applying this variety of factors to PEXA, it would be reasonable to conclude that prices are not excessive as shown in Figure 22.

Figure 22: Applying an alternative framework, PEXA’s current prices are reasonable

Potential factors	Application to PEXA
Business profit as proportion of total economic value generated for customers	Total productivity gains at least 3.5 times greater than PEXA’s profits
Price trajectory	No real increase since prices first set 12 years ago even though functionality, service levels and reliability have substantially improved
Customer (dis)satisfaction with prices	Minimal customer and consumer concern
Prices for similar services	Only comparator is Sympli which charges about 6% less, for a platform that lacks many of PEXA’s features
Profit margins (return on revenue) for comparable businesses	PEXA margins similar to other digital Australian platforms
Return on assets and capital employed for comparable businesses	Difficult to assess meaningfully for digital businesses

Business profit and economic value

Regulators often assess the economic value (i.e. demand-side considerations creating genuine consumer benefits – product quality, reliability or brand) under the ‘unfairness’ limb of excessive pricing tests in Europe to otherwise justify a price that is materially above a benchmark.¹²⁹ For example, the court in *Scandlines* held that:

*the determination of the economic value of the product/service must take account of other non-cost related factors, especially as regards the demand-side aspects of the product/service concerned...customers are notably willing to pay more for something specific attached to the product/service that they consider valuable.*¹³⁰

¹²⁷ *Kent v Apple Inc* [2025] CAT 67 at [528]

¹²⁸ *Attheraces Limited (ATR) v British Horseracing Board (BHB)* [2007] 2 WLUK 52, [2007] EWCA Civ 38 at [218]; *Kent v Apple* at [548] – [550]

¹²⁹ See, e.g., *Pfizer Incorporated & Anor v CMA* [2026] EWCA Civ 765 (*Phenytoin*) at [19], [33], [36] and *Justin Le Patourel v BT Plc* [2024] CAT 76 at [53] confirming economic value should be evaluated within the two-limb excessive and unfair test set down in *United Brands Company and United Brands Continental BV v Commission of the European Communities* (Case 27/76 [1978] ECR 207, [250], [252])).

¹³⁰ *Scandlines* [2006] 4 CMLR 23 at [204]-[207]

Similarly, in *Attheraces* the Court held that Mr Roth was correct in his submissions that a competitive price (which necessarily had to be a hypothetical price given the lack of competition in the market) was **not** necessarily a price that reflects cost plus because the value of the product to the purchaser is relevant to its price and that the benefit of the pre-race data to the acquirers (including as the acquirer of a revenue-earning asset for itself and on a re-sale to end users) is what gives the pre-race data its economic value.¹³¹ It said that “...a fair price is one which represents or reflects the economic value of the product supplied. A price which significantly exceeds that will be prima facie excessive and unfair...”¹³²

Similarly, in *Kent v Apple* the Tribunal acknowledged as relevant (albeit not the complete answer) the financial benefits and economic value provided to developers through the App Store.¹³³

This approach is consistent with the EU’s Digital Markets Act 2024 which requires that gatekeepers provide access to other online search engines, at their request, the gatekeeper’s search engine data on fair, reasonable and non-discriminatory terms (Article 6(11)). Recital 62 provides further guidance that prices/terms will be unfair if they “lead to an imbalance of rights and obligations imposed on business users or confer an advantage on the gatekeeper **which is disproportionate to the service provided**” (emphasis added), which suggests a focus on the end value rather than costs.

PEXA has generated very substantial economic value for customers. A recent report by ACIL Allen found that PEXA generates GDP benefits of \$480m per year (by definition this is net of PEXA’s prices).¹³⁴ This downstream benefit is at least 3.5 times greater than PEXA’s profits.

The history strongly suggests that PEXA generates very substantial economic value for customers. They adopted it voluntarily despite high switching costs and no guarantee that enough other users would adopt it so that they gained the benefits of switching. Since customers adopted eConveyancing, PEXA has subsequently increased the benefits, but the prices have not increased in real terms.

Over the first 5 years of PEXA’s public operation (between 2014 and 2019) practitioners were under no regulatory compulsion to adopt the platform. Governments made it clear in 2012 that they would not mandate the use of eConveyancing¹³⁵ (and did not do so until 2019, by when most practitioners in NSW and Victoria had already begun to use the platform), as shown in Figure 23.

¹³¹ *Attheraces v BHB* [2007] 2 WLUK 52, [2007] EWCA Civ 38 at [186], [189] – [191], [203]

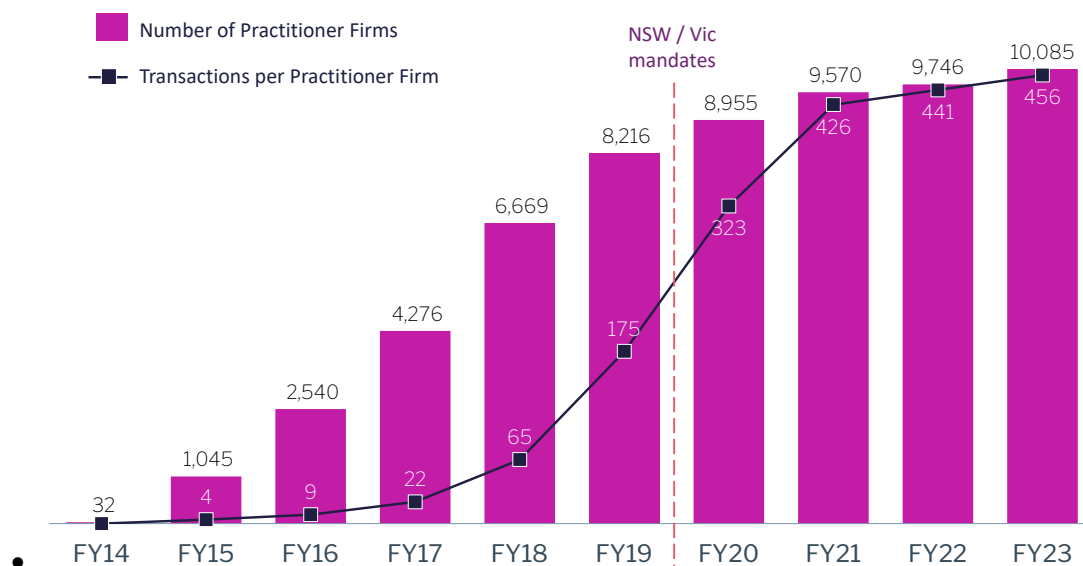
¹³² *Attheraces v BHB* [2007] 2 WLUK 52, [2007] EWCA Civ 38 at [204]

¹³³ *Kent v Apple* [2025] CAT 67 at [612(3)], [616] and [673]

¹³⁴ ACIL Allen, *PEXA economic impact report*, https://www.pexa-group.com/staticly-media/2025/12/PEXA-Economic-Impact-Report_Digital-sm-1766016657.pdf

¹³⁵ ARNECC: Introduction of the Electronic Conveyancing National Law, section 1.3, July 2012

Figure 23: Governments only issued mandates after most conveyancers had adopted PEXA



Source: PEXA internal analysis

Consequently, for those first 5 years of public operation, PEXA had to persuade practitioners and financial institutions to use PEXA's system rather than continue to use established paper-based processes. The switching costs for these customers were substantial. They needed to spend time to understand how to use the technology, change the way they worked, and retrain staff accordingly. The difficulties involved are illustrated by the efforts that PEXA made to encourage them to do so, including the creation of an Account Management workforce (called PEXA Direct) that grew to 70-75 FTEs by 2018.

Customers incurred these costs at significant risk. eConveyancing was only valuable to one customer if it was also used by all of the other practitioners and financial institutions involved in the transaction. Consequently, customers adopted PEXA knowing that they would need to maintain dual processes (one with paper, one electronic), which inevitably involved additional costs.

Nevertheless, the vast majority of financial institutions and practitioners incurred these switching costs, and the additional costs of PEXA's subscriber fees, because they were outweighed by the benefits of eConveyancing.

PEXA has not increased its fees in real terms since then. However, the economic benefits have increased as the switching costs have been absorbed, most customers have been able to operate with purely electronic processes, and PEXA has introduced a number of new platform features that further reduce subscriber costs.¹³⁶

¹³⁶ These features are detailed in PEXA's initial Submission to IPART, p.26-27, 34, 53-54.

Price trajectory

Price trajectory was considered a relevant factor in *Kent v Apple*,¹³⁷ and *Attheraces v BHB*.¹³⁸ In *Case AT.40394 – Aspen*¹³⁹ very high price increases for off-patent cancer medicines without an improvement in the product, which was long established and generically available, with no objective justification for such prices, was central to an excessive pricing finding.

PEXA has not increased any of its prices in real terms since they were first set in 2014, apart from passing through increased fees imposed by government agencies (particularly SRO, NECDS and LSS fees).

Customer (dis)satisfaction with prices

Customer (dis)satisfaction with prices can be seen as relevant In *Kent v Apple*, the feedback of users (developers) was not seen as irrelevant. but rather of ‘relatively little weight’ because of the available evidence.¹⁴⁰ The Tribunal found that customers merely expressing their preference for lower prices was not particularly helpful.¹⁴¹

There is more evidentiary weight in PEXA’s customer surveys that strongly suggest that customers are not particularly concerned about PEXA’s prices relative to the value that it provides. PEXA’s overall customer satisfaction score of 88% is very high for a service industry, and only 15% of customers ranking price in the top 3 most important PEXA attributes.¹⁴²

Prices for similar services

Courts have considered prices for similar services relevant.¹⁴³ However, the services need to be genuinely comparable – for example port prices charged to ferry operators were not considered comparable to port prices charged to cargo vessels. On the other hand, port prices charged to ferry operators by other ports were considered comparable.¹⁴⁴

It is not obvious that prices for other similar services are available. PEXA remains the only full service eConveyancing platform in the world. PEXA submits that Sympli’s prices are not relevant – given the scale of Sympli’s operation (less than 1% of all eConveyancing transactions, with many services not available), the commercial viability of these prices has never been tested.

¹³⁷ [2025] CAT 67 at [612(5)].

¹³⁸ [2007] 2 WLUK 52, [2007] EWCA Civ 38 at [200] - [202]. BHB disputed the first instance judge’s reliance on an increase in amounts received by BHB from the pre-race data sales in a 6-year period in his consideration of excessive pricing. ATR had submitted BHB had dramatically increased its prices during the period showing a lack of constraint and excessive pricing. BHB rejected this increased revenue as a sign of excessive pricing due to the fact the revenue was not from increased pricing but instead increased volumes of betting and therefore could not be relevant to an excessive pricing analysis. This suggests that if the increased revenue had, in fact, been from increasing prices, there would have been no resistance to it being one of the relevant considerations of whether the prices were excessive.

¹³⁹ *Case AT.40394 – Aspen*, Commission Decision C(2021) 724 final, 10 February 2021, at sections 4.6.4.2.1, 4.6.5 and 4.7.

¹⁴⁰ [2025] CAT 67 at [649]

¹⁴¹ *Ibid*, “we agree that limited assistance can be obtained from a survey in which developers are invited to suggest a price reduction”.

¹⁴² As PEXA laid out in its initial submission to IPART, section 3.4

¹⁴³ *Autortiesību un komunikēšanās konsultāciju aģentūra/Latvijas Autoru apvienība v Konkurences padom* Case C-177/16, Court of Justice of the European Union, (14 September 2017) (**AKKA**) at [38] and [53]; *Pfizer Incorporated & Anor v CMA* [2026] EWCA Civ 765.

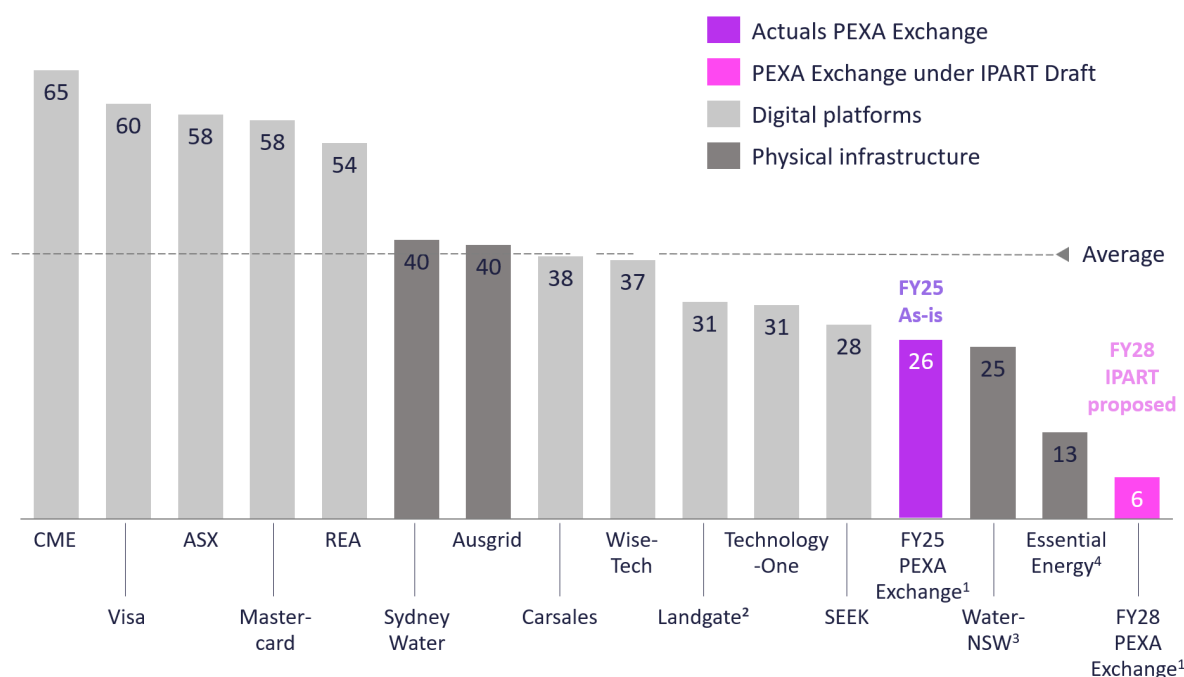
¹⁴⁴ *Scandlines Sverige AB v Port of Helsingborg* Case COMP/A.36.568/D3, Commission of the European Communities (23 July 2004) at [176]-[180]

Profit margins for comparable businesses

Courts have considered a variety of profit indicators for comparable businesses. These have included comparisons of gross and EBITDA margins for pharmaceutical companies.¹⁴⁵ When examining a low capital business (which is typical for digital platforms), the tribunal preferred to compare return on sales rather than return on capital employed of other telecommunications providers.¹⁴⁶

PEXA profit margins are material, but they are not dissimilar to other successful digital platforms and other relevant comparators, see Figure 24. Similar patterns are apparent from comparing PEXA with a less comprehensive but more familiar set of Australian businesses that operate digital platforms.¹⁴⁷

Figure 24: PEXA Exchange's profit margins are not unusual for comparable businesses
EBIT margins (EBIT to Revenue ratio) for Australian technology businesses similar to PEXA, %



Note: FY25 numbers if not mentioned otherwise; Revenue includes revenue from the government, where applicable; 1. PEXA's regulated Exchange business only; FY25 PEXA Exchange excludes impairments; 2. Landgate provides land tenure management, titling, valuation, location, and access to information services; 3. Excludes other revenue, i.e., ancillary services, insurance recoveries; 4. Excludes other revenue from contracts with customers, i.e., customer contributions, recoverable capital works

Source: FY25 annual reports; PEXA actuals (FY11 – FY25), IPART draft July 2026; company margins as per Appendix B

¹⁴⁵ Case AT.40394 – Aspen, Commission Decision C(2021) 724 final, 10 February 2021 at section 4.6.3.3.1; Napp Pharmaceutical Holdings v DGFT [2002] CAT 1 at [398]-[400]

¹⁴⁶ Justin Le Patourel v BT Group Plc, British Telecommunications Plc v Competition and Markets Authority [2024] CAT 76 at [567], [580] and [614]

¹⁴⁷ PEXA has not identified why many of these platforms, clearly analogous to PEXA, are not included in IPART's set of comparator businesses.

PEXA notes that the NSW Productivity and Equality Commission came to a different conclusion in its Market Study in July 2024.¹⁴⁸ However, it did so on the basis of just four comparators, two of which produced results similar to PEXA's margins; while the remaining two were at a stage of development and had business models very different to PEXA. Two of these comparators, which operate carsales.com.au and Domain have similar EBITDA margins to PEXA Exchange, on the Commission's own calculations. The other two comparators operated very different business models to PEXA, at a much earlier stage in their life cycle: Camplify and Frontier Digital Ventures have substantially smaller revenues, and operate relatively niche businesses (respectively campervan space and online marketplaces in developing Asian countries). The Commission provided no reason for selecting these two businesses over other comparators that would seem to more similar PEXA such as those shown in Figure 24.

4.8 Problems with applying BBM to digital platforms

PEXA has worked in good faith to attempt to apply a BBM to eConveyancing. This was the focus of its initial submission to IPART because it is IPART's default approach, and in IPART's previous examination of e-Conveyancing when it set the 'default RELNO surcharge' it effectively used a BBM.¹⁴⁹ However, when PEXA proposed using a BBM in its submission, it did so using a 'line in the sand' approach derived from IPART's finding that prices in 2019 were reasonable. PEXA has never supported using a BBM, as IPART now proposes, to set an Initial Asset Base on the basis of PEXA's early years expenditure, precisely because the results for a start-up digital platform such as PEXA are highly unpredictable, and (as demonstrated above in Section 3.6.1) are extremely sensitive to key assumptions that lack precedents and predictable calculation, particularly the rate of return applied to expenditure between 2011 and 2019.

While PEXA has attempted to work with IPART's default choice to use a BBM, it has become increasingly clear from IPART's draft report and the financial model IPART has provided to PEXA that there are fundamental problems with applying a BBM to a digital platform where most of the expenditure is classified as operating rather than capital expenditure. These problems may explain why other regulators have been reluctant to do so.

A major problem with applying a BBM to a digital platform is that the platform's cost structure almost inevitably leads to **uncommercial outcomes** once the platform reaches steady state. Roughly 80% of a digital platform's ongoing expenditure is classified as operating expenditure rather than capital. A BBM allows no return on the large majority of what a digital platform spends. A return is permitted only on the ~20%¹⁵⁰ treated as capital — and even that is recovered over a relatively short accounting asset life. The result is a revenue profile that generates free cash flows so small that, even at twice the WACC of a physical-asset utility, no rational investor would fund a platform of this kind: the returns simply would not justify the risk.

Figure 25 illustrates the issues. It compares a hypothetical typical utility business with a hypothetical typical digital platform. Both businesses have the same cash outflow of \$100m a year, the utility spends 75% of this cash as capex on physical infrastructure with an accounting life of 35 years, and the digital platform spends just 20% of this cash as capex on infrastructure with an accounting life of 10 years. To acknowledge the higher risk of the digital business its WACC is assumed to be higher. Revenues for each business are set applying the standard BBM.

¹⁴⁸ NSW Productivity and Equality Commission, *Market study*, p.30-31

¹⁴⁹ IPART (2023), *Interoperability pricing for Electronic Lodgment Network Operators: Final Report*, p.48

¹⁵⁰ PEXA capital expenditure as a percentage of total expenditure from FY11 to Forecast FY29, 21%

A BBM generates very different long-term revenues and returns for physical infrastructure and digital platforms, despite similar cash outflows. Physical infrastructure investors would receive 5 times the return that a digital platform investor would receive, even with a much lower WACC.

Figure 25: Comparison of typical physical infrastructure asset and digital platform returns

	Physical Infrastructure	Digital Platform
Annual Cash Outflows	\$100m	\$100m
% Capex	75%	20%
Average Accounting Asset Life	35 Years	10 Years
WACC	4%	8%
LT Net Revenue Requirement p.a.	\$202m	\$107m
NPV Free Cash Flows over 50 yrs	\$108m	\$20m

This issue is apparent in trying to apply the BBM to set prices for PEXA, but is then compounded by the retrospective application of the BBM. Reconstructing a regulatory asset base fifteen years after the business was established — and more than six years after it broke even — means the outcome turns on a set of key assumptions. The most consequential of these, is the cost of capital applied to expenditure in the platform's early years (when the risk of failure was high, because the technology might not function correctly, might not deliver functionality that customers valued, or the platform might fail to attract a critical mass of users). When combined with the risk of hindsight bias, pricing outcomes of this methodology are highly unpredictable.

The BBM was developed for physical network monopolies — water pipes, electricity poles and wires, gas mains. Those businesses share a specific set of characteristics that make the model work: the great bulk of cost is capital sunk in tangible assets; those assets have long and predictable useful lives; demand is stable and captive; technology changes slowly, so an asset installed decades ago still performs its function today; and the natural-monopoly position is durable because no competitor can economically duplicate the physical network.

In that setting, the regulatory asset base is large and stable. The allowed return on it — $IAB \times WACC$ — is the primary driver of revenue, and the return on and of capital typically constitutes a significant percentage of the notional revenue requirement (between 24 and 33 per cent, as shown in Figure 26 below). The model produces a fair, predictable result. The BBM can generating commercially sensible outcomes only if all of these conditions are met – remove any one of them and the method ceases to generate sensible outcomes for the regulated business.¹⁵¹

4.8.1 Why the assumptions of a BBM do not hold for PEXA

The economics of a digital platform like PEXA are structurally different in almost every dimension that the BBM relies on:

- Much less of the expenditure is capex;
- Asset lives are shorter;
- The ability to generate returns is less durable; and

¹⁵¹ For a comprehensive treatment of the development and application of building-block regulation to network monopolies, see Decker, C. (2015). *Modern Economic Regulation: An Introduction to Theory and Practice*. Cambridge University Press; Stern, J. (2014). 'The British utility regulation model: its recent history and future prospects'. *Utilities Policy*, 31, pp. 162–172.

- The risk profile is higher

The departures are not marginal adjustments; each is a fundamental mismatch between the model's assumptions and the regulated business's economics, and each cuts in the same direction — towards systematic understatement of the notional revenue requirement.

The cost mix is inverted

Physical infrastructure is roughly 60% capital and 40% per cent operating cost; a digital platform is the reverse, in fact by the end of FY29 we estimate on 21%¹⁵² of PEXA Exchange's total expenditure will be capital expenditure.

This means PEXA investors only receive a return on 32%¹⁵³ of cash outflows of the business even after a cost uplift for capitalisation of pre-2019 costs, versus physical infrastructure, where investors would earn a return on 60% of the cash outflows of the business.

The ongoing costs of running PEXA — engineering and product staff, software licences, cloud hosting, cyber security, and regulatory compliance — dwarf the net book value of its tangible assets, and its capital expenditure runs at only about \$30 to \$40 million a year. Because the BBM recovers value chiefly through the IAB, a small IAB produces an allowed revenue that is systematically low relative to the true economic cost of the business.

The distortion is not theoretical. In IPART's draft determination, the return on capital is only about 9 per cent of PEXA's notional revenue requirement. By contrast, across IPART's most recent water price determinations — businesses for which BBM was designed — the return on capital ranges from 24% of the NRR (Sydney Water 2025–30) to 33% (Hunter Water 2025–30), with WaterNSW Greater Sydney at 29%, see Figure 26. PEXA's operating expenditure, meanwhile, constitutes 61% per cent of its NRR — nearly double the proportion for water utilities. The inversion of the cost mix is the single clearest indicator that the model produces structurally different, and less appropriate, results when applied to a digital platform.¹⁵⁴

Figure 26: Applying a BBM generates very different outcomes for infrastructure businesses compared to PEXA

Building block input	Sydney Water 2025–30	Hunter Water 2025–30	WaterNSW Greater Sydney 2025–29	PEXA 2028–31
Determination period	5 years (1 Oct 2025 – 30 Jun 2030)	5 years (1 Jul 2025 – 30 Jun 2030)	4 years (1 Oct 2025 – 30 Jun 2029)	4 years
WACC (real post-tax)	3.3%	3.3%	3.5%	6.5%
Opening IAB, Yr 1	\$28,813m	~\$25 bn	\$2,313m	\$368m

¹⁵² PEXA capital expenditure as a percentage of total expenditure from FY11 to Forecast FY29, 21%

¹⁵³ PEXA Exchange capital expenditure plus 2011–2019 operating expenditure as a percentage of total expenditure from FY11 to Forecast FY29, 32%

¹⁵⁴ Sydney Water figures are IPART's final decision (\$2024–25), Sydney Water Prices 2025–2030 Final Report (Sep 2025), Appendix E. Hunter Water from IPART Hunter Water Prices 2025–30 Final Report. WaterNSW Greater Sydney from IPART Final Report, Review of prices for WaterNSW's services in Greater Sydney from 1 October 2025 (September 2025). PEXA figures from IPART's draft determination.

Building block input	Sydney Water 2025–30	Hunter Water 2025–30	WaterNSW Greater Sydney 2025–29	PEXA 2028–31
Indicative asset lives	New: water 71y, wastewater 43y, stormwater 150y, corporate 18y. Existing: water 68y, wastewater 41y, stormwater 125y, corporate 10y	New 84–96y; existing 66–69y (2020 det.)	Avg remaining ≈49y	Avg 10 years
Return on assets, Yr 1	\$951m 24% of NRR	\$838m 33% of NRR	82m 29% of NRR	\$24m 8.9% of NRR
Operating expenditure, Yr 1	\$1,811m 46% of NRR	\$979m 39% of NRR	\$119 42% of NRR	\$164m 60.5% of NRR
Notional revenue requirement, Yr 1	\$3,945.0m	\$2,514m	\$280m	\$272m

Notes: Figures in \$ million unless stated; real (inflation-excluded). Sydney Water figures are IPART’s final decision (\$2024–25), Sydney Water Prices 2025–2030 Final Report (Sep 2025), Appendix E. WaterNSW Greater Sydney NRR shown is IPART’s draft (3-year); the final determination is 4 years. “To confirm” = not yet extracted from the relevant final report. [Final-Report-Review-of-prices-for-WaterNSWs-services-in-Greater-Sydney-from-1-October-2025-September-2025.PDF](#)

Pioneer investment in Digital platforms is opex, not capex — and opex investments continues

When a water utility builds a new dam, the investment goes on the balance sheet as capital expenditure and sits in the IAB earning a return for decades. When PEXA built the eConveyancing market — a decade of subscriber onboarding, practitioner education, regulatory engagement and platform development — that investment was expensed as incurred and never entered an IAB. The accounting standards required it: AASB 138 paragraph 63 explicitly prohibits capitalisation of internally generated brands, customer relationships and customer lists, and paragraph 69 further prohibits capitalisation of start-up costs, advertising and promotional expenditure. The economic substance — investment that creates enduring value — is identical; the accounting treatment is entirely different because one investment results in a tangible asset and the other does not.¹⁵⁵

Conversely, Australian and International accounting standards also recognise that some intangible assets, such as goodwill, brands or licences, can have an indefinite useful life. But given the difficulties in measuring the cost of these intangible assets, they are only ever recognised on an acquisition event. IPART have explicitly stated that they will not recognise the almost \$700 million of indefinite life intangibles on PEXA’s balance sheet. By selectively choosing which accounting assets and corresponding useful lives to allocate to the IAB in IPART’s draft report, the opportunity to correct the understatement of PEXA’s intangible assets has been missed.

Critically, this investment did not stop in 2018 and still continues today. Each new jurisdiction still requires sustained operating expenditure to drive adoption, as PEXA’s more recent expansion into Tasmania demonstrates. PEXA continues to invest through opex every year — in adoption, resilience and platform development — so the IAB is under-built afresh in every period, and a determination that recognises investment only when it is capitalised will understate PEXA’s efficient revenue requirement in every review, not just once.

¹⁵⁵ AASB 138 Intangible Assets, paras 63 and 69. See also the detailed analysis in Section 4.8.2 below.

BBM has no mechanism to compensate opex-as-investment. It recovers such costs, if at all, dollar-for-dollar in the year incurred, with no return on the capital they represent and no recognition of the time value of money over the years the market took to build. IPART's recognition of \$136.3 million of non-capitalised operating expenditure in the Initial Asset Base is a welcome partial acknowledgment, but it provides only CPI indexation, not a return on capital and is depreciated early, starting in 2011, and quickly — meaning PEXA has never been compensated for the time value of that investment.

Case Study - Choosing the cheaper option perversely shrinks the IAB

The point is sharpest with cloud infrastructure. If PEXA built and operated its own data centres, that expenditure would be capital and would sit in the IAB earning a return. PEXA instead uses cloud services because they are cheaper and more resilient — the efficient, secure choice, and the one a regulator should prefer an entity to make. Yet the accounting treatment of that same capability is operating expenditure that earns no return under a BBM. The IFRS Interpretations Committee's April 2021 agenda decision on cloud computing arrangements confirmed that in a typical software-as-a-service arrangement the customer does not control the underlying software asset and therefore cannot capitalise the cost of configuring or customising it.¹⁵⁶

The model therefore disincentivises and penalises the efficient decision: choosing the lower-cost delivery method shrinks the IAB and, with it, the revenue BBM allows. A regulatory framework that produces this incentive structure — where a rational profit-maximising entity would prefer to build its own servers rather than use cheaper cloud services, solely to increase its regulated asset base — has a design problem that goes beyond parameter calibration.

Asset lives are short and structurally uncertain

Physical infrastructure depreciates over 40 to 100 years; digital infrastructure over 3 to 15. IPART's own draft assumptions place PEXA's digital assets at 9 to 15 years, against a weighted average of 55 years for United Kingdom electricity transmission assets and 75 years or more for water mains. Ofgem's 2024 economic lives study for electricity transmission network assets found asset-specific estimates ranging from 10 to 80 years, with the majority in the 30 to 60 year band.¹⁵⁷ Australian Energy Regulator determinations use broadly comparable assumptions. Gas distribution networks are typically assigned 40 to 60 years for mains pipework.

Digital platform benchmarks are fundamentally different. In Table 8.1 of the draft report, IPART uses 9 to 15 years for PEXA's digital asset categories: reliability and resilience at 9 years, cyber security at 9 years, enhancing the exchange at 15 years, and technology modernisation at 9 years. These are the longest credible estimates for digital infrastructure in a regulated context. In commercial practice the positions are shorter: GAAP and IFRS guidance typically assign 3 to 5 years to computers, 3 to 7 years to commercial software, 5 to 7 years to networking equipment and 7 to 10 years to data centre infrastructure. The US National Telecommunications and Information Administration's useful life schedule (2024) confirms 5 years for computing assets. The Indian Companies Act Schedule II, a widely cited comparative benchmark, assigns 3 years to servers and networks, 6 years to end-user devices, and 6 years to software.¹⁵⁸

¹⁵⁶ IFRS Interpretations Committee (2021). Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38), Agenda Decision, April 2021. Adopted through Australian standards by the AASB.

¹⁵⁷ Ofgem/CEPA (2024). Economic Lives of Electricity Transmission Network Assets, prepared for RIIO-ET3.

¹⁵⁸ National Telecommunications and Information Administration (2024). Fact Sheet: Useful Life Schedule. US Department of Commerce.

The short lives of digital assets have two compounding implications beyond the arithmetic of depreciation. First, the IAB turnover rate is fundamentally different. A water utility that capitalises \$100 million of infrastructure will earn a regulated return on that capital for 75 years. PEXA capitalising \$100 million of digital infrastructure earns a regulated return for 9 to 15 years under IPART’s draft methodology, and then must reinvest to maintain the same capability. Under BBM, when calculating the IAB each reinvestment cycle restarts the depreciation clock but does not reset the IAB. The cumulative effect is that digital infrastructure investment is recovered on a much shorter cycle, requiring proportionally higher annual revenue allowances per dollar of economic capital deployed.¹⁵⁹ Much of that reinvestment is itself expensed as operating cost rather than capitalised, so it never enters the IAB even as the platform is continually rebuilt.

More fundamentally, asset life uncertainty for digital infrastructure is categorically different from that of physical infrastructure. A water main’s remaining useful life can be assessed with reasonable engineering confidence. A digital asset’s useful life is bound not just by physical wear but by technological obsolescence — the risk that a superior architectural approach renders the existing asset economically worthless before it reaches the end of its assigned accounting life. Haskel and Westlake (2018) characterise this as one of the four defining properties of intangible investment: it is sunk in a more irreversible sense than physical capital, because it cannot be repurposed or sold if the technology it embodies becomes obsolete. When calculating the IAB a BBM assumes a depreciation profile calculated today can be relied on for decades; for digital assets that assumption cannot be relied upon.¹⁶⁰

IPART has demonstrated a willingness to adapt asset lives in a BBM where an asset’s economics demand it. In the NSW Rail Access Undertaking, the depreciation of the Hunter Valley Coal Network is set not by the engineering life of the track but by the remaining life of the coal mines the line serves — a deliberate decision to tie regulatory asset life to demand-side economic reality rather than physical durability. That is a direct precedent for treating PEXA’s asset lives, and its exposure to obsolescence, on their true economic footing rather than a mechanical default derived from physical infrastructure benchmarks.¹⁶¹

The ability to earn returns is less durable

A competitor cannot economically and physically duplicate Sydney Water’s pipes; a competitor can, in principle, build a rival digital platform, and the barriers to doing so fall over time. A platform built today on modern cloud architecture could operate at materially lower cost than an incumbent platform built fifteen years ago and incrementally enhanced — as TBH’s hypothetical efficient ELNO demonstrates. A BBM makes no allowance for this risk

The more serious threat to PEXA is not a like-for-like competitor. Sympli’s limited success to date should not be read as evidence that PEXA cannot be disrupted; it is evidence only that the current regulatory and practitioner ecosystem creates high switching costs. The real risk is a change in the underlying technology of settlement itself. Tokenisation of property title and distributed-ledger settlement could, in time, allow transactions to complete without the current exchange model at all, stranding the incumbent architecture however efficiently its run. That disruption risk is real, it is asymmetric, and it is not captured by a return-on-capital calibrated against government-backed utilities whose monopoly positions are effectively permanent.

¹⁵⁹ Haskel, J. and Westlake, S. (2018), Chapter 2, on the ‘four S’s’ of intangible investment, in particular ‘sunkness’ — the irreversibility of intangible investment once committed.

¹⁶⁰ Haskel, J. and Westlake, S. (2018). *Capitalism Without Capital: The Rise of the Intangible Economy*. Princeton University Press, Chapter 2 (the four S’s of intangible investment: scalability, sunkness, spillovers, synergies).

¹⁶¹ IPART, NSW Rail Access Undertaking — Review of the Rate of Return and Remaining Mine Life for the Hunter Valley Coal Network.

BBM was designed for businesses where the natural monopoly endures for the life of the physical assets. For a digital platform facing technology-driven disruption, the model provides no mechanism to compensate for the risk that the franchise could be rendered obsolete within the regulatory period or shortly after it.

The risk profile is not a utility's

The regulated utilities BBM was built for typically carry equity betas of 0.7 to 0.9, gearing of 40 to 60 per cent, and access to cheap debt because their cash flows are highly predictable and effectively government-backed.¹⁶² PEXA's beta sits around 1.0 — consistent with general equity-market risk, not utility risk — and IPART itself adopted a beta of 1.02 in the draft determination. Patching the WACC in this way is a tacit admission that the model was calibrated for businesses that behave like utilities; it does not cure the deeper mismatch, it simply concedes it.¹⁶³

The closest domestic comparator makes the point directly. ASX, pricing its clearing and settlement monopoly, and purporting to use a building-block methodology, adopted an asset beta of 1.20 and a materially higher WACC of approximately 11.7 per cent¹⁶⁴. Its justification is directly relevant: ASX defended the higher beta on the grounds that clearing and settlement services differ from physical utilities because of technology-redundancy and bypass risk, greater reliance on intangible assets, and revenue tied to market activity rather than stable captive demand. Four respondents to ASX's consultation pushed back that 1.20 was too high versus regulated utilities; one suggested approximately 1.0. ASX refused to move, defending its position with a comparator study across twelve global exchanges. The financial regulators did not reject that approach.

Applying BBM to a digital monopoly and then patching the WACC creates an internal inconsistency in the model. The base is built from selective accounting values (ignoring indefinite life intangibles) that assume a utility cost structure, while the return is adjusted for risks that those accounting values systematically fail to capture. The two sides of the equation are calibrated against different businesses.

The problems are illustrated by the projected decline in PEXA's notional revenue requirement past FY31 under this approach

In its draft report, IPART proposes that PEXA's prices be set for a period of 4 years. However, IPART's BBM can be extrapolated into a hypothetical further review period. Doing so reveals that PEXA's notional revenue requirement would fall steeply after FY31. This highlights why a BBM should not be applied to digital infrastructure in the same manner as physical infrastructure.

To illustrate this, as shown in Figure 1 above, PEXA rolled forward IPART's FY28 to FY31 forecast capital and operating expenditure. The WACC and useful lives were kept constant.

¹⁶² See the summary in IPART (2026), *WACC Biannual Update, 25 February 2026*, https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Fact-sheet-WACC-Biannual-update-February-2026.PDF, p.4

¹⁶³ ASX Pricing Policy Consultation Paper (16 September 2024) and Response to Feedback (30 May 2025). WACC inputs: asset beta 1.20, gearing 0% debt / 100% equity, tax 30%, with risk-free rate, market risk premium and gamma drawn from the AER's Rate of Return Instrument (February 2023). Implied nominal post-tax WACC approximately 11.5%.

¹⁶⁴ PEXA estimate for ASX target WACC using ASX published methodology.

Unsurprisingly, the illustrative projection shows that, if IPART's model were maintained into a hypothetical further review period, with a short useful life, the IAB would continue to decline after FY31, falling to just \$214m in FY34. In turn, the NRR would fall to just \$217m in FY34, a further \$60m revenue reduction on the proposed 20% recommended in IPART's draft report. What this means is that, if, in a hypothetical further review period, prices were to continue to track the declining IAB and NRR, PEXA's free cash flows would fall from around \$53m under IPART's proposed pricing in the review period, to just \$3m by FY34, to *negative* in FY35, and returning to a mere \$3m in FY37.

PEXA acknowledges that IPART has not proposed setting prices after FY31. PEXA's illustrative projection is highly speculative, assuming a consistent set of assumptions over a nine year period and no change in the WACC over that period. It also assumes that future pricing would be set consistently with IPART's proposed methodology in this review, which is by no means certain.

Nevertheless, the illustration highlights the problem at the core of applying a BBM to digital infrastructure. As noted above in section 2.2.2, PEXA does not believe that this is the outcome that IPART intended. As discussed in section 2.2.3, this is not a problem for another day; it needs to be addressed by IPART as part of this review.

4.8.2 Some of the difficulties in applying a BBM to a digital platform are a result of accounting standards

The understatement of the IAB is not a discretionary choice that IPART could reverse within the existing model; it is driven by the accounting standards from which BBM selectively takes its asset values. Physical infrastructure and digital infrastructure are governed by different accounting standards, and the difference in how those standards treat investment is the root cause of the mismatch between BBM and PEXA's economics.

Physical infrastructure is governed by AASB 116 Property, Plant and Equipment. The capitalisation test is straightforward: if an entity owns a tangible asset and it will generate future economic benefits, it goes on the balance sheet at cost and depreciates over its useful life. Ownership is visible and verifiable. Control is unambiguous. The IAB-building machinery of BBM maps cleanly onto how physical infrastructure is accounted for.

Digital infrastructure is primarily governed by AASB 138 Intangible Assets. AASB 138 sets a far more restrictive and fragmented capitalisation framework, and in several specific ways it forces genuine economic investment into the income statement as expense rather than onto the balance sheet as an asset. This is not a quirk — it reflects a genuine philosophical difference in the accounting standards about how intangible value can be recognised. The consequences for a BBM-based revenue determination are material, and they are structural: a regulatory model that takes its asset base from these accounts inherits the understatement wholesale.

Five mechanisms that push digital investment to Opex

First: the research/development phase distinction. AASB 138 paragraphs 54–67 bifurcate all internally generated intangible activity into a 'research phase' (all costs must be expensed; capitalisation is prohibited) and a 'development phase' (capitalisation is permitted only if all six criteria in paragraph 57 are met, including technical feasibility, intention to complete, and ability to measure costs reliably). In practice, for a digital platform evolving in response to regulatory change, competitive dynamics and technological development, a large proportion of engineering and product activity sits in the ambiguous zone between research and development. Accounting conservatism pushes most of it to expense. Under AASB 116, no such distinction exists — you build a pipe and capitalise it.

Second: the prohibition on internally generated intangibles at the market-building stage. AASB 138 paragraph 63 explicitly prohibits capitalisation of internally generated brands, customer relationships, customer lists and items similar in substance. PEXA's early years involved substantial expenditure on market education, subscriber onboarding, regulatory engagement and industry development — the creation of an entirely new market for eConveyancing. None of that investment, however economically productive, could be capitalised. It was expensed in the year incurred. This is the direct origin of the \$136.3 million of non-capitalised operating expenditure that IPART has partially recognised in the Initial Asset Base. Under physical infrastructure regulation, equivalent 'market development' investment would typically manifest as capital construction and sit in the IAB from day one.

Third: licensed software — the control problem. This is the most practically significant issue for PEXA's current cost structure. AASB 138 paragraph 13 requires that an entity controls an asset — meaning it has the power to obtain future economic benefits from the asset and to restrict others' access to those benefits — before it can be recognised. Where software is licensed rather than owned, the entity's access to future economic benefits is contingent on the continued existence of the licence agreement. The licensor retains the underlying IP. If the licence is revocable, or subject to vendor pricing power, the entity cannot demonstrate the reliable, unconditional access to future economic benefits that AASB 138 requires. The asset therefore cannot be capitalised. For a digital platform like PEXA, a significant and growing proportion of the technology stack relies on third-party licensed software — database management systems, integration middleware, security tooling, cloud service components. None of this can be capitalised. Yet these licences are not discretionary: they are essential operating inputs, equivalent in function and economic necessity to the pipes and pumps of a water utility. The water utility capitalises its pumps; PEXA expenses its software licences.

Fourth: cloud and SaaS — the IFRIC 2021 agenda decision. The IFRS Interpretations Committee's April 2021 agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement confirmed — and the AASB has adopted this through Australian standards — that in a typical SaaS arrangement the customer does not control the underlying software asset and therefore cannot capitalise the cost of configuring or customising it. The decision specifically held that because the software runs on the supplier's hardware, under the supplier's control, and is revocable, no intangible asset arises in the hands of the customer. Costs of configuration and customisation that do not result in a separately identifiable asset must be expensed. For a digital platform whose infrastructure has progressively migrated to cloud architecture — as PEXA's has — this means that substantial investment in building and maintaining cloud-based capabilities is treated as opex. The economic substance of that investment — a functioning, enhanced platform capability that will generate revenue for years — is indistinguishable from capital investment in the physical infrastructure analogy, but the accounting treatment is entirely different.¹⁶⁵

Fifth: the paragraph 69 prohibition on start-up and market development costs. AASB 138 paragraph 69 further prohibits capitalisation of start-up costs, training costs, advertising and promotional expenditure, and relocation costs, but conversely AASB 138 calls out that physical infrastructure is an exception to this in accordance with AASB 116. The regulatory and market establishment costs borne by PEXA during the pre-revenue years of the eConveyancing market's development were all consumed by these categories.

The Australian Accounting Standards Board itself acknowledged this issue. In a 2022 staff paper¹⁶⁶ on intangible assets, it stated that

¹⁶⁵ IFRS Interpretations Committee (2021). Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38), Agenda Decision, April 2021; adopted by the AASB through AASB 138 and related guidance.

¹⁶⁶ AASB Staff Paper March 2022 Intangible Assets: Reducing the financial statement information gap through improved disclosures [SP Intangibles Assets 03-22](#)

“AASB 138/IAS 38 has not kept pace with the consequential changing business models of many intangible-asset-intensive entities. As a result, many highly valuable internally generated intangible assets remain unrecognised and undisclosed in financial statements”. The paper further goes on to say that “...return on equity and return on invested capital, which are common performance measures and used for comparison between entities, might be distorted due to the non recognition of significant intangible assets.” and lastly, that “Asymmetries ... could compromise comparability within and across entities, include those relating to: the recognition of internally constructed tangible assets but the non-recognition of internally generated intangible assets”.

IPART’s selective recognition of intangible assets further compounds the understatement of the PEXA capital base

IPART note in their draft paper that when establishing the Initial Asset Base for PEXA that, “It does not include PEXA Group’s enterprise value or values associated with its market position, such as goodwill, brand value or network effects.” The decision by IPART not to recognise the goodwill or uplift in intangible asset as a result of the 2019 trade sale of the business is in contradiction to Australian accounting standards and the treatment of the acquisition under Commonwealth tax law, as discussed below in section 4.8.3.

Due to the challenges in measuring the true cost of intangible assets, the one opportunity to accurately value these assets is on acquisition. AASB 138 requires that where an intangible asset is acquired in a business combination, the acquired intangible asset is valued at its fair value at the acquisition date, where its fair value is “... the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” with goodwill only recognised after recognition of other intangibles, including software assets, customer assets or brands. Goodwill is also recognised as an indefinite life intangible, perhaps the only opportunity to recognise the true economic life of these intangible assets.

Instead IPART’s application of the BBM selectively allows for losses pre-2018, but ignores the actual costs paid by PEXA investors, being the \$1.6bn paid in 2019. This departure from Australian Accounting Standards and the treatment of the acquisition under Commonwealth tax law, compounds the understatement of PEXA’s regulatory asset base as calculated by IPART.

4.8.3 The cumulative effect on BBM

BBM’s revenue-generating mechanism is: $IAB \times WACC + \text{depreciation} + \text{opex}$. For a physical utility, the IAB is large and stable — 80 to 100 per cent of the economic capital base makes it onto the balance sheet under AASB 116 — and the return on and of capital components are the primary drivers of revenue. For a digital platform, the accounting standards ensure that a substantial and growing proportion of the economic capital base never reaches the balance sheet, unless via acquisition, which IPART has chosen to ignore. The IAB is structurally understated. IPART then applies a WACC to an understated base and passes the rest through as opex — but the opex component is set by reference to efficient cost forecasts, not to compensate for unrecognised capital investment. The model has no mechanism to compensate a regulated entity for the economic return that should, in principle, be earned on capital investment that accounting standards require to be expensed.¹⁶⁷

¹⁶⁷ Haskel, J. and Westlake, S. (2018). *Capitalism Without Capital: The Rise of the Intangible Economy*. Princeton University Press. Lev, B. and Gu, F. (2016). *The End of Accounting and the Path Forward for Investors and Managers*. John Wiley & Sons. Corrado, C., Hulten, C. and Sichel, D. (2009). ‘Intangible Capital and U.S. Economic Growth’. *Review of Income and Wealth*, 55(3), pp. 661–685. Australian Accounting Standards Board (2022). *Intangible Assets: Reducing the Financial Statements Information Gap* (Staff Paper, March 2022).

This is not a peculiarity of PEXA; it is a recognised, systemic feature of the intangible economy. Haskel and Westlake (2018) documented that conventional accounting practices do not measure intangible investment, with the result that reported earnings are depressed by investment of lasting value. Lev and Gu (2016) traced a sustained sixty-year decline in the correlation between book value and economic value to the same cause — the major value drivers shifted from property and plant to patents, brands, information technology and human resources, yet accounting standards continued to treat the latter as ordinary expenses. Corrado, Hulten and Sichel (2009) estimated that national accounts omitted more than US\$800 billion of annual intangible investment and more than US\$3 trillion of business intangible capital stock.

A regulatory model that takes its asset base from those same accounts inherits the understatement.

4.8.4 ASX — a digital infrastructure case study

The problems in applying a BBM to a digital platform are illustrated by ASX's attempts to do so in a self-regulated environment.

ASX — the Australian Securities Exchange — is a close domestic comparator to PEXA for the purposes of this review as a digital and intangible intensive business. ASX operates a monopoly in cash-equities clearing and settlement. The ASX self-regulates its prices under an adapted building-block methodology. How ASX has valued its capital base and justified its return is therefore directly instructive. ASX has only been able to generate commercially sensible results by substantially adapting the normal operation of a BBM in ways that are not obviously justified by the underlying theory.

The self-regulation regime

ASX's cash equities clearing and settlement is a monopoly. Rather than a formal price determination by an external regulator, ASX prices under a Code of Practice and the Council of Financial Regulators' Regulatory Expectations, now underpinned by the ASIC CS Services Rules 2025 with an ACCC arbitration backstop if a customer disputes price. ASX's obligation is to keep pricing 'transparent, fair and reasonable' and to publish its own methodology showing revenue reflects efficient costs plus a reasonable return. It is regulator-monitored self-regulation rather than an external IAB determination — but the pricing methodology is the same building-block structure, with the same four building blocks: return of capital (depreciation), return on capital (WACC), operating costs, and tax.¹⁶⁸

Capital base: regulatory capital plus invested capital, not an accounting IAB

The critical point in ASX's adapted BBM, is that ASX values its capital base, not an asset base. The term 'Regulated Asset Base' does not appear in either of ASX's consultation papers. There is no opening asset value, no valuation basis, no asset register, no asset-life schedule, no roll-forward or indexation mechanism in the consultation documents. The actual capital base methodology and the dollar figures appear in the audited FY25 Management Income Statement (October 2025), which discloses an 'average capital' figure and its composition.

¹⁶⁸ ASIC CS Services Rules 2025; ASX Code of Practice for Clearing and Settlement of Cash Equities in Australia; Council of Financial Regulators, Regulatory Expectations for Conduct in Operating Cash Equity Clearing and Settlement Services in Australia. See also ASIC Media Release 25-019MR.

Two-thirds of ASX's capital base is regulatory capital, or equity — the capital ASX must hold under the RBA Financial Stability Standards and the PFMI framework, allocated between clearing and settlement and non-CS services — not infrastructure. This is a feature unique to a central counterparty and settlement facility. The invested capital component — \$129.3 million — is valued not at just the accounting book value but also includes the depreciated optimised replacement cost of the existing CHES system. Further, both actual depreciation and depreciation for the replacement cost of the existing CHES system were included in the return of capital. ASX's actual return on this capital in FY25 was 9.0 per cent, against its target of approximately 11.5 per cent. See Figure 27 for an overview of ASX example.

Figure 27: Most of ASX's capital base was regulatory capital, not expenditure on capital assets

Component	FY25 (\$m)
Default risk capital	98.2
Non-default risk capital	161.2
Average regulatory capital	259.4
Invested capital	129.3
Average capital (total)	388.7
Return on capital (actual)	9.0% (vs ~11.5% target)

The use of regulatory capital gives the ASX effectively an indefinite life asset, which doesn't depreciate, but is annually targeted to receive an 11.5% return. This creates stability in their 'capital base', ensuring predictability in their pricing outcomes.

DORC applied to a software system

ASX explicitly valued the CHES system using depreciated optimised replacement cost (DORC) — a replacement-cost technique typically applied to physical regulated assets. ASX described DORC as 'a generally accepted methodology applied to regulated assets' and added a corresponding extra depreciation charge for the DORC-valued CHES asset. Importantly, rather than using either historical costs rolled forward (effectively accounting book value) or the DORC as their 'invested capital', the ASX adapted BBM uses both. This is a live example of a digital operator adapting a physical-asset IAB technique to fit an intangible intensive business.

The DORC methodology itself is well-established in Australian regulatory practice. The Productivity Commission's 2013 inquiry into electricity network regulatory frameworks discussed DORC as a method for setting the initial regulatory asset base, and it has been applied by the AER, IPART and other regulators in water, energy and transport contexts. IPART's draft report notes that "We propose that regulated prices be established using PEXA's costs, not the costs of a hypothetical efficient ELNO." And that "we did not consider it appropriate to use TBH's hypothetical efficient ELNO costs as direct inputs to the building block model". Conversely, in adapting a BBM to make it appropriate for a digital business, ASX's adapted BBM uses both historical and hypothetical costs.

Higher WACC justified by intangibles and technology-redundancy risk

ASX's consultation papers (September 2024 and May 2025) centred on the return-on-capital component of the BBM. The key WACC inputs were: asset beta 1.20, gearing 0% debt / 100% equity, tax rate 30%, with risk-free rate, market risk premium and gamma drawn from the AER's Rate of Return Instrument (February 2023). The implied WACC was approximately 11.5% — materially higher than the 3.3 to 3.5% real post-tax WACC IPART applied to its water determinations, and higher than the 6.5% applied to PEXA.¹⁶⁹

Four respondents pushed back that an asset beta of 1.20 was too high relative to regulated utilities; one suggested approximately 1.0. ASX refused to move, defending its position with a comparator study across twelve global exchanges which yielded a group beta of 0.85, scaled up to 1.20 for clearing and settlement services specifically. ASX's justification is directly relevant to PEXA: clearing and settlement services differ from physical utilities because of technology-redundancy and bypass risk, greater reliance on intangible assets, and revenue tied to market activity rather than stable captive demand. Intangibles appear in ASX's framework only as a reason for higher risk — never as an asset-valuation question.

Implications for PEXA

Three conclusions follow for PEXA's submission.

First, in order to make the BBM serviceable for a digital platform, the capital base was built on an economic valuation rather than an accounting residual. ASX did not start with just the depreciated book value of its software under AASB 138; it constructed a capital base from regulatory capital, the depreciated book value of its software and valued the replacement CHES system at DORC. While PEXA is not a central counterparty and holds no prudential risk capital, it does hold capital of almost \$940 million against the Exchange. But the principle ASX relied on — that the base should reflect the economic value of capital deployed, inclusive of a market or replacement standard, as well as an accounting residual book value — applies with equal or greater force to PEXA, whose accounting book value understates its economic capital to an even greater degree.

Second, ASX's own reasoning for the higher beta and WACC is a **third-party confirmation that the physical-infrastructure template does not map cleanly onto digital infrastructure**. ASX defended a higher beta and WACC expressly because of intangible-intensity, technology risk and demand volatility — the same structural features that distinguish PEXA from physical infrastructure.

Third, the absence of a traditional IAB framework in ASX's model is itself instructive. The consultation focused almost entirely on the return on capital, not the base to which it applies. This suggests that even within the building-block family, the concept of a traditional IAB — an asset register rolled forward year by year — may not be the natural framing for a digital monopoly whose value resides primarily in intangible assets and an ongoing operating capability rather than in depreciable physical infrastructure.

¹⁶⁹ ASX Pricing Policy Consultation Paper (16 September 2024); ASX, Pricing Policy Consultation Paper: Response to Feedback (30 May 2025); ASX, Cash Equities CSI Services Pricing Policy (final, v1.0); ASX, CS Services Management Income Statement FY25.

4.8.5 The tax dimension — one government should not value the same asset two ways

The case for recognising PEXA's economic capital base is reinforced by an inconsistency in government treatment. For income tax purposes the 2019 acquisition reset PEXA's tax asset base in accordance with Commonwealth tax law, administered by the Australian Taxation Office (**ATO**), under which the tax cost of PEXA's assets is set in alignment with the tax consolidation cost-setting rules, to reflect the value attributed to those assets as part of the 2019 acquisition. One arm of government, the Australian Taxation Office ('ATO'), therefore effectively gives effect to the 2019 value as the tax value of the business's asset base — recognising a value of \$1.55 billion, including a \$450 million uplift to software intangibles and over \$900 million of goodwill. IPART, by contrast, has recognised an uplift of just \$136.3 million, less than 10% of the uplift recognised under tax law.

Commonwealth tax law recognises the trade-sale uplift

Where a target joins the acquirer's tax-consolidated group, the tax cost of its assets is reset to reflect the acquisition price under the tax consolidation cost-setting rules in Division 705 of the Income Tax Assessment Act 1997 (Cth). The effect is to push the uplift — including intangible value — into the tax base, with tax depreciation deductions available in respect of eligible assets in accordance with the applicable tax rules.¹⁷⁰

The significance for this review is evidential. The Commonwealth essentially receives less tax revenue where a higher tax cost base gives rise to larger allowable deductions. The recognition of the 2019 uplift under Commonwealth tax law is therefore adverse-interest corroboration that the value is genuine and arm's-length — far stronger evidence than a valuation PEXA might commission for the purpose of this review. Were the trade-sale value to be challenged as overstated, that challenge would sit awkwardly with the fact that the Commonwealth's own tax law allows the uplift to be recognised. IPART can hardly characterise the trade-sale value as inflated or irrelevant when that value is recognised under the Commonwealth's own tax law with corresponding deductions available against tax receipts in accordance with that law.

The perverse tax-and-revenue outcome

The interaction of the two regimes produces a perverse result. Because BBM suppresses PEXA's allowed revenue while Commonwealth tax law provides for deductions associated with the relevant uplifted tax cost base, PEXA has historically accumulated carry-forward tax losses. While PEXA has generated taxable income in recent years, that income has been offset by the utilisation of those carried-forward losses in accordance with the ordinary operation of the Commonwealth income tax rules. That is difficult to reconcile with IPART's characterisation of PEXA as having 'over-recovered' its revenue. The persistence of substantial carry-forward tax losses is at least difficult to square with a regulatory conclusion that PEXA has persistently earned returns materially in excess of those required to recover its efficient costs and capital investment. PEXA expects to have a current income tax liability in the next 12 months, not because its carry-forward tax losses have been exhausted, but rather because the remaining losses relate to those generated prior to the 2019 trade sale and therefore only a reduced proportion of them can be applied against taxable income in any given year.¹⁷¹

¹⁷⁰ Income Tax Assessment Act 1997 (Cth), Division 705 (tax consolidation cost-setting: resetting the tax cost of a joining entity's assets to reflect the acquisition price).

¹⁷¹ Income Tax Assessment Act 1997 (Cth), Division 707 (amount of transferred losses that can be utilised: available fraction rules).

If the revenue cap holds its profits down, PEXA may never be in a position to return capital to its shareholders. The capital committed in 2019 is thus stranded twice over: it earns no regulated return, because IPART ignores it, and its tax shield is never fully realised, because there is insufficient taxable income against which to utilise it. The method therefore produces an outcome in which the benefit of deductions recognised under the Commonwealth tax framework may not be fully realised, while PEXA is simultaneously denied a return on the economic value reflected in the arm's-length acquisition, supported by independent market valuation and recognised for relevant purposes under that framework. That is not efficient pricing; it is a regulatory-settings failure that leaves both the investor and the public revenue worse off.

4.9 Modifications to the BBM

All of the problems with applying a BBM to eConveyancing strengthen the case for applying alternative regulatory frameworks discussed above in section 4.7.

If IPART nevertheless persists in trying to apply a BBM to eConveyancing, then substantial modifications to the methodology are required to reduce the issues discussed in previous sections. PEXA submits that these modifications will not make the BBM fit for purpose – they will merely make it less unfit for purpose.

4.9.1 *Modification 1 — Regulatory capital base anchored to the 2019 trade sale*

The mitigation follows directly from the diagnosis. If the accounting book value understates PEXA's economic capital, the regulatory capital base should be set by reference to a market-tested valuation that does not suffer that defect. PEXA's was established when the business was privatised at arm's length in the 2019 trade sale.

There is well-established regulatory precedent for striking a monopoly's opening regulatory value at the point of privatisation — by reference to the transaction or an independent valuation struck at that date — rather than by accumulating historical accounting cost. When network utilities were transferred to private ownership (UK water and electricity, and a range of Australian energy and port assets), regulators generally set the initial regulatory asset value using the privatisation or flotation value, or a market/replacement-cost valuation, as the 'line in the sand', and rolled it forward thereafter. The moment of transfer to private hands is when an arm's-length price for the enterprise is actually revealed, and that price is a better measure of the efficient capital committed than a book value distorted by accounting-recognition rules.¹⁷²

Why the trade-sale value is the economically correct base

In an arm's-length transaction between willing and informed parties, the price paid equals the risk-adjusted present value of the business's expected future cash flows — which is the definition of the capital employed in the business. The acquirer paid for the entire going concern: the platform, the subscriber network, the customer relationships, the market PEXA created and the regulatory position it built — regardless of whether each element was capitalised or expensed under AASB 138. The transaction value therefore quantifies precisely the 'pioneer' and opex-as-investment that the accounting standards keep off PEXA's balance sheet until exactly this point, upon acquisition, when AASB 138 requires entities to recognise this investment as goodwill, customer assets and other intangible assets and that BBM's IAB consequently omits.

¹⁷² Decker, C. (2015). *Modern Economic Regulation: An Introduction to Theory and Practice*. Cambridge University Press, on the setting of initial regulatory asset values at privatisation; Stern, J. (2014). 'The British utility regulation model: its recent history and future prospects'. *Utilities Policy*, 31, pp. 162–172; Productivity Commission (2013). *Electricity Network Regulatory Frameworks*, Inquiry Report No. 62 — on DORC and privatisation-based asset values.

Using that value as the opening base restores the financial-capital-maintenance principle that underpins BBM in the first place: an investor is entitled to recover, and to earn a normal return on, the capital actually committed to the regulated business. Anchoring instead to book value breaches that principle, because a large and identifiable portion of the committed capital is invisible to the accounts. A completed, properly vetted through due diligence transaction is more verifiable than ASX's complex and unaudited 'capital base' — it is third-party market evidence rather than a model — the kind of independent, contemporaneous data IPART routinely gives weight to.

Answering the circularity objection

The standard regulatory objection to a market-value base is circularity: if the acquisition price already reflects the market's expectation of future regulated or monopoly returns, using it to set the base lets the entity 'bank' those expected returns in the base itself. The objection is real and is met in three ways.

First, the 2019 price was struck before the current IPART fee-determination framework applied to PEXA. It capitalised PEXA's commercial and competitive prospects, not an expectation of a regulated return stream, so it is largely free of the circularity the objection assumes.

Second, the transaction value should be used as one anchor and cross-checked against an independent build-up such as the RCM. Because the base is then set at the lower of the market value and the base against capital actually committed and return received, any returns the 2019 price might embed cannot inflate the base — they can only be traded down to demonstrable, cost-justified base.

Third, any portion of the 2019 price attributable to non-regulated activities can be identified and removed, so that only efficiently committed capital enters the base.

How it would work in practice

Adopt the 2019 trade-sale enterprise value as PEXA's opening regulatory capital base, net of any value attributable to non-regulated activities. Roll it forward on standard BBM mechanics — add efficient capital expenditure, deduct regulatory depreciation, index for inflation — from 2019 to the start of the determination period, and apply the allowed return to that base. Cross-check the opening value against the RCM, using appropriate evidence based historical WACC as detailed in section 3.4, and adopt the lower figure where they diverge. The result is a capital base that reflects PEXA's true economic capital, is anchored in a verifiable market transaction, is disciplined by a cost-based cross-check, and is directly analogous to the approach ASX has used and the financial regulators have accepted.

4.9.2 Modification 2 — Bifurcated useful life

The useful life applied to the regulatory capital base should not be the short accounting life of the underlying technology assets. The base derived from the 2019 trade sale is not a bundle of servers and software licences; it is predominantly the enduring economic value of PEXA as a going concern — the platform, the processes and know how, the subscriber network, the market PEXA created and its franchise position. In both accounting and economic terms that value behaves like goodwill and other indefinite-life intangibles, which are not amortised. Applying a 9 to 15 year technology depreciation life to it would be a category error — taking the base from one concept (going-concern value) and the life from another (finite-life equipment).

The capital base should be separated into two layers. The first is the identifiable, finite-life layer — tangible assets and discrete, separately identifiable software — which genuinely wears out or becomes obsolete and should be depreciated over its true economic life. IPART's 9 to 15 year assumptions are defensible for this layer, with reinvestment re-entering the base as it occurs. The second is the enduring layer — the going-concern, network and franchise value revealed by the trade sale in excess of identifiable-asset value. This layer does not expire on a fixed schedule. It is maintained through ongoing opex — adoption, cyber security, compliance, continuous development — rather than consumed, and it should earn a return on capital but carry no scheduled return of capital.

This is precisely how the accounting standards treat the two classes of asset. AASB 138 requires intangible assets with finite useful lives to be amortised, but intangibles with indefinite useful lives are not amortised — they are carried and tested for impairment. Goodwill, under AASB 3 Business Combinations, is likewise never amortised; it is subject only to annual impairment testing. If IPART accepts a trade-sale-based capital base, intellectual consistency requires it to accept the useful-life logic that attaches to that class of asset: the going-concern and franchise component is an indefinite-life intangible and should not be depreciated at all. Applying the short accounting life of the technology to the whole base is an internally inconsistent hybrid.

Regulators already accept that parts of a capital base earn a return without being depreciated. Land in a utility IAB is the standard example — it earns the allowed return but carries no depreciation, because it does not wear out. ASX's own base makes the same distinction in substance: it applied a depreciation charge both the book value of its software and to the DORC-valued CHESS system (both finite-life assets) but treated its standing regulatory capital as a non-depreciating balance that simply earns a return. PEXA's enduring platform and franchise value is the direct analogue of that non-depreciating layer.¹⁷³

The obvious objection is that digital assets face obsolescence, so the base should be written down quickly. But obsolescence is a probabilistic, event-driven risk, not a predictable straight-line decline. The economically correct responses are two, and neither is accelerated depreciation of the whole base. First, compensate for disruption risk in the allowed return through a higher beta and WACC, as argued in section 2.6 and the ASX case study. Second, impairment-test the enduring layer and write it down if and when a superior platform actually erodes PEXA's position — exactly as goodwill is treated under AASB 3 and AASB 136. Depreciating the base over a short life would double-count the risk (once in the WACC, once in an accelerated return of capital), front-load cost recovery onto today's customers, and imply — wrongly — that the business is a wasting asset with a 9 to 15 year life. A going concern is not a wasting asset.¹⁷⁴

4.9.3 Modification 3 — Recognise opex-as-investment

TOTEX (Total Expenditure) approach — used by Ofgem in UK energy regulation, treats all expenditure equally regardless of whether it is capitalised or expensed. This directly addresses PEXA's core argument that the BBM disadvantages opex-heavy digital platforms. Under TOTEX, there is no distinction between capex in the IAB earning a return and opex treated as a pass-through — all efficient costs earn a return.

¹⁷³ AASB 138 Intangible Assets, paras 88 and 107–110 (intangibles with indefinite useful lives are not amortised but tested for impairment); AASB 3 Business Combinations (goodwill is not amortised, only impairment-tested); AASB 136 Impairment of Assets.

¹⁷⁴ Decker, C. (2015), on the treatment of land and other non-wasting assets as non-depreciating components of the regulatory asset base. See also the ASX CS Services Management Income Statement FY25, where regulatory risk capital earns a return but is not depreciated.

Finally, the model should recognise that a material part of PEXA's operating expenditure is investment in substance. The market-building expenditure that created eConveyancing, and the continuing adoption expenditure in each new jurisdiction — Tasmania being the most recent — produce enduring economic benefits in exactly the way a utility's capital works do; they are expensed only because AASB 138 requires it. Critically, this is not a one-off historical understatement: PEXA continues to invest through opex every year — in adoption, resilience and platform development — so the IAB is under-built afresh in every period, and a determination that recognises investment only when it is capitalised will understate PEXA's efficient revenue requirement in every review, not just once.

IPART's recognition of \$136.3 million of non-capitalised operating expenditure is a welcome partial acknowledgment, but providing only CPI indexation and starting depreciation in 2011 only partially compensates for the cost while denying any return on the capital it represents. The economically consistent treatment is to include identified opex-as-investment in the capital base and allow a return on it, or at minimum to compensate for the time value of the investment over the period it took to build the market — not merely to index it. This remedy also addresses the recurring nature of the problem: if opex-as-investment is recognised in the base and earns a return, future determinations will not need to re-litigate the same issue each period, and PEXA's incentives to continue investing in adoption and platform development will be preserved rather than penalised.

Response to draft recommendation 4:

Amend to:

Price regulation should be appropriate to the level of regulatory risk, and consequently prices should be maintained at current levels unless PEXA is earning 'excessive profits', which is not the case taking into account that total productivity gains due to PEXA's platforms are at least 3.5 times greater than PEXA's profits, PEXA's prices have not increased in real terms since they were first set 12 years ago, customer concern about prices is not material, and PEXA's profit margins are not substantially higher than many other digital platforms

4.10 Efficient costs established using PEXA's costs, not a hypothetical efficient ELNO

PEXA welcomes the draft report's recommendation to use PEXA's actual costs as basis of any cost analysis rather than a hypothetical ELNO.

The costs of a hypothetical ELNO were developed by TBH Consulting May-June 2026. PEXA spent extensive time with TBH Consulting to brief them on eConveyancing market, technology and regulatory regime so it is disappointing that the report is so erroneous and that PEXA was not given an opportunity to review TBH Consulting's final report before it was published.

Given IPART's disavowal of TBH Consulting's final report, and the limited time available to provide these submissions, PEXA's submissions focus on addressing the issues in IPART's draft report, and make no comment on TBH Consulting's final report. However, PEXA was given an opportunity to review and comment on TBH Consulting's draft report in April 2026 and identified a wide range of issues and errors, including incorrect modelling, misunderstanding of regulatory obligations, unrelated cost drivers and unsubstantiated assumptions. Many of these issues and errors do not appear to have been addressed in the TBH Consulting's final report. PEXA considers that it would be appropriate for IPART to publish PEXA's submission on the draft TBH report dated 6th May 2026 as

part of its review so that stakeholders have transparency about the issues with the TBH Consulting report.¹⁷⁵

It is unsatisfactory that IPART has not sought to respond to the issues with TBH Consulting's draft report identified by PEXA's response. PEXA submits that, unless IPART addresses the numerous issues identified, it is inappropriate for IPART to draw the conclusions contained in its draft report that 'TBH's insights provide useful information' and that the TBH Consulting report provides reliable information about how PEXA could become more efficient, the scope for future cost savings, or the feasibility of alternative IT architecture.¹⁷⁶ Similarly, it would be inappropriate for IPART to draw conclusions that PEXA's cost base is 'inefficient' or that it has failed to capture ongoing productivity efficiencies in previous years (see section 7.2.1).

If, contrary to its position in the draft report, IPART intends in its final report to further rely on the TBH Consulting report, as a matter of procedural fairness, PEXA requires an opportunity to provide further submissions in relation to the final report, as well as any findings of IPART that rely on that report.

Request in relation to draft recommendation 4:

If the final report contains references to TBH's report, PEXA requests that IPART publish PEXA's submission on the draft TBH report dated 6th May 2026 to ensure transparency about the various issues associated with the approach, assumptions and conclusions of the report.

4.11 4-year regulatory period

IPART's draft report proposes a 4-year regulatory period with the next review of ELNO service fees to commence in 2029-30, with new prices to apply from 1 July 2031. PEXA notes the extensive administrative burden and cost that has been associated with the current review and agrees that 4 years represent a reasonable period for eConveyancing to evolve before re-visiting pricing.

PEXA notes that should the industry dynamics change dramatically within the period it may be appropriate for ARNECC to consider an earlier pricing review.

4.12 No indexation after 4 years

IPART's draft recommendation is that 'if new prices are not decided by 1 July 2031, the prices from the final year of the regulatory period should continue to apply without further indexation'¹⁷⁷.

The default position for the past 14 years of eConveyancing has been to maintain prices in real terms. IPART has recommended that the prices that it sets for FY2027 should then be maintained in real terms for the 4 year regulatory period. Maintaining prices in real terms provides some protection to a price-regulated business that, unlike an unregulated competitive business, would otherwise be highly exposed to uncontrollable inflation risk. All three of these considerations are inconsistent with IPART's proposal that prices should not be maintained in real terms if a regulatory review is not

¹⁷⁵ Disclosure should include PEXA's letter from 6th May 2026 to the IPART Tribunal as well as the associated 'ELNO fact and confidentiality check response'

¹⁷⁶ IPART, *Draft Report*, p.36-37.

¹⁷⁷ IPART *Draft report*, p.36, and Recommendation 5.

concluded on schedule. The outcome recommended by IPART is clearly punitive to PEXA. However, the regulatory review schedule is controlled by ARNECC and Registrars, not PEXA, and IPART did not provide any reason – and there is none – why PEXA should be punished for the failure to conclude a regulatory review on schedule.

History suggests that substantial delay is possible. In November 2019, IPART recommended prices to apply from July 2020, and another review should identify prices to apply from **2 years** later July 2022. As a result of decisions by ARNECC, the current review is not expected to take effect until **7 years** later, in July 2027.

IPART should abandon its recommendation that prices should not be maintained in real terms if a review is not completed in time for implementation by July 2031.

Response to draft recommendation 5:

Amend to:

PEXA's prices should remain at current levels in real terms for a 4-year regulatory period, with further review undertaken for any change to commence from 1 July 2031. If a review has not been completed by then, prices should continue to increase in real terms until a review is completed.

5 Design of price regulation for service fees

As outlined above, PEXA believes that the appropriate approach for this review is that IPART should conclude that its current prices are reasonable and should be maintained in real terms. PEXA's responses in this chapter assume that IPART nevertheless attempts to set specific prices for ELNO service fees that are lower than PEXA's current fees.

5.1 Fees not WAPC

PEXA agrees with IPART's draft report that the regulation of prices ELNO services should continue to apply to individual fees rather than a pricing method, such as a weighted average price cap (WAPC).

PEXA's submission to IPART's March 2026 workshop¹⁷⁸ outlines the benefits of regulation based on fees rather than WAPC, including subscribers' preference for price certainty.

Response to draft recommendation 6:

Agree (assuming that IPART rejects PEXA's submissions that IPART should not set specific prices for ELNO service fees that are lower than PEXA's current fees).

5.2 Recommended notional revenue requirement and ELNO service fees

PEXA submits that the BBM should not be used to set ELNO service fees, for the reasons set out in section 4.8. If the BBM is used to set service fees, IPART should correct substantial errors in its approach, for the reasons set out in section 3. Either approach would lead IPART to conclude that current prices are reasonable and should not be changed in real terms.

Response to draft recommendation 7:

Amend to:

For 2027-28, ELNO service fees should be at the 2026-27 level plus an increase to reflect the change in the CPI.

Response to draft recommendation 8:

Agree

5.3 Pricing structure

The draft report suggests that a potential price reduction should be applied to Transfer documents only rather than broadly across all PEXA documents. This implies that the overall 20% price reduction leads to a price reduction of 36.6% for Transfers (single title) and 14.6% for Transfers (multi-title).

As noted above PEXA submits that IPART should conclude that current prices are reasonable and should not be changed in real terms.

¹⁷⁸ <https://www.ipart.nsw.gov.au/documents/document/submission-pexa-elno-workshop-march-2026>, see p7

If IPART nevertheless recommends as a price reduction, PEXA does not object to that reduction being implemented, as IPART proposes, as a larger reduction for transfers, but no reduction for refinances and other transactions. However the price cut is implemented, the loss of revenue will still have the same highly problematic consequences that far outweigh the relatively small reduction in prices that most consumers will only incur three or four times in their lives.

However, PEXA notes inaccuracies in IPART's draft report that it should amend:

- The original pricing rationale for eConveyancing was not only a reflection of the prices charged by titles offices for lodgment, but also reflected the underlying time saving delivered by each instrument¹⁷⁹ as well as the value to the end-customer of the transactions (i.e. the value of getting on-title (Transfer) is higher than listing an interest on a title (Caveat)).
- While costs can't be allocated to specific documents, some cost categories are driven by particular document categories. For example, transfers are the cause of about 80% of calls for customer support, and the 'other' document category is the cause of almost all spending to implement the Australian Registrars Working Group (ARWG) roadmap (because high volume document types such as transfers and refinances have already been fully implemented).

Response to request for comment 5:

PEXA has no comment, noting that IPART should not set any specific prices for ELNO service fees that are lower than PEXA's current fees.

5.4 Period for implementing price change

PEXA agrees that any price cut should be implemented in the first year rather than spread over 4 years of the regulatory period.

The 20% cut to revenues in IPART's draft recommendations will have profound impacts on PEXA's business. But it would be better to absorb those impacts in a single year, and be able to make necessary adaptations, rather than every year for four years.

PEXA notes IPART's comments on financeability. While IPART's standard financeability test may be appropriate to government entities, or entities with substantial physical assets, it is inappropriate for a listed company operating a digital platform. Equity analysts and investors have already noted the implications of IPART's draft recommendations for PEXA's cashflows in FY2034, and this already has implications for PEXA's ability to attract investment to finance its Exchange business in future.

Response to request for comment 6:

If IPART's final report was to propose a reduction in ELNO fees, these should be implemented in the first year rather than more gradually over the 4 year regulatory period.

¹⁷⁹ PWC, August 2010: National e-Conveyancing Development Limited – Market Analysis Consulting Brief

6 Demand

IPART should revise its demand forecasts downwards to reflect materially changed market conditions and significant downside risk for PEXA. IPART should not adopt a demand volatility adjustment mechanism (DVAM) – PEXA should continue to bear normal market risk under a price cap as a commercial technology platform, with the risks appropriately reflected in the WACC.

The world has changed significantly since the analytical work supporting our 2025 submission was completed in the first half of 2025. IPART in its draft report recognises this, and with the benefit of more recent information than what was available at the time of our original submission, PEXA has developed materially lower demand forecasts than our 2025 submission.

Since the release of IPART's draft report, more recent evidence suggests **housing transaction volumes may be even lower still** and that the market may yet see a further deterioration over

In response to this updated state of the market and potential downside demand risk, since our 2025 submission we have undertaken the following steps to provide indicative forecasting:

1. Updated our econometric forecasts of transactions using more recent information, with new inputs suggesting a more challenging housing market context than previously assumed.
2. Developed an approach to estimate some potential effects of the Federal Government's May 2026 reforms to negative gearing and capital gains tax, which cannot be robustly estimated using the historical econometric model given the lack of precedent available in the data on which to train a model. These additional impacts are included in our central forecast.

Section 6.1 below presents our updated view of the future of the housing market and our updated longer-term demand forecasts showing a significant reduction in volumes compared to our 2025 submission and a smaller but still material reduction in volumes relative to IPART's draft report. We share these internal forecasts with IPART on a confidential basis to illustrate how shifts in market conditions further undermine the methodology adopted by IPART.

Section 6.1.6 provides our response to IPART's draft report on our demand forecasting method, including econometric issues.

Section 6.1.7 outlines our view that despite changing market conditions IPART should not apply a DVAM as it will blunt key business incentives, drive stakeholder uncertainty and increase regulatory burden all to manage risk we believe should more appropriately be reflected in the WACC applied to the business.

6.1 Recent housing market data and our updated forecasts indicate transactions are likely to be materially lower

As outlined above, macroeconomic conditions and the housing market specifically have undergone a significant change since early 2025. In particular, two key headwinds have affected the housing market which together are driving a material slowdown in market activity, uncertainty, poor market sentiment, and lower dwelling prices. Overall, current market indicators now point to a material downside risk to transaction volumes through FY2027 [REDACTED], such that IPART's draft demand forecasts are likely to be overstated. The first of these headwinds is the softening of housing market conditions resulting from both domestic macroeconomic shifts and international events. The second is the policy reform package announced at the May federal budget which entails material changes to housing related tax settings which are likely to significantly cool investor activity putting downward pressure on prices and transfers.

6.1.1 A shift in market conditions

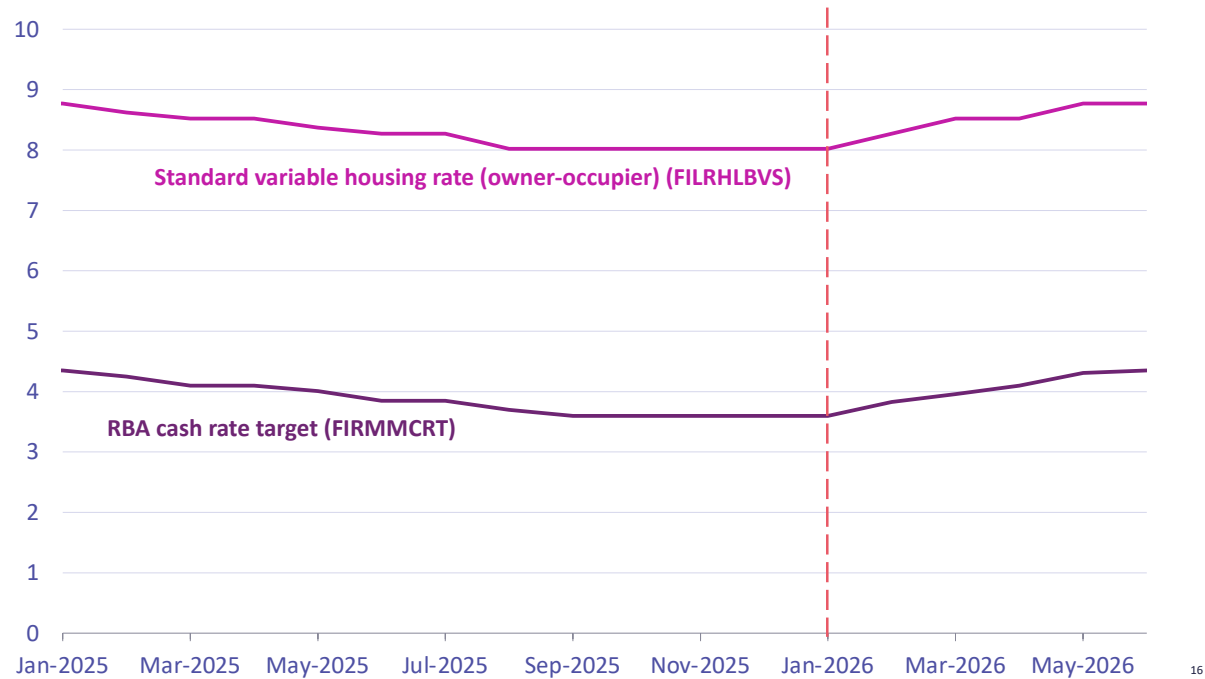
Early 2026 marked a material shift in housing market conditions. The clearest indicators are higher interest rates and rate expectations, weaker housing finance momentum, reduced observed actual transactions, deteriorating consumer sentiment, and softer dwelling prices, particularly in Sydney and Melbourne. February 2026 saw a reversal of the RBA's gradual downward cash rate trajectory of 2025, amid rising consumer uncertainty and cost-of-living concerns. Figure 28 shows the RBA's cash rate on a gradual downward path from January 2025, hitting its trough in January 2026 before beginning to increase in February 2026. Mortgage rates follow the same pattern, retaining a relatively stable margin over the underlying risk-free rate of about 4 percentage points. This implies that rate pass-throughs rather than commercial margin have been driving mortgage rate movements over this timeframe. The Westpac-Melbourne Institute's Interest Rate Expectations Index is up 95.5% year on year as at July 2026, indicating broad expectations that rates will continue to rise from here.¹⁸⁰ The RBA's August hold decision at 4.35% was clear that they expect inflation to remain high for some time and that higher inflation again was a key risk, with a 50% chance of another increase in 2026. This implies an ongoing caution around a relaxation of rates for the next year at least.¹⁸¹

¹⁸⁰ Westpac Economics, 2026. 14 July 2026 WESTPAC-MI CONSUMER SENTIMENT BULLETIN: Latest insights on the Australian consumer, p. 3. Available at: <https://library.westpaciq.com.au/content/dam/public/westpaciq/secure/economics/documents/aus/2026/07/er20260714BullConsumerSentiment.pdf>

¹⁸¹ Reserve Bank of Australia, 2026. Statement on Monetary Policy: August 2026. Available at <https://www.rba.gov.au/publications/smp/2026/aug/pdf/statement-on-monetary-policy-2026-08.pdf>

This softening is now being corroborated in real time by Australia’s major lenders, whose application pipelines are a direct leading indicator of settlement and transfer volumes. Since the May 2026 budget, all four major banks have reported sharp falls in home-loan applications, which they have expressly linked to higher interest rates and the negative gearing and CGT changes — the same two headwinds identified above. Commonwealth Bank reported home-loan applications down approximately 15 per cent since the May budget (and investor-lending applications down approximately 28 per cent), running around 17 per cent below the prior year on a four-week rolling average to 31 July 2026.¹⁸² Westpac reported applications down approximately 20 per cent over the same period, and has guided that housing credit growth will slow from 6.8 per cent in FY2026 to 4.7 per cent in FY2027.¹⁸³ NAB reported a 15 per cent fall in mortgage applications in the June quarter¹⁸⁴, and ANZ’s applications were down at least 12 per cent.¹⁸⁵ This is consistent with ABS lending indicators, which show the number of new housing loan commitments falling 6.2 per cent in the March quarter 2026.¹⁸⁶ While one lender has noted application volumes appeared to stabilise in the weeks following its update, they have done so at a materially lower level. Because loan applications precede settlement and transfer by several months, these figures point to lower transaction volumes flowing through FY2027, consistent with PEXA’s revised forecasts and reinforcing that IPART’s draft demand forecasts are likely to be overstated.

Figure 28: RBA cash rate and standard owner-occupier mortgage rates
Percent

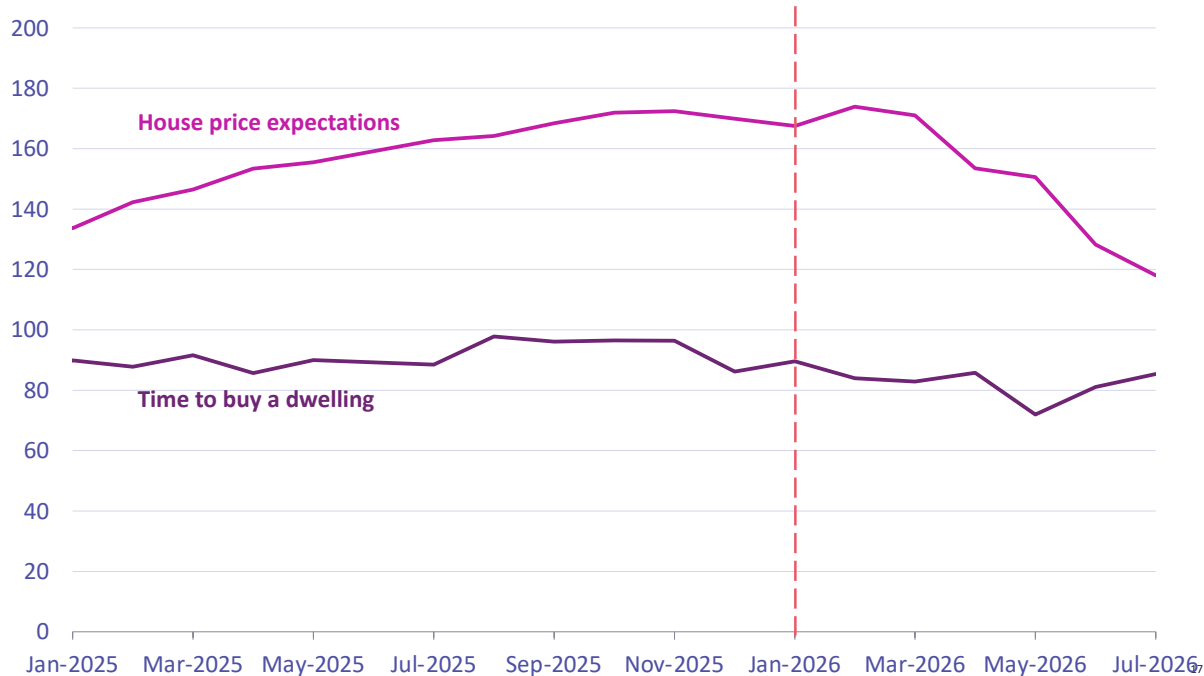


Note: Red vertical line marks shift into upward rate trajectory.
Source: RBA, Statistical Table F1.1 Interest Rates and Yields - Money Market and F5 Indicator Lending Rates, available at <https://www.rba.gov.au/statistics/tables/csv/f1.1-data.csv> and <https://www.rba.gov.au/statistics/tables/xls/f05hist.xlsx>

¹⁸² Commonwealth Bank of Australia, FY2026 full-year results announcement, 11 August 2026.
¹⁸³ Westpac Banking Corporation, Third Quarter FY2026 trading update, August 2026.
¹⁸⁴ National Australia Bank, quarterly update, 29 July 2026.
¹⁸⁵ ANZ figure as reported in Bloomberg, ‘Australia Banks Slide as Housing Market Weakens, Mortgage Applications Drop’, 13 August 2026.
¹⁸⁶ Australian Bureau of Statistics, Lending Indicators, March Quarter 2026.

Consumer sentiment is also a relevant leading indicator of near-term turnover and, in current conditions, is likely to amplify weakness beyond what structural drivers alone would suggest. The Commonwealth Bank’s June economic research update has identified sentiment as a key driver of the current housing market softening.¹⁸⁷ The Westpac-Melbourne Institute headline consumer sentiment index, covering a broader range of measures than just housing-related sentiment, indicates a general consumer pessimism with results currently in the bottom 10% of all results over the survey’s 50-year history¹⁸⁸. Figure 29 shows that just one month after the February 2026 rate rise, house price expectations specifically began a distinct downward path indicating broad expectations of falling prices over the next 12 months, in every subsequent month to the end of financial year 2026. July 2026 marked a new 3-year index low¹⁸⁹. Westpac Economics has described current consumer assessments of time to buy as “deeply pessimistic overall,”¹⁹⁰ though similar levels were also present throughout 2025, potentially reflecting poor affordability. While house price expectations are not always determinative of future price movements, realised price falls would be expected to reduce turnover further by weakening both buyer demand and seller willingness to transact.

Figure 29: Westpac-Melbourne Institute housing sentiment measures: House price expectations and Time to buy a dwelling

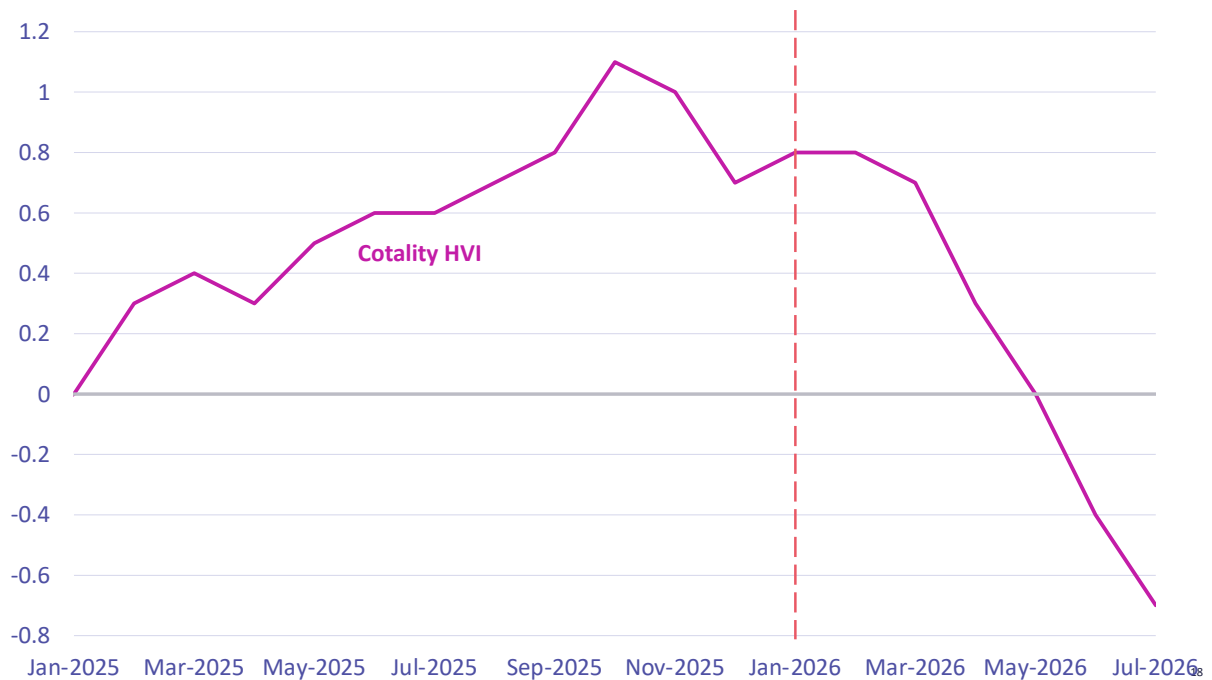


Note: The Time to buy a dwelling index measures responses to the question “is this a good time to buy a dwelling?” with higher values indicating more positive sentiment and negative values indicating more negative sentiment. The house price expectations asks whether or not respondents think house prices will rise/fall. Higher index values indicate more positive sentiment (rising prices), lower values indicate poorer sentiment (falling prices) on this measure.
Source: Westpac Melbourne Institute Index of Consumer Sentiment, constructed from bulletin issues 2025-2026.

¹⁸⁷ Commonwealth Bank of Australia, 2026. Multiple headwinds to hit home prices by more than expected.
¹⁸⁸ Op. cit p.1
¹⁸⁹ Ibid. p3
¹⁹⁰ Ibid. p2

Recent price indicators also suggest that housing market momentum has weakened materially relative to 2025, particularly in Sydney and Melbourne as shown below in Figure 30 and Figure 31. Falls are led by large markets but increasingly are also showing in previously resilient markets for price growth like Brisbane, Perth and Adelaide.

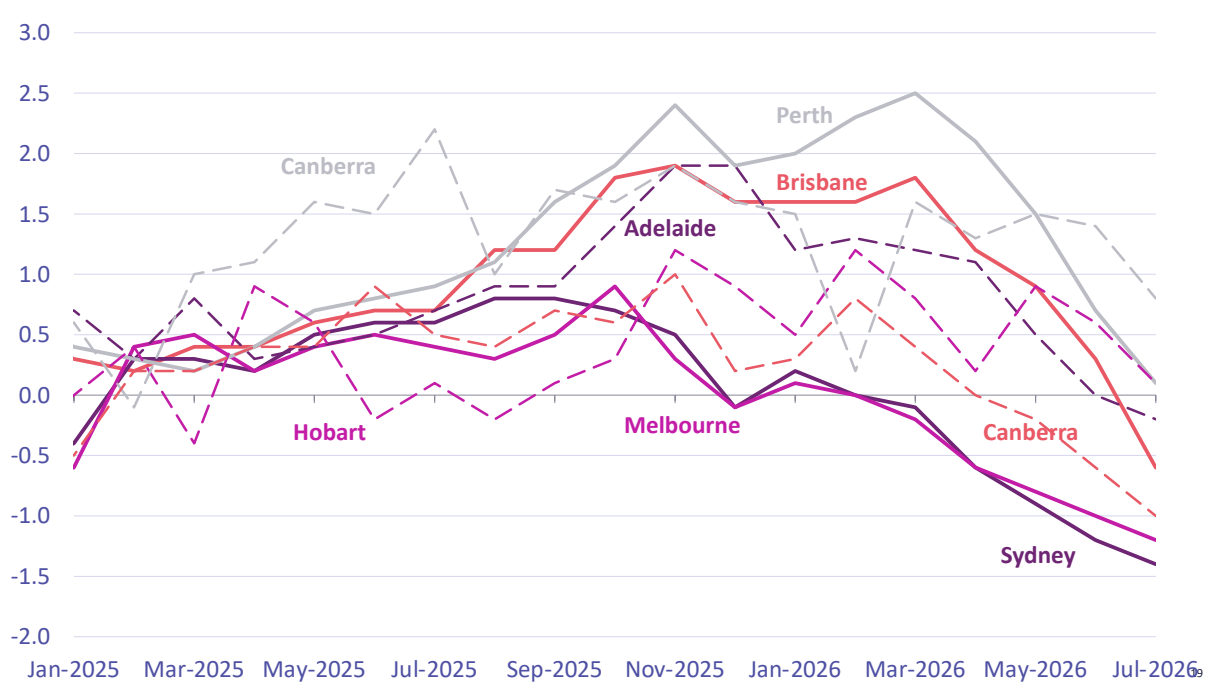
Figure 30: Cotality Home Value Index (HVI) month on month index change (%) - National



Source: Cotality Home Value Index, constructed from bulletin issues 2025-2026. See

https://www.cotality.com/au/insights/topics/property-market-trends?bottom-list_content-type_equal=Insight

Figure 31: Cotality Home Value Index (HVI) month on month index change (%) – by capital city

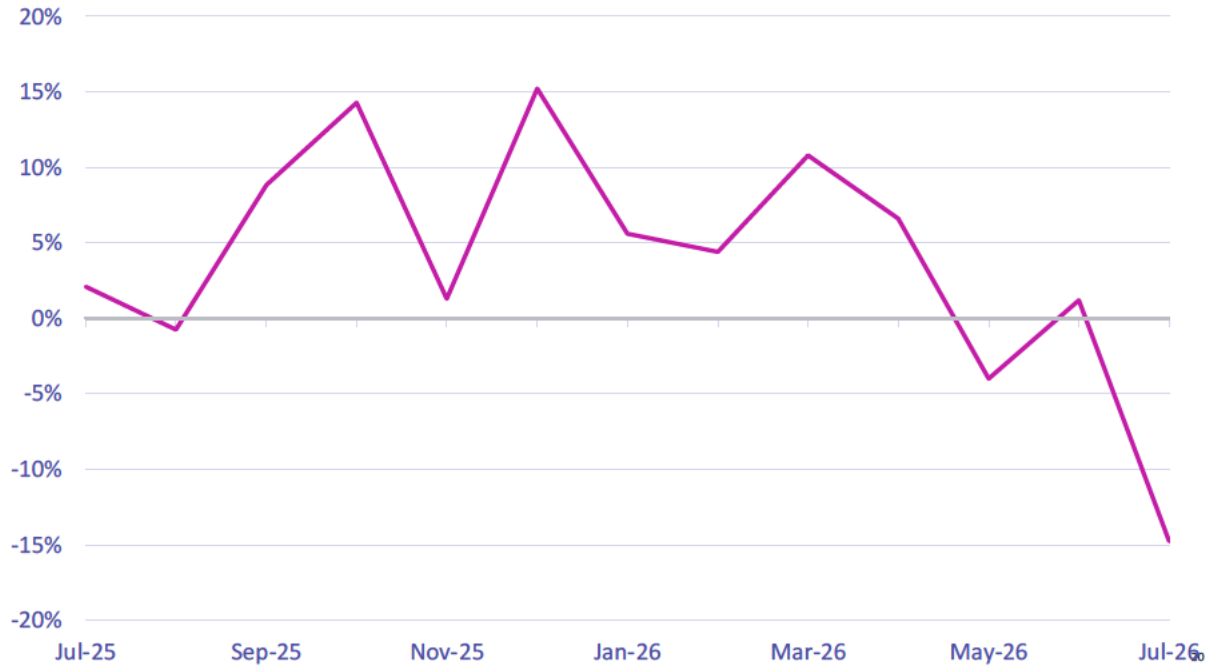


https://www.cotality.com/au/insights/topics/property-market-trends?bottom-list_content-type_equal=Insight

While it remains uncertain whether this develops into a sharper downturn, current data are consistent with lower turnover and increased downside risk to transaction volumes in the near-term. Some commentators are already pointing to this, for example Herron Todd White indicating " the volume of transactions taking place in the market is now firmly in a downturn¹⁹¹".

PEXA’s own data also suggests a material slowdown in market activity is underway and that, like other market indicators, actual transfers are witnessing a recent notable decline through 2026.

Figure 32: PEXA Transfer transactions, year on year change (%)



As Figure 32 shows, transfer transaction volumes have reduced notably since the same time one year prior, with July 2026 the largest annual drop so far in two years, at 14.8% down – about 3.7 times the drop in May 2026.

This adds further evidence to the range of market indicators discussed above. These all point to a materially shifted set of housing market conditions and the increased likelihood of significantly reduced transfers over the coming regulatory period.

¹⁹¹ Herron Todd White, 2026. Australian Property Month in Review: July 2026, p. 5, Available at: <https://htw.com.au/wp-content/uploads/2026/07/HTW-Month-in-Review-July-2026.pdf>

6.1.2 Conflict-driven macroeconomic uncertainty

Broader world events have also compounded economic uncertainty globally, with new conflict in Iran and the broader Middle East region driving a global fuel crisis with the closure of the Strait of Hormuz. Once the immediate fear of outright fuel shortages in Australia had passed, concern shifted to the potentially inflationary impact of increasing prices of fuel and other critical inputs to production such as fertiliser, jet fuel, aluminium and helium. The extent to which that inflationary pressure is a) transitory and b) manageable through policy response is still unclear and is occurring when pre-existing inflation was already well above target. To the extent those input cost increases do impact inflation, this puts upward pressure on the underlying cash rate. This would, all else equal, drive mortgage rates up, and dwelling prices and turnover down. The RBA's May 2026 Statement on Monetary policy identified exactly this sequence, noting the inflationary impact of the conflict and attributing that rate rise to higher energy prices lifting inflation and cash rate expectations. It also acknowledges that recent cash rate rises had been passed through to lending rates.¹⁹² The flow through of those cost increases across the economy which keeps inflation higher for longer is also a key factor in the most recent (August) rate decision.¹⁹³

It is unclear when the immediate physical conflict will permanently resolve or if any formal resolution would effectively unwind the resulting price shocks back to pre-war levels. Geopolitical developments also have their own distinct channel of influence over consumer sentiment in local markets, with Westpac Economics specifically noting in their most recent sentiment survey "Sentiment also remains hostage to developments abroad with daily responses showing a significant weakening as the situation in the Strait of Hormuz deteriorated over the course of the survey week,"¹⁹⁴ suggesting this effect underway in the market currently.

6.1.3 Policy intervention aimed at investor withdrawal from the market

The second key headwind facing housing transaction demand concerns government policy intervention aimed at shifting incentives in the residential property market. In May 2026, the Federal Government announced a tax reform package as part of the budget aiming to improve housing affordability (and tax equity across capital and labour). The reforms are complex, but of specific relevance for housing market activity are the proposed changes to current settings around negative gearing and capital gains tax on properties. Negative gearing on residential property will be limited to new builds, with those already negatively gearing an existing property permitted to continue their current arrangements as long as they still own that property (i.e. grandfathering arrangements). Capital gains tax will shift from a flat 50% discount on taxable capital gains (calculated on nominal gains) to inflation-based indexation with a 30% minimum rate, with new build purchasers able to choose either the previous or the new CGT regime.¹⁹⁵

¹⁹² Reserve Bank of Australia, 2026. Statement on Monetary Policy: May 2026, p. 1. Available at: <https://www.rba.gov.au/publications/smp/2026/may/pdf/statement-on-monetary-policy-2026-05.pdf>

¹⁹³ Reserve Bank of Australia, 2026. Statement on Monetary Policy: August 2026. Available at <https://www.rba.gov.au/publications/smp/2026/aug/pdf/statement-on-monetary-policy-2026-08.pdf>

¹⁹⁴ Westpac Economics, 2026. 14 July 2026 WESTPAC-MI CONSUMER SENTIMENT BULLETIN: Latest insights on the Australian consumer, p. 2. Available at: <https://library.westpaciq.com.au/content/dam/public/westpaciq/secure/economics/documents/aus/2026/07/er20260714BullConsumerSentiment.pdf>

¹⁹⁵ Commonwealth Government of Australia, 2026. Budget 2026-27: Negative Gearing and Capital Gains Tax Reform. Available at: <https://budget.gov.au/content/factsheets/download/tax-explainers-negative-gearing-capital-gains-tax.pdf>

These reforms are likely to operate primarily by reducing investor demand for established dwellings and thereby reducing prices in the market for established dwellings, placing downward pressure on prices and, in turn, on transfer volumes in the segment that accounts for the vast majority of housing stock (established dwellings comprise over 95% of the national dwelling stock). In effect, removal of negative gearing significantly increases the user cost of ownership for existing property investors when losses cannot be deducted against other income. All else equal we would expect this to shift investor demand into other asset classes or new builds, though we note the latter is not a certainty given high input costs and delivery risk issues in new construction.¹⁹⁶

Grandfathering arrangements for existing negatively geared properties also create an incentive for existing investors to hold rather than sell, which would further reduce the number of transfers.¹⁹⁷ The CGT impacts are complex and will be highly case-specific, but Treasury's own very high level published material estimates a national fall in housing price growth of about 2% over a couple of years (that is, 2% less growth than would otherwise occur) resulting from the overall reform package,¹⁹⁸ which would imply a fall in transfers as well.¹⁹⁹ While this is still uncertain, this policy intervention will have impacts on top of what is already a slowing market, which is why we have developed an approach to adjust our econometric forecasts to account for this (discussed below and detailed in Appendix C). At the far end of estimates, Westpac has suggested that the compounded effect of these policy changes on top of pre-existing market shifts could even result in a 20% fall in turnover, and that this figure would be consistent with the sentiment indicators already showing.²⁰⁰

6.1.4 Market commentary suggests sharpening price falls through 2026 and 2027

While the indicators considered above point to a deepening market downturn, it is still unclear a) how much further the market has to fall and b) how long the trough may last. We have therefore also considered a range of published perspectives from market participants including banks, property market data providers, real-estate groups, consultancies and others to distil a rough indication of the near-term market trajectory from those closest to the data and sophisticated macroeconomic models.

We considered recent published material from a range of market participants and commentators, and found 8 forecasters have sufficiently recent²⁰¹ forward estimates of property market values: ANZ, the Commonwealth Bank, NAB, Westpac, AMP, Domain, PropTrack and KPMG Economics. Most of this section addresses price impacts rather than transfer activity specifically, but we consider this as a broad indication of market direction and note falling prices in particular are indicative of falling transfers.²⁰²

Our review suggests that:

¹⁹⁶ NHSAC has also recently warned that the Middle East conflict could reduce dwelling completions by 10,000 to 30,000 by mid-2029, depending on the conflict scenario. See National Housing Supply and Affordability Council, 2026. State of the Housing System 2026 ,p. 66. Available at: <https://nhsac.gov.au/sites/nhsac.gov.au/files/2026-04/ar-state-housing-system-2026.pdf>

¹⁹⁷ KPMG, 2026. Residential Property Market Outlook, August 2026, p.3 and p.14. Available at: <https://kpmg.com/au/en/insights/economics-geopolitics/residential-property-market-outlook.html>

¹⁹⁸ Commonwealth Government of Australia, 2026. Budget 2026-27: Negative Gearing and Capital Gains Tax Reform. Available at: <https://budget.gov.au/content/factsheets/download/tax-explainers-negative-gearing-capital-gains-tax.pdf>

¹⁹⁹ The RBA has now also stated that, based on external modelling, the reforms could reduce prices by 0-5%, but over the long term. See Reserve Bank of Australia, 2026. Statement on Monetary Policy: August 2026, p. 29. Available at <https://www.rba.gov.au/publications/smp/2026/aug/pdf/statement-on-monetary-policy-2026-08.pdf>

²⁰⁰ Westpac Economics, 2026. Westpac Housing Pulse — June 2026, p.3. Available at: <https://www.westpaciq.com.au/economics/2026/06/westpac-housing-pulse-june-2026>

²⁰¹ We've narrowed these down to forecasts after the May budget given the impact of the announced negative gearing and capital gains tax reforms.

²⁰² We also note ABS data does indicate falling transfers so far in 2026.

- The market appears to believe calendar 2026 prices will be slightly down nationally. While Sydney and Melbourne fall first and fastest, on Cotality's quarterly Home Value Index (HVI) figures to July, Brisbane has turned negative (–0.6%), Adelaide and Perth have stalled (+0.1% and –0.3%) and Canberra has turned negative (–2.1%). Every capital except Hobart, and Darwin and very marginally, Adelaide is now at or below zero over the quarter.²⁰³
- The two most recent forecasts carry the most negative aggregate calls — NAB's 4 August downwards revision for the eight capitals is the lowest combined-capitals forecast, and KPMG's –1.1% for national house values the lowest national figure. Both highlight the same new development — the mid-sized capitals losing momentum or starting to turn.
- We have approximated the forward timeframes of a range of residential market price forecasts and estimated an average forecast position by market over 2026 and 2027. These are summarised in Figure 33 below.
- Three drivers are strongly cited for the 2026 to mid-2027 result:
 - 75 basis points of Reserve Bank tightening during 2026.
 - The May-2026 Budget changes to negative gearing and capital gains tax.
 - Stretched affordability, offset in the smaller capitals by tight supply and population growth²⁰⁴.

Figure 33: Forecast averages end 2026 to mid 2027 – residential property market price forecasts and Cotality HVI historical price growth

Market	Forecast average end 2026 - mid 2027	Forecasters (n)	Year to July (Cotality)	Quarter to July (Cotality)	July month on month (Cotality)
Sydney	–5.4%	5	–2.0%	–4.0%	–1.4%
Melbourne	–5.8%	5	–2.8%	–3.4%	–1.2%
Brisbane	+7.3%	3	+14.8%	–0.6%	–0.6%
Adelaide	+6.0%	3	+10.5%	+0.1%	–0.2%
Perth	+11.0%	3	+20.5%	–0.3%	+0.1%
Hobart	+3.7%	3	+9.3%	+1.4%	+0.1%
Darwin	+8.0%	1	+16.3%	+2.4%	+0.8%
Canberra	–2.0%	1	+1.0%	–2.1%	–1.0%
Combined capitals	–0.8%	5	+3.9%	–2.5%	–0.9%

²⁰³ Cotality, 2026. Home Value Index, August 2026 release (index results as at 31 July 2026), p. 1. Available at: <https://discover.cotality.com/hubfs/Article-Reports/COTALITY%20HVI%20AUG%2026.pdf>

²⁰⁴ Commonwealth Bank, 2026. Economics Update: multiple headwinds to hit home prices, 3 June 2026, Available at <https://www.commbank.com.au/articles/newsroom/2026/06/housing-market-faces-multiple-headwinds-as-price-outlook-downgraded.html>, Westpac Economics, 2026. Housing Pulse, June 2026, Available at: <https://www.westpaciq.com.au/economics/2026/06/westpac-housing-pulse-june-2026>

Source: See Cotality Home Value Index, August 2026 release (index results as at 31 July 2026) constructed from bulletin issues 2025-2026. See https://www.cotality.com/au/insights/topics/property-market-trends?bottom-list_content-type_equal=Insight. Table compiled from: AMP (Oliver, S.), 2026. Oliver's Insights — Australian home prices: super cycle ending. Available at: <https://www.amp.com.au/resources/insights-hub/olivers-insights-australian-home-prices-super-cycle-ending>. ANZ Research (as reported in The Urban Developer), 2026. ANZ housing market forecast downgrade — Sydney, Melbourne, Australia. Available at: <https://www.theurbandeveloper.com/articles/anz-housing-market-forecast-downgrade-sydney-melbourne-australia>. Commonwealth Bank, 2026. Economic Insights — Economics Update: Multiple headwinds to hit home prices by more than expected, p. 2. Available at: <https://www.commbankresearch.com.au/s/sfsites/c/sfc/servlet.shepherd/version/download/0680a00000l6IR4IAI>. Domain, 2026. Domain FY2027 Forecast Report, p. 3. Available at: <https://www.domain.com.au/group/media-releases/forecast-fy27-interest-rate-pressure-drives-price-falls-in-sydney-and-melbourne-as-market-fragments/>. National Australia Bank, 2026. NAB Housing Monitor — July 2026, p. 1. Available at: <https://www.nab.com.au/news/economy-markets/nab-housing-monitor-july-2026>. PropTrack (REA Group Economics — Moore, C., Creagh, E., Flaherty, A.), 2026. PropTrack Property Market Outlook — June 2026 update, p. 1. Available at: <https://cdn.rea-group.com/wp-content/uploads/2026/06/18001525/realestatecomau-Property-Outlook-Report.pdf>. Westpac Economics, 2026. Westpac Housing Pulse — June 2026, p.7. Available at: <https://www.westpaciq.com.au/economics/2026/06/westpac-housing-pulse-june-2026>

Since the Figure 33 summary was compiled, NAB cut its 2026 forecast for the eight capitals from –2% to –5%²⁰⁵. KPMG (not captured in the averages above) now expects national house values to now fall 1.1% across 2026²⁰⁶. Note all figures appear to be in nominal terms, implying steeper real term falls given inflation is currently at 3.9% annually.

It should be noted that all forecasting is uncertain, especially in the housing market, and the agreement on 2026-27 outcomes rests on a relatively small number of published views. We still consider however that this information is relatively well aligned to a clear downward direction in market outcomes. However, the depth of the market fall and the length of the trough are clear points of uncertainty for forecasters.

6.1.5 Our updated internal forecasts reflect new information and show lower demand

The market indicators outlined above suggest a different market context than when we developed forecasts for our 2025 submission. We have therefore updated the forecasts we prepare internally for forward planning and risk assessment purposes with more recent data inputs to account for the reality of this significant shift, and to account for additional impacts of negative gearing and CGT reform. As noted earlier, the impact of these very recent and novel policy changes is very difficult to account for with an econometric model because there is no historical precedent on which to train the model.

The key updates to our inputs include:

- Updated actual (observed) data from the ABS and RBA as applicable.
- Updated forecasts from DAE's June 2026 quarter Business Outlook report.
- An updated forecast of future home price growth based on consensus near term forecasts from big banks, real estate groups and market commentators.

²⁰⁵ NAB, 2026. Housing Monitor, August 2026, p.1. <https://www.nab.com.au/news/economy-markets/nab-housing-monitor-august-2026>

²⁰⁶ KPMG, 2026. Residential Property Market Outlook, August 2026, p.3. Available at: <https://kpmg.com/au/en/insights/economics-geopolitics/residential-property-market-outlook.html>

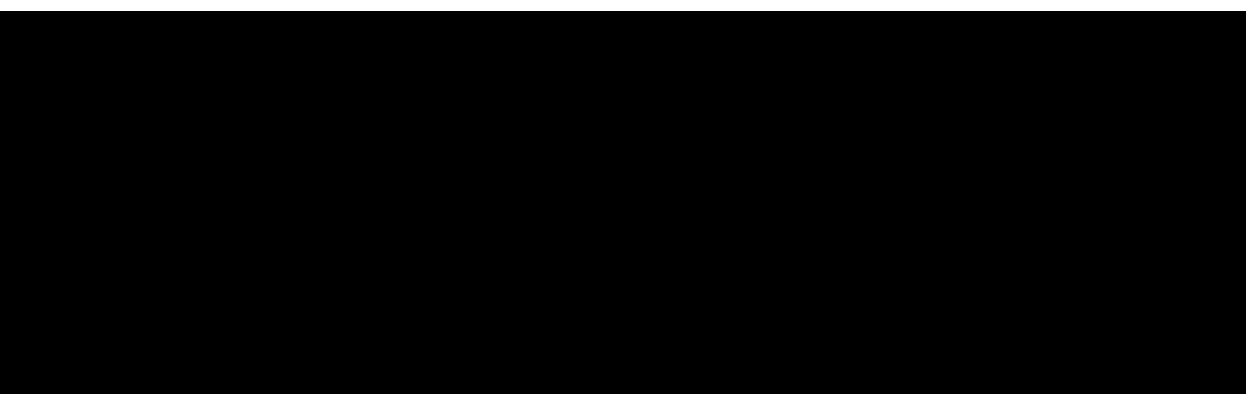
- An updated market-driven interest rate forecast using an approach aligned with established methods for regulatory WACC forecasting. We use the Bloomberg forward curve to forecast prevailing risk-free rates over the longer term. The forward curve provides the 1Y tenor risk-free rate at 1 year, 2 years and so on from the observation date, which allows us to use interpolation to develop the final forecast reflecting a 40 day averaging window. We then take the most recent observation of RBA mortgage rates and forecast this forward using the period-to-period change in our forecast of the underlying risk-free rate. This approach therefore assumes a constant commercial margin on top of that risk free rate.

The key impacts of this informational update relative to the 2025 submission include:

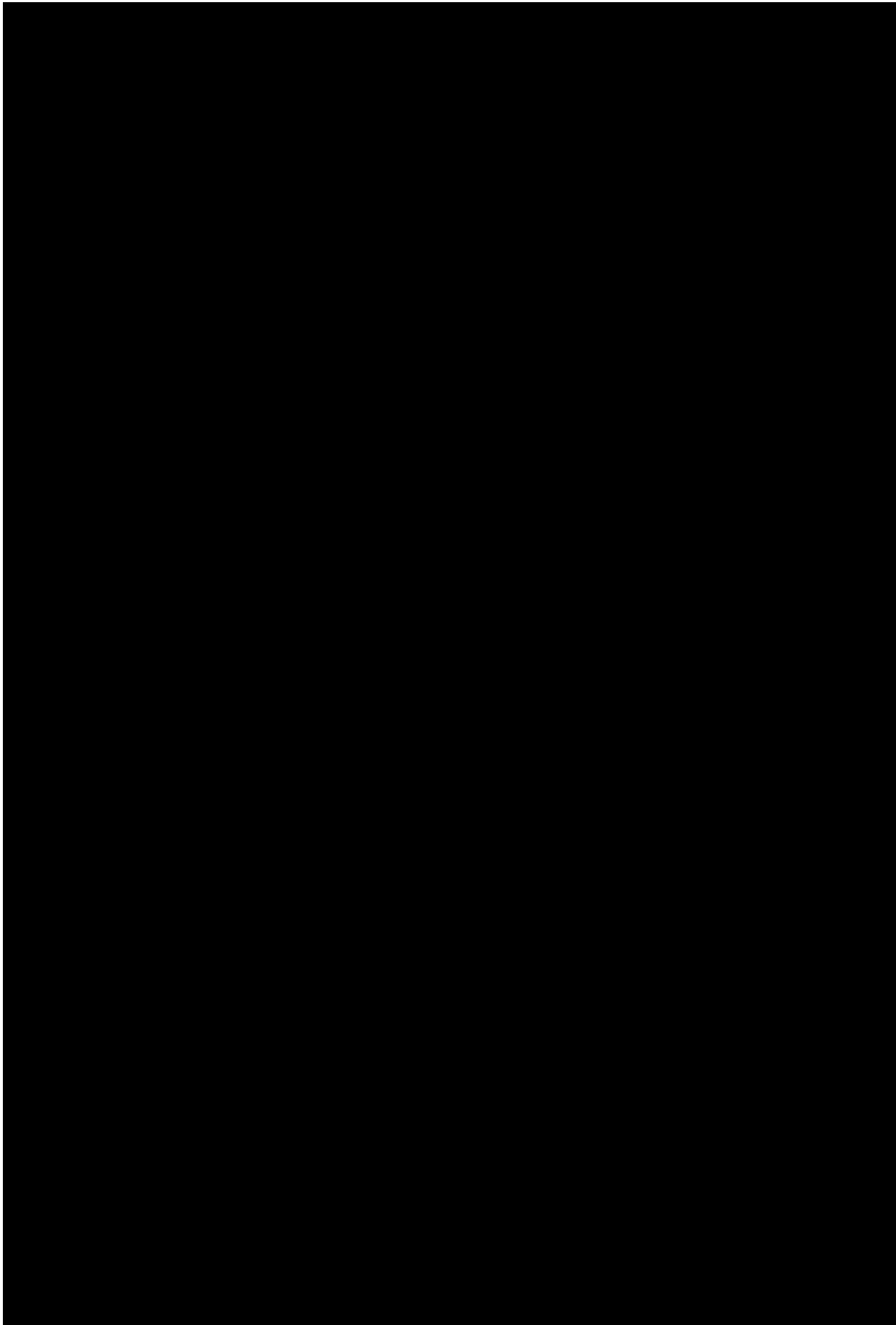
- An increase in forecast inflation over the period
- A significantly higher longer-term interest rate, which remains high but relatively stable to slightly rising over the regulatory period rather than falling.
- Lower near term dwelling price growth for NSW, VIC and the ACT.
- A higher unemployment rate in NSW.
- Generally lower dwelling approvals.

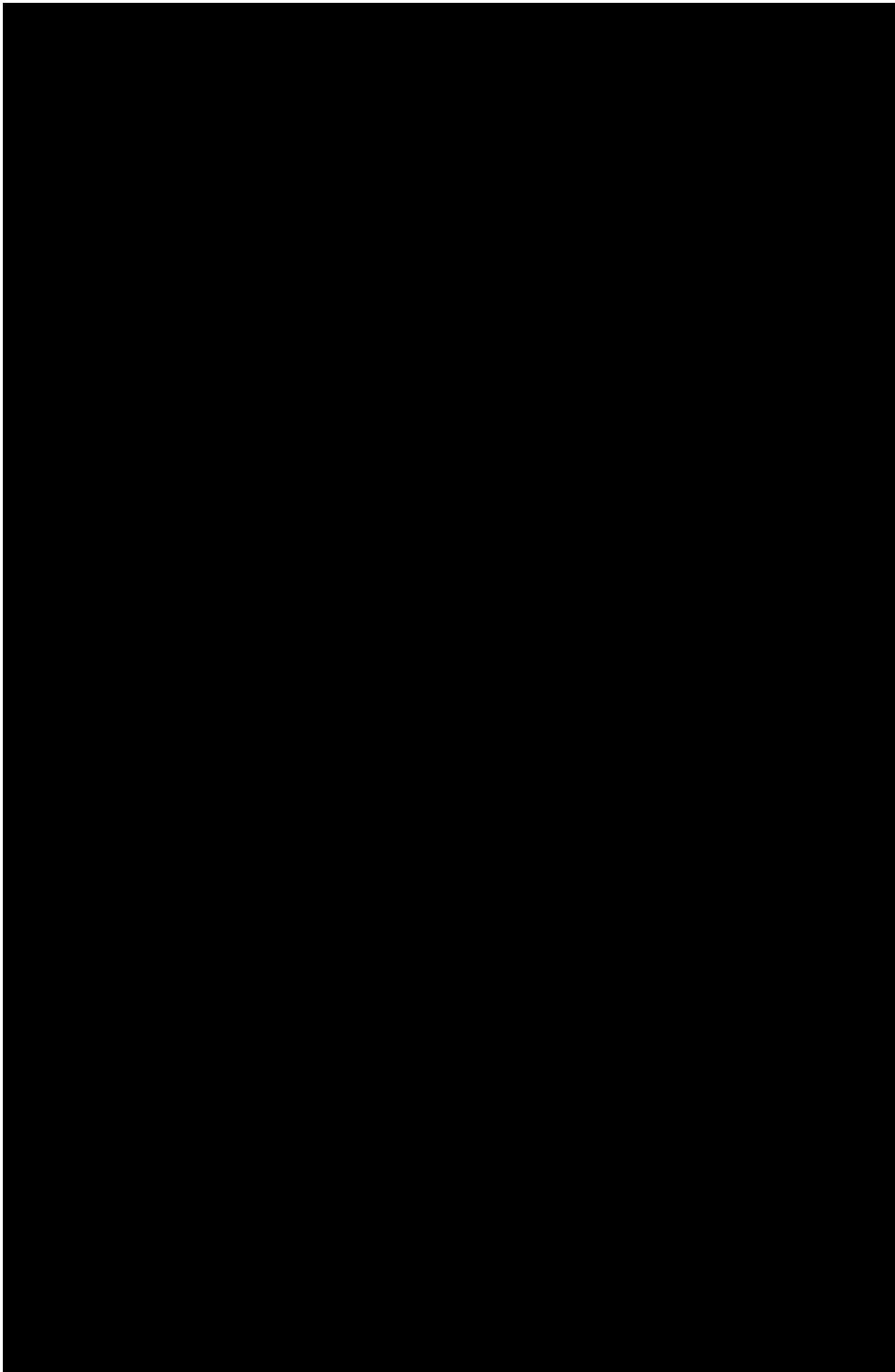
As described above, following econometric modelling we then apply a post-modelling adjustment to the raw results to account for the additional impacts of negative gearing and CGT reform. We adopt a simplified framework using available data and reasonable assumptions, based around the logic that the reforms incentivise longer holding periods for investors. This is straightforward for the case where investors seek to retain their negative gearing through grandfathering. It is also likely, despite individual variability, to be the case for investors impacted by CGT changes independently of their gearing. This is because longer holding periods are likely to increase post-tax returns under the new regime unless nominal property gains significantly outstrip inflation (based on our market analysis above this does not look likely over the coming regulatory period). We therefore estimate how many fewer transfers would be likely over the regulatory period should holding periods increase modestly as a result of the reforms²⁰⁷. This also flows through the refinance model which adopts the estimate of total transfers as a proxy for new loan commitment forecasts. We provide further detail on the methodology in Appendix C.

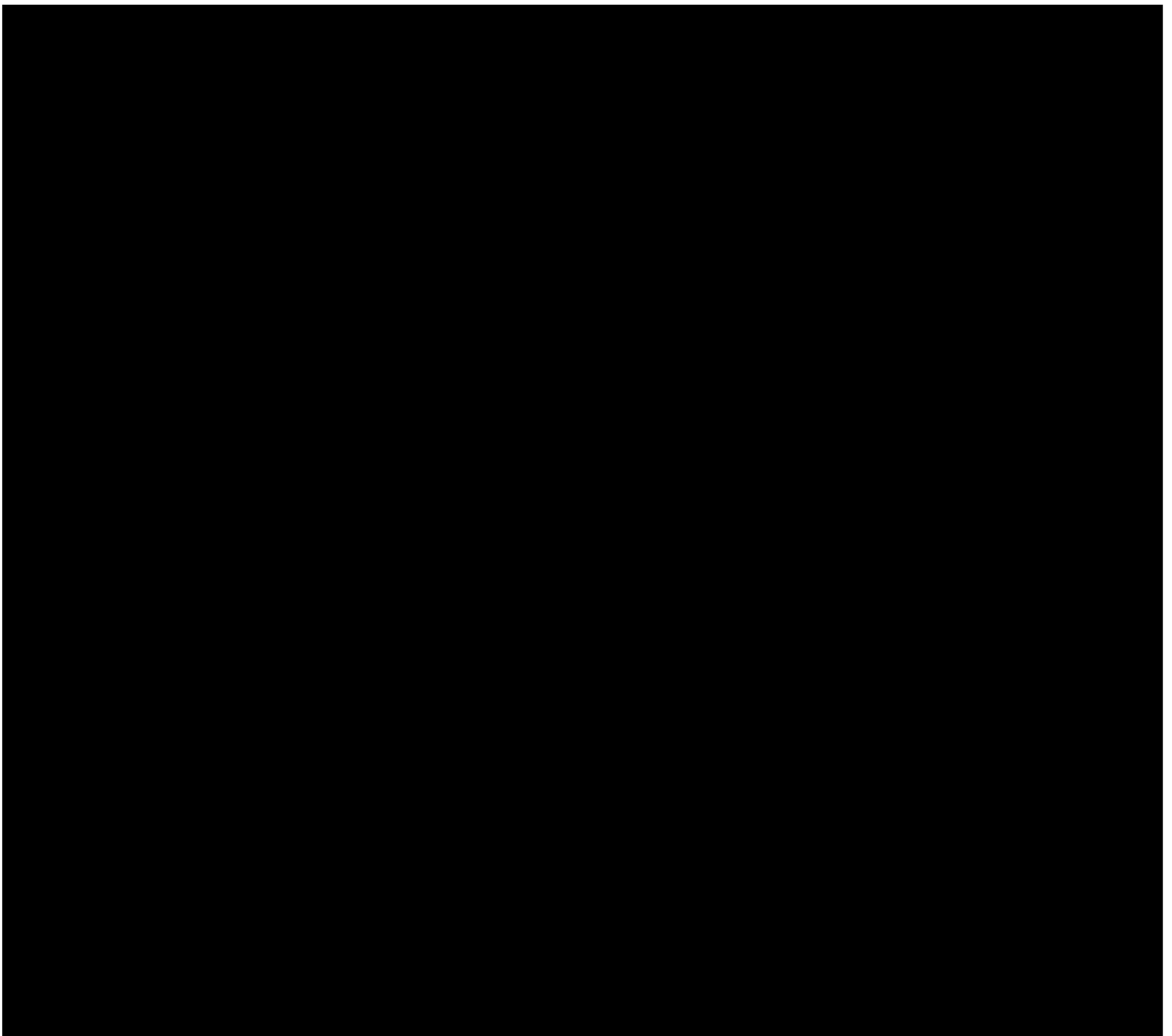
The resulting forecasts are shown below. While they are prepared for internal purposes, subject to change and inherently uncertain given the forecast period, PEXA believes it is appropriate to share them with IPART on a confidential basis to illustrate projected business impacts that flow from the recent changes in market conditions. They indicate materially lower volumes than both PEXA's 2025 submission and IPART's draft report, [REDACTED]



²⁰⁷ We do not however apply this adjustment to the 'Other' transactions category as these transactions are typically driven by a range of other factors often unrelated to holding periods.







The assumed mortgage rate is a very material driver of our reduced outlook for sales volumes and is likely a key reason for the reduction on IPART's draft report forecasts.



Given this, IPART should revise its demand forecasts downward and adopt our [REDACTED] estimate. To retain the current IPART draft report forecast would risk setting prices on the basis of demand assumptions that no longer reflect prevailing market conditions or the downside risks now evident. It would also ignore the fact that current econometric models and input data cannot adequately capture the full extent of the likely near-term fall in transfers.

6.1.6 Response to IPART comments on forecasting approach

In 2023, PEXA commissioned the modelling of residential property transfers using ABS quarterly data for 2003Q3–2022Q3, to produce near-term forecasts for Victoria and other jurisdictions. For validation, the models were also estimated on the first 70% of the sample (to 2017Q1), holding out the remainder to assess out-of-sample performance. This section sets out the stability and robustness of those models and offers observations on IPART's suggestions. The analysis concerns the model as developed, on data to 2022Q3, to enable a like-for-like comparison with any later model, and does not address developments after that period of model development and design. As IPART uses updated data and a revised specification, a comparison would be most useful if IPART released its data and specification, or at least reported diagnostics. In addition, our primary focus is forecast performance, which can be measured objectively, with secondary regard to economic interpretation and parsimony. The forward-looking observations identify questions such further work would need to address. Ultimately we undertook a robust process to develop and test the econometric model for transfers currently used internally for PEXA business and planning processes.

Structural change is the first-order issue

Our sample spans two regimes — pre-COVID and post-COVID (from 2020) — and ends before a third: the interest-rate tightening that began in mid-2022. Any model built on this history should be assessed, above all, for whether its predictive relationships survive these structural changes. We consider this the first-order issue, materially more important than detailed configuration of individual drivers or lag structure.

- **Regimes and flexibility.** A central question for any update is whether the key predictive relationships — interest rates, house prices, demographics — remain stable across these regimes, and whether the specification is flexible enough to let coefficients differ across them.
- **The trend as an illustration.** We used a linear time trend for the long-documented decline in turnover up to COVID, and a COVID dummy for the level shift from 2020. But the model held the trend slope fixed across COVID. Our diagnostics suggested the slope changed, which is an example of the kind of structural change an updated model would need to accommodate.
- **Mid-2022 is likely a further regime.** Descriptive evidence shows transfers trending up even under elevated rates, suggesting the transfer–interest-rate relationship (and others) may have shifted since the hikes began. The mid-2026 budget reforms may constitute yet another break which may need to be addressed in future.

Diagnostic evidence: the model is stable and well-specified to 2022Q3

We ran the following diagnostics on the estimation sample: the findings are summarised here. Throughout, the emphasis is on the stability of the estimated relationships across sub-samples.

- **Consistent signs across jurisdictions.** The central drivers — the interest-rate level, house-price growth and the ASX — have consistent signs across every large jurisdiction and are statistically significant in most instances, contrary to the Draft Report's suggestion of inconsistent signs.
- **Stable coefficients across estimation windows.** Estimates move little across the 70/30, 80/20 and full-sample windows — for most drivers by well under one standard error — so the predictive relationships are stable through 2022Q3.

- **Stationary residuals — no spurious regression.** Log transfers need not be trend-stationary, but the fitted residuals are stationary in every jurisdiction: the trend term and the trending drivers absorb the non-stationarity. This addresses the spurious-regression concern.
- **Stable out-of-sample forecast accuracy.** Conditional out-of-sample forecast error does not deteriorate as the estimation window shrinks. (“Conditional” means evaluated on realised driver paths — an oracle benchmark that isolates the stability of the driver-to-transfer mapping; realised accuracy would also depend on the quality of the driver forecasts supplied.)
- **Changing the specification generally worsens forecasts.** Using lagged instead of contemporaneous price growth, or dropping ASX or interest rate change worsens out-of-sample forecast accuracy. By contrast, dropping the time trend improves accuracy on COVID-spanning hold-outs yet worsens it on the pre-COVID portion, suggesting a trend break.

6.1.7 Responses to IPART’s suggestions and observations

Turnover-rate specification and the trend

- A bottom-up approach — separately modelling dwelling stock and turnover — is reasonable: interpretable, comparable across jurisdictions, and potentially lower-variance. Turnover is, however, the hardest object to model and is itself subject to trends (the documented pre-COVID decline, a possible post-COVID reversal). Whether to include a trend term is a question that involves not only prior beliefs but also the diagnostics, such as residual unit-root tests and out-of-sample validation.
- Long-horizon extrapolation is a genuine limitation of linear trends. [REDACTED]
[REDACTED] whereas the COVID dummy captured a much larger shift. In future updates, regime-specific dummies may drive the forecast substantially, and warrant careful treatment.

Independent variables

Financial-market indicator (ASX)

- In our models the ASX is a strong predictor — contrary to the Draft Report — with a stable coefficient. Removing it worsens out-of-sample accuracy. On forecasting grounds it is reasonable to retain it by default.
- Its economic rationale may be weaker than its forecasting value, though some markets are plausibly sensitive to housing investor activity and sentiment tied to financial markets. A housing-specific sentiment measure may offer both better interpretation and better forecasts. It would warrant the same diagnostics before adoption.

House-price growth and momentum

- Contemporaneous price growth and momentum are strong predictors with stable coefficients. As our focus is forecasting rather than causal interpretation, this is not disqualifying.
- A reasonable middle ground is first-order lagged price terms: better interpretation, at some cost to predictive performance. A lag also yields a next-quarter transfer forecast without a price forecast, though longer horizons still require one, so the quality of banks’ price forecasts remains material. Asymmetric price effects are worth investigating, subject to sample-size limits.

Interest-rate effects

- The rate level is a strong predictor and the change is a moderately robust one — again contrary to the Draft Report — with stable coefficients in both cases. Negative coefficients on both are consistent with quick pass-through (a larger immediate than subsequent effect); this remains a modifiable specification choice.
- The more serious question is whether the transfer–interest-rate relationship holds after 2022Q3. There are strong reasons to expect its magnitude or sign to have shifted with the mid-2022 hikes. This is the key question for any updated model, which matters far more than the level-vs-change specification, and would require separate assessment.

Policy and event dummies

- The lagged COVID dummy was positive and significant in every jurisdiction, contrary to the Draft Report. Returning it to zero from 2022Q3 is likely not ideal; if the post-COVID shift is permanent it could remain at one.

Macroeconomic and demand-side variables

- Average household size is a reasonable addition. Note that state final demand growth may also absorb some seasonality.

Transaction costs and policy-driven re-timing

- Reasonable to explore, and consistent with the complexity of the post-COVID and post-budget environment noted above.

Response to request for Comment 7:

The drivers in the Draft Report are all reasonable. Given the primacy of forecast performance, any alternative set would benefit from the same out-of-sample validation and diagnostics discussed here.

Response to request for Comment 8:

Our approach to forecasting refinances has emphasised a balance between simplicity, implementation and forecasting performance. We tested alternative model specifications, interest rate lag length and new loan lag lengths to derive a reasonable fit for each market. We agree a more involved process of testing a range of other key drivers is possible and something we may consider pursuing in future but this will not be possible within the scope of this review and without clear guidance ahead of time from IPART to guide our internal investment in a detailed forecasting refinement exercise specifically for regulatory review purposes.

Response to request for Comment 9:

The approach should above all be robust to regime change. The period from mid-2022 marks an interest-rate regime not seen in decades, and the mid-2026 budget reforms add another. Models built on such history need thorough stability testing and a flexible specification. The search for the exact drivers and lags is second-order by comparison.

Response to request for Comment 10:

Dwelling-stock data may improve forecasts via a bottom-up approach. With minor adaptation, the model — estimated on realised outcomes — can generate next-quarter forecasts without externally-supplied driver forecasts. Longer horizons still rely on external price and driver forecasts, whose quality then governs forecast quality, though we note that this issue would also plague the approach IPART is proposing/proposing to test.

Response to request for Comment 11:

Jurisdiction-specific models are essential: markets and policies differ, the raw transfer series are visibly different in shape, and cross-jurisdiction spillovers (inter-state migration, investor substitution) can give coefficients of different magnitude or even sign. A national regression is a useful complement. Pooled regressions imposing common coefficients are least preferred — homogeneity is a strong assumption, and unless explicitly weighted they treat small and large jurisdictions alike, degrading forecasts for the large jurisdictions that matter most for revenue and regulation.

In summary, the model estimated on data to 2022Q3 is econometrically coherent, stable across estimation windows, and able to forecast the hold-out sample without material deterioration in performance. IPART's specification suggestions are reasonable refinements, subject to their validation performance. The first-order issue for a 2027–2031 forecast is whether the predictive relationships — above all to interest rates — survive the structural changes from mid-2022 onward. We would encourage the review to weigh its effort accordingly.

Response to Draft decision 1:

Forecast billable eConveyancing transaction volumes for inclusion in the building block calculation should be

Number of annual
billable transactions (m)



6.2.1 PEXA is able to bear normal market risk

As a commercial digital platform operating under a price cap, PEXA should bear normal market volume risk rather than be insulated from it through a DVAM. IPART's historical application of the DVAM has occurred in materially different circumstances – usually for water businesses with weather-driven essential service demand. We plan and operate our business based on our understanding of a cyclical and fast-moving property market, and do not need any further intervention to manage risk. The regulatory process already protects customers through the price cap mechanism.

6.2.2 A DVAM would blunt the incentives for PEXA to grow the market and innovate

As a digital business PEXA is constantly looking for ways to grow the market and innovate with our products and services. Where this unlocks the transition from paper to e-conveyancing, this delivers a benefit for customers and market participants alike. For example, PEXA does not service around 10% of transactions in WA and 15% in Queensland. The lack of coverage is a consequence of Titles Office functionality incompatible with PEXA's national system. For example, paper documents are required in Western Australia where there is no agreed date of sale specified in a contract because the State Revenue Office is unable to provide authorisation ahead of settlement without an agreed date. The Queensland Titles Office requires paper documents for participants who only have a single name (which is common for people with Indonesian heritage). If volumes fell outside the DVAM "dead zone", PEXA would have no commercial incentive to pursue such opportunities, which invariably unlock much greater efficiencies for subscribers, Titles Offices and Revenue Offices than they do for PEXA.

6.2.3 A DVAM would blunt incentives if competition emerges

PEXA is a technology business that unlike physical utility businesses, operates in an environment that may evolve rapidly and allow the rapid emergence of previously unforeseen competition. If competition or technological substitution emerges, a DVAM would weaken PEXA's incentives to retain customers, improve service, or respond efficiently to changes in transaction mix. Although in theory the DVAM would isolate the impacts of changing market share, in practice, isolating these impacts may be complex.

6.2.4 A DVAM increases the regulatory burden

The monitoring and application of a DVAM will require additional business and regulatory resources throughout the regulatory period and at the next review process. The risk management would be relatively ineffective and would be better managed through an increased WACC.

6.2.5 A DVAM will not provide symmetrical benefits and costs to PEXA's stakeholders

A DVAM increases uncertainty amongst stakeholders about PEXA's underlying performance, and therefore impairs its ability to raise capital. There is inherent uncertainty about when and whether a DVAM would be applied. Unlike many utility businesses, IPART does not have legislative responsibility for setting PEXA's prices. Consequently, as also noted above in section 4.6:

- It may be **more than four years until the next pricing determination**, and this is beyond PEXA's control. The time between pricing determinations is ultimately an ARNECC decision. History suggests that substantial delay is possible. In November 2019, IPART recommended prices to apply from July 2020, and another review should identify prices to apply from **2 years** later July 2022. As a result of decisions by ARNECC, the current review is not expected to take effect until **7 years** later, in July 2027

- **IPART may not conduct the next pricing review**, as ARNECC may appoint an alternative regulator given that eConveyancing is a national, not NSW, scheme. Another regulator may take an alternative approach to IPART and ignore the DVAM
- Stakeholders **cannot be confident that IPART would apply the DVAM**. IPART’s draft recommendation is not consistent with its 2019 pricing decision. The “line in the sand” approach PEXA proposed in its initial submission was designed to determine prices consistent with IPART’s 2019 decision, but IPART’s draft recommendation generates very different outcomes. Consequently, stakeholders cannot be confident that IPART will be consistent between eConveyancing reviews.

With significant uncertainty about when and whether a DVAM will be applied, stakeholders, particularly investors, are likely to take a risk minimisation approach that protects from downside regulatory risk. They will assume that a future review will reduce revenues if PEXA’s inter-review revenues exceed the DVAM, but they will assume that a future review will not increase revenues if they undershoot the DVAM. In practice, investors do not treat regulatory risk symmetrically. Consequently, the DVAM will impair PEXA’s ability to raise capital if revenues exceed the DVAM, but will not assist PEXA to raise capital if revenues are less than the DVAM.

6.2.6 A DVAM unfairly transfers benefits between different people over time

A DVAM in eConveyancing unfairly transfers benefits and costs from one group of people to a different group of people. In other contexts, such as the water sector, a DVAM evens up revenue between pricing periods, but the customers in the prior pricing period are largely the same as the customers in the subsequent pricing period. By contrast, eConveyancing fees are largely passed on to end-consumers, but the end consumers in the prior pricing period are likely to be different to the end consumers in the subsequent pricing period. Most people only transact property a few times in their lives. Consequently, the DVAM adjustment would not return benefits to the people who funded it.

Response to draft recommendation 9:

A DVAM should not be applied to eConveyancing

7 Costs

7.1 Projection of historic expenditures as the basis for future expenditures

PEXA agrees that IPART should use historical growth in opex and capex over three years FY23-FY25 to project future opex and capex,²⁰⁸ bearing in mind the explanations that PEXA has provided for continuing real growth.²⁰⁹

7.2 Productivity adjustment to controllable costs

IPART should remove the 1.7% productivity factor that it has applied to PEXA's controllable costs²¹⁰ to avoid double counting productivity growth that is already included in projected growth rates based on PEXA's historical expenditure. IPART's approach implies that PEXA must somehow capture efficiencies at a greater rate than it has over the past 3 years.

If nevertheless IPART does add an ongoing efficiency factor to these projections, then IPART should apply an ongoing efficiency factor of 0.7% rather than 1.7% to PEXA's base opex and capex. The lower efficiency factor is consistent with the approach IPART has used when regulating prices of other businesses, and is consistent with the level that IPART and other economic regulators typically apply to other businesses' base level efficient expenditure. By contrast, the higher efficiency factor has been derived using a sector-specific approach that IPART explicitly rejected when reviewing prices for Hunter Water in 2020, and using a shorter period than IPART has applied in other decisions, which creates a reasonable apprehension that IPART is not treating PEXA consistently with other businesses that it regulates.

7.2.1 Double counting of potential productivity gains

IPART's draft decision:

- estimates PEXA's future expenditure over the regulatory period by averaging the historical change in operating and capital expenditure over a three year period, and
- subtracts from this a 1.7% annual productivity factor to controllable opex and capex estimates.

IPART's approach calculates a 'rate of change' based on historical changes in expenditure. This rate of change implicitly captures and combines:

- Changes in expenditure arising from changes in output (output growth)
- Changes in expenditure arising from changes in real price (real price growth), and
- Changes in expenditure arising from improvements in productivity (productivity growth).

When IPART applies an *additional* ongoing efficiency or productivity factor of 1.7%, it effectively double-counts productivity growth that is included in the rate of change that it has used to forecast PEXA's costs. As explained in Section 4.4.2 of PEXA's November 2025 submission to IPART, while overall costs have necessarily increased in recent years for a range of reasons, PEXA has still had strong commercial incentives to ensure that its costs were efficient. The efficiency of these historical costs is effectively recognised by IPART's acceptance of them. Consequently, an ongoing productivity factor is already included in PEXA's historical rate of change in expenditure. Using this rate of change

²⁰⁸ IPART, *Draft report*, p.59-60

²⁰⁹ IPART, *Draft report*, p.61-62

²¹⁰ IPART, *Draft report*, p.62-63

to forecast future efficient expenditure and then adding an additional productivity factor double counts ongoing productivity.

IPART's draft report provides no reason to believe that PEXA's historical costs were inefficient or that there is scope to substantially *accelerate* productivity gains. The only evidence mentioned by IPART is that TBH Consulting's report provides useful information about how PEXA might become more efficient. For the reasons discussed at section 4.10, it is inappropriate for IPART to rely on TBH Consulting's report, having failed to address the substantial criticisms of that report which PEXA has previously provided to IPART.

PEXA has realised significant *actual* productivity gains over the past three years. These programs include optimising cloud computing costs, automating operational and software-delivery processes to reduce deliver costs, and regular operating-model and remuneration benchmarking reviews. Over FY26 alone these delivered a circa 11% reduction in headcount and over \$15m in savings attributable to productivity and efficiency programs. As a public company these are reported on externally to investors every six months, and are an ongoing investor expectation of good management, not just a once off.

Therefore, if IPART maintains its approach of forecasting efficient expenditure based on the rate of change in PEXA's historical expenditure over the last few years, it should remove the additional productivity factor of 1.7% to avoid double counting.

PEXA notes that it proposed a productivity adjustment of 0.7% in its November 2025 submission to IPART, but this was an adjustment to PEXA's base year costs as part of the 'trend' under a base-trend-step approach to forecasting operating expenditure. It was not in addition to projecting forward a historical change in costs that implicitly includes an ongoing productivity factor. PEXA's original submission cannot be read as a concession that it is reasonable for IPART to make a productivity adjustment to cost projections derived from a different methodology to that proposed by PEXA (and, in fact, a different methodology to what IPART usually uses when it applies a separate ongoing productivity adjustment).

7.2.2 *Appropriate rate of any productivity factor*

If IPART nevertheless adds an ongoing efficiency factor, then it should be 0.7% per annum, not 1.7%, applied to the projected controllable opex and capex. This is based on IPART's approach applied in other reviews of deriving the ongoing productivity factor from long-term average annual multifactor productivity (MFP) across the market sector of the Australian economy.

Under IPART's draft decision, the productivity factor of 1.7% is based on the 15-year average of the Australian Bureau of Statistics' (ABS) MFP estimate for 3 industries IPART considers are most relevant to PEXA's activities:

- Information, media and telecommunications
- Financial and insurance services
- Professional, scientific and technical services.

IPART noted that a 1.7% productivity factor is:

- **Sector-relevant**, as it draws on the industries whose activities are closest to PEXA's, rather than the all-industries average.
- **Time-relevant**, as the 15-year window aligns with the period over which PEXA has operated and developed its digital platform.

- **Moderate**, as it ‘recognises likely achievable productivity improvements without assuming a more aggressive catch-up’.

Benchmark based on market sectors rather than specific sectors

However, this methodology is inconsistent with IPART’s approach to determining a productivity factor in other sectors, where IPART has *not* applied a sector specific factor, but rather a factor derived from the broader market sector. It also prescribes a productivity factor that is about twice as high as IPART has applied in other regulatory decisions (which generally range from 0.5% to 1.0% pa).

In previous decisions, IPART has specifically dismissed claims for a sector-relevant productivity factor. For example, in its 2020 determination of Hunter Water’s prices, Hunter Water proposed a sector-specific productivity factor. In response, IPART went to great lengths to explain that the long-term average market sector productivity rate is more appropriate – a position it seems to have maintained until its draft report on PEXA’s prices. In its Final Report on its 2020 review of Hunter Water’s prices, IPART noted:

“We consider it is appropriate to base the continuing efficiency factor on market sector data rather than data specific to the utilities sector. Our selected 0.8% annual frontier shift represents the long-term average for the market sector of the economy represented by the 12 industries identified by the Productivity Commission. Broadly, this is because productivity initiatives affect all sectors of the economy, including water utilities and their supply chains.”²¹¹

In other words, IPART dismissed a sector-relevant productivity factor because it considered what was happening within sub-sectors of an industry was not representative for a business on the efficiency frontier. IPART’s change of approach specific to eConveyancing raises concern that IPART is selectively choosing an approach to generate a higher productivity rate to apply to PEXA, rather than applying a consistent approach.

It is also inappropriate to apply a sector-based productivity factor to PEXA because the sectors IPART has identified are typically much less regulated than eConveyancing. With significant regulatory constraints around pricing, upstream and downstream services, prescribed service levels, critical infrastructure requirements, and requirements to provide and comply with annual capital expenditure plans, eConveyancing is one of the most heavily regulated sectors in the economy – particularly for a sector that generates less than \$400m per year in revenue. The Productivity Commission has recently noted that even well-designed regulation can reduce multi-factor productivity in pursuit of other social, environmental or economic goals.²¹²

Benchmark based on long-term averaging period

IPART has linked its chosen 15-year averaging period with the period in which PEXA has operated and developed its digital platform. This rationale conflates the purpose of the ongoing productivity factor with PEXA’s history. The ongoing productivity factor represents the scope for a top performing ‘frontier’ company to continue to improve efficiency over time. It should not be based on PEXA specifically, and so there is no logic in aligning the averaging period to PEXA’s period of operations.

A 15-year averaging period is also inconsistent with previous IPART decisions. For example, in IPART’s decision for Hunter Water in 2020 it noted that:

²¹¹ IPART, Review of prices for Hunter Water Corporation from 1 July 2020, Final Report, June 2020, p 205.

²¹² Productivity Commission, Annual productivity bulletin 2025, p 6.

*We consider the sample needs to be sufficiently long to include a full business cycle (and it has been over 25 years since the last recession in Australia). Any decision to truncate the available data would be subjective.*²¹³

As recognised in IPART's decision quoted above, in addition to productivity data being subject to measurement error, it can be strongly influenced by productivity cycles. For this reason, a long-term averaging period helps to smooth out these cycles.

In its 2025 final determination of Sydney Water's prices, IPART found that Sydney Water's proposed ongoing productivity factor of 0.7% per annum was reasonable. IPART concluded this after assessing Australian multi-factor productivity since 1996 (i.e., over the last 30 years), across a group of 16 industries (the market sector)²¹⁴.

If IPART persisted with setting the productivity factor by reference to three selected industries, then it would fall from 1.7% to 1.1% if a 30-year averaging period were applied.

7.3 External fees

7.3.1 Future external fees

PEXA welcomes IPART's recognition that external fees — Lodgment Support Services, NECDS and Revenue Office fees, forecast at around \$50m per year, and about 29% of total operating costs are 'outside of PEXA's control and... should not be subject to any efficiency or productivity factor'.

PEXA notes IPART's estimates of future external fees based on PEXA's forecasts, which include known and likely changes to these fees. However, future fee increases are 'known unknowns' – based on the experience of the past two years, further increases are highly plausible, but cannot be forecast with sufficient certainty to be included in PEXA's forecasts. NECDS and Revenue Office fees have risen from \$737k in FY25 to a forecast of \$5.2m in FY28.

Consequently, PEXA should be entitled to pass through any increases in government fees greater than those allowed by IPART's forecasts, as discussed in section 2.6.3.

7.3.2 Recovery of historic external fees

PEXA has incurred significant external fees in FY26 that it has not been able to pass through to consumers. In particular, whereas every other jurisdiction has allowed pass through of NECDS fees since 16 May 2026, NSW has not.

IPART has declined to allow PEXA to recover unrecovered external fees incurred in FY26 and expected to be incurred in FY27 on the basis that PEXA's current revenue exceeds IPART's view of required revenue and that PEXA is earning 'significant operating surpluses'.²¹⁵

PEXA submits this reasoning is flawed and the fees should be recovered. As a matter of principle, a discrete, uncontrollable third-party cost should be recoverable on the basis that in a competitive market without price controls, it would normally be passed through to prices. A price regulated entity should not be put in a worse position than would apply if it operated in an unregulated competitive market. There is no reason to not apply this principle:

²¹³ IPART, Review of prices for Hunter Water Corporation from 1 July 2020, June 2020, p 206.

²¹⁴ PART, Sydney Water prices 2025-2030, Final Report, September 2025, p 50.

²¹⁵ IPART *Draft Report*, p.64-65

- IPART’s reasoning conflates the basic principle of ensuring no disadvantage relative to unregulated competitive markets, with the question of whether PEXA’s revenues were higher than was required to recover its costs in the relevant years, when these should be independent considerations;
- As discussed above in section 2.5.5, if PEXA’s historic costs are correctly calculated, PEXA has not yet fully recovered the costs of its initial investments, and PEXA has in fact under-recovered in the relevant years;
- The costs were incurred by PEXA in good faith under the current 2019 determination framework, which made no provision for, and did not provide regulatory warning, of any kind of ‘true up’; and
- The outcome effectively allows NSW consumers to free-ride on PEXA’s absorption of a cost that is paid by consumers in every other jurisdiction.

Consequently, unrecovered external fees incurred in FY26 and FY27 should be specifically added to PEXA’s revenue requirement. If IPART ultimately decides that PEXA’s current prices are reasonable, those prices should be increased specifically for FY28 to allow recovery of NECDS fees that were not recoverable in FY26 and FY27.

7.4 Costs associated with additional / ancillary services

IPART’s draft is internally inconsistent on the revenues and costs of mobile signing and digital certificates. IPART has recommended that the prices of these services ‘should be regulated,’ and capped at current levels.²¹⁶ However, IPART inconsistently proposes to exclude the costs of mobile signing and digital certificates from PEXA’s cost base.²¹⁷

The costs of mobile signing and digital certificates that PEXA has previously provided to IPART exceed the relevant revenues. It is manifestly unreasonable for IPART to exclude the cost while capping the price, forcing PEXA to absorb an unrecoverable loss on mobile signing and digital certificates from the revenue from its transaction service fees (which have by definition been set to provide a fair return – and no more – on those services).

Response to draft decision 2

IPART’s operating expenditure estimates should be increased by:

- Removing the productivity factor of 1.7%
- Adding NECDS costs that are unrecoverable in NSW in FY26 and FY27
- Adding back the costs of mobile signing and digital certificates

PEXA accepts IPART’s forecast of capital expenditure as reasonable.

²¹⁶ IPART *Draft report*, p.28

²¹⁷ IPART *Draft report*, p.65

8 Return on and of capital

8.1 Depreciation and asset lives

PEXA agrees with the depreciation and asset lives for specific asset classes suggested by IPART. However, the appropriate asset life for much of the IAB should be substantially longer because it is primarily composed of intangibles that inherently have a longer economic life, as discussed above in section 4.8. PEXA's original submission was that these intangibles should have an asset life of 20 years from 2027 (implying an asset life of 28 years from 2019 if they are applied using a 'rolled forward' approach).

Draft decision 4:

Agree that the building block calculation should use straight line depreciation and asset lives proposed by PEXA. Noting that PEXA proposed that the IAB should have an asset life of 20 years, with individual asset lives of between 3 and 15 years.

8.2 Weighted average cost of capital

PEXA agrees with the fundamentals of IPART's cost of capital calculation. The Capital Asset Pricing Model (CAPM) framework, and the market-based parameters IPART has applied, are an appropriate basis for estimating PEXA's allowed return, and PEXA does not contest that methodology.

PEXA submits, however, that the point estimate selected from within IPART's feasible WACC range should sit at the upper end of that range to reflect a specific risk premium commensurate with the risk of PEXA in the applicable time period, or a specific risk premium should be added. IPART's standard parameters are benchmarked to stable, capital-intensive regulated utilities with predictable, largely captive demand. They do not capture the asymmetric pricing, demand and regulatory risk that the draft report itself imposes on PEXA, and for which a benchmark efficient operator would expect to be compensated through the allowed return.

That risk is significant and, in large part, regulatory in origin. First, the draft represents a fundamental change in regulatory methodology. When IPART last reviewed PEXA's prices in 2019 it found them to be reasonable. It now proposes an entirely new pricing methodology — a BBM applied retrospectively — that produces a materially different result. A change of this magnitude, applied to a business that has priced at CPI in reliance on the prior framework, is itself a source of significant regulatory risk that a forward-looking return must recognise.

Second, the draft reduces PEXA's free cash flow by approximately 50 per cent, and the same approach, if rolled forward, would reduce it further in subsequent periods. That trajectory demonstrates that the roll-forward BBM is not a reliable long term methodology for a digital platform, and that a different approach will be required beyond FY31 — leaving PEXA exposed to a further methodology change at the next review and further heightening the regulatory risk.

Third, PEXA faces materially lower transaction volumes than previously forecast, together with heightened uncertainty as to future volumes arising from changes to capital gains tax and negative gearing, which Westpac have forecast could drive a 20% reduction in transfer volumes²¹⁸, with PEXA Exchange already seeing the impacts with July 2026 transfer volumes down 15% on July 2025. These are sources of demand and regulatory risk respectively, that are outside of PEXA's control and may directly impact PEXA's revenue.

²¹⁸ [Housing forecast update | Westpac IQ](#)

Fourth, the IPART draft recommendations compound these risks by transferring further significant risk to PEXA within the regulatory period:

- a proposed DVAM with a 5 per cent band which, given PEXA's overwhelmingly fixed cost base, exposes approximately 25 per cent of forecast free cash flow to volume risk, not trued up for 4 years;
- a requirement to absorb new and increasing externally imposed regulatory fees across the four-year period, while at the same time acknowledging that these fees "are outside of PEXA's control";
- the proposed removal of model operating requirements section 5.4.4, to remove PEXA's ability to request that the Registrar approve a change in the pricing table outside of the next pricing review, and instead to seek a true-up at the next review rather than pass them through as they arise; and
- the removal of CPI indexation beyond FY31 so that PEXA wears the risk of the next pricing review being delayed, despite a history of delay and this being entirely in the hands of Registrars, and outside of PEXA's control.

Individually and cumulatively, these recommendations shift a substantial and asymmetric risk burden onto PEXA. Consistent with PEXA's position that it should bear normal market volume risk without a DVAM, the appropriate response to that volume risk is to recognise it — together with the regulatory risk described above — in the allowed return, rather than to introduce a complex and inefficient DVAM.

Taken together, these features place PEXA's allowed return under materially greater uncertainty than the stable utility benchmark on which IPART's standard parameters are based. IPART's own methodology already provides the mechanism to respond: under its published uncertainty-index framework,²¹⁹ IPART selects the midpoint of its feasible WACC range only where its measure of uncertainty is within one standard deviation of the long-term average, and moves away from the midpoint where uncertainty is elevated. PEXA submits that the conditions for departing from the midpoint are plainly met, and that IPART should adopt a point estimate at the upper bound of its feasible range — or an equivalent explicit risk premium — to compensate PEXA for the specific pricing and regulatory risks outlined here. This is consistent with IPART's established practice and with the principle that a benchmark efficient operator must be compensated for the non-diversifiable risk it is required to bear.

This is also consistent with independent WACC calculations commissioned by PEXA, provided by Grant Thornton in August 2026, to be used by PEXA management in performing their impairment calculations of the Assets for financial reporting purposes in accordance with IAS 36 Impairment of Assets. **Grant Thornton included a 1.5% to 2.0% specific risk premium for the PEXA Exchange** explaining in reference to the IPART draft report that *"they see additional risk involved with the draft outcome, despite applied forecast price reductions due to the significant proposed reductions and further reviews that will be undertaken"*.

This methodology and the resulting cost of capital should also be used in the calculation of an Initial Asset Base using a RCM method between FY20 and FY26, as discussed in more detail above.

²¹⁹ IPART, Review of WACC Methodology – Final Report, December 2013, which establishes IPART's uncertainty index; see also IPART, Uncertainty Index Model. Where the index is within one standard deviation of its long-term average IPART adopts the midpoint of its feasible WACC range, and it will consider moving away from the midpoint where the index exceeds that threshold.

Draft decision 5:

Agree in part — PEXA agrees with IPART's WACC methodology, but submits the allowed return should sit at the upper end of IPART's feasible range to reflect a specific risk premium for the pricing and regulatory risk imposed by the draft.

8.3 Allowance for working capital

PEXA agrees with IPART's calculation of an allowance for working capital for PEXA.

Draft decision 6:

Agree

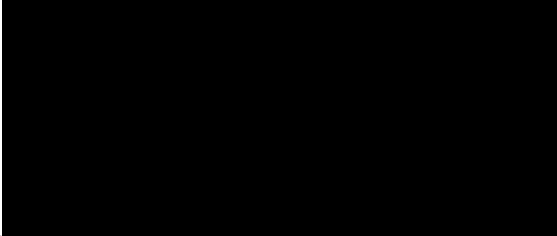
9 Summary of PEXA responses

Draft Recommendations: Summary of PEXA responses

No.	PEXA view
1	Agree, but add that: If market conditions change significantly, the application of regulation should be reviewed.
2	Price regulation should also apply to additional services offered by PEXA that are closely related to ELNO transactions and that are not subject to effective competition, including mobile signing, digital certificates and PEXA Key, although price regulation should not apply to optional subscriber products and subscriber API integrations.
3	The recommendation for nationally consistent service fees should not be pursued.
4	Price regulation should be appropriate to the level of regulatory risk, and consequently prices should be maintained at current levels unless PEXA is earning 'excessive profits', which is not the case taking into account that total productivity gains due to PEXA's platforms are at least 3.5 times greater than PEXA's profits, PEXA's prices have not increased in real terms since they were first set 12 years ago, customer concern about prices is not material, and PEXA's profit margins are not substantially higher than many other digital platforms If the final report contains references to TBH's report, PEXA requests that IPART publish PEXA's submission on the draft TBH report dated 6 th May 2026 to ensure transparency about the various issues associated with the approach, assumptions and conclusions of the report.
5	PEXA's prices should remain at current levels in real terms for a 4-year regulatory period, with further review undertaken for any change to commence from 1 July 2031. If a review has not been completed by then, prices should continue to increase in real terms until a review is completed.
6	Agree (assuming that IPART rejects PEXA's submissions that IPART should not set specific prices for ELNO service fees that are lower than PEXA's current fees).
7	For 2027-28, ELNO service fees should be at the 2026-27 level plus an increase to reflect the change in the CPI.
8	Agree
9	A DVAM should not be applied to eConveyancing

—

Draft decisions: Summary of PEXA responses

No.	PEXA view
1	Forecast billable eConveyancing transaction volumes for inclusion in the building block calculation should be 
2	IPART's operating expenditure estimates should be increased by: • Removing the productivity factor of 1.7% • Adding NECDS costs that are unrecoverable in NSW in FY26 and FY27 • Adding back the costs of mobile signing and digital certificates PEXA accepts IPART's forecast of capital expenditure as reasonable.
3	Amend to: PEXA's Initial Asset Base for inclusion in the building block calculation should be \$1.301b at 1 July 2027. This reflects the present value of PEXA's efficient unrecovered historical expenditure to establish and provide eConveyancing services, applying appropriate rates of return to roll forward PEXA's net position to 1 July 2027.
4	Agree that the building block calculation should use straight line depreciation and asset lives proposed by PEXA. Noting that PEXA proposed that the IAB should have an asset life of 20 years, with individual asset lives of between 3 and 15 years.
5	Agree in part — PEXA agrees with IPART's WACC methodology, but submits the allowed return should sit at the upper end of IPART's feasible range to reflect a specific risk premium for the pricing and regulatory risk imposed by the draft.
6	Agree

Requests for comment: Summary of PEXA responses

No.	PEXA view
1-3	Alternative products to PEXA's additional services, such as Tracker, Planner, Allocations and Projects, are currently not available. Third parties could offer substitutable services to PEXA's services such as Tracker, Planner, Allocation and Projects if they used PEXA's APIs, and built alternative services. Unbundling Tracker, Planner, Allocations and Projects would be uneconomic as the design of these services is deeply integrated into PEXA's exchange platform. However, the tools already offered by PEXA effectively allow third parties to provide alternative services with similar functionality to Tracker, Planner, Allocations and Projects, so there is no regulatory purpose to requiring PEXA to unbundle these services.
4	External fees should not be included in the cost base for setting ELNO services fees, and should be treated as separate charges passed through to customers. While nationally consistent pricing has advantages, it is fundamentally inequitable for PEXA to wear the risk of increasing and new government charges, unless government charges are consistent between jurisdictions, and not altered between pricing determinations.
5	PEXA has no comment, noting that IPART should not set any specific prices for ELNO service fees that are lower than PEXA's current fees.
6	If IPART's final report was to propose a reduction in ELNO fees, these should be implemented in the first year rather than more gradually over the 4 year regulatory period.
7	The drivers in the Draft Report are all reasonable. Given the primacy of forecast performance, any alternative set would benefit from the same out-of-sample validation and diagnostics discussed here.
8	Our approach to forecasting refinances has emphasised a balance between simplicity, implementation and forecasting performance. We tested alternative model specifications, interest rate lag length and new loan lag lengths to derive a reasonable fit for each market. We agree a more involved process of testing a range of other key drivers is possible and something we may consider pursuing in future but this will not be possible within the scope of this review and without clear guidance ahead of time from IPART to guide our internal investment in a detailed forecasting refinement exercise specifically for regulatory review purposes.
9	The approach should above all be robust to regime change. The period from mid-2022 marks an interest-rate regime not seen in decades, and the mid-2026 budget reforms add another. Models built on such history need thorough stability testing and a flexible specification. The search for the exact drivers and lags is second-order by comparison.
10	Dwelling-stock data may improve forecasts via a bottom-up approach. With minor adaptation, the model — estimated on realised outcomes — can generate next-quarter forecasts without externally-supplied driver forecasts. Longer horizons still rely on external price and driver forecasts, whose quality then governs forecast quality, though we note that this issue would also plague the approach IPART is proposing/proposing to test.
11	Jurisdiction-specific models are essential: markets and policies differ, the raw transfer series are visibly different in shape, and cross-jurisdiction spillovers (inter-state migration, investor substitution) can give coefficients of different magnitude or even sign. A national regression is a useful complement. Pooled regressions imposing common coefficients are least preferred — homogeneity is a strong assumption, and unless explicitly weighted they treat small and large jurisdictions alike, degrading forecasts for the large jurisdictions that matter most for revenue and regulation.

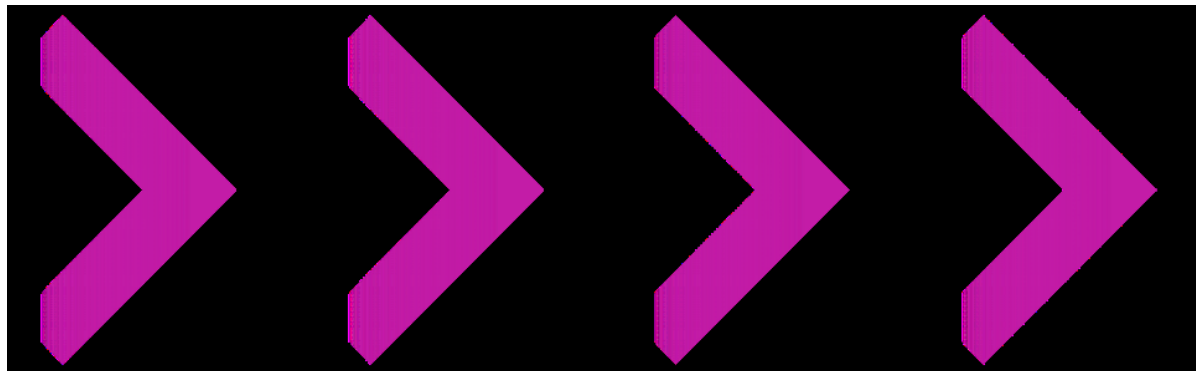
No.	PEXA view
12	IPART's roll forward approach is fundamentally flawed because it sets an IAB that is lower than the present value of PEXA's unrecovered efficient historical expenditure incurred to establish and provide eConveyancing services. This means that PEXA will be unable to recover its efficient historical costs, which is inconsistent with IPART's own cost-recovery, building block and Financial Capital Maintenance (FCM) principles. This flaw arises because IPART's roll forward approach does not recognise that PEXA's historical revenues were significantly less than its building block cost allowances. Under its roll forward approach, IPART depreciates expenditure from when it is incurred, even though PEXA was not receiving a depreciation allowance via prices – which means that much of this expenditure is depreciated before PEXA has had a chance to recover it. Similarly, IPART indexes historical expenditure by CPI rather than a rate of return – which implicitly assumes that PEXA was receiving a rate of return via historical prices, which it was not. To remedy these problems with its roll forward approach, IPART would need to calculate an IAB by deferring depreciation and indexing PEXA's historical expenditure by an appropriate rate of return until PEXA started earning revenues equivalent to its building block costs, while offsetting this value by the relatively small amount of revenues PEXA was receiving over this period. This should result in the same IAB as that calculated under the RCM. However, in applying the RCM, IPART also needs to modify key flaws in its Draft Report by: • Applying a rate of return to cashflows between FY11 and FY19 that appropriately compensates for risk (i.e. substantially higher than the highest scenario presented in IPART's report) • Amending the rate of return applied to cashflows between FY20 and FY25 to use IPART's more recent assessment of the appropriate WACC to apply to PEXA.
13-14	To allow PEXA to recover its efficient expenditure incurred to establish and provide eConveyancing services, the IAB must equate to the present value of PEXA's unrecovered efficient historical expenditure. To do this, the RCM must be applied to calculate the IAB, accounting for the difference between PEXA's historical capital and operating costs and revenues in establishing and providing eConveyancing services to the date of the IAB (e.g., 1 July 2027). This calculation should include all of PEXA's historical operating (and capital) costs, as IPART itself acknowledged that PEXA's historical operating expenditure contributed to the ongoing provision of eConveyancing services.
15	For reasons outlined above, IPART's draft IAB would lead to material under-recovery of PEXA's efficient historical expenditure because it is less than the present value of PEXA's efficient unrecovered historical expenditure. The RCM can be used to determine the present value of PEXA's efficient unrecovered historical expenditure and therefore the IAB, provided it uses appropriate rates of return to capitalise and roll forward PEXA's net cash position. However, this is not the case in IPART's Draft Report. As explained above, the rates of return in IPART's Draft Report RCM scenarios are too low between 2011 to 2019, when considering: • the rate of return for successful investments should be higher than the average rate of return to venture capital investments • PEXA's actual fundraising sources and methods that suggest it was a high-risk investment • the actual risks faced by PEXA, which were typical for an early-stage digital platform • the early participation of banks and governments did not materially reduce the risks • applying a plausible risk of failure for PEXA between 2011-2019 implies much higher rates of return between 2011-2019 for a successful investment • assessments by academic finance experts suggest much higher rates of return • benchmark rates of return applied by venture capital investors to an investment such as PEXA • the rates of return (assuming PEXA succeeded) that were required by initial investors • the actual rates of return earned by initial investors.

No.	PEXA view
	As explained above, the rates of return in IPART's Draft Report RCM scenarios are also too low between FY20 and FY25, given IPART's Draft Report findings on appropriate values for gearing and beta for the regulatory WACC.

04

Appendices

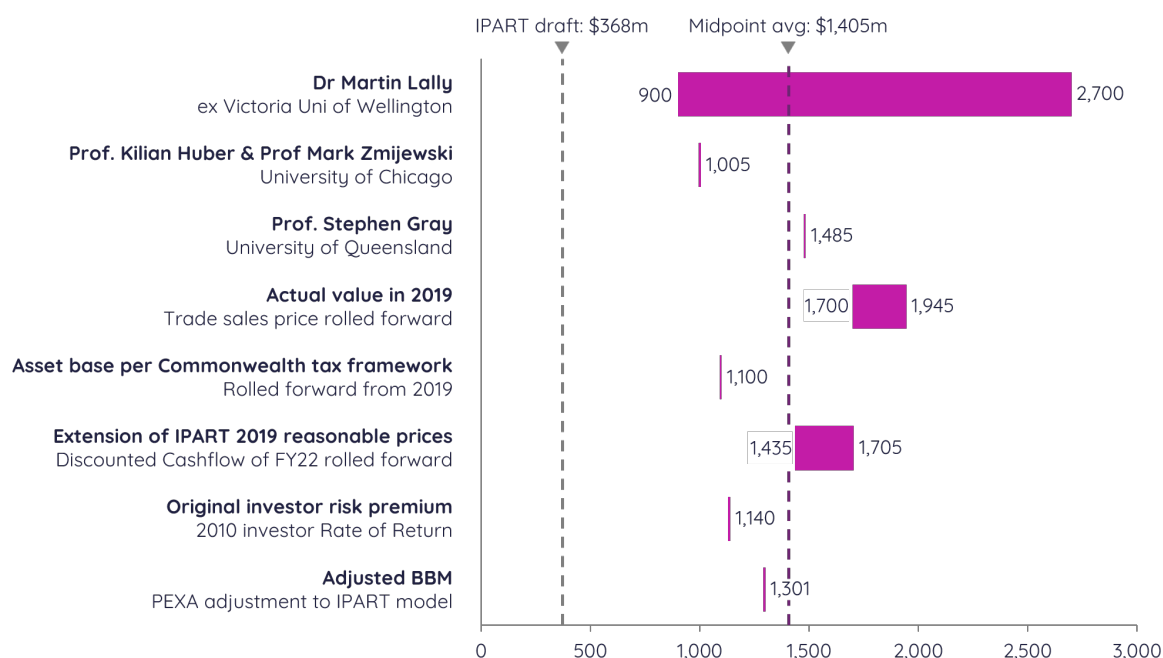
- A** Appendix A: Initial Asset Base (IAB) estimates
- B** Appendix B: Notes and sources for key charts
- C** Appendix C: Methodology for post-modelling adjustments



10 Appendices

Appendix A: Methodology to translate expert's submissions into IAB estimates

Initial Asset Base (IAB) estimates



Note: All estimates are based on PEXA calculations from official sources and expert reports. See appendix A for overview of details supporting each estimate. The quoted expert reports have been submitted to IPART as: Huber and Zmijewski (2026) 'Expert report'; Gray, 31 July 2026 "The required rate of return for the RCM method applied to PEXA"; and Lally, August 2026, "The initial asset base for PEXA in 2026"

Dr. Martin Lally - Suggested IAB range: \$900 – \$2,700m

Dr. Lally uses an alternative approach, requiring only estimates of parameters relating to PEXA, including its probability of achieving viability. Several of the parameters, particularly the viability probability, require a range of estimates rather than a single figure. Based on updated parameters estimates, Dr Lally concludes on "a conservative IAB range for 2027 of \$900m to \$2,700m, with a point estimate of \$1,564m".^[1] See the separate paper for detail.

Professor Killian Huber & Mark Zmijewski – Implied range from DCF based WACC suggestion: ~\$1,005m

Prof. Huber and Zmijewski adjust the early-years WACC profile using a methodology based on a DCF and observed exit rates, resulting in the following post-tax nominal rates for FY11–FY20:

FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
44.8%	44.0%	32.0%	29.2%	26.4%	23.6%	20.8%	17.9%	16.2%	12.4%

For FY21–FY27, these rates are combined with the IPART's peer-group-corrected WACC profile:

FY21	FY22	FY23	FY24	FY25	FY26	FY27
7.1%	7.1%	6%	6%	6%	6.5%	6.5%

The Recovered Capital Method is applied to PEXA historical costs and revenue (identical to IPART draft) using these historical rates of return. This yields an IAB valuation of ~\$1,005m at FY27 year-end.

Professor Stephen Gray – Implied range from probability of failure: ~\$1,485m

Professor Gray’s analysis supports an initial probability of failure of approximately 35%, noting that PEXA’s proposed profile implies that “the probability of failure in the first year of the venture was slightly less than 35%.”^[2]

Applying the relationship between the probability of failure, expected return and target return^[3], a 35% initial failure probability and 7.1%, (adapting to the peer-group-corrected FY20 regulated WACC, used as the convergence point once failure risk reaches zero), imply an FY11 required return of approximately 65% as detailed in equations 1 and 2:

$$\text{Expected return} = 35\% \times -100\% + (1 - 35\%) \times X = 7.1\% \quad (1)$$

$$\text{Target return} = X = \frac{7.1\% - 35\% \times -100\%}{(1 - 35\%)} = 64.7\% \quad (2)$$

Assuming a linear decrease from FY11 to FY19 similarly to the adjusted model of this paper produces the following post-tax real rate of return profile:

FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
65%	58.57%	52.13%	45.70%	39.27%	32.83%	26.40%	19.97%	13.53%

For FY20–FY27, these rates are combined with the IPART’s peer-group-corrected WACC profile

FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
7.1%	7.1%	7.1%	6%	6%	6%	6.5%	6.5%

The Recovered Capital Method is then applied to PEXA’s historical costs and revenues, consistent with the inputs used in IPART’s Draft Decision, using the historical rates of return above. This results in an IAB valuation of approximately \$1,485 million as at FY27 year-end.

Trade Sales Price rolled forward – Suggested IAB range: \$1,700 – \$1,945m

This approach uses PEXA’s \$1.62 billion sale price in January 2019^[4] as the starting point and rolls this value forward to 1 July 2027, accounting for depreciation and subsequent capital expenditure. The resulting IAB range reflects different assumptions for the asset life applied to the 2019 sale price, with a remaining asset life of 20–35 year (End of FY27).

Tax valuation rolled forward– Suggested IAB ~\$1,100m

This approach uses the \$1.55bn value of PEXA’s asset base recognised under the Commonwealth tax framework following the 2019 trade sale as the asset value, including the uplift in software and other intangible assets. This value is then rolled forward to 30 June 2026 reflecting actual capital expenditure and actual tax depreciation resulting in a tax written-down value of \$1.19bn (subject to final FY26 audit and tax adjustments). A forecast adjustment is then made to derive the forecast FY28 value, resulting in a suggested IAB of ~\$1.1bn.

Line in the sand: Discounted Cashflow of FY22 – Suggested IAB range: \$1,435 – \$1,705m

Under this approach, PEXA's IAB at 1 July 2022 would be set based on the present value of its net cash flows in 2021-22, assuming they would continue over the estimated economic life of its assets (20-35 years remaining end of FY27). This value is then rolled forward to 1 July 2027 by adding efficient capex and deducting depreciation. This approach would also be consistent with the DCF approach that IPART and other economic regulators applied to establish the initial "line in the sand" RABs for existing businesses when introducing economic regulation and reflect the IAB implicit in PEXA's 2021-22 prices, which IPART found to be reasonable in its 2019 review of ELNO service fees.

Original investor expectations – Implied range from WACC suggestion: ~\$1,140m

In September 2010, investors were led to expect an average IRR of 38% from FY11-17:

FY11	FY12	FY13	FY14	FY15	FY16	FY17
38%	38%	38%	38%	38%	38%	38%

For FY18 onwards, we conservatively apply the IPART peer-group-corrected WACC profile

FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
7.1%	7.1%	7.1%	7.1%	7.1%	6%	6%	6%	6.5%	6.5%

Applying this return profile to PEXA's historical costs and revenues under the Recovered Capital Method results in an IAB valuation of approximately \$1,140m as at FY27 year-end.

Appendix B: Notes and sources for key charts

Sources for Figure 2: Capex is 49–69% of total expenditures for physical infrastructure companies, but only 17% for PEXA Exchange leading to a lower return on and of asset

- Australian Energy Regulator 2024-29 Determinations (Final Decisions) for Ausgrid <https://www.aer.gov.au/documents/aer-final-decision-overview-ausgrid-2024-29-distribution-revenue-proposal-april-2024>, p. 17, 20, 35
- Endeavour Energy <https://www.aer.gov.au/documents/aer-final-decision-overview-endeavour-energy-2024-29-distribution-revenue-proposal-april-2024>, p. vi, 10
- Essential Energy <https://www.aer.gov.au/documents/aer-final-decision-overview-essential-energy-2024-29-distribution-revenue-proposal-april-2024>, p. 11, 18, 20
- IPART 2025 Review of Prices (Final Reports) for WaterNSW (Greater Sydney services) https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-prices-for-WaterNSWs-services-in-Greater-Sydney-from-1-October-2025-September-2025.PDF, p. 15, 38, 51
- Sydney Water https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Sydney-Water-prices-2025-2030-September-2025.PDF, p. 18, 44, 63
- Hunter Water https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Hunter-Water-prices-2025-2030-June-2025-%281%29.PDF, p. 16, 44, 36
- IPART Draft July 2026

Sources for Figure 3 and 20: No other regulator, domestically or globally, has set prices using a BBM when reviewing a digital platform

Cost-based pricing control

- Merchant indifference test caps interchange's fees at the cost of taking an equivalent cash payment. In Australia, the RBA caps interchange fees for Mastercard and Visa, using the eligible issuer's costs as a reference point. However, scheme fees, paid by banks to networks, are not capped.
- In the US, Mastercard and Visa interchange fees are set to be "reasonable and proportional to the cost incurred by the issuer with respect to the transaction."
- DTCC fees are cost-based, plus a low margin markup, "to recover development costs and operating expenses, and to accumulate capital sufficient to meet regulatory and economic requirements"

Other pricing control

- Apple App Store and Google Play Store assessed against excessive profit framework by the UK Competition Appeal Tribunal.
- Verisign prices are set in the USA by negotiated terms originally from a 2006 litigation settlement.
- Credit reporting bureaus (i.e., Equifax, Experian, and TransUnion) have a mandate to charge no fees for selected credit reports as per consumer protection or privacy laws which ensure individuals' rights to obtain this information (9 of the 14 profiles).

- The Ontario Securities Commission ensures that any TSX Group fee "shall be equitably allocated," "shall not have the effect of creating barriers to access and shall be balanced with the criteria that TSX have sufficient revenues to satisfy its responsibilities," and that "TSX's process for setting fees shall be fair and appropriate".
- Ticketmaster's fee cap for specific events in the USA was defined by a series of litigations with the DOJ (which declined to apply a specific calculation method)

No pricing control methodology

- Searches were conducted as follows: first identifying the relevant regulator in each jurisdiction and its pricing policy or standard, then testing whether that standard applied to the firm in question. Each firm's name was combined with likely regulator acronyms and topic keywords. Where the regulator itself did not reference the specific firm, press releases, news reports and company filings were consulted. In the absence of a clear indication that a firm was subject to specific pricing controls, it was classified under "No Pricing Control Methodology."

Sources

- ASX (July 2025), Cash Equities Clearing, Settlement and Issuer Services Pricing Policy <https://www.asx.com.au/content/dam/asx/markets/clearing-and-settlement-services/cash-equities-clearing-settlement-and-issuer-services-pricing-policy.pdf>
- Charles River Associates (2022), Application of the Merchant Indifference Test in Switzerland: A Response to the Swiss Economics Report "Need for Regulation of Debit and Credit Cards" <https://www.crai.com/insights-events/publications/application-of-the-merchant-indifference-test-in-switzerland-a-response-to-the-swiss-economics-report-need-for-regulation-of-debit-and-credit-cards/>
- Reserve Bank of Australia (March 2026), Review of Merchant Card Payment Costs and Surcharging, Conclusions Paper, Chapter 3: Interchange Fees <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2026-03/conclusions-paper/interchange-fees.html>
- Reserve Bank of Australia (March 2026), Review of Merchant Card Payment Costs and Surcharging, Conclusions Paper, Chapter 4: Scheme Fees <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2026-03/conclusions-paper/scheme-fees.html>
- Reserve Bank of Australia (March 2026), Review of Merchant Card Payment Costs and Surcharging, Conclusions Paper, Chapter 8: Impact and Implementation <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2026-03/conclusions-paper/impact-and-implementation.html>
- ABA Banking Journal (January 2026), ABA, associations urge appeals court to reverse debit card interchange fee ruling <https://bankingjournal.aba.com/2026/01/aba-associations-urge-appeals-court-to-reverse-debit-card-interchange-fee-ruling/>
- Cornell Law School Legal Information Institute (July 2024), Corner Post, Inc. v. Board of Governors of the Federal Reserve System, 603 U.S. 799, opinion text <https://www.law.cornell.edu/supremecourt/text/22-1008>
- Investopedia (April 2026), Durbin Amendment Explained: Key Facts, Functionality, and Effects <https://www.investopedia.com/terms/d/durbin-amendment.asp>

- US Securities and Exchange Commission (December 2024), Self-Regulatory Organizations; The Depository Trust Company; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Modify the Guide to the DTC Fee Schedule to Revise Certain Fees Charged to Participants for Settlement Services, Release No. 34-101923, File No. SR-DTC-2024-013, 89 FR 104282 <https://www.federalregister.gov/documents/2024/12/20/2024-30351/self-regulatory-organizations-the-depository-trust-company-notice-of-filing-and-immediate>
- The National Law Review (December 2025), CFPB Finalizes 2026 Increase to Fair Credit Reporting Act Disclosure Fee Cap <https://natlawreview.com/article/cfpb-finalizes-2026-increase-fair-credit-reporting-act-disclosure-fee-cap>
- Office of the Australian Information Commissioner (2026), Access your credit report <https://www.oaic.gov.au/privacy/your-privacy-rights/credit-reporting/access-your-credit-report>
- legislation.gov.uk (2016), Regulation (EU) 2016/679 (UK General Data Protection Regulation), Article 15: Right of access by the data subject <https://www.legislation.gov.uk/eur/2016/679/article/15>
- UK CAT (June 2026), Google App Distribution Market (Cases 1408 and 1673), Order (June Hearing), 10 June 2026 <https://www.catribunal.org.uk/sites/cat/files/2026-06/Google%20App%20Distribution%20Market%20%281408%20%26%201673%29%20-%20Order%20%28June%20Hearing%29%20-%2010th%20June%202026.pdf>
- NTIA (November 2024), The .com Cooperative Agreement: Ensuring Internet Stability and Security <https://www.ntia.gov/blog/2024/com-cooperative-agreement-ensuring-internet-stability-and-security>
- Domain Name Wire (February 2021), Breaking: Verisign announces .com price hike to \$8.39 <https://domainnamewire.com/2021/02/11/breaking-verisign-announces-com-price-hike-to-8-39/>
- SEC EDGAR (2007), 2006 .com Registry Agreement between VeriSign and ICANN, Exhibit 10.26 <https://www.sec.gov/Archives/edgar/data/1014473/000119312507154202/dex1026.htm>
- Pinsent Masons Out-Law (2006), ICANN approves VeriSign .com deal <https://www.pinsentmasons.com/out-law/news/icann-approves-verisign-com-deal>
- US Court of Appeals for the Ninth Circuit (2010), Coalition for ICANN Transparency, Inc. v. Verisign, Inc., 611 F.3d 495 <https://www.courtlistener.com/opinion/150345/coalition-for-icann-transparency-inc-v-verisign-inc/>
- ICANN (November 2005), Information on Proposed VeriSign Settlement and New .COM Agreement <https://www.icann.org/en/announcements/details/information-on-proposed-verisign-settlement-and-new-com-agreement-21-11-2005-en>
- Internet Commerce Association (November 2012), VeriSign Agrees to .Com Price Freeze as Agreement Renewal Condition https://www.internetcommerce.org/blog/dotcom_price_freeze/
- NTIA (November 2018), NTIA Statement on Amendment 35 to the Cooperative Agreement with Verisign <https://www.ntia.gov/press-release/2018/ntia-statement-amendment-35-cooperative-agreement-verisign>
- UK Competition Appeal Tribunal (2025), Dr. Rachael Kent v Apple Inc. and Apple Distribution International Ltd <https://www.catribunal.org.uk/judgments/14037721-dr-rachael-kent-v-apple-inc-and-apple-distribution-international-ltd-judgment-0>

- UK CAT (September 2021), Elizabeth Helen Coll v Alphabet Inc. and Others, Summary of collective proceedings claim form https://www.catribunal.org.uk/sites/cat/files/2021-09/2021.09.13_1408_%20rule_76_website_summary_CPDrevs.pdf
- ACCC (n.d.), Setting prices <https://www.accc.gov.au/business/pricing/setting-prices>
- ACCC (n.d.), Digital platforms and services <https://www.accc.gov.au/by-industry/digital-platforms-and-services>
- US Department of Justice (2026), Adobe Agrees to \$150 Million Settlement and Injunction to Resolve Alleged Violations of the Restore Online Shoppers' Confidence Act <https://www.justice.gov/opa/pr/adobe-agrees-150-million-settlement-and-injunction-resolve-alleged-violations-restore-online>
- FTC (n.d.), Adobe Inc., U.S. v., Matter 222-3055 <https://www.ftc.gov/legal-library/browse/cases-proceedings/222-3055-adobe-inc-us-v>
- Computing (2026), UK launches investigation into Adobe's Ts&Cs <https://www.computing.co.uk/news/2026/government/uk-launches-investigation-into-adobe-s-ts-cs>
- TipRanks (n.d.), UK Regulator Refers Adobe's \$20 Billion Bid for Figma to an In-Depth Probe <https://www.tipranks.com/news/uk-regulator-refers-adobes-20-billion-bid-for-figma-to-an-in-depth-probe>
- SEC EDGAR (2026), Alphabet Inc., Form 10-Q for the quarter ended 30 June 2026 <https://www.sec.gov/Archives/edgar/data/1652044/000165204426000071/goog-20260630.htm>
- Congressional Research Service (n.d.), Legal Sidebar LSB11362 <https://www.congress.gov/crs-product/LSB11362>
- CMA (n.d.), Google's general search and search advertising services <https://www.gov.uk/cma-cases/googles-general-search-and-search-advertising-services>
- Steptoe (n.d.), CMA Completes Its Initial Designations in Mobile Ecosystems and Search <https://www.steptoe.com/en/news-publications/stepahead-antitrust-and-competition-insights/cma-completes-its-initial-designations-in-mobile-ecosystems-and-search.html>
- FTC (September 2025), FTC Secures Historic \$2.5 Billion Settlement Against Amazon <https://www.ftc.gov/news-events/news/press-releases/2025/09/ftc-secures-historic-25-billion-settlement-against-amazon>
- Computing (2025), UK CMA accuses Microsoft and Amazon of stifling cloud competition <https://www.computing.co.uk/news/2025/legislation-regulation/uk-cma-accuses-microsoft-and-amazon-of-stifling-cloud-competition>
- CMA (n.d.), Cloud services market investigation <https://www.gov.uk/cma-cases/cloud-services-market-investigation>
- SEC EDGAR (2025), Apple Inc., Form 10-Q for the quarter ended 28 June 2025 <https://www.sec.gov/Archives/edgar/data/320193/000032019325000073/aapl-20250628.htm>
- CommLaw Group (2025), Major App Store Policy Changes Following Recent Epic v. Apple Ruling <https://commlawgroup.com/2025/major-app-store-policy-changes-following-recent-epic-v-apple-ruling/>
- CMA (n.d.), Apple's mobile platform <https://www.gov.uk/cma-cases/apples-mobile-platform>

- CMA (June 2025), Prices, competition and consumer protection: CMA submission to the Business and Trade Committee
<https://committees.parliament.uk/publications/48593/documents/254728/default/>
- FTC (2024), Rule on Unfair or Deceptive Fees, final rule (R207011)
https://www.ftc.gov/system/files/ftc_gov/pdf/r207011_udf_rule_2024_final_0.pdf
- FTC (December 2024), Federal Trade Commission Announces Bipartisan Rule Banning Junk Ticket and Hotel Fees <https://www.ftc.gov/news-events/news/press-releases/2024/12/federal-trade-commission-announces-bipartisan-rule-banning-junk-ticket-hotel-fees>
- CMS Law (n.d.), CMA secures commitments from holiday booking sites on sales practices
<https://cms.law/en/gbr/legal-updates/CMA-secures-commitments-from-holiday-booking-sites-on-sales-practices>
- CIRA (n.d.), How much does a .CA domain cost?
<https://www.cira.ca/en/resources/news/domains/how-much-does-a-ca-domain-cost/>
- UK Parliament (n.d.), Cyber Security and Resilience Bill Public Bill Committee, written memorandum CSRB38
<https://publications.parliament.uk/pa/cm5901/cmpublic/CyberSecurityResilience/memo/CSRB38.htm>
- auDA (n.d.), .au Domain Administration Rules: Registrar <https://www.auda.org.au/au-domain-names/au-rules-and-policies/au-domain-administration-rules-registrar-2/>
- FTC (July 2019), Equifax to Pay \$575 Million as Part of Settlement with FTC, CFPB, and States Related to 2017 Data Breach <https://www.ftc.gov/news-events/news/press-releases/2019/07/equifax-pay-575-million-part-settlement-ftc-cfpb-states-related-2017-data-breach>
- Equifax UK (n.d.), Privacy Hub: Equifax Information Notice
<https://www.equifax.co.uk/privacy-hub/ein>
- Privacy International (n.d.), Q&A: UK regulators' action on data brokers
<https://privacyinternational.org/frequently-asked-questions/4258/qa-uk-regulators-action-data-brokers>
- Consumer Financial Protection Bureau (n.d.), Enforcement action: Experian Information Solutions, Inc. <https://www.consumerfinance.gov/enforcement/actions/experian-information-solutions-inc/>
- Experian UK (n.d.), Credit Reference Agency Information Notice (CRAIN)
<https://www.experian.co.uk/legal/crain/>
- Stephenson Harwood (n.d.), Experian's win against the ICO in the Upper Tribunal
<https://www.stephensonharwood.com/insights/experians-win-against-the-ico-in-upper-tribunal/>
- Domain Name Commission New Zealand (n.d.), About the Commission
<https://dnc.org.nz/about/about-the-commission/>
- LSEG (2025), London Stock Exchange receives PISCES approval notice by FCA
<https://www.lseg.com/en/media-centre/press-releases/2025/london-stock-exchange-receives-piscs-approval-notice-by-fca>
- Federal Reserve Bank of Kansas City (n.d.), Debit Card Interchange Fees Charged to Small Merchants After Regulation II <https://www.kansascityfed.org/research/economic-review/debit-card-interchange-fees-charged-to-small-merchants-after-regulation-ii/>

- PSR (n.d.), PSR confirms competition concerns about cross-border card fees and proposes price cap to protect UK businesses <https://www.psr.org.uk/news-and-updates/latest-news/news/psr-confirms-competition-concerns-about-cross-border-card-fees-and-proposes-price-cap-to-protect-uk-businesses/>
- Matrix Chambers (2026), High Court upholds Payment Systems Regulator's power to impose price caps on cross-border interchange fees <https://www.matrixlaw.co.uk/news/high-court-upholds-payment-systems-regulators-power-to-impose-price-caps-on-cross-border-interchange-fees/>
- FTC (January 2026), FTC Appeals Ruling in Meta Monopolization Case <https://www.ftc.gov/news-events/news/press-releases/2026/01/ftc-appeals-ruling-meta-monopolization-case>
- Congressional Research Service (n.d.), Legal Sidebar LSB11379 <https://www.congress.gov/crs-product/LSB11379>
- Preiskel & Co (n.d.), Meta fined £1.5m by CMA <https://www.preiskel.com/meta-fined-1-5m-by-cma/>
- CIO (n.d.), FTC broadens Microsoft probe to cloud, AI and software bundling <https://www.cio.com/article/4179587/ftc-broadens-microsoft-probe-to-cloud-ai-and-software-bundling.html>
- GOV.UK (n.d.), Digital Markets Unit <https://www.gov.uk/government/collections/digital-markets-unit>
- CMA (n.d.), Microsoft's business software ecosystem <https://www.gov.uk/cma-cases/microsofts-business-software-ecosystem>
- Variety (2017), Netflix and the FCC net neutrality repeal <https://variety.com/2017/digital/news/netflix-fcc-net-neutrality-repeal-1202641165/>
- The Hollywood Reporter (n.d.), Netflix, Amazon and Disney+ face enhanced UK regulation under Ofcom <https://www.hollywoodreporter.com/business/business-news/netflix-amazon-disney-plus-enhanced-uk-regulation-ofcom-1236513415/>
- Nominet (n.d.), Government consults on how UK registries tackle domain abuse <https://nominet.uk/blog/government-consults-on-how-uk-registries-tackle-domain-abuse/>
- Nominet (n.d.), .gov.uk registry <https://registrars.nominet.uk/registry/dot-gov-uk/>
- Financial Markets Authority New Zealand (2026), NZX meets market operator obligations <https://www.fma.govt.nz/news/all-releases/media-releases/nzx-meets-market-operator-obligations-2026/>
- GOV.UK (November 2024), Joint response from the Financial Conduct Authority and the Payment Systems Regulator to recommendations on payments regulation <https://www.gov.uk/government/publications/recommendations-on-payments-regulation-for-the-financial-conduct-authority-and-payment-systems-regulator-november-2024/joint-response-from-the-financial-conduct-authority-and-the-payment-systems-regulator>
- Federal Register (March 2018), PayPal, Inc.; Analysis to Aid Public Comment <https://www.federalregister.gov/documents/2018/03/05/2018-04331/paypal-inc-analysis-to-aid-public-comment>
- AUSTRAC (n.d.), PayPal's enforceable undertaking finalised <https://www.austrac.gov.au/new-and-media/news/paypals-enforceable-undertaking-finalised>

- US Department of Commerce (n.d.), Data Privacy Framework participant record: Salesforce <https://www.dataprivacyframework.gov/participant/5959>
- Salesforce (n.d.), UK Binding Corporate Rules <https://www.salesforce.com/uk/news/stories/uk-binding-corporate-rules/>
- New Zealand Commerce Commission (2021), Keeping it real when pricing goods for sale <https://www.comcom.govt.nz/news-and-media/news-and-events/2021/keeping-it-real-when-pricing-goods-for-sale>
- FTC (April 2019), FTC Charges Surescripts with Illegal Monopolization of E-Prescription Markets <https://www.ftc.gov/news-events/news/press-releases/2019/04/ftc-charges-surescripts-illegal-monopolization-e-prescription-markets>
- TicketNews (June 2026), DOJ's Live Nation Settlement Fine Print Leaves Ticketmaster at Center of Ticketing System <https://www.ticketnews.com/2026/06/dojs-live-nation-settlement-fine-print-leaves-ticketmaster-at-center-of-ticketing-system/>
- US Department of Justice (June 2026), United States et al. v. Live Nation Entertainment, Inc., Competitive Impact Statement, ECF No. 1539, Case No. 1:24-cv-3973-AS (S.D.N.Y.) <https://www.justice.gov/atr/media/1450496/dl>
- Federal Register (July 2026), United States et al. v. Live Nation Entertainment, Inc.; Proposed Final Judgment and Competitive Impact Statement, 91 FR 41330 <https://www.federalregister.gov/documents/2026/07/06/2026-13623/united-states-et-al-v-live-nation-entertainment-inc-proposed-final-judgment-and-competitive-impact>
- US Department of Justice (June 2026), United States et al. v. Live Nation Entertainment, Inc., Competitive Impact Statement, ECF No. 1539, Case No. 1:24-cv-3973-AS (S.D.N.Y.) <https://www.justice.gov/atr/media/1450496/dl>
- Federal Register (July 2026), United States et al. v. Live Nation Entertainment, Inc.; Proposed Final Judgment and Competitive Impact Statement, 91 FR 41330 <https://www.federalregister.gov/documents/2026/07/06/2026-13623/united-states-et-al-v-live-nation-entertainment-inc-proposed-final-judgment-and-competitive-impact>
- Ontario Securities Commission (n.d.), TMX Group Inc. and TSX Inc. recognition orders <https://www.osc.ca/en/industry/market-regulation/marketplaces/exchanges/recognized-exchanges/tmx-group-inc-and-tsx-inc-recognition-orders>
- Ontario Securities Commission (n.d.), TSX Group Inc. and TSX Inc., s. 144 order <https://www.osc.ca/en/securities-law/orders-rulings-decisions/tsx-group-inc-and-tsx-inc-s-144>
- Ontario Securities Commission (n.d.), Order varying the exchange and ATS protocols for real-time market data fee changes <https://www.osc.ca/en/securities-law/orders-rulings-decisions/transparency-rtmd-fee-changes-order-varying-exchange-and-ats-protocols>
- New Zealand Commerce Commission (n.d.), Buying on Trade Me <https://www.comcom.govt.nz/consumers/dealing-with-typical-situations/buying-goods-and-services/buying-online/buying-on-trade-me/>
- Consumer Financial Protection Bureau (n.d.), Enforcement action: Trans Union LLC and TransUnion Interactive, Inc. <https://www.consumerfinance.gov/enforcement/actions/transunion-trans-union-llc-and-transunion-interactive-inc/>
- TransUnion UK (2024), Your Credit File Explained <https://www.transunion.co.uk/content/dam/transunion/gb/consumer/collateral/your-credit-file-explained-2024-transunion.pdf>

- FTC (n.d.), Policy Statement on Enforcement Related to Gig Work, Matter No. P227600 https://www.ftc.gov/system/files/ftc_gov/pdf/Matter%20No.%20P227600%20Gig%20Policy%20Statement.pdf
- Transport for London (n.d.), Licensing decision on Uber London Limited <https://content.tfl.gov.uk/13-17-licensing-decision-on-uber-london-limited.pdf>
- SEC EDGAR (2012), VeriSign, Inc., press release <https://www.sec.gov/Archives/edgar/data/1014473/000101447312000030/pressrelease.htm>
- PSR (n.d.), Market review into cross-border interchange fees <https://www.psr.org.uk/our-work/market-reviews/market-review-into-cross-border-interchange-fees/>
- New Zealand Commerce Commission (n.d.), Retail payments <https://www.comcom.govt.nz/regulated-industries/ret>
- Mastercard (n.d.) *Merchant interchange rates* <https://www.mastercard.com/gb/en/business/support/merchant-interchange-rates.html#accordion-c627e665e5-item-4c581dddc2>
- Payment Systems Regulator (October 2025), MR22/2.8: Market review of UK-EEA cross-border interchange fees, Consultation on methodology for developing a price cap remedy <https://www.psr.org.uk/media/ixxjupfx/mr22-28-xbif-price-cap-methodologies-consultation-oct-2025-edit.pdf>
- Bird & Bird (2020), Revision of EEA Interchange Fee Regulation appears unlikely, at least for now <https://www.twobirds.com/en/insights/2020/global/revision-of-eea-interchange-fee-regulation-appears-unlikely>
- HM Treasury (2019), Explanatory Memorandum to the Interchange Fee (Amendment) (EU Exit) Regulations 2019 https://www.legislation.gov.uk/ukxi/2019/284/pdfs/ukxiem_20190284_en.pdf
- legislation.gov.uk (2015, as amended), Regulation (EU) 2015/751, *Recitals* <https://www.legislation.gov.uk/eur/2015/751/introduction>
- legislation.gov.uk (2015, as amended), Regulation (EU) 2015/751, Chapter II: Interchange Fees, Articles 3 and 4 <https://www.legislation.gov.uk/eur/2015/751/chapter/II/data.html>
- Innovative Payments Association (n.d.) *Durbin Amendment* <https://www.ipa.org/durbin.html>
- ASIC (February 2025) *ASIC makes new clearing and settlement rules to promote competition* <https://www.asic.gov.au/about-asic/news-centre/find-a-media-release/2025-releases/25-019mr-asic-makes-new-clearing-and-settlement-rules-to-promote-competition>
- Office of the Law Revision Counsel (2010, as amended), 15 U.S.C. § 1693o-2, Reasonable fees and rules for payment card transactions <https://uscode.house.gov/view.xhtml?req=%28title%3A15+section%3A1693o-2+edition%3Aprelim%29>

Sources for Figure 4 and 24: PEXA's profit margins are not unusual for comparable businesses and IPART's proposal would reduce them dramatically

- CME Group SEC filing for fiscal year ended 31/12/2025, PEXA actuals (FY11 – FY25) <https://investor.cmegroup.com/static-files/a2aa7030-1c4c-44a5-88b1-1379b9d5276f>
- ASX Annual Report 2025 Powering a stronger economic future <https://www.asx.com.au/content/dam/asx/annual-reports/asx-2025-annual-report.pdf>

- Mastercard Inc. Annual report pursuant to section 13 or 15(d) of the securities Exchange act of 1934 for the fiscal year ended December 31, 2025
https://s25.q4cdn.com/479285134/files/doc_financials/2025/ar/MA-12-31-2025-10-K-as-filed-with-standard-exhibits.pdf
- Visa Annual report 2025
https://s29.q4cdn.com/385744025/files/doc_downloads/2025/Visa-Fiscal-2025-Annual-Report.pdf
- REA Group Annual report 2025 <https://onlinereports.irmau.com/2025/REA/>
- Sydney Water Annual report 2024-25
<https://www.sydneywater.com.au/content/dam/sydneywater/documents/sydney-water-annual-report-2024-25.pdf>
- Ausgrid Group Annual report 30 June 2025
<https://links.sgx.com/FileOpen/Ausgrid%20Financial%20Statments%20FY25.ashx?App=Announcement&FileID=857133>
- CAR Group Annual Report 2025 https://cargroup.com/wp-content/uploads/2025/08/CAR-Group_FY25_Annual_Report_Final.pdf
- Wisetech global Annual Report 2025
<https://www.wisetechglobal.com/media/c2cf32os/wtc-2025-annual-report.pdf>
- Landgate Annual Report 2024-25
<https://www.landgate.wa.gov.au/siteassets/documents/about-us/strategic-plans-and-annual-reports/landgate-annual-report-2024-25/>
- TechnologyOne Annual Report 2025
https://technology1.com/_data/assets/pdf_file/0004/300010/TechnologyOne-Annual-Report-2025.pdf
- SEEK Annual Report 2025 <https://au.seek.com/content/media/SEEK-Annual-Report-2025.pdf>
- WaterNSW Annual Report 2024-2025
<https://www.waternsw.com.au/documents/publications/general-publications/annual-reports/WaterNSW-Annual-Report-2024-2025.pdf>
- Essential Energy Annual Report 2024-25
https://www.essentialenergy.com.au/ext/ar2025/files/2025/11/Essential-Energy_Annual-Report_2024-25.pdf
- IPART Draft July 2026

Appendix C: Methodology for post-modelling adjustments

This section sets out the methodology used to apply post-modelling adjustments to the transfer forecasts over FY2027-31 prepared for PEXA's internal business planning and risk assessment purposes. They are being shared with IPART on a commercial in confidence basis

