

31 August 2005

Mr Paul Larsen
General Manager (Acting)
WestNet Rail Pty Ltd
GPO Box S1422
PERTH WA 6845

Dear Mr Larsen

INDEPENDENT REVIEW REPORT

Scope

We have reviewed compliance by WestNet Rail Pty Ltd ("WNR") to specific provisions of:

- the Railway Access Segregation Management Manual and procedures list;
- the Train Path Policy; and
- the Train Management Guidelines, including compliance with select provisions of the Railways (Access) Code 2000 and Railways (Access) Act 1998

for the year ended 30 June 2005. This review has been performed for the purposes of reporting to the Regulator and we understand that our report will be included in the Regulator's Annual Report to Parliament.

The Management and Directors of WNR are responsible for the design, documentation, operation and monitoring of the Segregation Arrangements, Train Path Policy and Train Management Guidelines. They are also responsible for the adequacy of compliance measures contained therein, including the relevant internal control systems, policies and procedures, and compliance therewith. We have conducted an independent review in order to state whether, on the basis of the procedures performed, anything has come to our attention that would indicate that WNR has not complied with the following:

1. All segregation responsibilities taking into consideration the requirements of the Railways (Access) Act 1998, the Regulator's Determination and approved WNR Segregation Arrangements and associated procedures, including the obligation to maintain separate accounts and records.
2. The application of pricing principles consistently to ensure that access prices charged to its associate are similar to access prices charged to other entities in accordance with Schedule 4, clause 13 of the Railways (Access) Code 2000.
3. The provision to operators of a time profile of schedule of repairs, maintenance or upgrading works to be undertaken and the length of potential disruptions.
4. The notification of affected operators of revised time profiles in instances when WNR was unable to meet identified time commitments.

5. The development of a decision process to manage 'special conditions' outside of the train decision matrix.
6. Where scheduled train paths have been affected by planned track maintenance activities, the parties have been provided satisfactory alternate train paths.
7. Actual departure or arrival times for a train using a WNR scheduled train path being sufficiently close to those set out in the scheduled train path.
8. Achieving agreed train transit times on a continuing basis despite the implementation by WNR of temporary speed restrictions in various parts of the rail network.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of entity personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events.

Inherent Limitations

Because of the inherent limitations of any internal control structure surrounding the design and operation of the Segregation Arrangements, Train Path Policy and Train Management Guidelines, it is possible that errors or irregularities may occur and not be detected. Similarly a review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. In addition, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Exceptions

During the course of our review, the following exceptions were noted:

- The procedure entitled 'ARG Registry Handling of Access Related Correspondence' requires all access-related information to be stamped to identify its confidential nature. This procedure is not being complied with.
- We reviewed the Key Performance Indicators reported to the Economic Regulation Authority for the year to June 2005. For the quarter ended September 2004, a Key Performance Indicator in relation to Network Shutdowns for infrastructure upgrades and Structure renewals (KPI reference 8) was incorrect. The KPI indicated there was a shutdown on 31 August 2004 but the train control diagram indicated there was no shutdown on this date. WestNet Rail Pty Ltd advised that the shutdown was actually on 29 July 2004 and that no operator was affected by the shutdown.

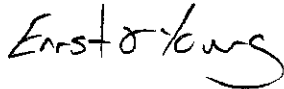
Statement

Based on our review, which is not an audit, except for those matters noted above, nothing has come to our attention that causes us to believe that WestNet Rail Pty Ltd has for the year ended 30 June 2005 not complied with specific provisions of the following (as covered by our review and identified above):

- the Railway Access Segregation Management Manual and procedures list;
- the Train Path Policy; and
- the Train Management Guidelines.

Our report is issued solely for the purpose set forth in the first paragraph of this report. We disclaim any assumption of responsibility for any reliance on this report or on the specific provisions of the Railway Access Segregation Management Manual and procedures list, Train Path Policy and Train Management Guidelines to which it relates to any other person, or for any purpose other than that for which it was prepared.

Yours sincerely



Ernst & Young



Iain Burnet
Partner