☰ ERNST & YOUNG

5 September 2006

Mr Paul Larsen
Commercial Manager
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") for the year ended 30 June 2006 to specific provisions of the:

- Railway Access Segregation Management Manual and procedures list;

- Train Path Policy; and

- Train Management Guidelines, including compliance with select provisions of the Railways (Access) Code 2000 and Railways (Access) Act 1998.

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. Segregation responsibilities as required under 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 to ensure that access prices charged to its associate was 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 that was undertaken and the length of potential disruptions.

4. The notification to affected operators of revised time profiles in instances when WNR was unable to meet identified time commitments as required under the Railways (Access) Act 1998, the Regulator's Determination and approved WNR Train Path Policy and associated procedures.

5.   The existence of a decision process to manage 'special conditions' outside of the train decision matrix.

6.   Where scheduled train paths had been affected by planned track maintenance activities, the affected operators had been provided satisfactory alternate train paths.

7.   The process to report on actual departure or arrival times for a train using a WNR scheduled train path against those set out in the scheduled train path.

8.   The implementation by WNR of temporary speed restrictions in various parts of the rail network, which could affect train transit times, were accurately reported to the Regulator.

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.

  - Maintained in a locked, secure cabinet by the Access Policy Manager. This procedure is not being complied with.

  - The file movement log used to verify that the documents are accessed only by authorised personnel has not been maintained for the period under review.

- Signed confidentiality statements for three ARG board members could not be located.

- For the quarter ended September 2005, a Key Performance Indicator reported to the Economic Regulation Authority in relation to Network Shutdowns for infrastructure upgrades and Structure renewals (KPI reference 8) was incorrect. A KPI reporting a shutdown on 20 September 2005 was incorrect by 30 minutes.

- Speed restrictions were not reported in the KPI's due to changes to track geography not being transferred into KPI reporting procedures. There were two such instances noted for the April to June 2006 period.

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 not, for the year ended 30 June 2006, complied with specific provisions of the following (as covered by our review and identified above):

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

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