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Your Ref :

15 March 2007

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
Level 6, Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

Dear Lyndon

Subject WestNet Operating and Overhead breakdown of cost

I refer to the recent request to provide a further breakdown of WestNet Rail's operating and overhead costs to add clarity to the summary provided in the submission dated August 2006.

The key categories are as follows:-

- Operating cost;
- Overheads and insurance;
- Network Management;
- Centralised Train Control;
- Group overheads; and
- WNR corporate support services.

WNR Operating and Overhead Cost breakdown in ERA Submission

	ERA Submission
Operating Cost	6,477,000
Head Office	2,624,000
Picton regional office	601,000
Avon regional office	673,000
Geraldton regional office	499,000
Kalgoorlie regional office	924,000
Midland regional office	752,000
Narrogin regional office	404,000
WNR Overheads and Insurance	11,701,868
Head Office Management	3,350,028
Technical and Standards	950,014
Property	205,208
Projects management	592,000
Insurance	4,626,000
WestNet IT equipment and software	678,417
WestNet Road motor vehicles	660,073
Other head office assets	640,128
Network Management	1,140,990
Labour	778,000
Other Office expenses	362,990
Centralised Train Control	4,751,368
SWM incl Terminals	1,128,450
Brunswick to Premier	59,392
Kwinana to Kalgoorlie	1,455,106
Kalgoorlie to Leonora	148,480
Kalgoorlie to Esperance	445,441
Grain (Avon - Goomalling; Katanning Tambellup; Kulin Yilliminning	237,568
Perenjori Geraldton	415,745
Balance of grain network	861,185
Group Overheads	862,158
WNR Corporate Support Services	3,629,500
Corporate Accounting	641,000
Corporate Compliance	369,000
Corporate Overheads	686,500
Human Resources	789,000
Information Technology	1,144,000

We trust this provides sufficient detail on the breakdown of the overhead and operating cost elements contained within the initial WNR submission.

Please do not hesitate to contact me with any further queries you may have.

Yours sincerely

John Cleland
Chief Executive Officer