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Date 17th April 2007

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

Dear Lyndon

Subject - WestNet Submission on the Draft Determination on the Proposed Floor and Ceiling Costs 20 March 2007.

WestNet (WNR) has considered the Draft Determination released by the Economic Regulation Authority (ERA) on 20th March 2007 and wishes to make a further submission.

A review of the Draft Determination highlights three recommendations in relation to which WNR requests the ERA further consider WNR's original submission, with the additional substantiation provided in this letter. They are:

1. The grain line ceiling calculations presented in the draft determination appear to be incorrect. Based on the proposed changes that have been proposed by the ERA in the Draft Determination, WNR have re-calculated the grain line ceilings. The table below demonstrates the impact on the grain line ceilings after adjusting the tracklay, rail and ballast unit costs.

Revised Grain Ceiling incorporating ERA recommended unit cost adjustments

Route Section	Section Length	Total Ceiling	Capital	Maintenance	Operating	Overhead	Floor	Total GRV
Avon to Goomalling	57.69	4,249,833	3,589,070	311,526	247,732	101,504	92,984	49,661,354
Katanning to Tambellup	46.71	3,012,643	2,584,472	252,245	139,844	36,082	42,512	35,814,629
Kulin to Yilminning	99.81	6,337,626	5,689,869	410,111	217,243	20,404	37,594	78,180,546

WNR original Ceiling Submission

Route Section	Section Length	Total Ceiling	Capital	Maintenance	Operating	Overhead	Floor	Total GRV
Avon to Goomalling	57.69	4,385,906	3,720,733	311,526	252,143	101,504	96,253	51,500,188
Katanning to Tambellup	46.71	3,113,897	2,682,444	252,245	143,126	36,082	43,360	37,214,363
Kulin to Yilminning	99.81	6,497,751	5,844,803	410,111	222,433	20,404	37,780	80,323,583

WNR believe the revised ceiling calculation provided above should replace the grain lines in Appendix 3 (page 62) of the draft determination.

2. Concrete sleeper prices recommended by the ERA in its Draft Determination understate the true cost of supply in Western Australia. A recent written quotation from a local supplier to WNR for a major track construction project of 75 kilometres supports the unit cost put forward by WNR in its first submission (assuming \$2 per sleeper is added for transport to Midland). A copy of the local supplier's written quotation will be provided to the ERA by WNR on a confidential basis.

Based upon the information provided, WNR recommends the concrete sleeper price for both narrow and standard gauge be \$85 and \$95 respectively, as proposed in WNR's original submission.

3. The Draft Determination's Required Amendment 4 states that the determined floor and ceiling costs for the Grain Lines and the Terminal Ends will apply from 1 January 2007. This is not supported by WNR as the submission of the initial floor and ceiling costs by WNR were based upon the same underlying 1 July 2006 unit costs as the Mainlines and Worsley lines.

Timing for the Grain Lines and Terminal Ends should have the same date of application as the Mainlines and Worsley lines, or if they are to be applied from the 1 January 2007 date, they should be escalated for a period six months at 75% of CPI.

WNR looks forward to the opportunity to discuss the issues raised in this letter prior to the Draft Determination being finalised, in the mean time please do not hesitate to contact us with any queries that you may have.

Yours sincerely

John Cleland
Chief Executive Officer