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Date 30th July 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 – ERA Final Determination on the Proposed Floor and Ceilings for Mainlines; Worsley line; Terminal Ends and Grain lines, June 2007.

This letter replaces two previous letters forwarded to the ERA dated 17 July 2007.

WestNet (WNR) has considered the final determination released by the Economic Regulation Authority on 26 June 2007.

The proposed Floor and Ceiling Costs for all determined rail lines were found to be incorrect due to a mathematical error in the formula adjusting the signal and communications unit pricing. A schedule comparing the Final Determination floor and ceilings as released by the ERA and those agreed between WNR and PwC is provided:-

Route	Final Ceiling Determination June 2007	Final Floor Determination June 2007	Revised Final Ceiling Determination July 2007	Revised Final Floor Determination July 2007
South West Main (SWM)	24,385,733	2,124,264	24,569,823	2,124,264
Collie Line	7,280,493	271,742	7,312,541	271,742
Terminal ends of SWM	3,066,316	118,170	3,067,148	118,170
EGR	115,680,313	7,188,762	116,306,639	7,188,762
Leonora line	21,892,478	383,705	21,914,797	383,705
Esperance line	37,582,605	1,881,727	37,637,455	1,881,727
Avon Goomalling	4,114,528	96,253	4,118,414	96,253
Katanning Tambellup	2,890,194	43,360	2,890,356	43,360
Kulin Yilliminning	5,938,728	37,780	5,938,762	37,780

It is also noted that the determination is to be retrospectively applied as follows:-

Mainlines and Worsley line – effective from 1 July 2006

Grain lines and Terminal Ends – effective from 1 January 2007.

WNR will escalate the terminal ends by CPI-x for the period July 1 2005 to December 31, 2006.

The table below summarises the impact of this CPI-x adjustment between this period for the Terminal Ends.

Ceiling escalation for Terminal Ends	Ceiling 1 July 2005	Ceiling 1 July 2006	Ceiling 31 December 2006
Kwinana No 3 to Alcoa Bauxite Junction	536,990	549,166	559,683
Alcoa Bauxite Junction to Alcoa Bauxite Siding	401,856	410,969	418,839
Alcoa Bauxite Junction to Alcoa Caustic Siding	165,938	169,698	172,946
Alcoa Caustic Siding to Alcoa Alumina Siding	86,577	88,540	90,234
Bunbury Inner Harbour No 485 pts to Alcoa (inbound)	271,491	277,648	282,965
Bunbury Inner Harbour No 486 pts to Alcoa (outbound)	181,900	186,025	189,588
Bunbury Inner Harbour No 485 to No 486 pts	326,010	333,403	339,789
WACC	6.7%	6.7%	6.7%
CPI ref	Mar-05	Mar-06	Sep-06
CPI value	147.50	151.90	155.70

In accordance with the Final Determination the “Required Amendment 4” page 43 states that the ceiling costs for the mainlines and the Worsley line apply from 1 July 2006.

In accordance with clause 2.5 and 5.1 of the approved Costing Principles (specifically being adjustments to the Weighted Average Cost of Capital (WACC) and the CPI-x provisions respectively), WNR submit the revised ceilings for the Mainlines and Worsley line, effective from 1 July 2007.

The increase in the WACC (from 6.7% to 7.1%) was advised by notice on 5 July 2007 by the ERA and the CPI-x value is 1.82%.

The table provides the adjusted ceilings that become effective from July 1, 2007.

Adjusted Ceilings 1 July 2007

	Revised Final Ceiling Determination Effective 1 July 2006	Ceiling Adjustment for WACC Adjustment to 7.1% and CPI-x Effective 1 July 2007
SWM	24,569,823	25,735,038
Route Section		
Kwinana to Mundijong Jn	3,930,312	4,118,737
Mundijong Jn to Pinjarra	5,527,464	5,803,033
Pinjarrato Pinjarra East	677,940	697,829
Pinjarra East to Alumina Jn	781,938	800,367
Pinjarra East to Pinjarra South	304,902	314,377
Pinjarra to Wagerup	3,245,723	3,422,284
Wagerup to Brunswick Jn	5,039,667	5,296,451
Brunswick Jn to Picton Jn	3,584,957	3,750,446
Picton Jn to Bunbury Inner Harb	1,476,919	1,531,514
Collie Line	7,312,541	7,648,250
Route Section		
Brunswick North - East	154,936	160,890
Brunswick - Brunswick East	433,870	450,165
Brunswick East - Worsley	2,572,257	2,692,994
Worsley - Worsley North	459,376	475,407
Worsley North - Hamilton	893,626	931,458
Worsley East - Worsley North	122,708	127,578
Worsley - Worsley East	245,540	254,396
Worsley East - Ewington Jn	2,124,648	2,235,189
Ewington Jn - Premier	305,581	320,173
EGR	116,306,639	122,968,429
Route Section		
F'Field Sth to Midland	5,789,170	6,080,856
Midland to Millendon Jn	5,868,820	6,156,947
Millendon Jn to Toodyay West	17,543,862	18,543,626
Toodyay West to Avon Yard	8,308,154	8,757,984
Avon Yard to West Merredin	26,187,573	27,712,709
West Merredin to Koolyanobbing	23,573,972	24,983,691
Koolyanobbing to West Kalgoorlie	24,821,395	26,267,050
West Kalgoorlie to Border	1,650,595	1,727,424
Avon to West Merredin Sidings	1,425,104	1,522,445
West Merredin to Koolyanobbing Sidings	777,343	830,222
Koolyanobbing to W Kal Sidings	360,651	385,474
Leonora line	21,914,797	23,222,082
Route Section		
Kalgoorlie to Malcolm	19,379,596	20,545,619
Malcolm to Leonora	2,513,122	2,652,998
Menzies sidings	22,078	23,464
Esperance Line	37,637,455	39,764,425
Route Section		
West Kalgoorlie to Hampton	2,401,316	2,519,463
Hampton to Kambalda	3,920,614	4,130,555
Kambalda to Salmon Gums	20,726,206	21,924,294
Salmon Gums to Esperance	10,422,834	11,012,941
Kambalda siding	40,903	43,540
Norseman Siding	36,835	39,197
Salmon Gums Siding	88,747	94,435

The Terminal and Grain Lines are only adjusted for the movement in WACC from 6.7% to 7.1%.

	Revised Final Ceiling Determination Effective 1 Jan 2007	Ceiling Adjustment for WACC Adjustment to 7.1% Effective 1 July 2007
Terminal End	3,067,148	3,105,310
Route Section		
Inner Harbour 485 Pt to Alcoa (Inbound)	512,812	515,183
Inner Harbour 486 Pt to ALCOA (Outbound)	332,664	334,816
Inner Harbour 487 Pt to Worsley (Outbound)	217,771	219,605
Inner Harbour 485 Pt to 486 pts	471,591	472,587
Inner Harbour 486 Pt to 487 pts	180,701	181,140
Inner Harbour 487 Pt to Woodchips	294,713	308,639
Kwinana no3 points to bauxite junction	469,299	475,069
Alcoa Bauxite Jn - Alcoa Bauxite Sdg	311,833	315,402
Alcoa Bauxite Jn - Alcoa Caustic Sdg Pts	190,432	195,188
Alcoa Caustic Sdg Pts -Alcoa Alumina Sdg Pts	85,331	87,681
Grain Lines		
Avon Goomalling	4,118,414	4,286,311
Katanning Tambellup	2,890,356	3,011,896
Kulin Yilliminning	5,938,762	6,195,291

The proposed timeframe for the next determination reset commencing October 2008 for application from 1 July 2009 is noted.

Yours sincerely

Paul Larsen
Commercial Manager