

21 December 2007

Gayle Andrews
QR Network Access
Level 21, Pipe Networks House
127 Creek St, Brisbane
QLD 4000

External Audit of Queensland Rail's (QR) compliance with its obligations under Clause 3.4 and Subclause 3.5.2(b) of the QR Access Undertaking being an audit of the Decision Making Procedures of QR – Audit Report for the year ended 30 June 2007.

Background

The QR Access Undertaking provides for the negotiation of Access required for the operation of train services by Access Seekers.

QR has established its organisational structure to facilitate the separation of the management of Rail Infrastructure from the operation of Train Services. Network Access has been established as a business group of QR, separate from QR Operational Business Groups.

Clause 3.4 of QR Undertaking states the following:

- (a) Subject to Paragraph 3.4(b), Network Access will comply with the following decision making principles when making a decision under this Undertaking that will, or has the potential to, materially and adversely affect an Access Seeker's or Access Holder's rights under this Undertaking or an Access Holder's Access:
 - i) the decision is made by an identified decision maker responsible for the relevant type of decision;
 - ii) the decision is made in a manner that is consistent between Access Seekers and/or Access Holders in the same circumstances; and
 - iii) either
 - a. the decision is required in order to comply with:
 - a law;
 - a lawful direction of an Authority;

- this Undertaking;
 - the Access Agreements of adversely affected Access Holders;
 - an access code made under the Act;
 - b. the decision is made in accordance with QR's documented policies and procedures; or
 - c. the reasons for the decision are documented by QR
- (b) Decision made in relation to a reasonable act done in, and for, or to prevent an emergency (including an emergency that involves, or may involve, injury to persons or damage to property) are exempt from the decision making process prescribed by Paragraph 3.4(a).

In addition, Clause 3.5.2(b) of the QR Access Undertaking states that QR's compliance with its obligations under Clause 3.4 will be audited annually.

Accordingly our audit has not been conducted in accordance with Australian Auditing Standards, which apply to the audit of financial information, but has been performed in accordance with Subclause 3.5.2(b), being an audit of compliance with obligations as detailed above. This audit report has been prepared for the purpose of Subclause 3.5.2(b), and we disclaim any assumption of responsibility for any reliance on this report, other than for the purpose for which it was prepared.

Scope

This section is to be read in conjunction with the background explanation above.

In accordance with Subclause 3.5.2, an audit plan for decision making, ring fencing and complaints handling was prepared for QR. Following completion of the audit plan we were instructed by QR to prepare a separate audit report for the decision making.

We have carried out an external audit of QR's decision making procedures as set out in our audit plan, for the year ended 30 June 2007 in accordance with Clause 3.5.2 of QR's 2005 Access Undertaking.

The process adopted for the conduct of the audit, which is in accordance 3.5.2, was as follows:

- a) Reviewing the requirements of the undertaking;
- b) Discussing with business group managers ('decision makers') to identify the decision making principles employed when access is requested by an operator;
- c) Testing specific enquiries by discussing and verifying with decision makers instances where decisions have materially impacted upon an Access Seeker or Access Holder;
- d) Discussing and verifying with decision makers that the decisions in these instances were made in a manner that is consistent between Access Seekers and/or Access Holders in the same circumstance;
- e) A review of QR internal processes for adequacy by discussing the principles applied by decision makers to determine if they are adequate in complying with the undertaking;
- f) Reviewed and enquired into the nature and incidence of complaints; and
- g) Reviewing how any complaints have been dealt with.

Our procedures have been undertaken, in order to identify in our audit report, whether QR has complied in all material respects with its obligations under Clause 3.4.

Audit Opinion and Results

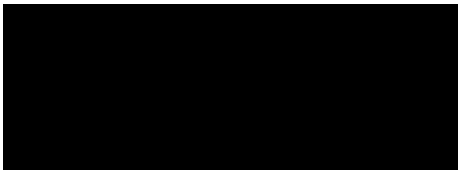
In our opinion, based on the scope of work as detailed above, QR has complied in all material respects with its obligations under Clause 3.4. This includes the following:

- Decision makers are well aware and understand their responsibilities in making a fair decision on matters which will, or has the potential to materially and adversely affect an access seeker and/or access holder; and
- Ian Lock, the General Manager of Rail Access Services ('RAS') oversees and signs off on every access request ensuring a level of consistency with decision making.

We also note that material issues can escalate to the QR Board for decisions when considered necessary.

In addition, we note that there have been no complaints directed towards Network Access during the 2007 financial year.

BDO Kendalls (QLD)



Zoran Radosevic
Partner