

FINANCIAL REVIEW

SE Companies and Markets

HD Asciano on track but many sectors still slow

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LP Asciano chief executive John Mullen has cautioned the economic environment remains weak ahead of Christmas as the ports and rail group reaffirmed existing profits guidance at its annual meeting.

"It's disappointingly slow across most sectors in the business," Mr Mullen told The Australian Financial Review after Asciano's AGM in Sydney.

TD Although economic activity was "not disastrous," Mr Mullen said it was weak across many sectors, including in Asciano's agricultural, intermodal and steel transport businesses.

Container lifts in Asciano's Patrick ports business were flat in the first quarter of 2014-15 compared with a year earlier, with the overall container market growing between zero and 3 per cent – below historical norms.

While **coal** haulage volumes continued to be strong in Asciano's Pacific National rail division, with tonnages hauled up 6.6 per cent in the first quarter, bulk haulage volumes were down 7.7 percent.

In Asciano's intermodal business, haulage volumes (as measured by net tonne kilometres) dropped 2.4 per cent in the first quarter due to falls in the amount of freight transported from the west to the east coast.

Sea freight has been taking market share from rail freight over the past two years, according to Commonwealth Bank of Australia analyst Matt Crowe, who pointed out that container volumes at the port of Fremantle in Western Australia had been "strongly positive" over the past year.

Mr Crowe claimed Asciano's Pacific National intermodal rail business was losing share to cheaper container - shipping. "Shipping industry feedback suggests ships are sailing directly to Fremantle more often, rather than unloading containers at east coast ports, then using rail," Mr Crowe said. "This appears to be a structural change and we do not expect it to unwind as economic conditions improve."

Asciano reiterated its existing earnings guidance at the meeting, confirming it was on track to increase earnings before interest and taxation by more than 5 per cent in 2014-15.

Asciano continued to hold talks with **Chinese** conglomerate **China** Merchants over the potential **sale** of a minority **stake** in its Patrick ports business, which analysts estimated was worth more than \$2 **billion**. "We're still proceeding along," Mr Mullen said.

Asciano's large market shares in its existing businesses combined with sluggish growth in the Australian - economy meant the **company** needed to look for new sources of growth in Australia and overseas, Mr Mullen said.

CO ascian : Asciano Ltd.

IN itsp : Transportation/Shipping

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