The Canberra Times
INDEPENDENT. ALWAYS.

HD **Transport Eye on Pilbara, Galilee Basin**

BY Jenny Wiggins

WC 526 words

PD 19 August 2014

SN Canberra Times

SC CANBTZ

PG B011

LA English

CY (c) 2014 The Canberra Times

LP

Transport Eye on Pilbara, Galilee Basin

Aurizon mulls track sales in Queensland

TD

Jenny Wiggins

Aurizon CEO Lance Hockridge is weighing his options. Photo: Glenn Hunt

Aurizon chief executive Lance Hockridge has confirmed the rail group will consider selling a **stake** in its Queensland tracks to fund expansion in **mining** regions. Aurizon was considering building new rail networks in Western Australia's Pilbara region as well as Queensland's Galilee Basin to haul **iron** and **coal** for miners, and was evaluating options to pay for the projects, Mr Hockridge said. "One option would be the potential to sell down an interest in the central Queensland **coal** network," he said. Investment bank UBS has estimated that Aurizon could generate up to $2 **billion** by selling 49 per cent of its Queensland track business. Aurizon had not started talks with potential investors in the rail network because it had not made final investment decisions on either project, Mr Hockridge said. He indicated the Pilbara project could proceed faster than the Galilee project because **Chinese** partner Baosteel wanted to start exporting **iron ore** as soon as possible to supply a new steelworks in **China**. Aurizon has delayed signing a final agreement with its Galilee partner, miner GVK Hancock, until early next year. Mr Hockridge cautioned it

would take about 12 months for the **company** to secure haulage contracts before it could start building a new rail line and new terminal at the port of Abbot Point. "Whether it's a three-year horizon or a slightly longer horizon, ultimately the fundamental economics will underpin both the development of T3 [terminal at Abbot Point] and the opening up of the Galilee," Mr Hockridge said. Aurizon reported a 43 per cent fall in annual net profit to $253 **million** on Monday. Although underlying earnings before interest and tax (EBIT) rose 13 per cent on a year earlier to $851 **million** due to stronger **coal** and **iron ore** haulage volumes, Aurizon did not take as much cost out of its business in the second half as forecast. Statutory net profits were hurt by previously announced asset impairments of $317 **million** and voluntary redundancy costs of $69 **million** as Aurizon slashed jobs and scaled back its train fleet. Analysts were concerned to see the **company** flag increased capital spending on IT, track maintenance and fleet upgrades. It plans to lift spending to about $600 **million** annually between 2014-15 and 2016-17 from $350 **million** annually. "All of a sudden you've got a lot less cash flow coming back," said

Matthew Spence, analyst at Merrill Lynch, adding that Aurizon had not provided much "hard detail" on how the additional spending would improve revenues. Aurizon head of **operations** Mike Franczak argued the **company** needed higher capital spending for it to become a world-class operator.

Aurizon will look to cut costs by up to $300 **million** over two years as a "risk mitigation" strategy against the possibility of industrial action and flooding in Queensland, and a new regulatory agreement with the Queensland Competition Authority. Aurizon shares fell 3 per cent, or 15ï¿½, to 44.88.

RF 59485104

CO dorval : Aurizon Mines Ltd | hclamn : Hecla Mining Co

IN i211 : Metal Ore Mining | ibasicm : Basic Materials/Resources | igoldm : Gold Ore Mining | imet : Mining/Quarrying

RE queensl : Queensland | apacz : Asia Pacific | ausnz : Australia/Oceania | austr : Australia

PUB Federal Capital Press of Australia Pty Ltd

AN Document CANBTZ0020140818ea8j0000k