



30 October 2000

Australian Railroad Group wins Westrail Freight

The Australian Railroad Group (ARG), comprising Wesfarmers Limited and Genesee & Wyoming Inc (GWI), has been successful in its bid to acquire the Westrail Freight business.

The joint venture will pay \$585 million to purchase the business including rolling stock, customer contracts and a 49-year lease on the rail network.

In addition, it expects to outlay up to \$400 million over the next five years on track upgrades and purchase of new rolling stock to meet anticipated growing demand for rail freight services.

The Managing Director of Wesfarmers, Mr Michael Chaney, and Mr Charles Chabot, Chief Executive Officer of Genesee & Wyoming Australia Pty Ltd, said their companies were delighted to have been chosen to take over the freight side of Westrail's operations.

"Wesfarmers' proven business acumen and GWI's world class rail expertise is an ideal combination for the growth and development of Westrail freight as part of a national rail operation," they said.

An important feature of the successful bid is that the joint venture will own both Westrail Freight and the South Australian rail freight operations acquired three years ago by Australia Southern Railroad (ASR), a GWI subsidiary, from Australian National Railways. Since GWI acquired the South Australian business it has increased market share and profits, and enhanced services, through a capital investment and refurbishment programme.

ASR is also a member of the consortium chosen to build the Alice Springs to Darwin railway line.

The Chairman and Chief Executive Officer of GWI, Mr Mortimer B. Fuller III, said his company was excited about combining its railroad expertise with an outstanding business partner in Wesfarmers.

"Through the formation of the Australian Railroad Group, we are building on Genesee & Wyoming's initial investment in ASR in 1997 and transforming our operations into a major rail carrier that will play a significant role in the future of the Australian rail industry," said Mr Fuller.

Mr Chaney and Mr Chabot (who will be Chief Executive of ARG), said the new company would be headquartered in Perth with major regional offices in Adelaide and Kalgoorlie and longer term plans to establish market development offices in Melbourne, Sydney and Darwin.

Westrail Freight Acquisition

Background information

The Westrail Freight business

The business comprises the freight services of the Western Australian government-owned Westrail railway operations.

Westrail Freight's revenue for the year ended 30 June 2000 was estimated at \$270 million with earnings before interest, depreciation and amortisation estimated at \$94 million.

It operates over more than 5,000 kilometres of standard and narrow gauge track and carries about 30 million tonnes of freight each year. Its main commodities include grain, alumina, bauxite, iron ore, nickel ore, mineral sands, coal and woodchips.

ARG is acquiring 95 locomotives and about 2,500 railcars, as well as the licence to operate the rail network for 49 years.

About 1,000 of Westrail's 1,125 current employees have decided to remain with the privatised company.

Structure and Operation of the Australian Railroad Group (ARG)

ARG is an equally-owned joint venture between Wesfarmers Limited and Genesee & Wyoming Inc (GWI) of the United States.

GWI is a leading operator of short line and regional freight railroads in the United States, Canada, Mexico and Australia and provides freight car switching and related services to industrial companies that have extensive railway facilities within their operations. It was founded in New York State in 1899 and today operates over 6,000 kilometres of owned and leased track on two continents with track access arrangements covering another 4,300 kilometres.

ARG will be headed by Mr Charles Chabot, currently Chief Executive Officer of Genesee & Wyoming Australia Pty Ltd. It will be headquartered in Perth with ownership of Westrail Freight and the South Australian rail freight operations acquired three years ago by GWI and trading as Australia Southern Railroad (ASR).

Wesfarmers and GWI will appoint three members each to its board. Wesfarmers will appoint the chief financial officer.

Completion of the acquisition is expected in early December.