



Wesfarmers Limited

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NEWS

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Sale of Australian Railroad Group

Wesfarmers and Genesee & Wyoming (G&W) of the United States, joint venture partners in the Australian Railroad Group (ARG), today announced an agreement to sell ARG to Babcock & Brown Limited and QR (Queensland Rail).

Following completion, Babcock & Brown will own and operate ARG's below rail business (essentially the track and associated infrastructure) in Western Australia and QR will own and operate the above rail business (rail haulage) and associated infrastructure.

The sale, for \$1.3 billion (subject to completion adjustments), covers freight operations in Western Australia and contracted services operating in New South Wales and Victoria. It also includes the remaining 43 year lease on the rail network in Western Australia, currently managed by the ARG subsidiary WestNet Rail, which was part of the purchase from the government of Western Australia in October 2000.

ARG's South Australian freight services business, representing about 15 per cent of the existing business, will be separated from ARG as part of the transaction. On completion, Wesfarmers will transfer its interest in the South Australian business to G&W for \$20 million. The South Australian network was originally acquired by G&W in 1997 and combined with the Western Australian assets three years later to form ARG.

Provision has been made in the sale arrangements for QR to have access to the infrastructure in South Australia needed to facilitate national operations by QR, as the new owner of ARG's above rail business.

Wesfarmers' share of sale proceeds from the transactions after payment of debt will be approximately \$425 million (subject to completion adjustments) and it will record a pre-tax profit of approximately \$235 million on the transactions. Completion is expected to occur prior to the end of the 2006 financial year.

The sale is subject to a number of regulatory approvals, each of which is expected to be obtained. In particular, a regulatory clearance from the Australian Competition and Consumer Commission (ACCC) is required. The ACCC has considered information provided by the parties to the sale and has formed the preliminary view that, based on the information provided, the proposed acquisition appears unlikely to substantially lessen competition. Before confirming its preliminary view, the ACCC will undertake market inquiries.

The Managing Director of Wesfarmers, Richard Goyder, said the sale would create a second major national rail player to the benefit of ARG's employees, customers and consumers across Australia.

“The increased capacity to be delivered by this transaction, bringing together as it does the second and third biggest participants in the Australian rail freight sector, will provide the scale needed to be competitive in the national market,” he said.

Mr Goyder said the joint venturers appreciated the support they had received from employees, customers and suppliers during their five year involvement in ARG.

“There have been significant improvements in both service efficiency and safety during this time,” he said.

“More than \$360 million has been spent in new capital expenditure and another \$395 million on maintenance.

“By bringing the Western Australian and South Australian networks under the joint venture’s management and winning new contracts in WA, New South Wales and Victoria, we have added significant value to the original assets. Very importantly, also, there has been a marked lift in safety performance with ARG winning the Australian Railway Association’s safety improvement and innovation award in 2004.

“Finally, I want to say how much we have enjoyed working with Genesee & Wyoming. It has been a very productive relationship and on behalf of present and former colleagues I express my appreciation of the commitment shown by Chairman Mort Fuller and his team to making this partnership so successful.”

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