



# FreightLink

**Media Release**

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## **RECEIVER AND ADMINISTRATOR APPOINTED TO FREIGHTLINK - BUSINESS TO CONTINUE AS USUAL**

The FreightLink board has today appointed a voluntary administrator after it was unable to obtain all of the required consents for a voluntary sale of the business. Receivers and managers, KordaMentha, have also been appointed.

FreightLink, the owner and operator of the Adelaide to Darwin railway, began a sale process in May this year on behalf of shareholders and with the full support of the company's senior banks.

In early September, a bidder who had made an offer significantly higher than senior debt was named as preferred bidder. Although the transaction was approved by all shareholders and a majority of mezzanine debt holders, the board could not proceed with the sale because a small group of mezzanine debt holders would not consent. This minority group had requested that senior banks make some contribution to the mezzanine debt holders. This was not acceptable to the senior banks as the offer from the preferred bidder was well in excess of the senior debt.

FreightLink chairman, Malcolm Kinnaird, said the board had been very disappointed the sale process, which had yielded an attractive bid, had been thwarted by the inability to achieve consensus.

"I would like to acknowledge the shareholders, senior banks and the mezzanine debt holders who supported the sale process and all those, particularly our customers, who have contributed and will continue to contribute to FreightLink's operational success," he said.

"I also acknowledge the sustained and high quality effort of the management team to achieve the operating results and sustain a high level of growth in the business.

"The Adelaide to Darwin railway has achieved significant operational results since it started in January, 2004.

"The business continues to grow strongly and, for the financial year ending June 30 last, its operating earnings before interest, tax, depreciation and amortisation was \$28.6 million, an increase of 73% over the previous year."

Mr Kinnaird said the company had considerable debt which was primarily incurred to help fund the construction phase of the project.

“However, the operational success of the railway in converting 90% of the general freight between Adelaide and Darwin to rail and in capturing four minerals projects in its first five years of operation is testament to the quality of the asset.

“The construction of the new railway has generated significant economic benefits for the NT and SA and has been instrumental in helping to establish a viable mining industry along the railway corridor, providing the means to transport minerals cost effectively for export overseas.”

Mr Kinnaird said the outlook for the business under a more appropriate capital structure was positive and he was confident a solution would be found to allow the business to continue to grow and prosper.

The receivers and managers will now pursue a sale process and, as before, there will be no impact on customers.

“Business operations will continue as usual,” Mr Kinnaird said.

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## **Background**

### **1. Overview**

In 1996, the governments of South Australia, Northern Territory and the Commonwealth agreed to build the Alice Springs to Darwin Railway under a Public Private Partnership arrangement to provide an efficient transport link through the central corridor of Australia and to stimulate economic activity.

FreightLink is an integrated freight transport business. FreightLink operates rail freight services between Adelaide and Darwin using FreightLink's own standard gauge railway between Tarcoola and Darwin and by access to the section of track between Adelaide and Tarcoola provided under agreement with Australian Rail Track Corporation Ltd.

The railway is situated on land leased to FreightLink by the AustralAsia Railway Corporation under a concession agreement until 2054.

The FreightLink railway comprises:

- A 1,420km railway from Alice Springs to the Port of Darwin, construction of which was completed in October 2003 at a cost of \$1.2 billion; and
- 824km of existing railway from Tarcoola to Alice Springs.

Since commencing operations in 2004, FreightLink has achieved outstanding growth and made a significant contribution to national productivity. FreightLink has captured around 90% of the contestable intermodal freight market on the corridor and secured four major minerals contracts. These achievements are reflected in strong earnings growth since commencement of operations, with EBITDA delivering a compound annual growth rate of 67.0% from FY 2005 to FY 2008. EBITDA for FY 2008 was \$28.6 million.

FreightLink operates six high speed intermodal freight trains per week between Adelaide and Darwin with connecting rail services to other interstate locations. The freight trains can operate to a maximum length of 1.8km, axle load up to 23 tonne and a maximum loading height of 6.5m above rail allowing double stacking of containers on purpose-built well wagons. This intermodal train configuration is currently best practice for operations on the Australian interstate rail network and provides the optimal efficiency for the transport of containerised freight over long distances.

In addition, FreightLink has commenced the haulage of manganese ore between Bootu Creek mine and the Port of Darwin, the haulage of iron ore between Frances Creek and the Port of Darwin and is contracted to commence haulage of copper-gold concentrate from OZ Minerals Prominent Hill mine to the Port of Darwin early in 2009.

FreightLink provides track access to Great Southern Railway for use of the railway for the operation of the Ghan passenger.

### **2. Benefits of the Adelaide to Darwin railway to SA and the NT**

- The railway has provided a modern, efficient rail link to Darwin and the NT allowing inwards freight from SA and the southern states to be transported cost effectively. The railway also provides the NT with a rail link for the transport of southbound products for distribution to other states.
- Since commencement of operations in January 2004 the freight trains operating between Adelaide and Darwin have removed around 500 heavy vehicle road movements per week from National Highway 1 and the Stuart Highway resulting in:

- 90% market share for rail
  - 66% reduction in fuel consumption per tonne of freight carried on the corridor
  - 66% lower greenhouse gas emissions per tonne of freight carried on the corridor
  - Significant reduction in truck-related road accidents and congestion
  - Reduced road maintenance and repair
- The railway has acted as catalyst for mining developments along the corridor. Bootu Creek mine and Frances Creek mine would not have commenced operations if the railway was not available. There are many other mines along the corridor that will commence operations because the railway provides a viable transport solution for their products. The development of new mines and expanded rail operations provide significant employment prospects for local residents and will drive growth in the regional economy.
  - The railway has enabled two SA-based mining companies to take advantage of a low cost direct route to Darwin to transport bulk minerals for delivery to customers in China. The companies are OZ Minerals and IMX Resources which have operations in northern SA.
  - The railway will provide vital infrastructure to transport uranium and copper concentrate to Darwin for export from BHP Billiton's Olympic Dam Project when the expansion program is completed.
  - The railway will be an important avenue of supply to support the construction of the \$20 billion INPEX LNG plant proposed for Darwin.
  - The railway is used to transport ADF military equipment between Darwin, Cultana and Adelaide on a regular basis. The presence of the rail link was instrumental in the decision to establish additional ADF resources at Edinburgh including the capability to transport and maintain the new Abram tanks which are based in Darwin.
  - Rail companies in SA provide heavy maintenance services to FreightLink for the construction and operation of rolling stock. This includes Downer EDI (based in Port Augusta and Adelaide) and BlueBird Rail (based in Adelaide). Expansion of business on the railway will provide further opportunities for the SA-based rail maintenance companies.
  - The railway will potentially provide an important and efficient transport link for imported mining consumables, including fuel, entering Darwin for supply to the various operating mines in SA
  - Rail in Australia is undergoing resurgence and ongoing investment in rail infrastructure in all States and Territories is critical to provide the capacity to meet Australia's growing freight task into the future.