

## Message from GM – Paul Larsen

**WestNet Rail has a lot to be proud of as we near the end of 2009.**

We have weathered the very difficult trading conditions thrown at us by the Global Financial Crisis; completed several significant rail upgrade projects (including the South West Main concrete resleeper and Koolyanobbing to Esperance rail strengthening project with Cliffs NR); launched a major – and, we believe, ultimately successful campaign to highlight the issue of keeping Grain on Rail; and continued to work with miners in the Mid West to develop a sustainable and commercially viable rail infrastructure solution.

I would like to take this opportunity to publicly thank and congratulate all WestNet Rail employees for their efforts in 2009 and look forward to what is ahead of us next year and beyond.

I am particularly pleased that we will be heading into 2010 with greater certainty around the ownership of WestNet Rail. Many of you will be aware that our owners, Prime Infrastructure, recently completed a major recapitalisation of its business, with Canadian investor Brookfield Asset Management taking a 39% stake in the company. This is a major shot in the arm for Prime Infrastructure, and has considerable benefits for WestNet Rail – please read more about this below.

So onward into 2010! May you all have a safe and happy festive season with family and friends, and I look forward to keeping you informed of WestNet Rail's successes early in the New Year.

Regards,

Paul Larsen  
General Manager  
WestNet Rail



## Grain on Rail update

**At the time of writing, the final report of the Strategic Grain Network Committee had not yet been made public, however we can report that WestNet Rail, along with all other key industry stakeholders and the State Government, have worked very effectively together to come up with recommendations for Government. A formal announcement is due before Christmas.**

A vote of confidence in the Government's intentions for the grain freight network came with the announcement by Premier, Colin Barnett, in early November that the State Government had sought investment from Infrastructure Australia's Building Australia Fund – one of seven projects of significance to the state – in the grain freight infrastructure (including rail and road).

The State Government's request to Infrastructure Australia includes \$43 million for upgrading the Avon to Albany section of rail as well as funds for improving the Chester Pass Road bottleneck in Albany.

It is very pleasing that there is such positive momentum towards securing the future of the grain rail network, the backbone of the \$5 billion WA grain export industry.

For more information please go to [www.grainonrail.com.au](http://www.grainonrail.com.au)



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## Prime Infrastructure recapitalisation

**Shareholders in Babcock & Brown Infrastructure (BBI) – now known as Prime Infrastructure - which controls WestNet Rail, have voted overwhelmingly in favour of a comprehensive recapitalisation of its business.**

This is a very positive outcome for WestNet Rail, and provides our business with improved access to capital, both in terms of an enhanced structured balance sheet and the support of a well capitalised parent company.

Shareholders also voted in favour of a name change for Babcock & Brown Infrastructure, which are now known as Prime Infrastructure.

The key elements of the proposal saw Prime Infrastructure raise \$1.8 billion in equity to pay down debt and better position it for future growth. Equity was raised through a placement to institutional investors, existing Prime Infrastructure security holders, and most importantly, through the investment of a cornerstone investor – Brookfield Asset Management.

Brookfield's stake in the \$1.5 billion equity raising is \$625 million. It also took a 49.9% share in Prime's Dalrymple Bay Coal Terminal and acquires 100% of Prime Infrastructure's interest in the PD Ports business for net proceeds of \$295 million.

The process also saw the final severing of ties between Prime Infrastructure and Babcock and Brown. Prime Infrastructure is a stand-alone, independently listed entity on the ASX, with Brookfield Asset Management its largest shareholder.

Prime Infrastructure's ownership of WestNet Rail is now 100% (from the previous 96%).

WestNet Rail remains committed to delivering its customers' needs and continuing the close and productive relationship it shares with its stakeholders. We will provide you with more information as the recapitalisation process continues.



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## EGR Infrastructure Australia bid

**Following consultation with key industry and government stakeholders, WestNet Rail has prepared a submission to Infrastructure Australia for the evaluation of the Eastern Goldfields Railway (EGR) Freight Gateway Upgrade Project for support by Infrastructure Australia as an initiative that is demonstrably beneficial to the region and to national productivity.**

The EGR Freight Gateway Upgrade Project aims to deliver a new heavy duty 60kg/m rail on 185km of the EGR between Koolyanobbing and Kalgoorlie at a cost of approximately \$75 million. This replaces the existing 47kg/m rail that has been in use since 1966.



The EGR from Kalgoorlie to Perth is Western Australia's most critical piece of rail freight infrastructure, forming part of the Defined Interstate Rail Network (DIRN) and carries over 16 million tonnes of interstate and intrastate freight and over 1000 passenger services per annum. The line carries 80% of all freight transported from the eastern states into Western Australia and also supports the burgeoning mining operations in an area of critical economic importance to the State and to the nation as a whole.

WestNet Rail believes Federal Government funding assistance is both critical to the project's success and warranted as a truly national infrastructure project. As such, WestNet Rail will fund 50% of the total cost and seek the remaining 50% funding through the Infrastructure Australia Building Australia Fund.

The timing, capacity and need to undertake this upgrade is critical and this project represents a unique opportunity for the State (industry and government) to engage with the Federal Government and obtain funding for an important Western Australian rail infrastructure project.

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## Kalgoorlie to Esperance rail upgrade

In late 2007 Portman Mining (now known as Cliffs Natural Resources) and WestNet Rail started working together with the intention to increase the gross volume of iron ore that could be transported between Koolyanobbing and the Port of Esperance. Cliffs NR and WestNet Rail agreed on a significant capital investment to improve the reliability of the track.

Through an immense amount of collaboration with Cliffs NR, WestNet Rail identified a 120km section of track infrastructure that once upgraded would increase the overall reliability of the track. The upgrade would include the rerailing and resleepering between kilometreage 54km and 208km.



During this process Cliffs NR also requested two crossing loops to be constructed at Beckwith on the EGR and Gibson on the Esperance Line. These crossing loops allow for a higher frequency of trains to cater for the increased task of transporting iron ore to the Port at Esperance.

The project, now just over one year on, is near completion, and is due to finish under time and under budget in December this year.

Project Manager Peter Raeside couldn't be happier with the outcome.

"The collaboration between Cliffs NR, WestNet Rail and John Holland has been exceptional. The project is now due to be completed in the next few months under budget, and this result could not have been possible without the fantastic partnership that has developed during this project."

"But it doesn't stop here – WestNet Rail and Cliffs NR now move to Phase 1 and Phase 2 of the Expanded Works comprising an additional 55km of track to be rerailed and resleepered, worth a combined \$30 million," Peter said.

The project has had a team of 70 people from John Holland and WestNet Rail working to ensure the success of the upgrades. A notable success of the project has been the ability to maintain track operations for the duration of the work. This has meant that the productivity of Cliffs NR tonnages to port has not been disturbed.

The Expanded Works commenced in October with an expected works period of 9 months.

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## WestNet Rail in the Community

### Kulin Bush Races

The 15th annual Kulin Bush Races took place on the October long weekend, with WestNet Rail proudly signing up again to be gold sponsors of the event.

Highland Danny, owned and ridden by Michelle Gorham, took out the WestNet Rail Cup which was presented by General Manager Paul Larsen who had this to say on the races.

"Given its unique location, the races and the whole weekend is really a great experience. WestNet Rail is proud to be involved in this great event and to be able to continue supporting a truly West Australian event like the Kulin Bush Races."



The event saw over 2500 people pass through the gates with many bringing caravans and tents to pitch on the camping ground.

The bush races concept was designed to raise the profile of Kulin and contribute to a strong, vibrant community.

## Avon Descent

Carrying on a proud tradition, WestNet Rail was proud to offer in-kind support at the Avon Descent in August.

In the months leading up to the event, a group of employees voluntarily carried out a risk assessment to identify and minimise potential danger to ensure the safety of entrants and spectators, particularly over level crossings.

Fleet Vehicle Officer Steve Sharpe said a number of WestNet Rail volunteers assisted over the weekend.

“WestNet Rail had a number of volunteers manning the various level crossings in the Avon Valley so the public were protected from the train operations during the event.”

The level crossings were manned 24/7 for the duration of the Avon Descent weekend.



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## Bauxite rail services commence from Mooliabeenie

**WestNet Rail has been working closely with up and coming miner Bauxite Resources Limited (BRL) and other key stakeholders to commence rail services from Mooliabeenie.**

The Stage 1 spot trial of up to 120,000 tonnes over three months commenced on 13 October, with bauxite direct ship ore being road transported from a mine site nearby to Mooliabeenie rail siding, just north of Gingin, and being loaded twice daily onto trains and railed to Kwinana.

The trial has been undertaken with a view to enabling a permanent rail loading operation to be located at Mooliabeenie to support a 1–3mtpa bauxite direct ship ore task, set to commence mid-2010.

Business Development Manager Paul Hamersley was pleased to see the trains running.

“After more than 12 months working direct with BRL and under the cloud of the GFC, it is really pleasing to see a new rail freight operation commence on the network. It is a great result for all the work put in by the WestNet Rail team and represents a good model in us developing direct working relations with the freight customer.”



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