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AZJ.AX - Interim 2015 Aurizon Holdings Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 16, 2015 / 10:15AM AEST

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PRESENTATION

John Knowles *- Aurizon Holdings Limited - SVP, IR*

Good morning ladies and gentlemen in the room up in the Sofitel and those on the webcast and the line, welcome to Aurizon's Interim 2015 Results Presentation. Before we hand over to Lance Hockridge and Keith Neate, I'd like to introduce Nick Robinson from the hotel to do a safety briefing. Thank you.

Nick Robinson *- Sofitel Hotel - Safety Briefer*

(Conference instructions).

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Thanks for that. Can I add my words of welcome to John, to all of you here in the room this morning and those of you on the webcast as we talk to our first half FY15 results. Can I also acknowledge, as always, there's a bunch of Aurizon executives in the room, including my EVP colleagues Keith of course, Mike Franczak, John Stephens, Alex Kummant, Mauro Neves, all here to answer your more difficult questions.

I'm sure you've had a chance already to look to the headlines. Our objective, of course, is to step through this and particularly be able to add some flavour, some colour, make some observations with respect to one or two particular items and of course leave plenty of time to be able to respond to your questions.

As we think about the snapshot, though, of the half that was, starting as always we do having regard to the value, as in safety as value in our Company, as I'll observe in a little more detail when I talk to the next page, this, for the first time in five years, was a time when our safety performance deteriorated. It deteriorated on the back of that tragic incident that, as I say, I'll talk more to in a moment.

We will go through, at some level of detail, the results, but it's a strong earnings performance, particularly as you would have seen, driven around the continued transformation plan in the business, on the back of which, we do believe that we are on track, to coin a phrase, to achieve the operating ratio objective of 75% this year.

Indeed, as we've been more explicit in our presentation today, to continue that momentum, which we believe, we remain confident, will ultimately see us with an operating ratio in the high end of the 60s.

Equally though, it is about the increasing focus on returns, returns to owners in the business. Today OR of course has been essentially a proxy for improving the returns in the business, but let there be no doubt -- and we'll come back to talk about this in a little while in a little more detail -- that returns is the hallmark of what we are about at Aurizon.

We have seen the continuation of our Company's preparedness in the capital management space, both with the buy back during the half and the announcement today of a 26% uplift in the dividend to AUD0.101.

Labour relations is a particular area of challenge for us and I will certainly talk more about that in a moment or two.

Let's talk then to some of these areas of greater detail. Firstly, with respect to safety, what more can I say? The impact of a road accident that took the lives of two of our colleagues, as well as a contractor, has had the most wide-ranging impact in our Company. If we were to put that to one side for transparency, our statistics would have shown a continuation of the improvement that we have demonstrated over the last five years. But of course the last thing that we would do is put an accident like that to one side. Far from it, it has led to firstly both cooperation with the police in their inquiry, our own internal inquiry and beyond that, a reflection on what more, what all more stuff we need to do to ensure that we redouble our efforts about achieving our goal of zero harm in this business.

Thinking, then, about the financial highlights and Keith, of course, in the usual way, will come to expand more on all of this. But the first observation, though, as many of you would have already seen and picked up is there are no adjustments in this half, as compared to the equivalent period last year in particular, so underlying and statutory are the same thing for this half. To be clear about that, from a remuneration point of view, as I'm sure you'll have that question, the Board has determined that the numbers should fall where they fall in relation to the remuneration impacts of the half.

We have delivered, as you can see, AUD69 million of transformation benefit during the period. Again, Keith will talk more about that, but we add now just under AUD200 million of transformation benefit against that goal that initially we set in July 2013 and we renewed and uplifted at the latter part of last year. Clearly the result includes the net benefit of the Redbank sale. Now, by way of reminder, on two fronts, firstly, Redbank is part and parcel of the business as usual transformation and reform in this business, of Mike's initiatives around implementation of the integrated operating plan. In May of last year we indicated that we no longer need, no longer see as appropriate, having three heavy maintenance facilities in Queensland and over a two year period we expect to consolidate into our Rockhampton location.

We've worked hard around all of that on a range of fronts, many of which we don't talk about today, but for example, we have been running down, indeed essentially closing the Townsville facility during the half, we've been running down the Redbank facility with no industrial relations issues, certainly looking after all of our employees. But in this space, we've also been working hard about the redeployment of the assets. That, certainly, we see as business as usual, just as we have in each of the previous reporting periods around the way in which we treat the disposition of assets that are part and parcel of improving the commercial capability of this organisation.

Again though, as many of you have picked up, on the other side of the ledger, so to speak, there are a range of other adjustments which equally we've taken above the line and which are negative in nature.

If we talk, then, for a moment about operating highlights and again we'll come further to this as Keith gives his observations in a moment or two, essentially continued progress in this area, particularly in a subdued market environment. As we've demonstrated, as you've seen, the tonnages are relatively flat, the revenue is relatively flat for the period, our focus evermore, therefore, is around the transformation of the business. It's an interesting statistic in there, I must say, that for the first time the employee numbers in the business have fallen below 7000 and that alone, I think, especially in the context of some of the industrial relations remarks I'll make in a moment, shows the degree of transformation, of change in the business, when, as is set out there, you'll remember what those employee numbers were at the time of privatisation or just before privatisation.

Given all of that, we are on track to deliver the 75% operating ratio. Again, AUD69 million of transformation benefit delivered during the half and the AUD198 million across the period; AUD57 million of that out of operations, AUD12 million out of support. The results also include costs associated with delivery of those results. Today we have announced the next stage of our corporate support functions review. Perhaps the way that I would most characterise that to you, given that it's not as if we haven't been taking costs out, it's not as if we haven't been reforming and transforming our corporate areas and our corporate support areas, but to date it's been very much on the basis of taking what was there four or five years ago and continually chipping away with it to make it more efficient. This is the time at which we need to come at it from the other end, a zero sum building up from the proverbial blank sheet of paper to determine, having regard to the progress around the integrated operating plan and the other activities in the business, what is that level and nature of corporate support that we need in a company like this?

It is clearly going to make significant change apparent in our business. We will look very much, for example, at the numbers of executives in the business. We will look at the spans of control. We will look at the layers in the business. We will look at the work that's done in the business. We will look at how the work is done in the business. So altogether, a very wide ranging approach that we believe will fundamentally help to underpin that continued journey of operating ratio improvement about which I've spoken.

Other matters of course that impact on the business and our ability to be able -- both in the current year and beyond -- to deliver the kind of results that are our intention to deliver. The first, of course, is around labour relations. We have had mixed results in the industrial relations space, as I'm sure you're all aware. On the one hand, we finalised the staff enterprise agreement in Queensland last month. That was a tremendous achievement. It is the first time that ever an agreement has been voted up against the direct say-so -- the direct recommendation of the unions involved. We had to take it, as you know, through appeal at Fair Work Commission.

We are however now in process of implementation. The employees covered by that agreement are receiving their 4% wage increase and as our notes today indicate, we are taking the advantage already of a AUD6 million reduction per annum in costs as a result of first stage implementation of that agreement. Altogether it means that more than half of all Aurizon employees in all states including Queensland, New South Wales, Western Australia, are now on contemporary workplace agreements.

Regrettably, there is no such movement with the rail unions, particularly the AFULE and RTBU, but also the AMWU and the ETU with respect to one of the agreements in Queensland. With respect to the progress around the outstanding agreements for train drivers, maintenance and construction staff, our progress is all of that, that could be characterised as an arthritic snail. We've now, on the back of that, received notification from the AFULE and the RTBU of their intention to take 24 hour work stoppages in Queensland across our business this coming Friday. This proposed action is an unnecessary and dramatic escalation of industrial activity. Despite more than a hundred meetings, ladies and gentlemen, over the last 22 months, I don't believe we're materially closer to the resolution we need to achieve in this space.

Certainly, I've made my frustration with the lack of progress very clear on many occasions. This change is fundamental to the future of our Company and to our competitiveness in our marketplace. The fact is, we're seeking to achieve only the same kind of outcomes that these same unions have agreed with our Aurizon employees in New South Wales and in Western Australia. Furthermore, similar agreements have been signed off by these same unions with our competitors -- with Pacific National, with BMA Rail, both of whom enjoy the kind of provisions already that we are seeking. Likewise, even the government-owned Queensland Rail, our former colleagues, lost its legacy provisions such as the no forced redundancy provision when it became a statutory authority under the Newman Government.

A little bit of a reminder of history. The Aurizon agreements in question were last reviewed in 2009, at which time the changes that we then proposed were vetoed by our then-owners. There followed a number of years of pay increases of 4% per annum enshrined in those agreements with no offsetting productivity increases.

As I said a moment ago, we commenced the negotiations around the review of these agreements in April of 2013, given that our previous owners had extended the pre-existing arrangements without change for three years post privatisation. We were prepared to offer right at the start a continuation of that 4% per annum wage increase. In return, however, clearly we were seeking and are seeking to change and modernise the agreements. This, in my view, is a very reasonable offer, and frankly today, even more than nearly two years ago when we started, is at the upper end of what is being seen nationally in other workplace agreements. Yet far from making progress, since Christmas the unions have instituted a campaign of industrial action against our Company in Queensland.

Aurizon, ladies and gentlemen, remains at the bargaining table. Yet the unions are embarking on a senseless and needless industrial campaign of action. Our first priority, then, is to mitigate the impact on our customers and we'll be working hard in this space if this week's industrial action indeed plays out. Customers and shareholders however can be reassured that we are determined to see through the changes we need for our business. We are taking a considered and responsible industrial relations approach.

We are working diligently through all of the outstanding matters. We have sought the aid of the Fair Work Commission, including having offered an arbitration process to resolve the matters, which has been rejected. We have made our case, as you know, to the Full Bench of Fair Work Commission for the termination of these legacy agreements. I repeat, we stand ready to negotiate a fair outcome in good faith but we will not capitulate to unions in the face of a dramatic escalation of their industrial campaign. We are not prepared to consign our Company's future to uncompetitive and commercially unsustainable workplace agreements.

In the last four years, our Company has demonstrably made great progress through the hard work and the diligence of its many thousands of talented employees. That transformation activity has been driven across every aspect of our Company and in the face, frankly, of considerable market and economic challenges. Having contemporary enterprise agreements across our Company is absolutely fundamental to our future. This Company is simply not prepared to relinquish that promising future and we will use every available means at our disposal to ensure that this dispute is resolved, resolved in a satisfactory -- and resolved in a timely fashion.

Moving back to the script. With respect to network, there is not a lot to add to that which you are already aware in terms of the QCA process and our expectation of some resolution and understanding of where we are by the middle of the year. Before I return then to talk a little more about more general business conditions, I'll invite Keith to add some detail.

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Thanks Lance. Good morning everybody. As you know, the Group re-organised to a functional line of business from June 1 -- July 1, rather, last year, and this is just a reminder of that structure and the fact that going forward, this is how the segment reporting notes will look. For reference, we have included the former structure, the historic structure, in the supporting pack.

Turning to the waterfall, as Lance has mentioned, EBIT is up 15% on flat volumes, so essentially a cost reduction story this year with costs being down in the order of AUD60 million against the prior corresponding period. There's a lot of detail on this slide so I won't go through every line and there is also further extensive information in the 4D, but I will touch on a number of issues.

In the first column is the material items. These, essentially, are all business as usual, but are being called out here for the sake of transparency. Lance has already talked to the Redbank sale. There is also AUD13 million of redundancy costs in the first half of the year, that unlike previous years we have taken above the line as they are now more in the nature of business as usual. Last year you'll recall there was AUD25 million across the full year, all of which was incurred in the first half and that sat below the line.

There's also a AUD14 million adjustment to a number of balance sheet provisions for long service leave and land rehabilitation that reflects a 25% fall in the bond rates since the prior period, which is obviously the basis of the discount rates we use to calculate those provisions. So the net impact here is around about a AUD10 million upside, or just under eight basis points on the operating ratio.

In terms of revenue, turning to the next three volumes. In terms of volume, down 2% against the prior period which equates to something in the order of a net AUD18 million. Key movements are in iron ore. As you know, two contracts expired at the end of last year, Tallering Peak and Min Resources, and intermodal is down 6% in what is a challenging marketplace for all intermodal operators at the moment. That's offset by an AUD11 million upside in network as we've seen some very strong railings on the below rail business, up 7% on the prior period.

In terms of revenue quality, majority is in coal, delivered through performance incentives and offset obviously by the renegotiated TSC contract where we've seen AUD11 million less in payments received this year.

Final column, there is the transformation benefits which Lance has already spoken to. To date, we've delivered AUD198 million against our stated target for the end of this financial year of AUD260 million to AUD300 million.

The next slide is a summary of the functions, the underlying EBIT. I won't go through this in detail as the key drivers are on the next page, so. In terms of the network business, underlying EBIT is essentially flat, a AUD9 million increase in revenues offset by an AUD8 million increase in depreciation as one of the new sections of the work line has been commissioned in the period. We've seen very strong cost control with flat costs across the period, despite the 7% increase in volume.

However that 7% increase in volume has only translated into a 2% increase in revenue, due to continuation of transitional tariffs, the fact that GAAP revenue is fixed whilst we're still ramping up volumes, and the removal of carbon tax during the period plus a change in mix by corridor. Also a point to note, there is no flood claim recovery in the first half of the year. That is still under discussion as part of UT4.

One final point on the network business is that just for clarification, unlike FY2014 when there was a revenue cap in place, there is no revenue cap in FY2015. We've taken a fairly conservative approach in that regard and we've recognised revenue based on the actual railings which are up 7%, but obviously at the transitional tariffs. Those transitional tariffs being lower than the rates proposed under the draft UT4.

Any true up together with the AUD17 million excess that we repaid to customers last year when we went over the revenue cap will obviously be part of a true up adjustment when UT4 is resolved.

In terms of the commercial marketing business, briefly here, down AUD21 million. Key driver is in the freight group where we're up AUD41 million and 6% decrease in intermodal TFC services of AUD11 million, and obviously in the period, as you're aware, we disposed of CRT so there's a AUD12 million year-on-year movement there.

In the bulk business, we're up marginally, AUD2 million and that reflects the continued conversion of bulk customers to new form contracts. Currently 55% sit on new form contracts and we're targeting a rate of 80% by 2017.

Iron ore -- iron ore accounts for around about 9% of our Group volumes. We've maintained the operating ratio at 74% despite the two contracts ending last year. Revenue is off AUD15 million as a consequence, but we've seen revenue for NTK increase 6% reflecting the improved customer mix and haul length.

In terms of coal, obviously the biggest commodity for the Group, 74% of Group volumes. A solid result here for the coal business. A marginal decrease in volumes, revenues are up AUD12 million, reflecting improved revenue quality, principally driven by, as I mentioned earlier, some performance incentives together with an 11 percentage point increase in new form contracts in the period.

Our operations -- and this reflects -- the story here reflects, really, the flat volumes that we've seen which -- what is essentially a fixed cost business at the moment doesn't reflect well in terms of our cost for NTK. During the period, obviously, we have refocused efforts in this area not only on driving the productivity and efficiency that Mike has talked about in previous periods, but also on actually driving absolute cost out in order to maintain the trajectory to 75% OR. In that regard, we've made good progress, again consolidating the national footprint following the movement of intermodal into the functional structure from last year.

Overall, though, EBIT's improved AUD39 million, total operating costs including depreciation, ex-access, are down AUD63 million in the face of significant cost escalation headwinds in an environment of broadly flat volumes which doesn't play well for what is essentially a fixed cost operation. As such 1HFY2015 has required a change in focus towards absolute cost out as an adjunct to ongoing strategy of driving productivity. Good progress made in consolidating the national footprint following functional integration of Intermodal last July. Key drivers in operations performance reflect the lower demand, including AUD15 million less of revenue against which to recover those fixed costs on termination of the Queensland Rail Townsville maintenance contract and the Redbank facility. When you factor in cost inflation, labour inflation, cost of VRs and the impact of the negative bond yields which in the period which was north of AUD30 million. So in other words the absolute cost out to for the business was closer to AUD100 million for the period.

In terms of other unallocated corporate overheads here, significant reduction, essentially reflecting the $40m benefit on sale of Redbank offset by the $10m of cost increases in there for land rehabilitation that I mentioned earlier and VRP costs, voluntary redundancy costs, offset by AUD12 million of transformation benefits that Lance made reference to.

Turning Operations metrics for the business, I'll touch on a number of key drivers. Costs for NTK down 3%, as I say, reflects the falling volumes in the period but also offset by the significant cost add in the period. If NTKs remained flat, the costs per NTK would actually have been down closer to 7%.

Key highlights though -- in energy and fuel space we continue to achieve significant improvements driven by changes in technology – including the Driver Advice System which has been rolled out in the Newlands and Goonyella corridors. That, plus removal of older less efficient fleet has driven a 2% increase in consumption or a AUD3 million gain to the fuel bill. In addition, we've seen a 12% improvement in electricity usage, following the introduction of regen breaking technology in both the Blackwater and Goonyella corridors.

Turning to the fleet, improved train service redesign and optimised fleet allocation has driven a significant improvement in productivity for those locos, up 9% and wagons up 5% and in the last 12 months we've sold over 100 locos and 2500 wagons as we look to further reduce and standardise the asset base.

Productivity and efficiency -- average payloads up 3% as we continue to drive average train length. A couple of examples, Hunter Valley were up from 82 to 88 wagons on average and in the Blackwater we're up from 98 to 100 or 102 and Newlands 82 to 84 with further trails continuing. We've also continued our focus on turnaround times – with better reliability/maintenance practices and better designed schedules driving greater velocity and less dwell time. The CQCN improved by 2% with the full benefit of operations technology still to come.

Net operating cash flow was up 20% on previous comparative period to AUD$686 million in the period. Free cash flow was $59m which was down from $139m in pcp, reflecting an increase in investments principally Aquila of just over $200 million. Cash flow was also impacted by the $60m buyback announced in November 2014 and $7m increase in dividend payments reflecting the strong focus on capital management and driving returns for investors. No changes to CapEx. Transformation CapEx spend in the period is AUD52 million, highlighted there, principally around FMT, wayside equipment and obviously driver-advisory systems. FMT remains in time and budget with release one expected in May this year. The rollout will occur over three years will progress through calendar years 2016 and 2017.

Balance sheet -- I won't go through the balance sheet. There's fairly self-explanatory commentary on the side there. The only point I'll call out is the increase in gearing to 30.7% for funding CapEx and capital management, but that remains firmly within the range for a Baa1/BBB+ credit rating.

Finally, in terms of the debt summary, we have and will continue to take advantage of the current market conditions as we look to continue our program of lengthening the maturity and diversity of our funding sources, and in that regard during the year you'll have seen our debut euro MTN issue. A 10 year EUR500 million bond with a 2% coupon fully swapped to AUD that was used to retire bank debt. That has seen maturity profile increase from three and a half to just under five years, and it's also seen our interest costs reduce from 4.8% to 4.5% on average, including the Euro bond issue and obviously we repriced our bank debt in the same period.

With that I will pass back to Lance.

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Thanks for that. The webcast is OK? Ok. Sorry for any disruption there folks and I'm sure you'll follow up with your questions. But following on then from Keith's observations, reaffirmation around what is at the core of what we do at this company. It is about driving shareholder value. I made the observations before about operating ratio, about returns in the business. Here, then, is some granularity, as you know, with respect to our OR targets and our return targets.

We do intend and are continuing to spend capital in transformation areas to accelerate the incremental returns in the business and some of those examples are there. For example, the FMT program about which we've spoken to you, is well on track and well commissioned, first stage in the early part of the next financial year.

Capital management clearly is high on our agenda. As I say, we've demonstrated both through buybacks and through our dividend processes that we are very much focussed in that area, and we will certainly consider further capital returns where we have excess capital and where the growth options aren't available to us.

With respect to growth, we will only invest in the right growth options that deliver the right returns for the Company. Let's then talk about a couple of those projects. Firstly, with respect to West Pilbara, we remain on track through all of the work that Mike Carter, who's now joined us, and his team are doing to deliver a plus or minus 25% non-binding tariff at the end of March. As per the timeline here, we continue then to work through the process in order to deliver a binding plus or minus 15% tariff in the latter part of this calendar year, and we work through then to FID in the calendar year 2016.

Again we make the point that we will only make that FID in a circumstance where, for us and for our partners, we believe that it makes good commercial sense and that we meet the return hurdles that I've been describing.

Moorebank then has been moving on, as we all know, during that last six months. This is an exciting project, one which we believe that in discussions with the Federal Government will finally be resolved by about the middle of this year. Qube of course are our partners and have two-thirds of the interest in this project and I would look to them to provide further detail and further granularity in their upcoming presentation, but by way of giving you some guidance, we would expect that the 100% capital commitment to this project will be somewhat north of AUD1 billion over the next 12 years. So our commitment, of course then, is one-third of that.

Reflecting then, for a moment on our markets. We've spoken about challenge, we've spoken about our headwinds, we've spoken about relative stability in our tonnages during the period. The reality is that within those environments, our coal railings have been particularly strong. Our iron ore railings have been particularly strong. The nature of our business is defensive. If you think about our coal business, we have strong customers with strong credit worthiness, good contract protection, long contract lives as is set out on this page and significant proportions of fixed revenue in the business.

The Below Rail, as we took you through at the presentation in the back end of last calendar year, is also heavily protected; 80% of the volumes in our Below Rail business come from the six largest resource companies in the world. Iron ore clearly, particularly where iron ore prices are at the moment, is challenged in the current environment but similar protections do obtain, just like coal, in that part of our business.

Let me make a couple of observations then, if I might, about freight and I'm sure your interest in the intermodal area as well. What we'd highlight, and consistent with what we've said before, is that our overwhelming focus during this period has been on the first instance with respect to the integration of the freight and intermodal parts of our business into the business as usual functional model. So the revenue side of the equation on the one hand, about which I will talk a little in a moment, but particularly on the operating and cost side of the business. Mike F has described at some length the kind of changes that we've made; elimination of duplication of facilities, integration of rolling stock instead of having a consistent, almost exclusive unit train approach to our business, to running trains no matter what the product is that are on them.

On the back of that, to provide the increased level of service that you have here, the increased consistency and quality of the service that we're providing to our customers and on the back of that, as you can see from this table, across our freight and intermodal business, very, very significantly restructuring the cost efficiency equation, taking a lot of cost out of that business. That combination of cost efficiency, service and consistency is then the fundamental underpinning of the work that Mauro and his team are undertaking around the build of the top line of the business.

On the freight side of the house, you can see that we've made good progress. The volumes are up, notwithstanding that we sold the CRT business that was part of those numbers during this period. We clearly have before us, in the coming period, the extension or renegotiation of the TSC arrangements in Queensland, which we believe offers upside for us.

In the intermodal space, let there be no doubt this, from a total market volume position, is a challenged part of our business, as it is for others. That doesn't mean, by any stretch of the imagination, that we have or will wave a white flag. We've continued to work assiduously with our customers, both existing and prospective, to look for opportunity particularly to build the pie, on the back of the kind of value equation that I've just described to our customers to be able to take advantage of every tonne of volume that is available for us out there.

We have made some progress, demonstrably not enough. We do have a range of things in the pipeline and even in the next half and the half beyond that, we believe that we will be able to demonstrate the kind of momentum that we all know that we need to really have this business performing at the level that we certainly would like to see. Our confidence, though, remains very high in this space.

Finally, then, as we think about where we are and the outlook, in essence, as you would have seen, all of our guidance notes are unchanged. Coal, of course, is dependent upon how we make our way through the next six weeks, the final six weeks of the wet season. We have not had a substantial impact wet season so far, not to say that there has not been impact, as there has. Once again, though, particularly the work that's gone on in the network around building the resilience of the network, has paid, in my view, huge dividends for our customers as we've been able to really work our way through those kinds of weather impacts. Similarly, all of the changes that we've made in our Above Rail business are equally making the difference in the terms of our ability to be able to service our customers, notwithstanding the wet conditions. We do, as I say, have six weeks to go.

Secondly, there is of course the industrial relations environment about which I made extensive comments a little while ago. Our coal is certainly dependent on those things. Iron ore we believe is, if anything, likely to be just a little stronger than the 23 million tonnes that we have had in the outlook. Freight goes to the observations that I made a moment ago and on the freight side of the house, we're pleased with our progress. We really do need to demonstrate that level of progress on the intermodal side of the house as well.

Finally then, in summary, our 75% operating ratio goal is on track to be delivered this year. We do have to get through these Queensland enterprise agreements for all the reasons that I spoke about. We continue to work hard around the West Pilbara project and the other projects.

If I can talk more generally, then, about our view about the marketplace not so much in the coming months, but in the medium and longer term, we are not going to see a return, as we've observed on a number of occasions, to the boom times that characterised some recent years. Nonetheless, I think, as I've observed elsewhere this morning, the understandably bearish views of the future of the resource sector are unreasonably bearish and those that are writing the obituary for the resource sector in Australia, in my view, are premature. As I say, we are not going to see a return to boom times. Certainly over the immediate period, to state the bleedingly obvious, it is a function of the interaction of supply and demand. Demand is actually reasonably okay, supply, however, as we all know, has got beyond the levels of demand and needs to be washed through.

Looking beyond that though, the fundamentals, particularly the fundamentals in Asia, underpin the comments that I'm making about our confidence in the modest levels of improvement in the future. I must say, having in the latter part of last calendar year spent time on the ground with end customers in India, in China, in South Korea, in Japan as well as in the United States, I'm reinforced in those views. The more you peel back the onion from the headline numbers to understand the real dynamics of what is going on, it is about increasing that level of confidence.

In order, though, to be able to take advantage of that opportunity, modest as it is, it comes back to our ability, Australia's ability, to be able to take full advantage of what is there and that, of course, is underlining the importance of the productivity efficiency cost equation. That comes back, ladies and gentlemen, therefore, to what our Company is about. It is this transformation journey, it is about productivity, cost efficiency and the quality of service that we provide to our customers and at the end of the day, as always to finish where we start, it is about doing all of that at the absolute, utmost levels of safety.

Thanks for that and Keith and I and our colleagues would be happy to answer your questions.

QUESTION AND ANSWER

Matthew Spence - ***Bank of America Merrill Lynch - Analyst***

Matt Spence from Merrill's. Lance, you said your outlook and guidance hadn't changed. I guess one thing that has changed, though, is OpEx to NTK target, doesn't get a mention in this presentation. So the target was 10% efficiency for FY15, it's come in at 1%, or ex-access has come in at 3%. What's changed with that number?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

I was going to say, Matt, that's actually the target 10% that you're talking about was pre-functional model, so it doesn't include the intermodal business. If you strip that out, along with the access cost, the improvement I think is closer to about 7%, 7.5%.

Matthew Spence *- Bank of America Merrill Lynch - Analyst*

Yes, I guess I'd just note that that's over a period where you've had no EBA pay rises and so it's not at 10% even with the no EBA pay rise. So what's sort of --

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Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

But more particularly, let me push back on that, we have had EBA pay rises, just not right across the organisation and the flipside of the pay rises is the efficiency benefit that was the very reason that I made my impassioned plea earlier about why we need the EA, Matt. So I think you've just got to be a little bit rigorous in your analysis around that. We were expecting and we were looking for the kind of productivity dividend, if you will, that comes from having the modern agreements in that period.

Matthew Spence *- Bank of America Merrill Lynch - Analyst*

Okay, I think if I'm readdressing my analysis, you haven't hit the 10%.

Mike Franczak *- Aurizon Holdings Limited - EVP, Operations*

That's not -- no that's not correct. When I said in 2013, we would target a reduction of 10% in opex costs per year, at that time, we were not reflecting the intermodal costs. Intermodal costs, access costs and the allocation of overheads, which is all included in the numbers you're seeing. You'll see a couple of variations there. If you strip those out, we're in the 8% range for the half and if you look at the overall cost-out targets that we revised, you'll recall we started with AUD130 million a couple of years ago. We increased that guidance to between AUD150 million and AUD200 million and we are well on track, we're in the AUD150 million-odd range to date right now and intend to be in the upper end of our AUD200 million range.

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

Considering the environment like we've just seen where volumes are down 2%, it's a fixed cost base. So the NTK will go straight through onto our costs. The focus for us is less cost per NTK to that operating margin. It's about driving the profitability of the business and in that regard in real terms, we've taken out about AUD100 million from the cost base in the current period. Certainly, it becomes tougher and tougher to do as we've said before without releasing the flexibility that we're looking for under the enterprise agreements.

Ian Myles *- Macquarie Equities - Analyst*

Thank you. Just following on that theme, your AUD100 million additional cost reduction savings which you've got, how much are they actually reliant upon that EBA agreement or how much is that done within the existing ones that you've just got achieved?

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

Are you talking about the cost, the support costs?

Ian Myles *- Macquarie Equities - Analyst*

Which you've just announced, is the next AUD100 million.

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

No the target remains at AUD100 million which was the original target. What we're doing is, as Lance said, as opposed to coming at it from the top down, it's now being attacked from the bottom up. We've achieved AUD45 million of savings in the corporate support areas to date, which is just shy of 15% of the cost base. So what we're looking for is to lift that AUD45 million to the AUD100 million by the end of FY16. The original plan was by the end of FY15. We're behind target on that, so what we're looking to do is, as Lance went through in some detail, reinvigorate the support cost review by coming bottom-up with some fundamental restructuring.

Ian Myles - ***Macquarie Equities - Analyst***

So you're not actually adding to your cost reduction program. It's just -- it's still the AUD250 million to AUD300 million, you're just--

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Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

No, no it's AUD260 million to AUD300 million will be delivered by June 30. We will then deliver an additional AUD55 million, which is the AUD100 million less the AUD45 million that we've achieved to date in FY16.

Ian Myles - ***Macquarie Equities - Analyst***

But the target's AUD355 million?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Yes, in total.

Ian Myles - ***Macquarie Equities - Analyst***

Yes, yes.

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

By the end of FY16.

Ian Myles - ***Macquarie Equities - Analyst***

Okay, in terms of just briefly tax, you didn't pay very much tax this year. When does this start to turn around? Also the first half.

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

The impact on the tax bill last year was due to the impairments. Obviously going forward, we're back in a tax paying situation. We would expect that come the end of the year, the final dividend will be franked in the order of 60% to 80% and subsequent to that, back up to 100% the following year.

Ian Myles - ***Macquarie Equities - Analyst***

Two other questions. Firstly Lance, maybe, the question about the industrial campaign. How much has actually cost (inaudible) to date, the industrial activity by the unions in terms of lost earnings?

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

It's cost us about 0.75 million tonnes so far, Ian. The cost of course depends upon the nature of the activity and how it impacts, and our ability to be able to mitigate and to date, Mike has largely been able to ameliorate what -- the direct impact. That's why I make the observation though that when you get such a wide-ranging 24 hour stoppage, it takes it into a different ballpark.

Ian Myles *- Macquarie Equities - Analyst*

Just one final question. UT4, if you were under the UT4 operating regime, how much more revenue and EBITDA would you have achieved in the first half as under the current regime?

Mike Franczak *- Aurizon Holdings Limited - EVP, Operations*

I can answer that if you'd like. It is actually not that far off in the number we're at today which is why we chose to basically go with the tonnes as they have run and the transitional tariff is a little bit below, but actually relatively close to what the original volume number would have been. That's the reason we took that relatively conservative approach. David, feel free to correct me if I'm slightly off there.

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

The other point to note though, Ian, is there's no additional items included in that. That's just straight tariffs, so there's no flood recovery, there's no revenue cap recovery and there's the AUD70 million that we repaid last year still sits out there waiting for resolution.

Unidentified Audience Member

Hi Lance. Just following on from Ian's question there, you're on track to meet the 75% operation margin and made a few comments sort of around that. Can you just clarify for us that that doesn't require the EBA with the current rail unions to actually be settled sometime in the near term? Is that still correct?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Yes, that -- pardon me, that is, that is correct. As we've always observed -- and it's not like there's a cliff even into FY16 et cetera, we will continue to work as hard as we have and find ways to continue to make that improvement. Self-evidently though, it becomes more difficult.

Unidentified Audience Member

Okay that's good, thank you. Then secondly just on the Western Pilbara iron ore project, obviously made some comments as well around your sort of thoughts on the resource market outlook. Can you just talk in a little bit more detail around the scenarios of outcomes where, you know, you go ahead and you're very comfortable and what the sort of return level profile for that might look like? Then conversely, what would be the sort of scenario where you don't proceed?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

The first observation to make is that the parties are looking at a 40 million tonne project. On the back of that, we're doing the kind of work and the level of work that you would expect, both from the point of view of the infrastructure and from the point of view of the mine. We've got some initial responses from the market around especially what, indicatively, some of those infrastructure costs would be, but it's way too early to distil any kind of direction or determination rather out of all of that.

The issue of course which is most in your minds and those that ask us questions in this area is the iron ore price. Clearly, at AUD60 a tonne, let's not be mealy-mouthed about it that would be very challenging at a minimum number, if we were to take the view that that is the right number. The right number, of course, is the number that the parties believe is representative of the long term iron ore price over a 16 year life of the mine. So you can imagine the nature and the level of work which is going on in that space.

Anecdotally, a couple of things. I mean I take you back to what Baosteel said at the time that we launched the Aquila bid when they were asked very directly, would the project proceed at AUD80 and the resounding answer was yes. So it sort of puts a bit of a bookend, if you will, around that, especially when one reflects on the movement in the exchange rate over that period. Look, all of that is simply to say there are too many moving parts at the moment. That's why the obligation is for a plus or minus 25% tariff level at the end of March, and in turn of course, we need to understand what the corresponding nature of arrangements are from the mine, and then work our way in the way that I described through the remainder of the year.

We would expect that final investment decision will be order of magnitude, 12 months away. We will certainly not proceed unless we and our partners, as I observed on the way through, believe that the project is commercially sound and meets the hurdle rates that we've set for ourselves.

Scott.

Scott Ryall *- CLSA - Analyst*

Thank you. Scott Ryall from CLSA. I was wondering Lance, I get your frustration on the EBA. I won't try to excite you too much more on that, but we've got a federal government who obviously is pretty inward focused at the moment and as suggested, they're very unlikely to move on industrial relations legislation this term. So with the context of the current legislation, how does it actually get resolved? Like how do you actually see that we get a resolution here that is either forced on parties or negotiated?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

It's a great question Scott, and you don't get me excited other than in the way that I always am and I've made my position clear as you say about the Australian legislative environment. But I don't disagree with your position and so the first observation to make is, the answer to your question has no part, is in no part reliant on there being any change in that kind of position. We are dealing with the cards that we have been dealt. There are a range of potential scenarios to your question that would lead to a resolution. Clearly, the application that we have before the Full Bench which has been heard -- and at the time of their choice, the Full Bench will determine our application.

That could lead -- clearly will lead to a range of potential outcomes. With the kind of escalation that we've seen this week, to give another example, even under the current legislation, as you'd well appreciate, there are options that we have, there are options that governments have, even under the current legislation and there are options that our customers have in the face of the kind of threatened action that I've been talking about this morning. That's what I mean by using every means available to us, Scott. I don't know exactly which way that will play in the coming days and weeks. We're alive to all of them. We're prepared for all of them. We're prepared for every eventuality.

Scott Ryall *- CLSA - Analyst*

Do you -- obviously the union extended the current Fair Work process. Do you have a sense of timing? Originally we were looking for late January, early Feb, so this has obviously pushed that out.

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

I don't even know that that's the case, Scott. There's been no indication from the Commission when they would bring down their decision. I think it's a true statement, I'm not walking away from your observation that we said we would hope that it would be early in the New Year after the January break. That of course is a matter, though, for the Commission and to be fair to them, the nature of the issues and the complexity of the issues that have been raised with them are manifestly pretty substantial for them to deal with, so the timing of that decision is in their hands.

Scott Ryall *- CLSA - Analyst*

Okay. Onto another matter, the timing of winding down the Townsville operations and therefore consequent asset sales et cetera. What do you see happening there?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

We've effectively closed Townsville. We've -- because of the time -- and correct -- Michael, shout if I've got this wrong. Because of the time that it takes to relocate the wheel shop capability to Rocky, we still have some wheel shop type activity on that site. But other than that, that's it.

All of the employees have gone -- either been relocated or, as part of the VR that we've been talking about this morning, have moved on. We are actively -- to the core of your question -- therefore, in the space of what happens to that site -- and that, our property people are actively working on.

We would hope that there would be a sale but probably, realistically, not before the new financial year, given all the stuff you'd appreciate with all of that, and with both parties having promised football stadiums coming up the you know what in that part of the world, what implications would there be around all of that.

But, in summary, other than the need to move the wheel shop, that site has completed its useful life. We are in the process of disposition of those assets.

Scott Ryall - ***CLSA - Analyst***

And just one last one, maybe for Alex. The process behind the work CapEx going into the RAB, could you please describe it -- and I guess in the context of the opening of Wiggins Island as well -- maybe just talk us through a time line in terms of your expectations this year.

Alex Kummant - ***Aurizon Holdings Limited - EVP, Network***

Yes. Basic -- hello.

Scott Ryall - ***CLSA - Analyst***

You're right.

Alex Kummant - ***Aurizon Holdings Limited - EVP, Network***

It's all right. No. It will roll in in 2016. There's an additional -- about AUD21 million of depreciation that will hit our books at that point. Right now it looks like first coal will be probably in May, and so all the financial structures are triggered off of that.

But it's a pretty straightforward process, and I'll probably ask David to jump in here if I get this wrong. But with rolling that into the RAB in 2016, and then the depreciation hits, I believe it's about AUD21 million in FY16 and AUD24 million in FY17.

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

Why don't we move to a few questions on the line, if we might? Firstly, Anthony Moulder.

Anthony Moulder - ***Citigroup - Analyst***

Good morning, all. If I can start with -- let's start at WICET. You talked of the first coal in May. Can you talk to the ramp up as far as the contracted revenues that you'll receive? That, conceivably, will start in May, but more of an impact in FY16?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Sorry, what was the -- the ramp up of?

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

We missed the start of your question, Anthony. Unfortunately, it was quiet. I'm sorry to do this to you, but would you mind just repeating?

Anthony Moulder - ***Citigroup - Analyst***

No problem. It's around that WIRP or the WICET rail line, effectively, looking for -- well, I think someone said that -- Mike said that first coal railings in May. Looking for some sort of indication as to what ramp up and excess revenue you would receive through FY16.

Alex Kummant - ***Aurizon Holdings Limited - EVP, Network***

I'll probably toss it to David here, but it's full ramp up in 2018. But the tariff structure itself is also still under, basically, negotiation with the QCA as part of UT4, so there's still a process there.

David, would you like to add something to that?

David Collins - ***Aurizon Holdings Limited - VP and Group Financial Controller***

Yes. Thanks, Alex. A couple of points -- the majority of our earnings from WICET are regulated. It's important to remember that. We had said previously full ramp up would be expected in full year 2018. We also expect the commencement of the above regulated return on WICET would be during full year 2016. So, in summary, first tonnes this year, ramping to full ramp up in full year 2018. Most of the return is regulated. The above regulated component will commence in full year 2016.

Anthony Moulder - ***Citigroup - Analyst***

Okay. Just on these asset sales, if I could? The cash flow statement shows AUD139 million was received in the half from the asset sales, which is, I guess, some of these locos, wagons as well as Redbank. Can you break out the revenue component that you received from the asset sales?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Roughly half of it was Redbank. The other half is roughly locos and wagons.

Anthony Moulder - ***Citigroup - Analyst***

Okay. And lastly, if I could, Intermodal contracts. You said that the market's soft, but have you won or lost any of the Intermodal contracts during the period?

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

In that -- was in that period might -- it might have been the period before. We won a significant Coles contract in North Queensland. We continue to work, in particular, Anthony, with the grocery folks. I've spoken before about the strategy that lies behind that, and that's probably the most prospective of those areas.

Anthony Moulder - ***Citigroup - Analyst***

And as far as the volume that you reported for this period been down. Is that suggesting that it was largely as a consequence of lower volumes coming from the retail customers?

Mauro Neves - ***Aurizon Holdings Limited - EVP Commercial and Marketing***

Yes. The volumes have been somewhat smaller, especially for the foods, who are obviously supporting third party cargo in our trains. Our volumes with beneficial freight owners has improved, and that's still a watch this space. We expect to see more beneficial freight owners in our trains rather than third parties. So the volumes in the last reporting period reflect increasing the volumes of people like Coles and Woolworths, and we still are making progress in this space.

Anthony Moulder - ***Citigroup - Analyst***

Okay. Thank you.

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

Thanks, Anthony. Can we go to Simon Mitchell?

Simon Mitchell - ***UBS - Analyst***

Good morning. Just a question on the one-off, going forward. Obviously, given your move to include this above the line rather than below the line, could you give us some indication of what you're expecting, going forward, on restructuring costs and further asset sales? I realise you already talked about the Townsville site, but if you can talk about further locos and other equipment please.

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

In terms of property, obviously, that's how long's a piece of string. We continue to work through the portfolio and rationalise our footprint nationally. In terms of asset sales, I think we announced last year as part of the impairment the total reductions that we were looking for. I think there's some 100 locos and probably 2000 to 3000 more wagons to go, and that's probably -- that's where we're at the moment.

Simon Mitchell - ***UBS - Analyst***

And in terms of restructuring costs?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Again, very early days at the moment, so no real numbers in terms of the restructuring costs. But, obviously, what we're looking for over the next 12, 18 months is an upside of AUD55 million or more. As we move through that program, obviously, we will -- if it's material, we will certainly come back and update the market on what we're doing.

Simon Mitchell - ***UBS - Analyst***

Okay. And just to clarify some of your comments before, but the conference call line's been very hard to hear. The drop off in the other segment from a loss of AUD50 million to minus AUD5 million, that obviously, primarily, reflects the asset sales. Do we expect that to then go back up to a run rate of roughly AUD50 million per half, subject to, obviously, your corporate cost-out intention?

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

Subject to corporate cost-out, absolutely, Simon, yes.

Simon Mitchell - ***UBS - Analyst***

Okay.

Keith Neate - ***Aurizon Holdings Limited - EVP and CFO***

But within that we have about AUD10 million increase in costs in the year, predominantly the land rehab provision, which is a function of bond rates, offset by AUD12 million of sustainable cost savings, predominantly in the area of labour and discretionary spend. So, longer term, we would expect that number of trend downwards.

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Simon Mitchell *- UBS - Analyst*

Okay. And, lastly, you've mentioned that 26% of your coal contract volume in 2018 is currently uncontracted. Can you talk to the timing of those volumes rolling off and discussions that you've been having with customers?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

I'll get Mauro to give you a sense of that.

Mauro Neves *- Aurizon Holdings Limited - EVP Commercial and Marketing*

Thank you. As you would expect, we are in talks with those customers. There's nothing from the existing contracts (inaudible) where we are incumbent, if you want to use that word, that would indicate that we won't be in a very competitive position, as we always do. So I'm not prepared to give you any specific details. What I can tell is that, as you would expect, we are very well progressing, talking, trying to extend those contracts.

Simon Mitchell *- UBS - Analyst*

Okay. Actually, I might just ask one more, if I could? Lance, I think this is the most you talked about Moorebank since -- well, for many years. Can you just touch on the strategic benefit to Aurizon from being involved in this project?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

At its heart -- it's a good question, Simon. At its heart it's about congestion in Sydney. To the extent that you believe that (a) Sydney is a destination for freight. Sorry, I mean that in the sense of how we define freight, freight and intermodal, and (b) to the extent that Sydney is the key pinch point between the Melbourne to Brisbane corridor and, indeed, the launch pad for the Sydney to WA corridor.

It is difficult for us to believe in the long term that you can achieve the kind of strategic outcomes in the freight Intermodal space that we've set for ourselves, without at least having a capable terminal within the Sydney market.

That was what got us into the Moorebank arena. Now, of course, its shape -- and contrast that, I might say -- sorry -- with where we are at the moment. We make do with our current terminal arrangements in Sydney, but they're certainly not optimal.

So the opportunity to be able to move into a modern purpose-built capable facility of the kind that we're talking about, we believe, will have very substantial benefit for the -- particularly the interstate business.

I was going to make the observation that -- not to be disingenuous, but the nature of the project has also moved on since first we became involved. And it is through that precinct likely to be a very substantial property play in the sense of there will be the development of all sorts of warehousing and distribution capability, which is the hallmark of being able to -- and link back to the comment that I'm making about our -- the importance of an interstate terminal of that kind of capability.

Simon Mitchell *- UBS - Analyst*

Okay. Thank you.

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Andre.

Unidentified Participant

Hi. Thank you very much. My question relates back to Redbank. The gain on sale of AUD40 million implies just over a two times book value price that you guys achieved for that. I'm wondering whether or not, firstly, if that's accurate. And, if not, please reconcile that. But was that book value subject to any of the impairments or provisions that you did as part of your review at the end of last financial year?

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

No, it wasn't.

Unidentified Participant

Okay. And how about the --

Keith Neate *- Aurizon Holdings Limited - EVP and CFO*

Oh, the relationship to book value, yes, you're about right, Andre.

Unidentified Participant

Okay and my other question relates to the medium term margin targets or the operating ratio targets. How much do they depend on growth and volume through your network? Like do you need to grow the top line to hit those targets?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Certainly the kind of things that Alex was talking about before around the ramp up in Wiggins Island, et cetera, are all part and parcel of what we think about as we look forward. But to the extent that your question is really, do we have in there lots of blue sky, as it were, from a revenue point of view, in order to be able to drive a kind of OR outcomes, the very clear answer to that is no. It's much more about the business that we have today, the things that we know about that business today and our ability to be able to continue the transformation effort, particularly from a cost and efficiency point of view.

Unidentified Participant

Okay, thank you.

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Finally Cameron, Cameron McDonald.

Cameron McDonald *- Deutsche Bank - Analyst*

Hello, good morning guys. Just two questions if I can. Lance, can you give us a sense of what's or how much benefit you think you're leaving on the table competitively because of the EBA negotiation process?

Lance Hockridge *- Aurizon Holdings Limited - MD and CEO*

Yes, I think I've observed before and my colleagues here will look cross-eyed at me if they disagree, but we've generally said that to give you a flavour of exactly the answer to your question, we're probably somewhere between a 10% and 15% competitive disadvantage with the likes of PN when you add together, Cameron, the kind of changes that we're seeking.

Cameron McDonald - ***Deutsche Bank - Analyst***

Okay, that's great, thank you and the final question, big step up in the distribution or the dividend, can you sort of walk us through your thinking around that increase given the increased gearing you've got, the sort of more challenging outlook you've outlined and then how we should expect that to flow through into the final distribution in the full year?

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

As to the last, I didn't bring my crystal ball with me. But I guess it's consistent with the observation, Cameron. Board has most recently guided to 60% to 70% of NPAT. We do the things that you would expect us to do. We look at all of the kind of factors that you've described. We look at what we best consider to be the outlook in the short and medium term and therefore the levels of appropriateness and certainty with respect to making the kind of decisions the Board has announced today.

So in that sense, I guess we would say that we are very comfortable with the uplift in the dividend that's been announced today. We recognise it's at the top end of the guided range. That, however, is consistent with the philosophy that we've been describing to you about our approach to and attitude about capital management.

Cameron McDonald - ***Deutsche Bank - Analyst***

Okay, that's great, thanks.

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

There's no further questions on the phone. Are there any further questions here in the room? Yes, Matt.

Matthew Spence - ***Bank of America Merrill Lynch - Analyst***

Can I just ask a quick one of Mauro if I can, just on the BMA contracts, when do you think we'll get a decision from them on what sort of volume take up they have? Is there a timeline that they have to respond to you?

Mauro Neves - ***Aurizon Holdings Limited - EVP Commercial and Marketing***

Yes, that will happen by the end of this month and we expect it to be in line with our guidance.

Matthew Spence - ***Bank of America Merrill Lynch - Analyst***

The flex that they can decrease up to is how much?

Mauro Neves - ***Aurizon Holdings Limited - EVP Commercial and Marketing***

It's up to 20%. Yes, so the Blackwater nomination has happened already, so the main opportunity they have is in Goonyella. Having said that, the 20% incorporates the whole country, so it hasn't changed the opportunity; it's changed where they can appoint a change.

Lance Hockridge - ***Aurizon Holdings Limited - MD and CEO***

It would appear that's exhausted the questions. That being the case, thank you very much for joining us this morning. Apologies for the hiccups from the technology point of view, happy though to follow up with whatever further questions you might have and we look forward to catching up. Thanks everybody.

John Knowles - ***Aurizon Holdings Limited - SVP, IR***

Thank you.