



Australian Rail Summit 2007

Sydney, July 2007

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Australian Rail Track Corporation Ltd



ARTC's Investment Program Update

- Hunter Valley Rail Network

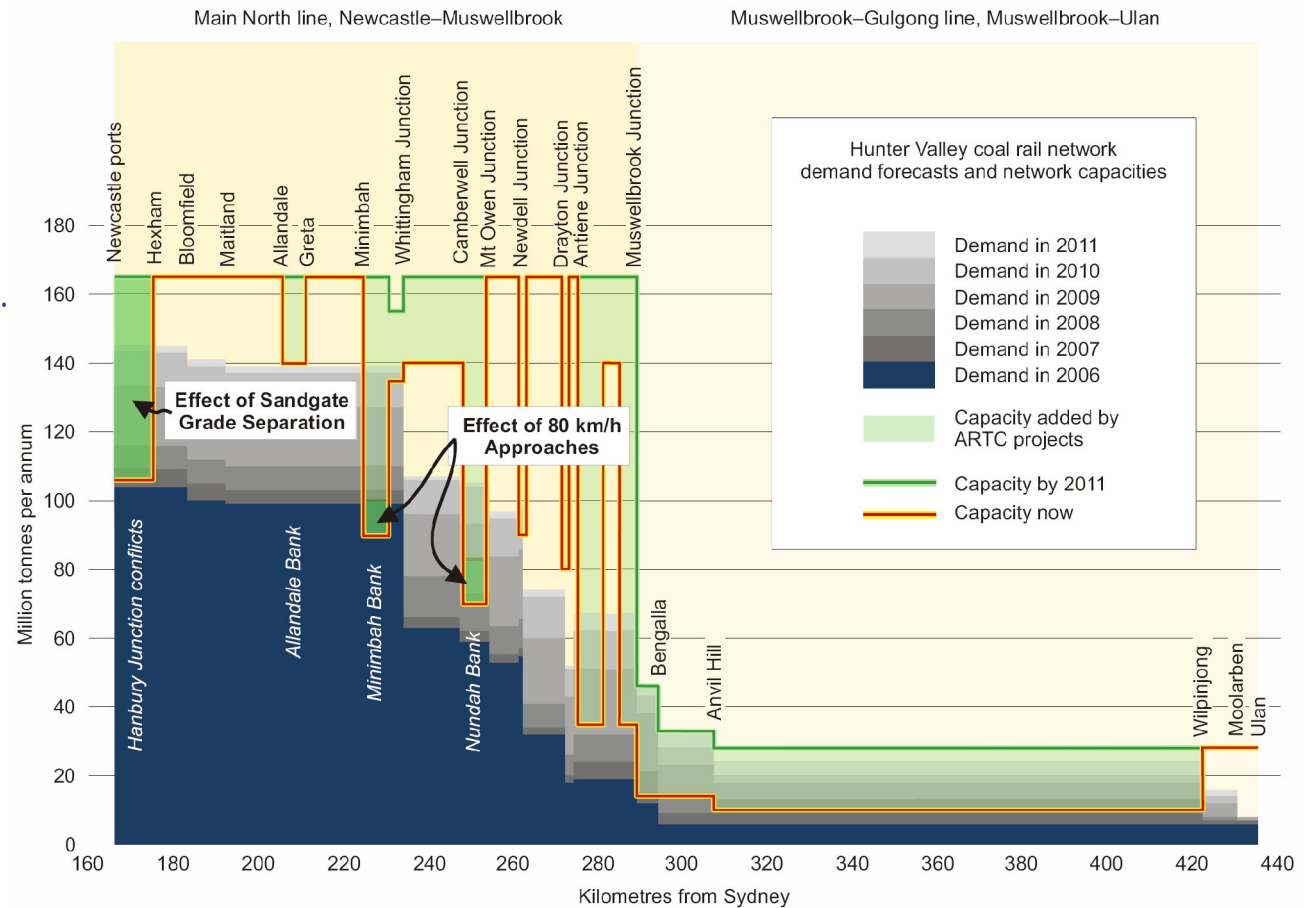
- North South Corridor Improvement Strategy
 - Projects to complete ARTC's North-South Investment Program
 - Update

ARTC 2007 Interstate Access Undertaking

ARTC Access Pricing Review

- Rail Market Trend & Competitiveness
 - East-West
 - North-South
- Price Structure
- Price Outcomes

- The Sandgate project increased capacity at the junction from 106 mtpa to over 165 mtpa.
- This project is a necessary enabler to unblock growth.
- 80 km/h approaches have added 12 - 15 mtpa at Minimbah and Nundah banks.
- These projects, in conjunction with other ARTC projects throughout the Hunter Valley, will ensure rail capacity stays ahead of demand.



Main North line and Werris Creek–Narrabri line, Muswellbrook–Narrabri colliery loop



Current Hunter Valley Projects

➤ Muswellbrook Yard Improvements (\$10.5m)

- Extension of Muswellbrook crossing loop to 1800m. Associated signalling and track improvements. Completed June 2007. Will increase capacity of that part of the coal network to meet significant growth in volumes expected from the Ulan and Gunnedah Basin. 2nd stage (\$2.3m) involves improvements in track geometry through the northern end of the yard.

➤ Long Term Ballast Cleaning Program

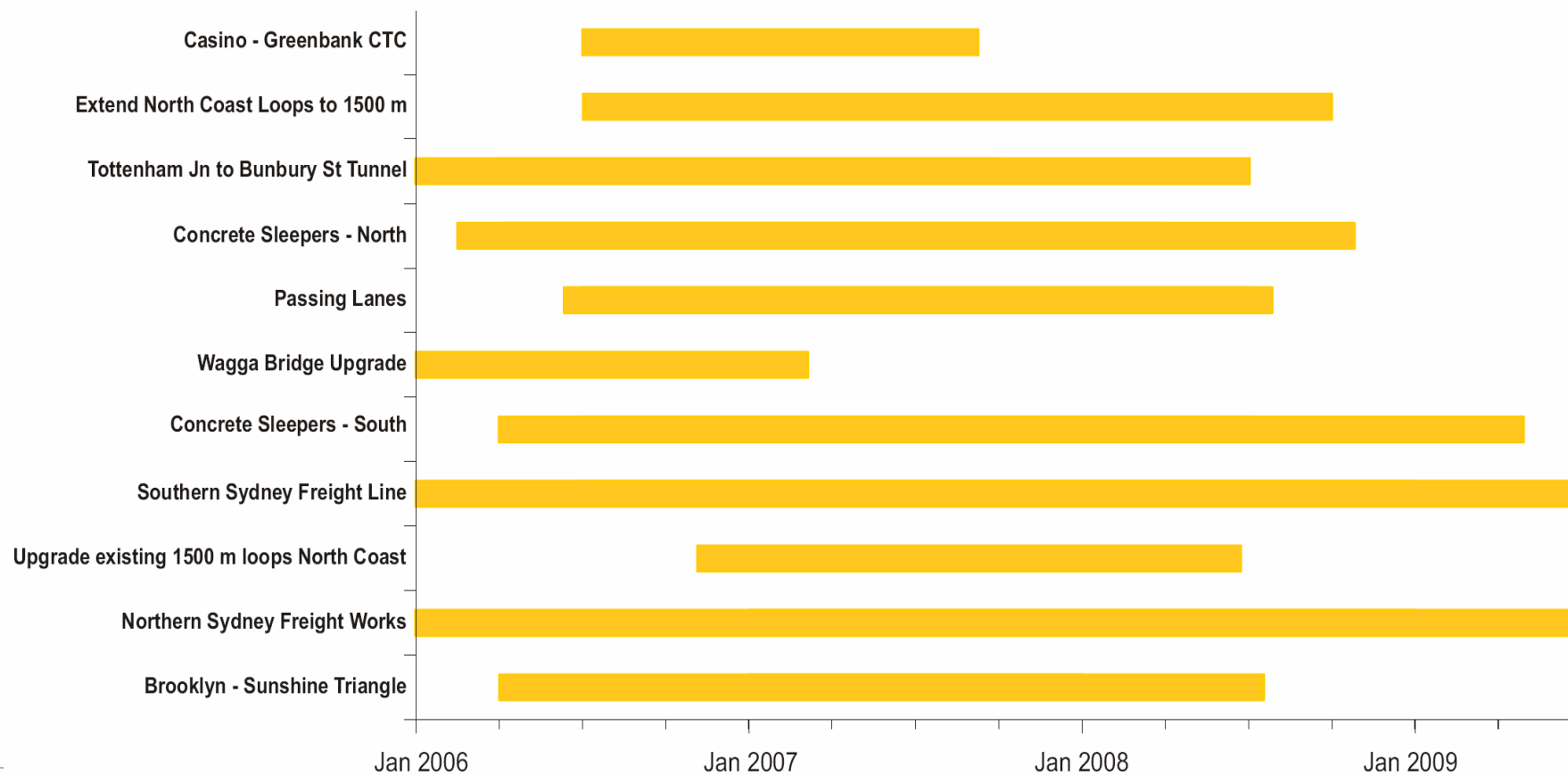
- Regular planned maintenance and ballast cleaning cycle consistent with world wide heavy haulage practice.

➤ Liverpool Range Study

- Conducted in 2nd half of 2006 and identified alignment options across the Liverpool Range in the Hunter Valley to meet expected growth in demand for Gunnedah Basin Coal. Options costed at between \$167-\$465m. Released for industry consultation earlier this year.

All Hunter Valley projects are undertaken with the support of all Hunter Valley Coal supply chain participants.

Projects to complete North-South Corridor Improvement Strategy Program...





North South Corridor Improvement Strategy Update

Melbourne - Sydney

- Southern Sydney Freight Line - Final Development Approval received from NSW Government
- Train control consolidation - Progressively implement with closure of planned signal boxes, centralised Network Control Centres and signalling automation.
- Concrete Sleepering - Program commenced. Majority to occur in 2007-08.
- Passing Lanes - Construction on 4 out of 17 new 7 km lanes has commenced.
- Tottenham - Construction of a direct NS to EW connection.

Sydney - Brisbane

- Crossing loop extension and construction - commenced at 2 locations
- Signalling upgrade - Completed between Gloucester and Casino January 2007
- Bridge Rehabilitation and Strengthening - Paterson Bridge commence in January, Leeville viaduct replacement completed in April

Whole of Corridor Improvements

- Concrete Sleepering - From Melbourne to the Queensland Border. Program has commenced. Majority to occur in 2007-08.
- Network Communications - Arrangements finalised between ARTC and Telstra in April for the introduction of Telstra's Next G technology for the interstate and Hunter Valley network, replacing a series of 9 separate and old technologies such as two way radios and CDMA.



ARTC 2007 Interstate Access Undertaking

Background

- ARTC's current ACCC approved Access Undertaking expired 1 June 2007.
- ARTC has proposed a new 2007 Interstate Access Undertaking to the ACCC in its application in early June.
- This followed 2 rounds of consultation with industry stakeholders.
- The undertaking largely adopts the model that has been applied on ARTC's East-West network (outside of NSW) for the last 5 years. ARTC is seeking to extend the principles to the North-South corridors with a view to achieving similar competitive and growth outcomes for rail.
- The ACCC Issues Paper was released on 22 June, for submissions by 20 July.

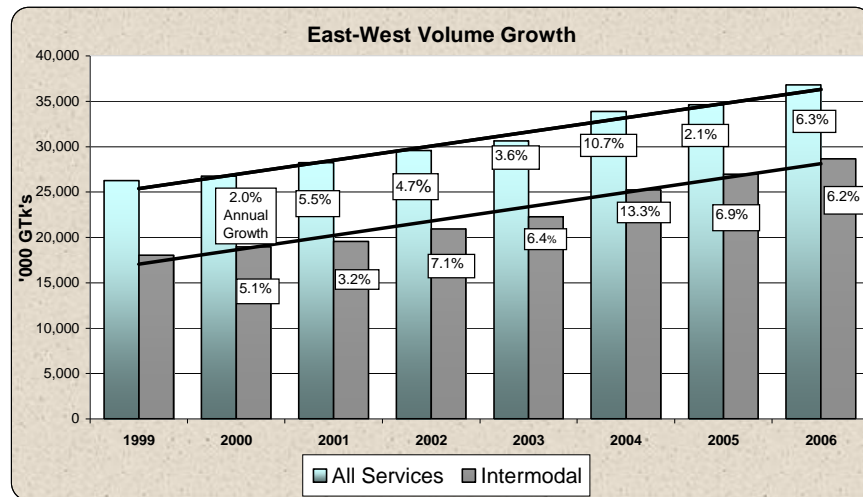


ARTC 2007 Interstate Access Undertaking

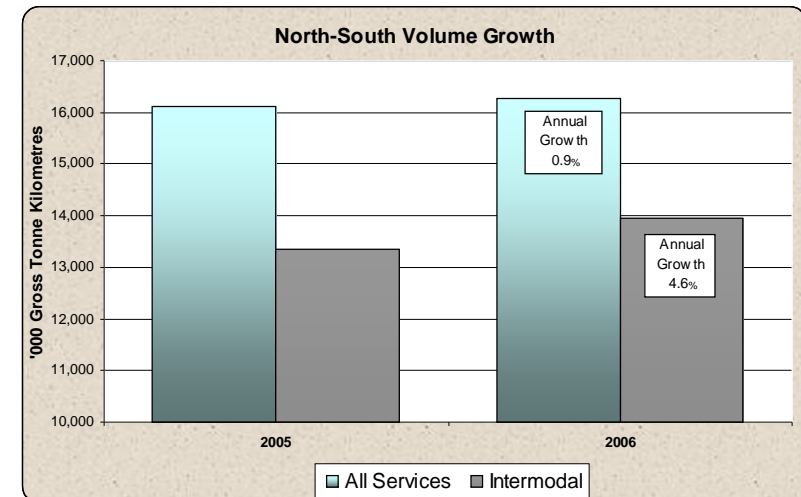
Broad Key Elements

- 5 year Term
- Covers the interstate network from the Queensland - Border to Kalgoorlie via Melbourne and Broken Hill (except the Sydney commuter network). Will cover the Southern Sydney Freight Line when commissioned.
- Includes an Indicative Access Agreement
- Provides for publishing of capacity and pricing information
- Open and flexible process for application, negotiation of an Access Agreement and for dispute resolution. Prescribed time frames.
- Pricing - New approach to floor and ceiling revenue limits on each part of the Interstate Network. Seeks to provide for LONG TERM economic cost recovery and stimulate investment.
- Includes Indicative Pricing for Indicative Services (intermodal) and prescribed annual variation of prices to provide certainty. Proposes a re-balancing of pricing on the interstate network.
- ARTC has sought up front recognition of its investment in the Interstate Network for inclusion in the regulatory asset base.
- ARTC has proposed and initial DORC asset valuation and regulatory rate of return.

- ARTC is proposing to rebalance access pricing on its network to achieve two key objectives:
 - Better align access pricing to market affordability on parts of the network.
 - Develop a more simple and consistent pricing structure throughout the network.
- Pricing for indicative services (intermodal) would be incorporated in 2007 Interstate Access Undertaking.
- Significant work has been undertaken to understand the dynamics of pricing and likely impacts of changes on various traffics.



Consistent year on year growth in East-West rail volume...



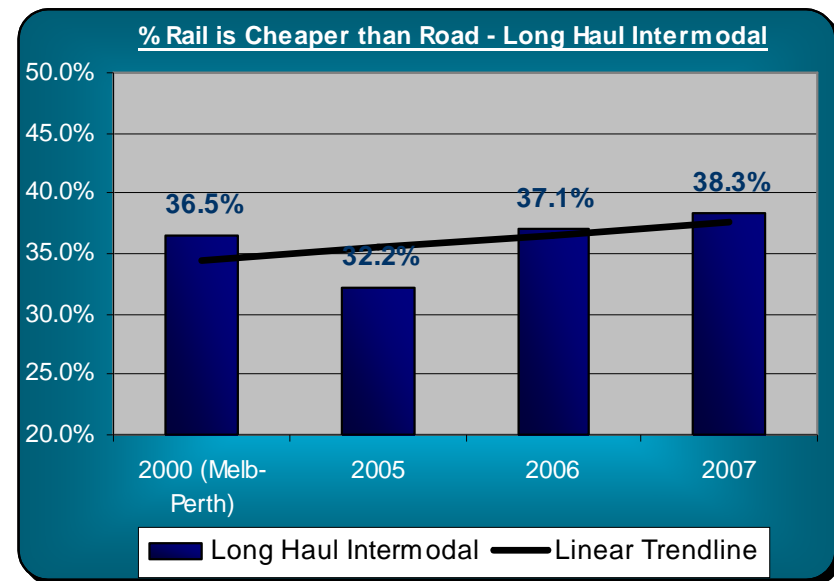
ARTC took over the NSW lease network in late 2004. Total annual growth is modest.

Freight Market Pricing Research

- ARTC reviewed the relative competitive pricing position that exists between road and rail.
- Noted specifically the relative position in the current East-West market and specific commodity markets.
- The chart highlights the relative position in Intermodal markets.

Route	Road/Rail Difference (c/ntk)	
	2005/06	2006/07
Short haul intermodal Melbourne - Sydney, Melbourne - Adelaide, Sydney - Brisbane	Road cheaper 0.33 c/ntk (4.8%)	Road cheaper 0.35 c/ntk (4.8%)
Medium haul intermodal Melbourne - Brisbane, Sydney - Adelaide	Rail cheaper 0.34 c/ntk (10.1%)	Rail cheaper 0.50 c/ntk (13.7%)
Long haul intermodal Brisbane - Adelaide, Adelaide - Perth, Melbourne - Perth, Brisbane - Perth, Sydney - Perth	Rail cheaper 1.99 c/ntk (37.1%)	Rail cheaper 2.25 c/ntk (38.3%)

- Rail is significantly cheaper than road on long-haul intermodal markets...





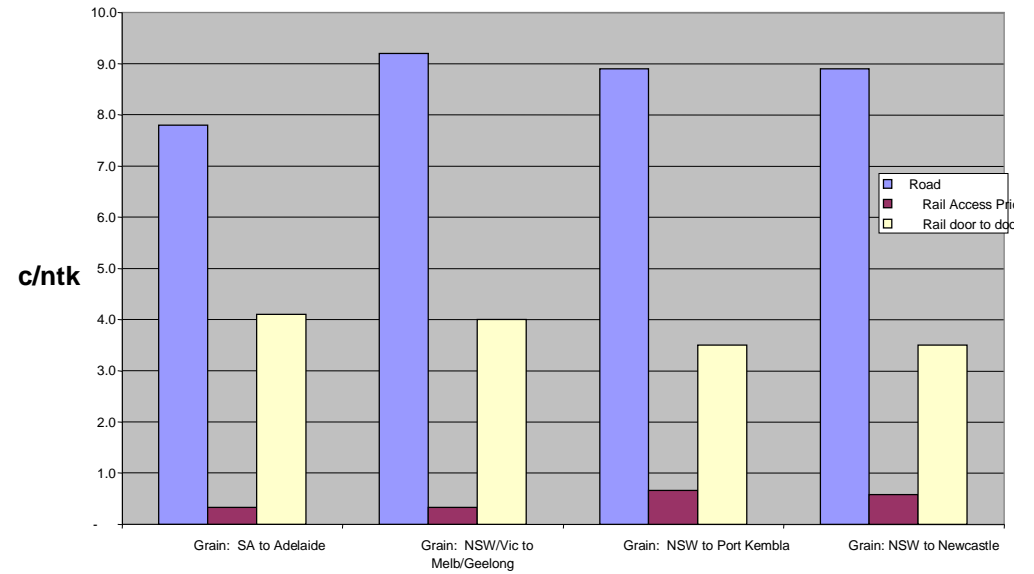
ARTC Access Pricing Review

Pricing position - Other Commodities

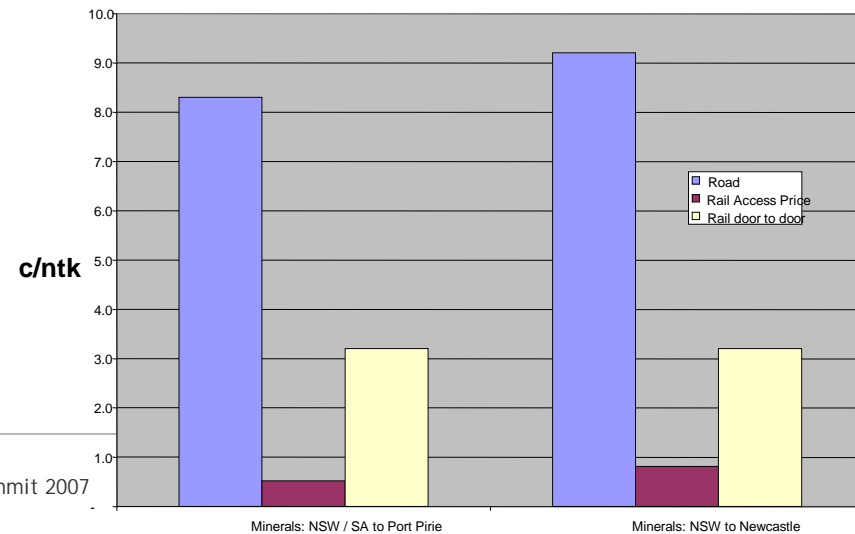
Steel



Grain



Minerals



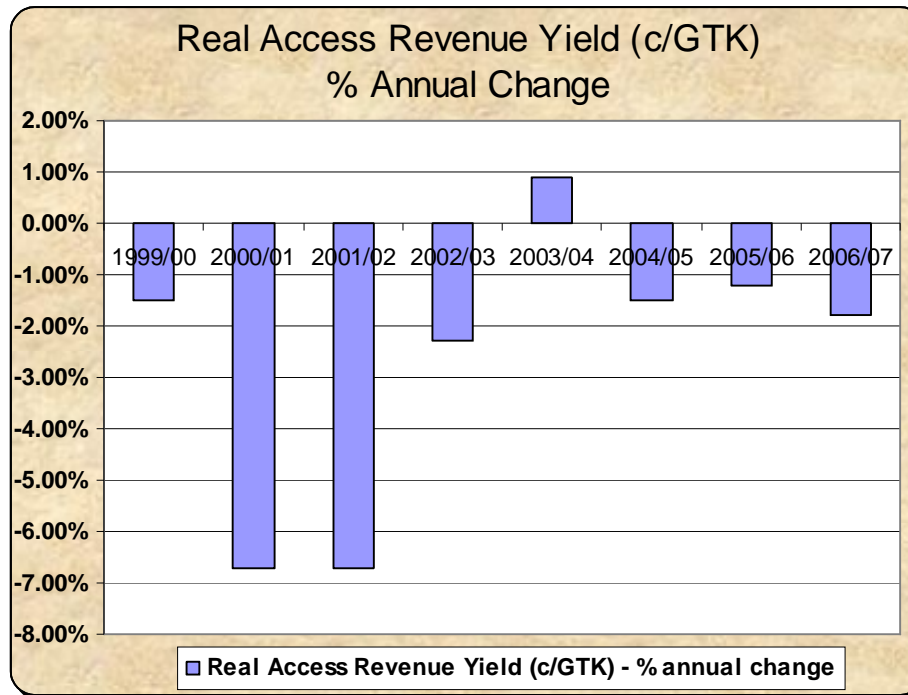


Real Access Revenue Yield Changes - East-West*

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07 YTD
Access Revenue Yield (c/GTK) - % annual change		0.1%	-3.8%	-3.4%	+0.3%	+2.9%	+1.1%	+1.6%	+1.5%
CPI Index **	121.9	124.1	127.6	131.6	135.6	138.8	142.4	146.4	151.2
Access Revenue Yield (c/GTK) – real % annual change		-1.5%	-6.7%	-6.7%	-2.3%	+0.9%	-1.5%	-1.2%	-1.8%

* East West is ARTC's WA, SA and Victoria network.

** CPI All Groups 8 capital cities as at December, excludes GST effect.



The % change in ARTC's real access revenue yield has been negative for 7 of the last 8 years.

ARTC is not generating sufficient access revenue to sustain its asset base in the long run.



ARTC Access Pricing Review

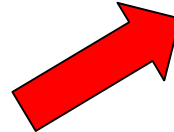
Need to create a consistent cohesive pricing structure across ARTC's Network?

Considerations and questions...

- Is it possible to establish a common structure that can be applied across the whole of ARTC's Network? Can ARTC variable/flagfall structure be applied across the network?
- Need to simplify and streamline the inherited NSW pricing structure?
- Maintain a pricing structure which differentiates on pathing characteristics as much as possible rather than directly being associated with end user markets?
- Align some historical flagfall relativities more closely with views on capacity consumption?

Applied as part of the access pricing to different types of services as appropriate (flagfall).

Basis of price differentiation between different service types.



Express Passenger (XPT, Explorer, CityRail)

- Very high speed above 115kph, lighter axle load,
- Scheduled paths, cannot charge as much as freight but comes at an opportunity cost to ARTC

Passenger (Long Distance Passenger - GSR)

- Higher speed -115KPH, lighter axle load 19t,
- Scheduled paths, cannot charge as much as freight but comes at an opportunity cost to ARTC

Express Freight (Bi-modal)

- Higher speed 115kph, light axle loads to 20t
- Scheduled paths, sensitive to movement to road

Super Freight Intermodal (Indicative service and predominant traffic type, land-bridging)

- Medium speed 110kph, medium axle loads 21t,
- Scheduled movements

Regular Freight - Scheduled (Steel, Ore, some minerals)

- Lower speed 80kph, higher axle load 23t ,
- Requires regular path availability

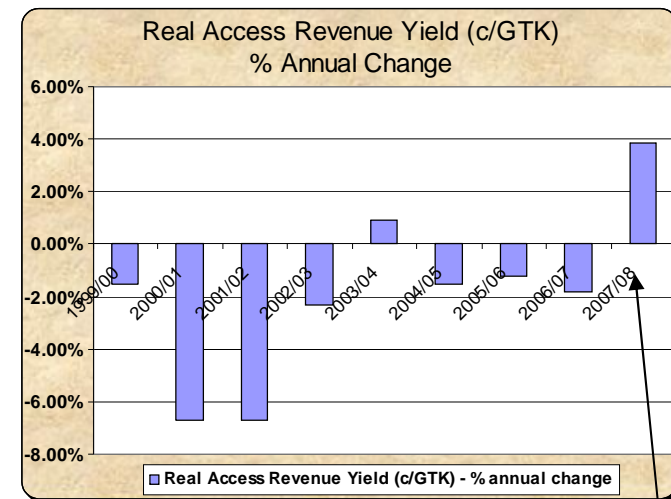
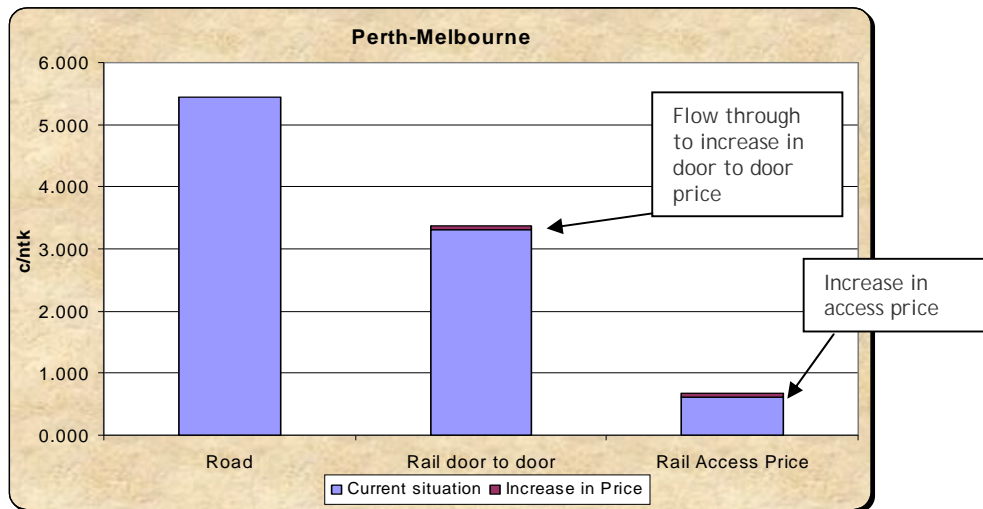
Standard Freight - Non Scheduled (ad-hoc) (grain, work trains, some minerals)

- Lower speed 80kph, higher axle load 23t
- Does not require regular path

East West Intermodal

- ARTC needs to recover effective yield, especially East-West.
- Analysis suggests that a 10% increase in ARTC East-West Intermodal Access price results in a PUD freight price ("end user price") increase of only approximately 1-2%.
- This is because access cost represents only a small percentage (approximately 15%) of end user pricing on the East-West.
- A 10% increase in access price on East-West long haul would have minimal impact on rails competitive position against road.

ARTC will recover real access revenue yield in 2007-08 if it were to implement a 10% access price increase on the east-west intermodal market...improving the ability to sustain the asset base in the long run.



Forecast East-West Access Revenue Yield, with a 10% increase in east-west access pricing.

North-South Corridor

- Earlier analysis highlighted that road pricing was relatively cheaper than rail on East coast short haul legs.
- ARTC analysed the impact of a 10% rebate for 2007/08 and 2008/09 on North-South intermodal traffic (that is, for the period while finishing North-South works).
- Although a 10% rebate will only flow through to a small decrease in rail door to door cost (as per the graphs on the following page), it will improve rails competitive position during the period of the ARTC investment program.
- Upon completion of the works program, operators will then have the benefit of 8% productivity improvements

Assuming the 10% access price rebate is passed on to the market, rail door to door pricing will decrease and rails competitive position will improve.

