



Australian Rail Track Corporation Ltd

2007-08

Statement of Corporate Intent

August 2007

ARTC Charter

The Australian Rail Track Corporation Ltd. (ARTC) is a company whose shares are fully owned by the Australian Government, and overseen by the Minister for Finance and Administration and the Minister for Transport and Regional Services.

Since 1998, ARTC has managed the interstate rail network between Albury and Broken Hill in the East and Kalgoorlie in the West. ARTC has also effected a wholesale agreement with WestNet Rail that enables it to provide a one-stop shop for interstate network access Kalgoorlie to Perth. In September 2004, ARTC commenced a 60-year lease of the interstate and Hunter Valley rail networks in NSW.

ARTC's corporate strategy is:

- ▶ To operate the business on commercially sound principles.
- ▶ To provide seamless and efficient access to users of the interstate rail network.
- ▶ To pursue a growth strategy for interstate rail through improved efficiency and competitiveness.
- ▶ To improve interstate rail infrastructure through better asset management and coordination of capital investment.
- ▶ To encourage uniformity in access, technical, operating and safeworking procedures.

Since commencement of operations in 1998, ARTC has sought to increase utilisation of its network by assisting in maintaining and improving rail's competitive position in national and regional logistics markets. Through targeted investment and efficient low-cost maintenance practices to improve rail's reliability, transit time and yield; and pricing and network management to encourage competition; rail's intermodal competitiveness particularly in east-west intermodal markets has improved markedly. This has contributed to improve rail's share of the East-West land transport market to 80% currently.

The company is seeking to maintain the strategic direction on the East-West network, and apply key elements to obtain a similar desirable transport outcome on North-South interstate corridors and, where appropriate, develop a network wide strategic focus.

Developments in 2006-07

Freight Market

Total interstate freight volume on the SA, WA and Victorian rail network was 7.4% higher over the last 12 months and market share East-West remains strong at around 80%. Rail service reliability (on-time exit) improved by 5% in the last 12 months but remains at low levels. On time entry performance continues to be poor, reflecting continuing problems with terminal congestion.

Within the general freight market, there has been significant activity over the last 12-months including:

- Queensland Rail purchase of Australian Railroad Group.
- The restructure of Toll into Toll and an infrastructure company, Asciano, which includes Pacific National (PN).
- Specialised Container Transport has purchased PN's "East-West Starter Kit" assets, as well as new locomotives.
- The main competition from sea reverts to single voyage permit operations after the exit of PAN shipping.

ARTC Developments

ARTC's investment program for the North-South corridor and Hunter Valley has moved from the 'design' to 'implementation' phase. Major project achievements in the last 12 months include:

- Sandgate flyover in the Hunter Valley near Newcastle
- Wagga bridge replacement
- Concrete sleeper program commencement on the North-South corridors
- Signal box automation and train control consolidation.

In an \$85m deal signed between ARTC and Telstra, 77 new Next G™ regional base stations will be built. The agreement will see Telstra's Next G™ network used to replace nine separate communications systems across 10,000km of rail tracks. Replacing a series of old technologies, the new network will provide consistent telecommunications coverage for the interstate rail network from Brisbane to Perth (via Melbourne and Broken Hill) and in the Hunter Valley. The funding for this project was provided by the Australian Government through AusLink.

ARTC has pursued the process of gaining regulatory approval for its access undertakings pertaining to the interstate rail networks. As part of this process, ARTC has sought to review its pricing on the interstate network, seeking to better align pricing with market economics and develop a consistent pricing structure across the network.

ARTC Focus in 2007-08

To underpin its corporate strategy over the next 5 years, ARTC has to continue to focus on developing four key inter-related areas of its business.

PRODUCT PEOPLE FINANCE PROCESS

Within each of these areas of focus, the company has historically sought to identify, review and monitor performance against the key objectives (described below), identify issues, risks and opportunities for the company, and develop strategies and targets to address these.

Particularly important internal and external challenges for the company in 2007-08 include:

- Managing the business in an environment with continuously changing structural and competitive dynamics arising from market rationalisation.

ARTC Focus in 2007-08 (cont.)

- The need to continue working with customers to identify strategies to improve rail service reliability above levels achieved in recent years, particularly on the East-West network. ARTC is acutely aware that any decline in rail performance levels will impact on modal share.
- Implementation of the North-South and Hunter Valley investment strategies in 2007-08, including delivery of the improvements on time and on budget, as well as minimising the impact on current operations during implementation.
- Continuing to monitor culture and attitudes within the organisation in order to assist with the development of strategies to instil a positive 'can do' culture that focuses on service delivery and accepting responsibility and accountability.
- Review and gaining efficiencies from process and technology improvements, including:
 - Aligning the functions of communications, signalling & IT to understand inter-relationships, boundaries and interfaces.
 - Managing impacts of Next G™ implementation and the interfaces with signalling systems.
 - Aligning and improving network control systems.
 - Commence proof of concept for next generation train control technology.
- Achieving EBITDA of \$70m in 2007-08.
- Continuing to assist and actively participate with relevant agencies in order to:
 - achieve a national rail safety framework, and adoption of national operating codes;
 - progress development of the AusLink program.
 - develop consistent access terms across the interstate network.

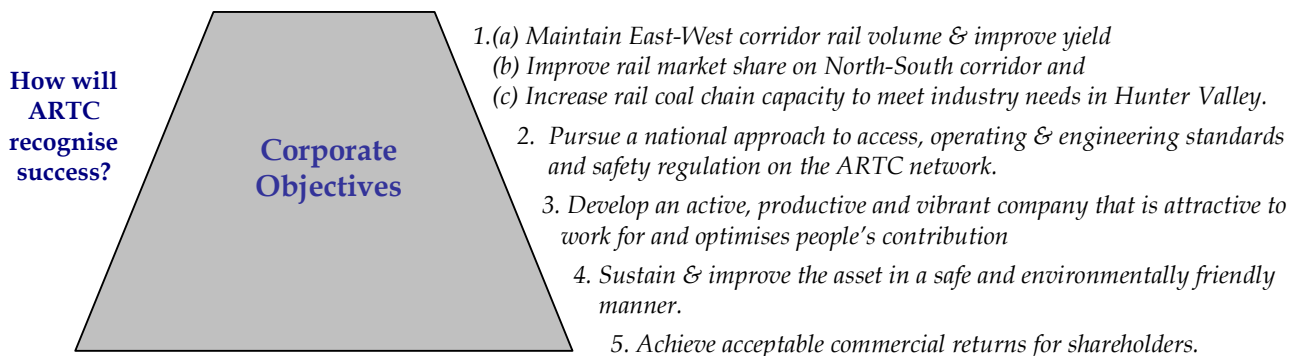
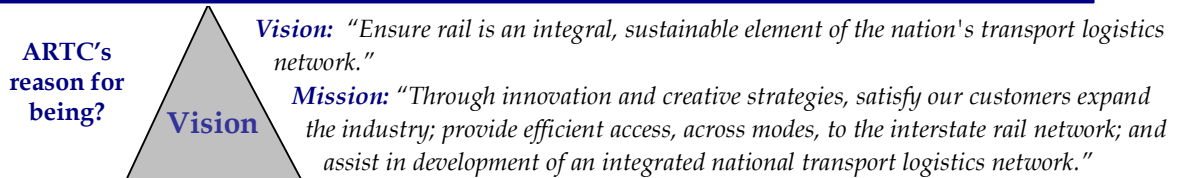
Performance Outcomes

ARTC continues to adopt a cohesive approach to the development of objectives for 2007-08, seeking commitment to the achievement of these objectives from within the company, and monitoring of progress towards achieving those objectives. The company has a range of strategic measures to monitor movement towards achieving long-term company, and industry, objectives.

ARTC expects financial performance in the coming years to be constrained by the substantial up-front investment expenditure associated with the North-South Corridor Strategy, where incremental revenue benefits associated with the investment coming from modal shift in the market are not immediate.

2007-08 STRATEGIC CHANGE INDICATORS	
PRODUCT	
RAIL FREIGHT MARKET OBJECTIVES	
East-West Rail Volume & Access Revenue Yield	
North-South Rail Market Share & Rail Volume	
Hunter Valley Rail and Coal Chain Capacity	
<small>*Performance in relation to service reliability, transit time, yield & capacity will be monitored</small>	
SUSTAIN & IMPROVE THE ASSET	
Track Quality Index – TQI	
PEOPLE	
Expenditure per GTK	
Labour Cost per GTK	
Lost Time Injury Frequency	
Sickness	
PROCESS IMPROVEMENT	
Portion of jurisdictions on the ARTC network with uniform access, operating & engineering standards	
FINANCIAL PERFORMANCE	
Return on Total Assets	
EBITDA	
Shareholder Value Added	

ARTC's Vision, Mission and Corporate Objectives



ARTC's North-South Corridor Investment Program

ARTC remains committed to pursuing significant growth in rail market share on the important Melbourne–Sydney–Brisbane (North–South) corridor. Its \$2.6bn infrastructure investment program for the North-South and Hunter Valley corridors, and other network wide investments is underway. ARTC's objectives are to achieve market performance requirements in the areas of transit time, reliability, capacity and yield (above and below rail). Fundamental to all is achieving the benefits safely.

Major North-South Projects Update

Melbourne - Sydney

- Southern Sydney Freight Line (SSFL) - NSW Government Development Approval December 2006.
- Wagga bridge replacement—\$17m rail bridge completed and opened January 2007.
- Train control consolidation—progressive implementation in accordance with the project plan, including closure of planned signal boxes, establishment of Network Controller positions and Train Transit Manager positions, centralised Network Control Centres and automation of signals
- Concrete sleeping—program commenced 2006-07.
- Passing Lanes and higher speed turnouts—construction on 4 of 17 new 7 km long passing lanes commenced 2006-07.

- Construction of a direct North-South to East-West connection at Tottenham

Sydney - Brisbane

- Crossing loop extensions to 1500m—extension at Braunstone commenced February 2007.
- New 1500m crossing loops—new \$5.3m Nammoona crossing loop was opened in July 2007.
- Concrete sleeping—program commenced 2006-07.
- Signalling upgrade between Gloucester and Casino completed January 2007.
- Bridge rehabilitation and strengthening—Major repairs to 100 year old Paterson rail bridge commenced January 2007. The \$7.7m new Leeville viaduct was completed in July 2007.

Network Communications

- Arrangements finalised between ARTC and Telstra in April 2007 for the introduction of Telstra's leading 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's Hunter Valley Investment Program

ARTC's Hunter Valley strategy is currently estimated to cost around \$385m and includes works designed to deliver capacity meeting industry forecasted demand to possibly more than 160mtpa in the Hunter Valley. Capacity north of Muswellbrook will be increased to between 15 and 20mtpa to meet projected coal production north of the Muswellbrook. All investment is subject to coal industry approval of projects.

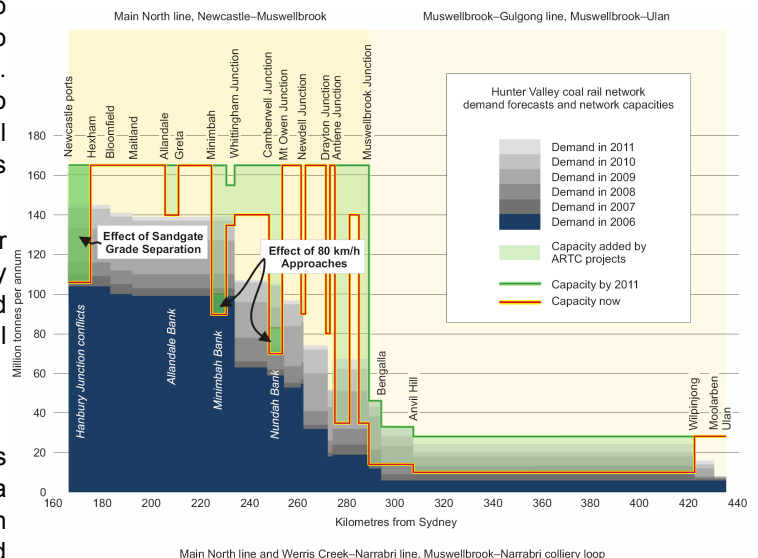
The basic approach is to develop an ability in the lower Hunter Valley to run trains at 10 minute headway (separation). Subject to industry support, it is expected that the Hunter Valley rail corridor investment strategy will be implemented over the next 4-5 years.

Major Hunter Valley Projects Update

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

Chart 2 highlights the impact that works completed in 06/07 have had on rail capacity to meet demand.

Chart 2: Hunter Valley demand & network capabilities



Further details and project updates in relation to ARTC's North-South Corridor and Hunter Valley investment programs can be found on ARTC's website:

www.artc.com.au

Accountability

The ARTC Board has responsibility for the performance of the company and is fully accountable to the shareholders.

The Board is required to report as follows:

- A Corporate Plan annually, covering a minimum period of three years;
- Six-monthly progress reports;
- Other interim reports as requested by the shareholders;
- Annual Report in accordance with the Corporations Act.

In addition, ARTC will provide to the shareholders immediately it becomes available, any information that may have a material effect on the value of ARTC, or the achievement of its strategic objectives and goals.

Directors' Code of Ethics¹

Directors are at all times subject to the legal requirements associated with their position; in particular those requirements under Australian Corporations and Securities legislation. The following code of ethics applies, and is adopted collectively and individually by the ARTC Board and directors of ARTC.

- **Duty to Act Honestly**
A director must act honestly, in good faith, and in the best interests of the shareholders and company at all times.
- **Duty to Exercise Due Care and Diligence**
A director is required to exercise due care, diligence in fulfilling the functions of office and exercising the powers attached to that office.
- **Duty Not to Make Improper Use of the Position of Director**
A director must use the powers of office for a proper purpose, in the best interests of the company as a whole. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders in the company. A director must not take improper advantage of the position of director. A director must not make improper use of information acquired as a director. Confidential information received by a director in the course of the exercise of directorial duties remains the property of the company from which it is obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.

- **Conflict of Interest**
A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
- **Duty to Exercise Independent Judgement**
A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors.
- **Duty Not to Engage in Inappropriate Conduct**
A director should not engage in conduct likely to bring discredit upon the company.

ARTC VALUES

In achieving its vision and working towards its objectives, ARTC will be guided by the following values:

Service

Aim to surpass customer expectations.

Safety

Managing risk to enhance safe rail operations is integral to ARTC. ARTC seeks to maintain a strong relationship with all custodians of rail safety over the network.

Continuous Improvement

In all aspects of our business we will strive to innovate, improve and apply best practice principles.

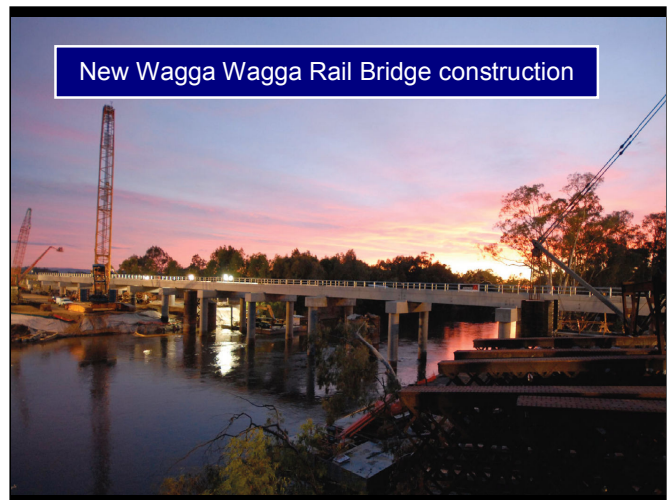
People & Integrity

We will ensure our staff have the skills and resources needed to perform at the highest level and in return expect their full commitment to the company and its goals. All business activities will be carried out honestly and ethically acknowledging all stakeholder interests.

Relationships & Information

At ARTC, we recognise and value relationships internally and externally to the organisation. In all instances we will endeavour to maintain open and honest communications and develop positive relations with all interested parties. We will encourage an environment where information is openly shared. All stakeholders fully and accurately informed of relevant issues facing ARTC.

New Wagga Wagga Rail Bridge construction



¹ Consistent with the Australian Institute of Company Directors Code of Conduct

For more information on ARTC, including copies of
Annual Reports, please refer to ARTC's website:

www.artc.com.au

Refer to the "Latest News" section on ARTC's website for up to date
information, press releases and other important announcements from ARTC.

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