



## Australian Rail Track Corporation

# Statement of Corporate Intent 2009/10



## ARTC Charter

The Australian Rail Track Corporation Ltd. (ARTC) is a company under the Corporations Act whose shares are owned by the Commonwealth of Australia which is represented by the Minister for Infrastructure, Transport, Regional Development and Local Government, and the Minister for Finance and Derogulation.

ARTC commenced operations on 1 July 1998, and currently has responsibility for the management of over 10,000 route kilometres of standard gauge track in South Australia, Victoria, Western Australia and New South Wales. ARTC has a 60-year lease of the interstate and Hunter Valley rail networks in NSW, which commenced in 2004, and a lease for the Victorian interstate network, which has recently been extended by an additional 45 years to 2059. ARTC also has an agreement with WestNet Rail to provide a one-stop shop for interstate network access from Kalgoorlie to Perth.

ARTC’s corporate strategy is to:

- Provide seamless and efficient access to users of the interstate rail network;
- Pursue a growth strategy for interstate rail through improved efficiency and competitiveness;
- Improve interstate rail infrastructure through better asset management and coordination of capital investment;
- Encourage uniformity in access, technical, operating and safe working procedures; and
- Operate the business on commercially sound principles.

ARTC’s objective is to increase utilisation of its network through assisting in maintaining and improving rail’s competitive position in both national and regional logistics markets.

## Vision & Mission

### VISION:

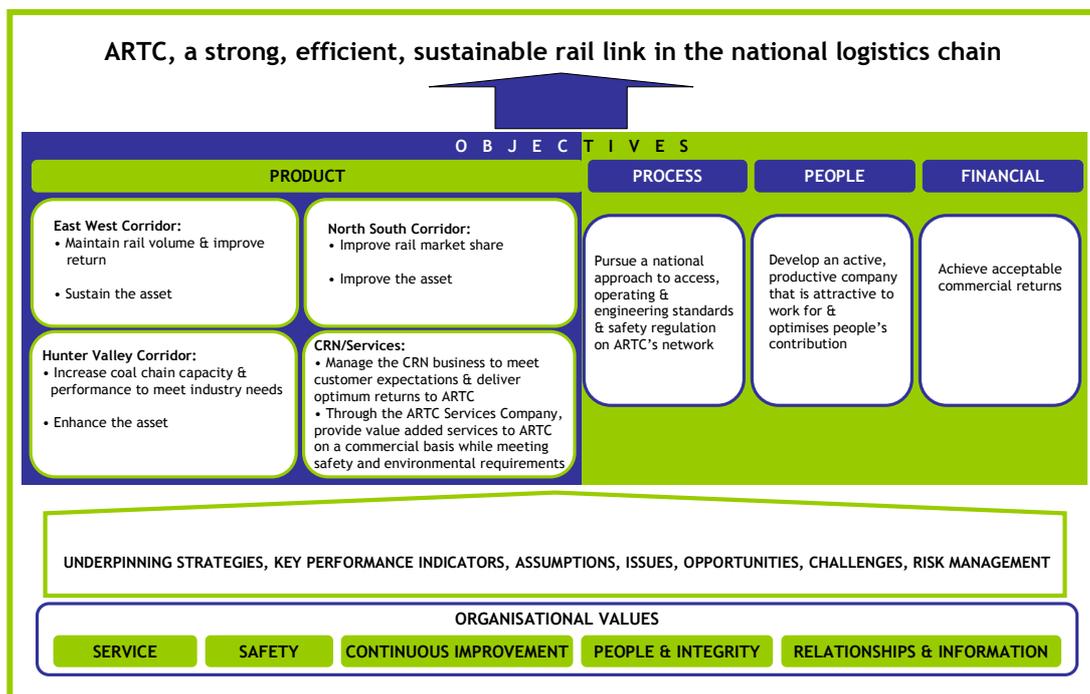
**ARTC, a strong, efficient, sustainable rail link in the national logistics chain.**

### MISSION:

**Through innovation, and in collaboration with customers and stakeholders, deliver safe, reliable and competitive rail transport.**

## ARTC’s Planning Approach

ARTC continues to focus on building the four key inter-related areas of its business: Product, Process, People, and Financial. Objectives and strategies reflect ARTC’s organisational structure based around the East-West, North-South, and Hunter Valley Corridors. The Country Regional Network (CRN) and ARTC Services Division also have defined objectives and strategies, as outlined in the diagram below.



## Objectives & Strategies Outcomes

Achieving the ARTC objectives and strategies will deliver the outcomes outlined in the table below. Each objective is supported by a number of Key Performance Indicators designed to monitor progress towards achievement of targets.

<b>East-West</b>	Rail volumes increasing in line with economic growth and constant real access pricing. Asset condition and performance continuing to meet market need.
<b>North-South</b>	Improved condition of the North-South network in terms of capacity, yield, transit time and reliability to meet market needs and to attract above rail competition. Increase in rail modal share to 23% in the medium term.
<b>Hunter Valley</b>	Delivered rail capacity ahead of forecasted demand for export coal. Improved working and commercial arrangements between the various parties in the Hunter Valley coal supply chain to attain a coordinated approach and efficiencies.
<b>CRN &amp; Services Co.</b>	Delivery of a high quality service to the customer that meets stated strategic and policy requirements while delivering optimum financial returns to ARTC.
<b>Process</b>	Consistent application of access, safety and engineering regulation and standards across ARTC network. Unified management of the interstate rail network.
<b>People</b>	Increased employee productivity and consistent focus across the company on safety and achieving corporate objectives. Improved communication and awareness of attitudes and culture.
<b>Financial</b>	Improved efficiency of service delivery and focus on cost management and yield. Focus on long term profitability and sustainability.

## Key Developments & Achievements 2008/09

Over a two year period, ARTC will receive up to \$1.2 billion as part of the Australian Government's Nation Building Package. This additional equity will assist ARTC debt raising to meet current objectives and funding for a number of additional infrastructure projects.

The economic downturn has been impacting on freight volumes on the East-West and North-South corridors, with both household expenditure and demand for commodities slowing. For the six month period to the end of February 2009, total volumes are 8% less than for the corresponding period in the previous year.

On 31 July 2008 ARTC's Interstate Access Undertaking was approved by the ACCC. This new undertaking incorporates revised access charges on a corridor basis, with annual variations not exceeding CPI. The revised pricing also better recognises network capacity, providing clearer signals for efficient network usage and investment.

North-South rail market share will increase following completion of works, however a lag effect for above rail investment is anticipated.

There is no decline expected in demand for Hunter Valley export coal, with future growth predicted. Work continues to build capacity ahead of demand.

ARTC's investment programs are progressing, with major project achievements in 2008/09 being:

### **East-West**

- ▶ Upgrading of the Dry Creek to Outer Harbour line in conjunction with the SA Government's Port River project;
- ▶ Double stacking capability achieved between Parkes and Crystal Brook and construction of a new tunnel;
- ▶ Upgrading and resignalling of the Tottenham to Dynon area, including bi-directional signalling (shared between the North-South and East-West corridors).

### **North-South**

#### **Sydney - Brisbane**

- ▶ Completion of track, civil and signalling works at all 9 new & extended loop sites to cater for 1500 metre long trains.

#### **Melbourne - Sydney**

- ▶ Completion of a fourth passing lane between Junee and Albury;
- ▶ Concrete sleeping program at 94% completion with approximately 1.5 million sleepers installed;
- ▶ Gauge conversion of Seymour-Wodonga, now awaiting signalling works to allow full commissioning.

### **Hunter Valley**

- ▶ A third additional passing loop on the Muswellbrook to Ulan line;
- ▶ New or extended loops now at Togar, Murulla, Ardglen, Willow Tree, Breeza, Curlewis, Gunnedah and Emerald Hill;
- ▶ Antiene to Muswellbrook track duplication, including Grasstree-St Heliers bi-directional signalling;
- ▶ Bi-directional signalling – Maitland to Branxton.

## Opportunities & Challenges 2009/10 and Beyond

There are a number of internal and external opportunities & challenges for ARTC in 2009/10, some of which are:

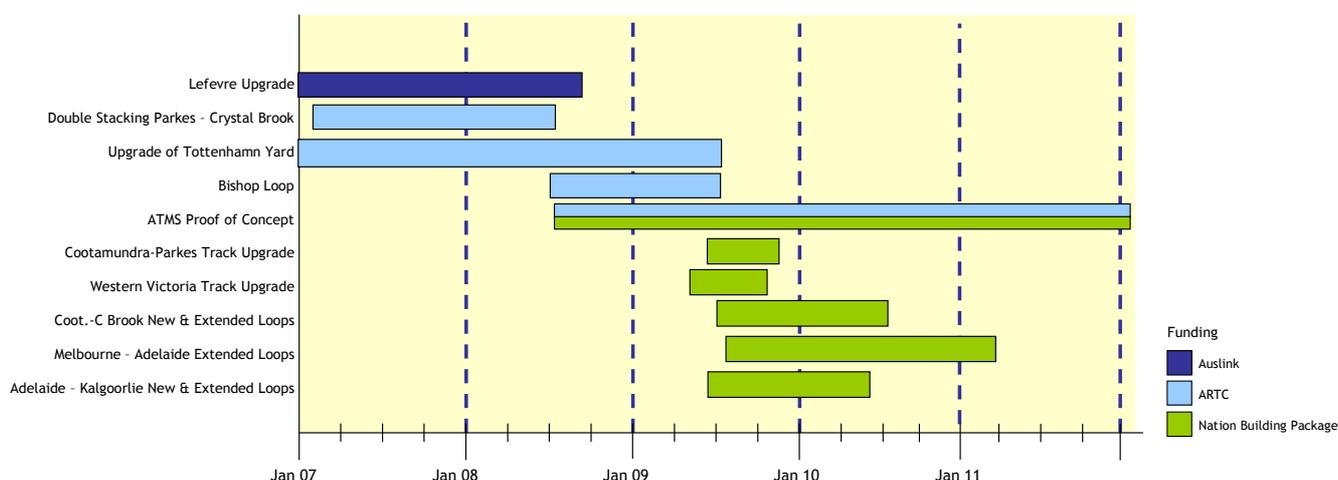
External	
<b>Regulation</b>	There is work to progress the harmonisation of OH&S regulation, and COAG are reviewing a single national rail safety regulator, however there is still a lack of consistency and multiple regulation from states. Environmental regulatory issues make it difficult to proceed with works and may delay projects.
<b>Climate Change</b>	There is uncertainty around how a Carbon Pollution Reduction Scheme may impact on rail, however, it may provide advantages for rail in the longer term.
<b>Economy</b>	The global and Australian economies are not expected to recover within the next 2 years. The reduction in consumer confidence in the market place will reduce intermodal service volumes. Despite the economic downturn, the quality and desirability of Newcastle thermal coal mitigates against the impacts of the global financial crisis.
Internal	
<b>Delivery</b>	ARTC to focus on finishing major works and delivering the "Nation Building Package" projects on time and on budget whilst maintaining network performance.
<b>Work Practices</b>	ARTC will continue its work towards consistent work practices and standards which will result in efficiencies.
<b>Financial</b>	Financial impacts of the economic downturn will need to be carefully managed.
<b>ATMS &amp; NTCS</b>	With the Advanced Train Management System (ATMS), focus needs to be placed on strategic application of the technology through the proof of concept development. Continue the roll out of the National Train Communications System (NTCS) base stations and In Cabin equipment to enable wider application of the digital backbone.

## East-West Investment Program

On the East-West corridor, the objective is to maintain current rail volumes, allowing for growth in the size of the market, and to improve return. The focus on this corridor has been primarily around sustaining the asset, and as such, there has been only limited enhancement investment in recent times. Work on this corridor is currently focused around delivering the Nation Building (Early Start) package works:

1. Cootamundra – Parkes Track Upgrade;
2. Western Victoria Track Upgrade;
3. Cootamundra – Crystal Brook New & Extended Loops;
4. Melbourne – Adelaide Extended Loops;
5. Adelaide – Kalgoorlie New & Extended Loops.

### East-West Investment Program Projects



## North-South Investment Program

Investment on the North-South corridor is to support significant growth in rail market share. It is designed around delivering reduced transit time, increased reliability, increased capacity, and reduced above rail operating costs. There are a number of projects being undertaken on this corridor as outlined below.

### Work in Progress:

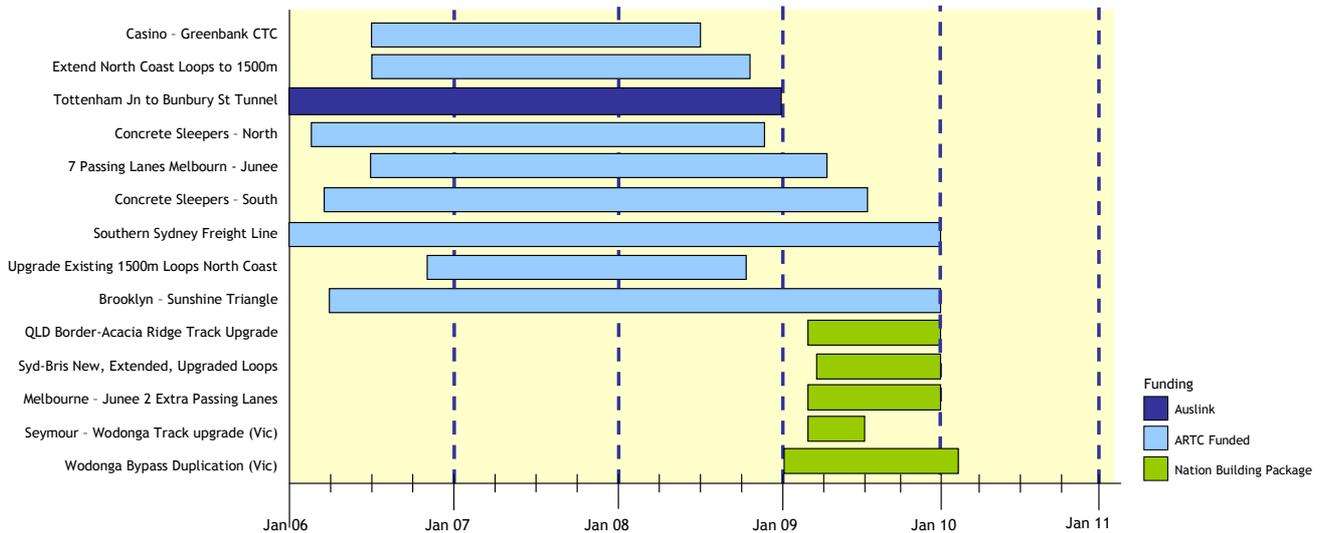
1. Southern Sydney Freight Line;
2. Concrete sleeping continuing, expected completion June 2009;
3. Continued work on three passing lanes Melbourne – Seymour and higher speed turnouts, expected completion May 2010;
4. Construction of a direct North-South to East-West connection at Tottenham, providing a direct connection for Adelaide to Sydney bound trains, and avoiding delays related to a stop at Dynon;
5. Nation Building package works, outlined in detail below.

### Nation Building Package Additional (Early Start) North-South Projects

For the North-South corridor, the Early Start projects are:

- |  |                                     |
|--|-------------------------------------|
| 1. Border – Acacia Ridge Track Upgrade;              | 4. Seymour – Wodonga Track Upgrade; |
| 2. Sydney – Brisbane New, Extended & Upgraded Loops; | 5. Wodonga Bypass Duplication.      |
| 3. Melbourne – Junee Passing Lanes;                  |                                     |

### North-South Investment Program Projects



## Hunter Valley Investment Program

The approach in the Hunter Valley is to deliver capacity ahead of demand, having regard to port capacity constraints. In order to understand future capacity requirements, the investment strategy is developed in consultation with the Hunter Valley coal industry, and is updated annually. The emphasis is on further increasing capacity north and west of Muswellbrook to meet increasing coal production from the Gunnedah basin and around Ulan. Additional equity obtained through the Nation Building Package will assist in ensuring projects in the Hunter Valley are undertaken.

### Work in Progress

The significant projects within the Hunter Valley Coal Network Capacity Improvement Strategy are:

1. Newdell Junction remodelling;
2. Third Track on Minimbah bank (Stage I);
3. Additional 3 passing loops on Ulan line;
4. 4 Crossing Loop extensions - Muswellbrook to Werris Creek.

### Future projects

Projects proposed in Hunter Valley Corridor Capacity Strategy are:

1. A Liverpool Range tunnel or track diversion to improve track gradient for loaded coal trains;
2. A third track between Minimbah and Maitland (Stage II);
3. New passing loop Muswellbrook to Bengalla on the Ulan line and new passing loop at Koolbury on the Werris Creek line;
4. Three additional loops between Muswellbrook and Werris Creek.

## Network-Wide Projects

### Network Communications

- ▶ The National Train Communications System project with Telstra has two major components: the Network and the In Cabin Equipment.
- ▶ The Network component is progressing well, with the roll out Next G™ base stations across the entire rail network to form a national train communications backbone. Fifty four of the seventy seven base stations are complete.
- ▶ The In Cabin Equipment is being developed to allow 704 units to be fitted into locomotives, and has passed first level factory acceptance testing.

### Advanced Train Management System (ATMS)

- ▶ ATMS will provide In Cabin Authorities to trains and In Cabin Enforcement of those, and therefore replace physical line side signalling. The system will use electronic virtual blocks, issued from a centralised system to the trains enhancing flexibility and capacity. The ability to verify train position and intervene will enhance safety.
- ▶ Contracts with Lockheed Martin & Lloyds Register Rail were signed in June 2008 for a Proof of Concept trial to be delivered in conjunction with Ansaldo STS in 39 months. The Proof of Concept is costing \$90 m and will be trialled between Adelaide and Port Augusta.

## Financial Forecasts

	2008/09	2009/10
Operating Revenue (\$m)	542.9	647.7
EBITDA (\$m)	97.0	160.0
EBIT (\$m)	-195.6	-354.4
Total Assets (\$m ave.)	2443.8	2866.2
Return on Assets	-8.6%	-12.4%
Return on Equity	-8.7%	-15.2%

## Accountability

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

- ▶ A Corporate Plan on an annual basis to cover a period of minimum three years;
- ▶ Quarterly progress reports;
- ▶ Other reports as requested by the shareholders;
- ▶ An Annual Report in accordance with the Corporations Act.

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

## **Directors' Code of Ethics**

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**

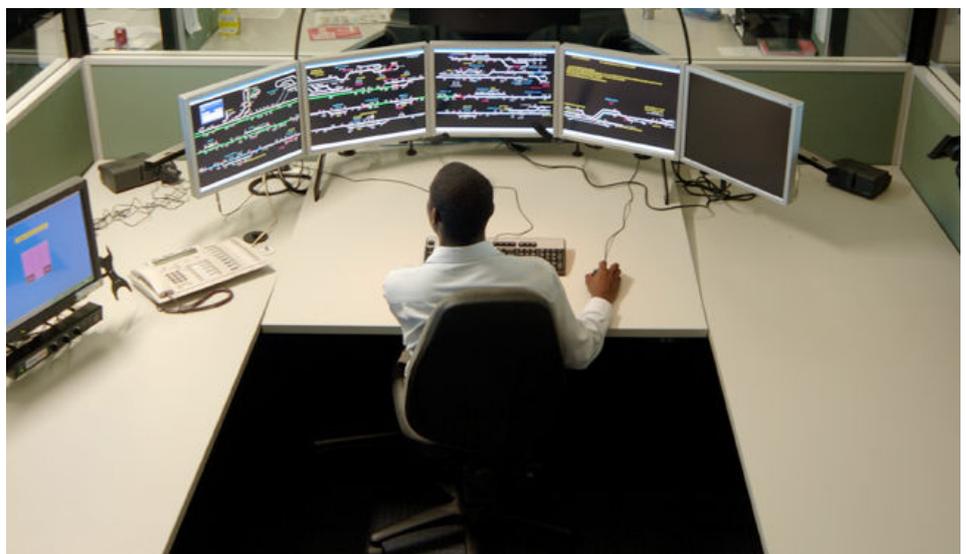
A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.

### **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.



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

[www.artc.com.au](http://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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