



STATEMENT OF CORPORATE INTENT 2010/11

VISION

OBJECTIVES

STRATEGIES

ARTC, A STRONG, EFFICIENT, SUSTAINABLE RAIL LINK IN THE NATIONAL LOGISTICS CHAIN

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 Deregulation.

Commencing operations on 1 July 1998, ARTC currently has responsibility for the management of over 10,000 route kilometres of standard gauge track in South Australia, Victoria, Western Australia, New South Wales, and Queensland. ARTC has a 60 year lease of the interstate and Hunter Valley rail networks in NSW, a lease for the Victorian interstate network to 2059, and in January 2010, entered a 60 year lease for the standard gauge rail line between the NSW/Queensland border and Acacia Ridge. ARTC also has an agreement with WestNet Rail to provide a one-stop shop for interstate network access from Kalgoorlie to Perth, which expires in 2015.

ARTC’s corporate charter 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.

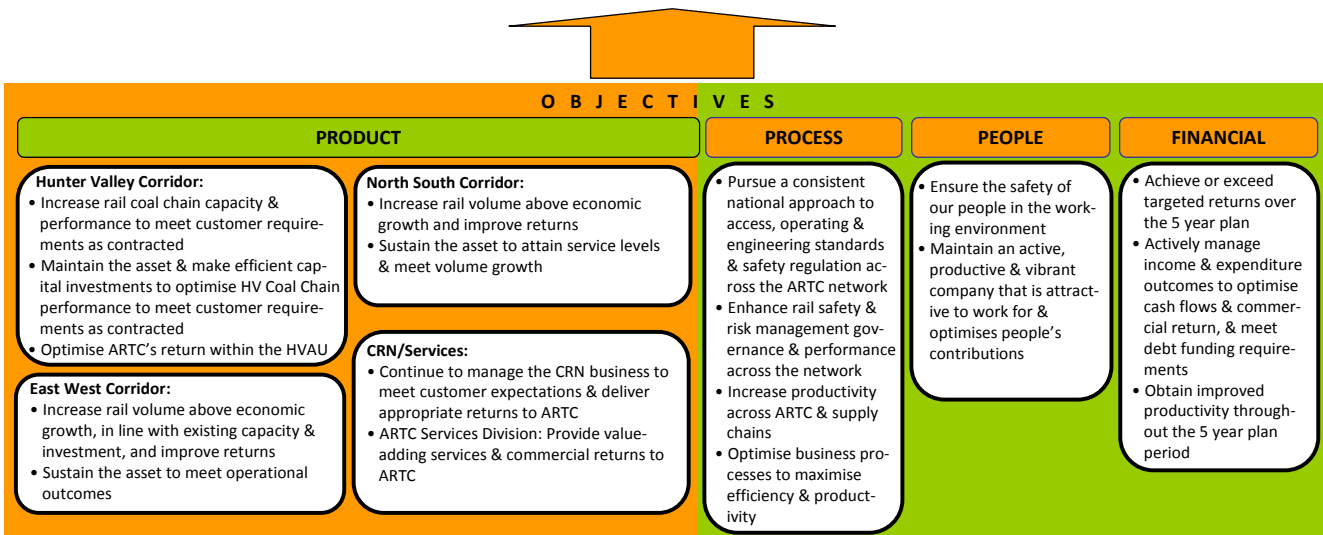
Vision & Mission

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, providing appropriate commercial returns to our shareholder

ARTC’s Planning Approach

ARTC continues to focus on 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, and also recognise the Country Regional Network and Services Division, as outlined in the diagram below.

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



Objectives & Strategies Outcomes

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

Hunter Valley	Rail coal chain capacity and performance meeting customer requirements as contracted to achieve overall network capacity of 144 million tonnes in 2010/11.
North South	Increased rail volume above economic growth to achieve 18.6 billion Gross Tonne Kilometres or better in 2010/11. A rail network that facilitates required service levels and meets volume growth.
East West	Increased rail volume above economic growth to 40.8 billion Gross Tonne Kilometres in 2010/11.
CRN & Services Company	Delivery of a high quality service to the customer that meets or exceeds contractual requirements and delivers appropriate financial returns to ARTC. This service area is being tendered out and ARTC is not on the short list of tenderers, so there is a risk that the contract will not be retained by ARTC beyond 30 June 2011.
Process	Regulatory approval for National Track and Civil Code, and National Operating Rules in all jurisdictions. A reduction in the number of safeworking breaches.
People	Increased productivity and continued reduction in the number of Lost Time Injuries and Medically Treated Injuries. A focus on achieving corporate objectives.
Financial	Earnings before Income Tax, Depreciation, Amortisation and Impairment (EBITDAI) of \$220.5m in 2010/11.

Key Developments & Achievements 2009/10

The economic downturn has had an impact on freight volumes on the East West and North South corridors, however the Australian and world economies are more stable in comparison to this time last year. Australia's economy has entered 2010 in a strong position.

Announced in May 2010, the Australian Government is to provide a further equity injection of \$1 billion to ARTC to deliver productivity enhancing projects on the East West and North South corridors.

Significant progress has been made on new and modified systems and processes required to ensure compliance with the new proposed Hunter Valley Access Undertaking.

North South rail market share will increase following completion of works, however a lag effect will exist for end user movement from existing modes.

ARTC continues to roll out its investment program, with major projects completed in 2009/10 being:

East West

- ▶ Western Victoria track upgrade;
- ▶ One extended and four new loops between Adelaide and Kalgoorlie;
- ▶ Direct North South to East West connection at Tottenham;
- ▶ Bunbury Street – Tottenham upgrade; and
- ▶ Coomandook loop extension.

North South

- ▶ Concrete sleepers program (20km remaining);
- ▶ Queensland Border to Acacia Ridge track upgrade;
- ▶ Gauge conversion and upgrading Seymour – Wodonga;
- ▶ Wodonga bypass;
- ▶ Three passing lanes between Melbourne and Junee; and
- ▶ One new and three extended loops on the North Coast line.

Hunter Valley

- ▶ St Heliers – Muswellbrook Duplication;
- ▶ Newdell Junction remodelling;
- ▶ Third Track on Minimbah bank;
- ▶ Two passing loops on the Ulan line at Baerami and Murrumbo; and
- ▶ New loop at Braefield on the Gunnedah basin line.



Opportunities & Challenges 2010/11 and Beyond

There are a number of internal and external opportunities and challenges for ARTC, some of which are:

External	
Economy	The Australian and world economies are more stable in comparison to this time last year. Australia is entering 2010 from a position of strength. Fuel prices are assumed to continue to rise in real terms over the planning period.
Road Pricing Reform	Road pricing reform is gaining momentum, supported by current work by the Australian Transport Council, COAG, and initial Henry Review outcomes.
Intermodal Terminals	Some advancement has been made toward expansion of east coast terminals. Given their criticality to the achievement of business outcomes across the network, ARTC must continue to take a proactive role to ensure terminals are developed in a manner complementary to ARTC's long term growth strategies.
Internal	
Productivity	Leading up to the conclusion of infrastructure investment programs, increasing productivity will be a focus over the next few years.
Hunter Valley Access Undertaking	New and modified systems and processes are required to ensure compliance with the new Hunter Valley Access model, and Hunter Valley capacity is to be aligned with contracted demand.
Maintenance	Maintenance strategies need reviewing in light of the improved asset configuration from recent investment, and will be revised to incorporate an operational reliability approach as opposed to a cyclical maintenance approach.
Safety Focus	The business-wide focus on safety must be maintained.

East West Investment Program

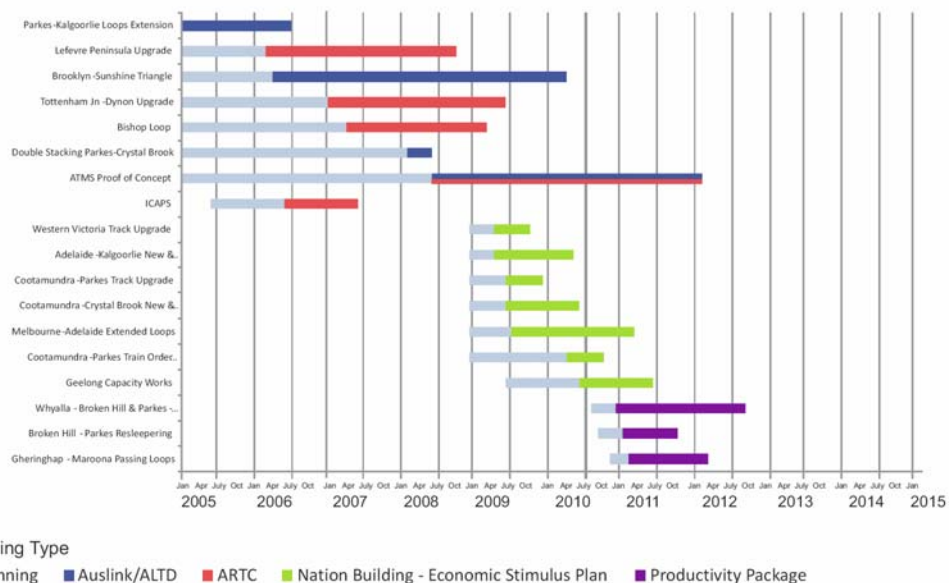
On the East West corridor ARTC has already achieved significant growth with rail's share of the land transport market on the corridor sitting at around 80%. The Nation Building (Early Start) program provided significant equity for a series of targeted enhancements to the East West corridor. ARTC's May 2010 equity injection enables further productivity enhancing projects on this corridor.

Key projects to be completed are:

- ▶ Cootamundra – Parkes Train Order Working, to eliminate a 19th century safeworking system;
- ▶ New & extended loops to maintain transit time as volumes grow, through the construction or extension of 22 loops across the corridor, of which 4 have been completed;
- ▶ Concrete sleepers of Broken Hill – Parkes, the last timber-sleepered section of the main interstate network; and
- ▶ Rerailing of Whyalla – Broken Hill and Parkes – Cootamundra, to allow an increase in speed/axle load.

In addition, Auslink funding is being provided for the Geelong Capacity Works, which will fund the duplication of the Geelong – Gheringhap section, a new loop north of Geelong, and train control system upgrades around Geelong.

East West Investment Program Projects



* Work prior to January 2005 not shown

North South Investment Program

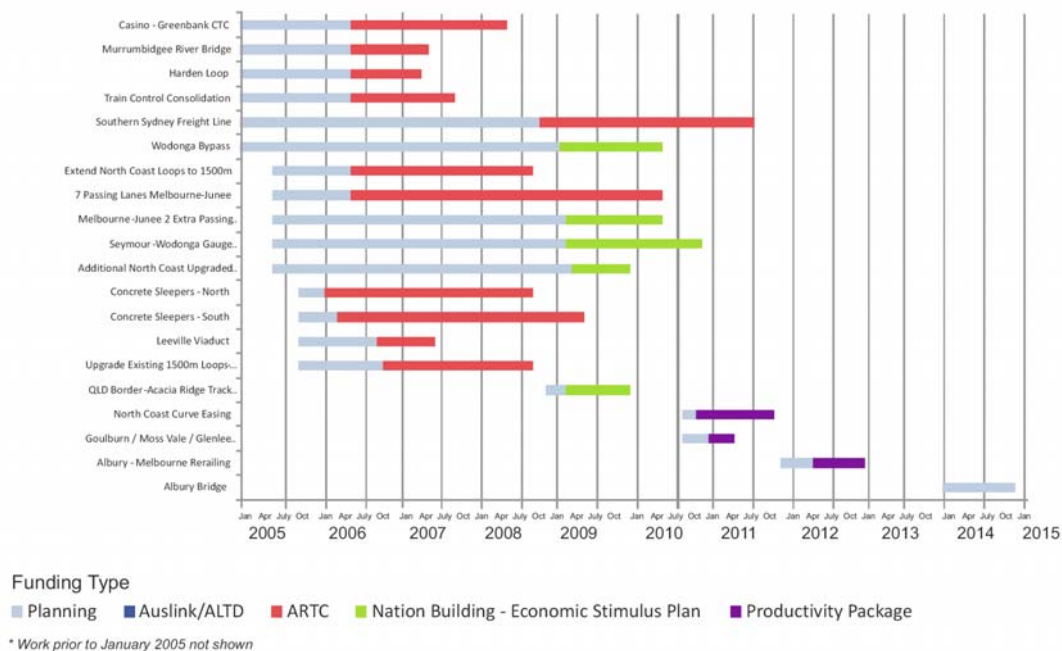
For the North South corridor, Melbourne – Sydney – Brisbane, ARTC is aiming to achieve a step change in performance. This corridor has seen a steady erosion of rail’s market share since the 1960’s, and one of ARTC’s key objectives in taking up a lease of the NSW network was to create an opportunity to turn around rail’s competitiveness.

ARTC has delivered most of the projects planned under its 2006 upgrade strategy, plus much of the additional scope funded through the Nation Building package. Key features of this upgrading have been extensive provision of new and extended loops and passing lanes, gauge conversion and upgrading of the Seymour – Albury broad gauge track, concrete sleepers to improve track performance and allow an increase in speed through curves, and upgrading of signalling systems. ARTC’s May 2010 equity injection provides for further productivity enhancing projects on this corridor.

Key projects to be completed are:

- ▶ Three passing lanes Junee – Melbourne, which will complete the process of providing a comprehensive solution to capacity, reliability and transit time issues on this corridor;
- ▶ Seymour – Wodonga Centralised Train Control, to provide a modern signalling and safeworking system on the former broad gauge line;
- ▶ The Southern Sydney Freight Line, which will remove the current ‘curfew’ on freight trains operating in the metropolitan area during the morning and afternoon peak periods;
- ▶ Wodonga Bypass, which shortens the route, eliminates a heavily speed restricted curve and removes a number of level crossings;
- ▶ Rerailing Albury – Melbourne – Geelong to allow an increase in speed/axle load;
- ▶ North coast curve easing, to achieve a significant improvement in transit time through minor adjustments to the track, largely within the existing land corridor;
- ▶ Goulburn, Moss Vale and Glenlee double track passing loops, to increase flexibility and reliability south of Sydney; and
- ▶ Albury Bridge planning work, to determine the scope and cost of rehabilitation of the bridge and extension of double track from Wodonga to Albury.

North South Investment Program Projects



Hunter Valley Investment Program

In the Hunter Valley, ARTC’s objective is to increase rail coal chain capacity and performance to meet customer requirements as contracted. ARTC is committed to ensuring that producers receive value for money from the investments in the network. ARTC also works in collaboration with the industry to identify and facilitate productivity improvements where these require infrastructure investment.

ARTC has been successful to date in providing the required capacity through projects including the Sandgate flyover, duplication between Antiene and Muswellbrook, bi-directional signalling Maitland – Branxton, Ulan line Centralised Train Control, 11 new or extended loops, and the Minimbah Bank Third Track.

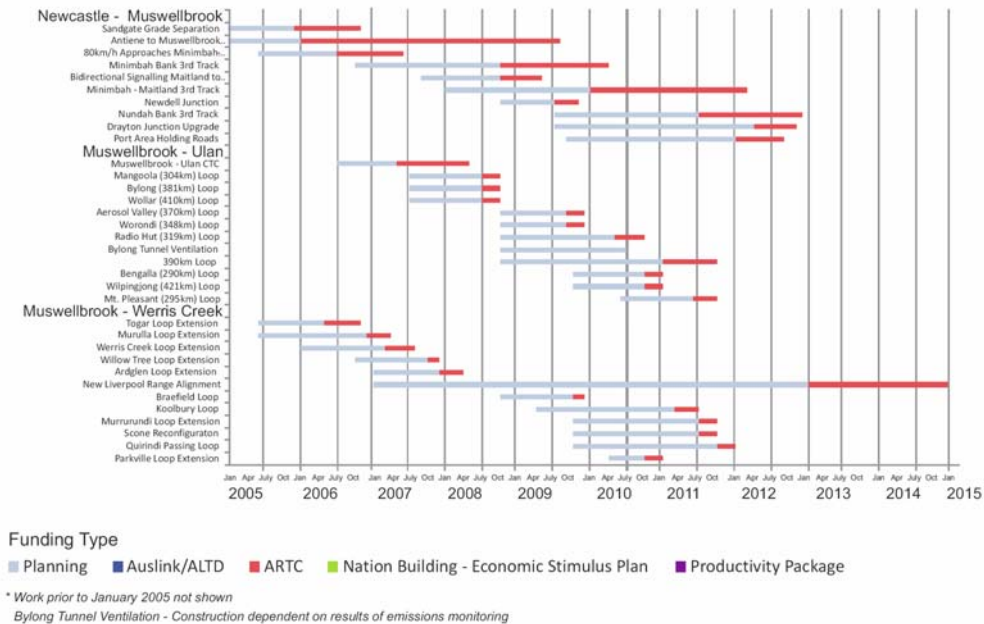
Significant forthcoming projects include:

Australian Rail Track Corporation – Statement of Corporate Intent 2010/11

- ▶ A new alignment over the Liverpool Range in the vicinity of Ardglen will eliminate a short section of steeply graded track that currently limits train length and imposes inefficient operating practices, while providing the capacity required on this section. The options for these enhancements are being developed in conjunction with the coal industry;
- ▶ A Third Track between Minimbah and Maitland will further reduce the impact of track maintenance on total coal chain throughput, and provide additional surge capacity;
- ▶ A Third Track on Nundah bank will eliminate the capacity constraint which will emerge on this section as volumes grow;
- ▶ Four new or extended crossing loops between Muswellbrook to Werris Creek, by 2016; and
- ▶ Three new loops on the Ulan line by 2016;

All of these projects are fully subject to coal industry agreement in accordance with the Hunter Valley Access Undertaking.

Hunter Valley Investment Program Projects



Network-Wide Projects

As part of its economic stimulus package, the Australian Government is funding a wide-ranging upgrade of level crossings. ARTC is managing these investments in NSW and SA on behalf of those States. The upgrades involve the installation of boom gates, effectively changing the level crossing from passive to active. By June 2010, 28 upgrades in SA and 53 upgrades in NSW will have been completed.

Network Communications

- ▶ The National Train Communications System project with Telstra has two major components, being the Network and the In-Cabin Equipment (ICE);
- ▶ The planned Telstra NextG™ Network component is complete. There are 76 base stations completed across the entire rail network which form the backbone of the National Train communications System. A NextG™ coverage survey has been completed and as a result, there will be three additional remediation base stations built in NSW (Denham, Boomley & Halfway Creek). The NextG™ coverage results are being reviewed and the additional Base Stations will be completed by June 2010;
- ▶ The ICE is being developed to allow 704 units to be fitted into locomotives. A successful Hunter Valley Pilot was conducted in December 2009, with an East West Pilot commencing in 2010, after which the first 100 ICE units are to be manufactured and delivered to rail operators.

Advanced Train Management System (ATMS)

- ▶ ATMS will provide In-Cabin Authorities to trains and In-Cabin Enforcement of those, replacing 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 where required, 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-STC in 39 months. The Proof of Concept will be trialled in two stages between Crystal Brook and Port Augusta;

- ▶ Stage 1 of the Proof of Concept has been fully designed and will be tested on the track during the third quarter of 2010. Stage 2 works commenced in January 2010, and design work should be completed by year end, with Stage 2 track testing scheduled during the third quarter of 2011.

Financial Forecasts

	2009/10	2010/11
Operating Revenue (\$M)	587.6	635.6
EBITDAI *(\$M)	144.1	230.9
Depreciation (Expense) (\$M)	(91.5)	(91.1)
Impairment (Expense) (\$M)	(180.0)	(302.4)
Earnings/(Loss) Before Interest & Tax (\$M)	(127.4)	(162.5)
Total Assets (\$M Ave.)	3,038.5	3,686.4
Return on Assets	(4.6%)	(4.4%)

*EBITDAI = Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment

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 provide:

- ▶ 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; and
- ▶ 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.



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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