



**AUSTRALIAN RAIL
TRACK CORPORATION**

**STATEMENT OF
CORPORATE**

**INTENT
2011/12**

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 and Transport, 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 interstate rail corridor 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.

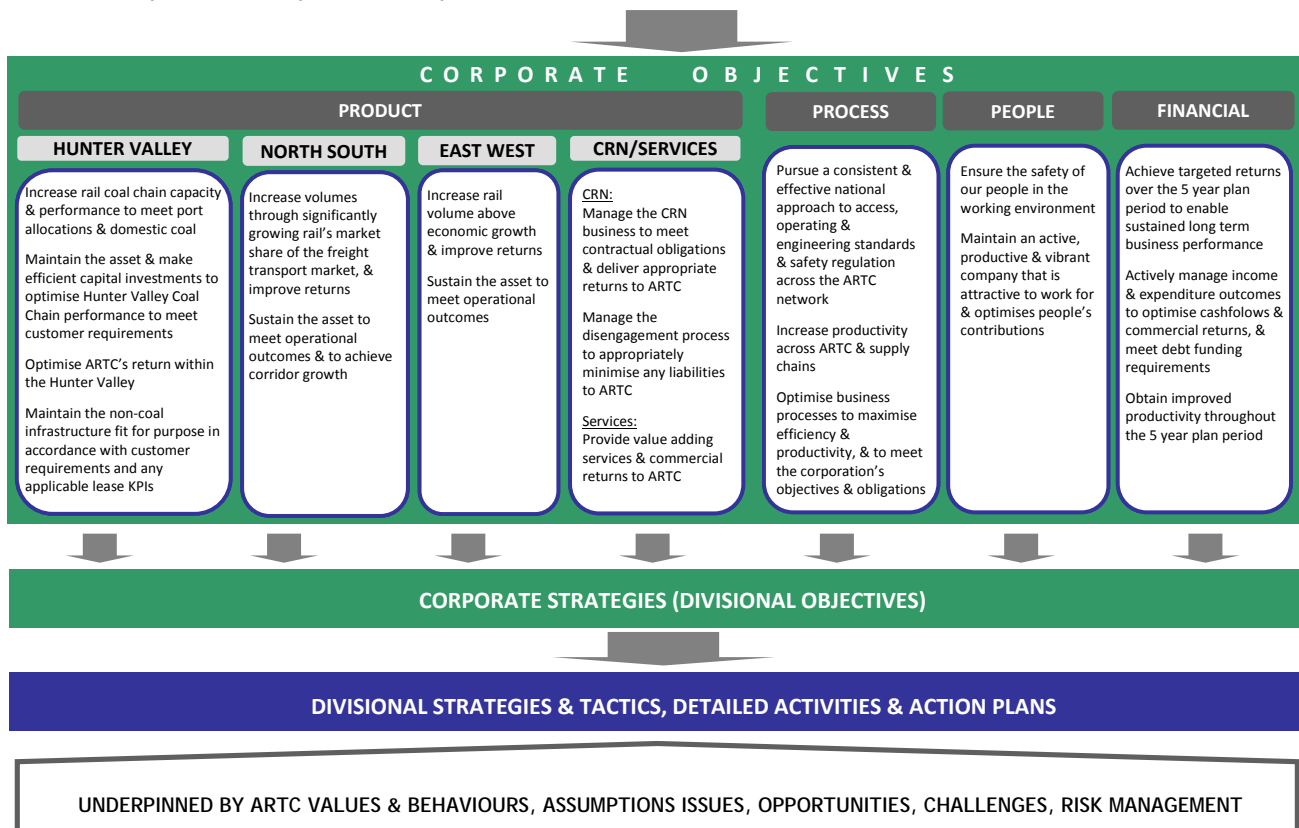
Vision & Mission

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’s focus remains 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 (CRN) and Services Division, as outlined in the following diagram:

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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 that meets port allocations and domestic coal requirements.
North South	Increased rail volume to achieve 20.8 billion Gross Tonne Kilometres or better in 2011/12. A rail network that supports future volume growth on the network.
East West	Increased rail volume above economic growth to 42.9 billion Gross Tonne Kilometres in 2011/12.
CRN & Services Company	Managing the CRN to meet contractual obligations and delivering appropriate financial returns to ARTC. Effective management of the disengagement process.
Process	Regulatory approval for National Operating Rules, a focus on improved management of environmental issues, and improved productivity across ARTC.
People	Continued reduction in the number of Safeworking breaches, Lost Time Injuries and Medically Treated Injuries.
Financial	Earnings before Income Tax, Depreciation, Amortisation and Impairment (EBITDAI) of \$269.5 million in 2011/12.

Key Developments & Achievements 2010/11

Strong growth on the coal network and recovery from the global financial crisis on the interstate network has been continuing. End of April 2011 figures show an increase in total volumes of around 8% from the same time twelve months ago.

In July 2010, ARTC delivered the final report of the Melbourne – Brisbane Inland Rail Alignment Study to the Australian Government.

The second track Seymour – Wodonga was converted to standard gauge and became fully operational, with signalling completing the project. This has resulted in approximately 200km of double track.

Stage 1 of the Advanced Train Management System (ATMS) Proof of Concept was successfully completed in February 2011.

ARTC established a public credit rating with Moody's Investor Services of "Aa2" followed by an inaugural Bond Issuance of \$200m unsecured medium term notes for a 7 year period which was well received in the Australian debt capital market and oversubscribed.

ARTC resubmitted the Hunter Valley Access Undertaking to the ACCC in September 2010 and this is expected to become effective early 2011/12.

John Fullerton formally took up the role of ARTC's Chief Executive Officer on the 24th February 2011.

ARTC continues to roll out its investment program, with the major projects completed in 2010/11 being:

Hunter Valley

- » One new passing loop on the Ulan line at Yarrawa;
- » A new loop at Parkville on the Gunnedah Basin line;
- » Maitland computer based interlocking; and
- » Re-installation of 104 points at Hexham to improve train sequencing capability.

East West

- » Dynon – Footscray road upgrade;
- » Six new or extended loops on the Cootamundra – Parkes – Broken Hill – Crystal Brook line;
- » Cootamundra – Parkes train order working;
- » Consolidation of all East West train control to a single centre in Adelaide;
- » Five new or extended loops between the SA/Victorian border and Adelaide; and
- » Level crossing upgrade program funded through the Nation Building package.

North South

- » Wodonga Bypass;
- » Signalling to complete the Seymour – Wodonga gauge conversion project;
- » Three passing lanes between Melbourne and Junee; and
- » Level crossing upgrade program funded through the Nation Building package.

Opportunities & Challenges 2011/12 and Beyond

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

External	
Economy	Australia's medium term economic outlook remains solid, driven mainly by the resources boom, the record terms of trade and the forecast surge in mining-related investment.
Road Pricing Reform	Road pricing reform is progressing under the COAG Road Reform Plan (CRRP).
Intermodal Terminals	Given the criticality of intermodal terminals to the achievement of business outcomes across the network, ARTC must determine what role to play in future developments and continue to be proactive in this area.
Climate Change Policy	A price on carbon is proposed to be introduced from July 2012 which may have positive impacts for rail due to proportionally higher fuel costs for road.
Internal	
Country Regional Network (CRN)	Provision of services to CRIA for the CRN will cease from mid-January 2012 and this will have operational and financial implications across ARTC. A comprehensive disengagement plan is being implemented.
Productivity	Leading up to the conclusion of infrastructure investment programs, increasing productivity will continue to be a focus over the next few years.
Business Development	Implementation of ARTC's business development strategy will be a key focus, including addressing the key constraints around a road/rail modal shift North South.
Hunter Valley Access Undertaking	The Hunter Valley Access Undertaking will be in place by 1 July 2011 and operations under the new commercial model will commence.
Maintenance	Continue to work towards an operational reliability approach (as opposed to a cyclical approach) for maintenance strategies, in light of the improved asset configuration from recent investment.
Safety Focus	Continue to focus on ARTC's safety culture to deliver reductions in the number of safeworking breaches and maintain continuous improvement with respect to workplace injuries.

Hunter Valley Investment Program

In the Hunter Valley, ARTC's objective is to increase rail coal chain capacity and performance to meet port allocations and domestic coal requirements. ARTC is not only committed to ensuring that producers receive value for money from the investments in the network, but 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, 13 new or extended loops, and the Minimbah Bank Third Track.

Projects already commenced include:

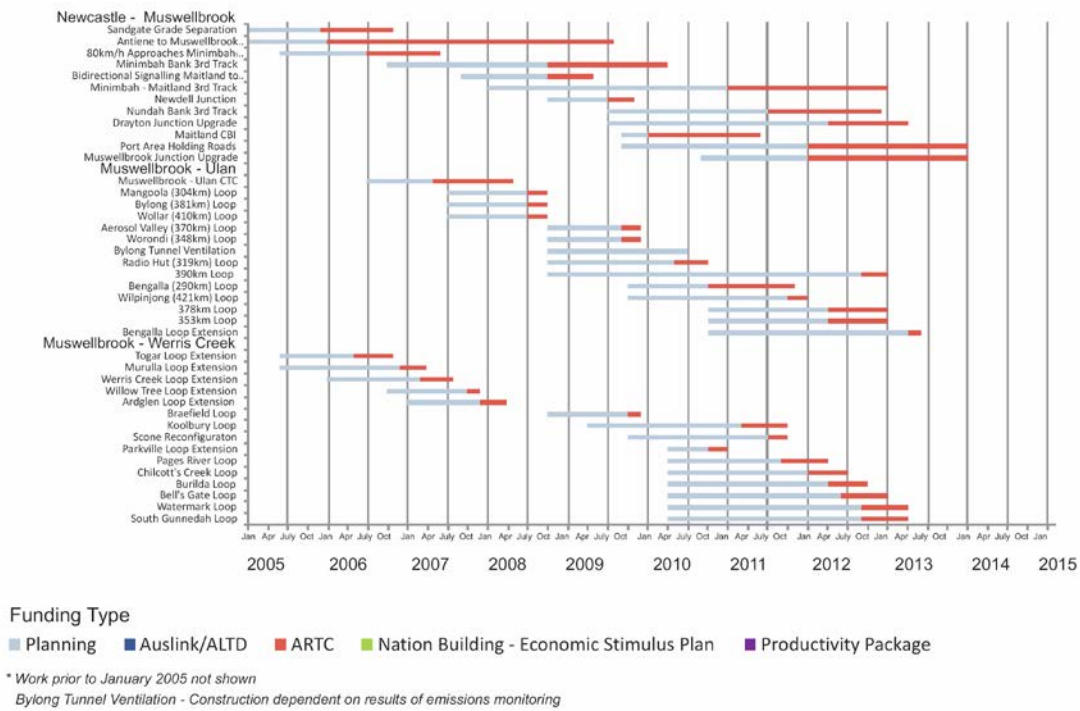
- » A third track between Minimbah and Maitland to further reduce the impact of track maintenance on total coal chain throughput, and provide additional surge capacity;
- » A third track on Nundah bank to eliminate the capacity constraint which will emerge on this section as volumes grow;
- » Up to four holding roads at the entry to the port to effectively manage train queuing and sequencing into the dump stations;
- » Upgrading of Drayton Junction to increase train speed and reduce maintenance costs;
- » A scheme to address the ventilation issues at Bylong Tunnel on the Ulan line which impose a constraint on train frequency;
- » Four new loops between Muswellbrook and Werris Creek at Koolbury, Burilda, Pages River and Chilcotts Creek; and
- » Two new loops at Bengalla and Wilpinjong on the Ulan Line.

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

ARTC has also recently released its 2011-2020 Hunter Valley Corridor Capacity Strategy Consultation Document which outlines a strategy and a review of projects which will meet future capacity requirements. Their timing and approval are subject to confirmed demand and port capacity, and include:

- » Staged duplication of the track over the Liverpool Range;
- » Additional loops on the Gunnedah and Ulan lines; and
- » Upgrading of Muswellbrook Junction to increase operational flexibility.

Hunter Valley Investment Program Projects



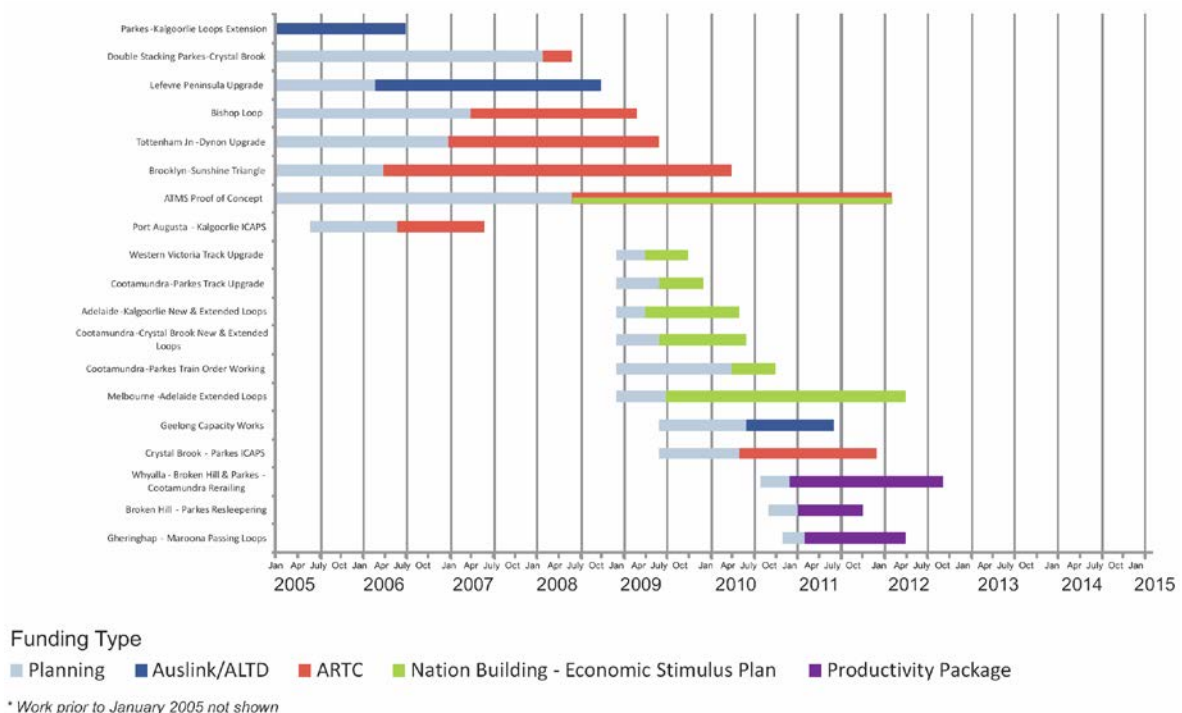
East West Investment Program

On the East West corridor rail’s share of the land transport market remains at around 80%. The Nation Building (Early Start) program provided significant equity for a series of targeted enhancements to the East West corridor, and the equity injection of May 2010 is enabling further productivity enhancing projects on this corridor.

Key projects to be completed are:

- » Crystal Brook – Broken Hill – Parkes ICAPS automated loop setting system;
- » New & extended loops to maintain transit time as volumes grow, with seven funded loops still to be completed;
- » Replacement of the non-standard ASW safeworking system between Gheringhap and Maroona;
- » Concrete sleepers of Broken Hill – Parkes, the last timber-sleepered section of the main interstate network;
- » Rerailing of Whyalla – Broken Hill and Parkes – Cootamundra, to allow an increase in speed/axle load; and
- » Upgrading of Moorabool viaduct to allow 25 tonne axle load capacity, involving a new loop at Elders and duplication of existing track between Geelong and the viaduct.

East West Investment Program Projects



North South Investment Program

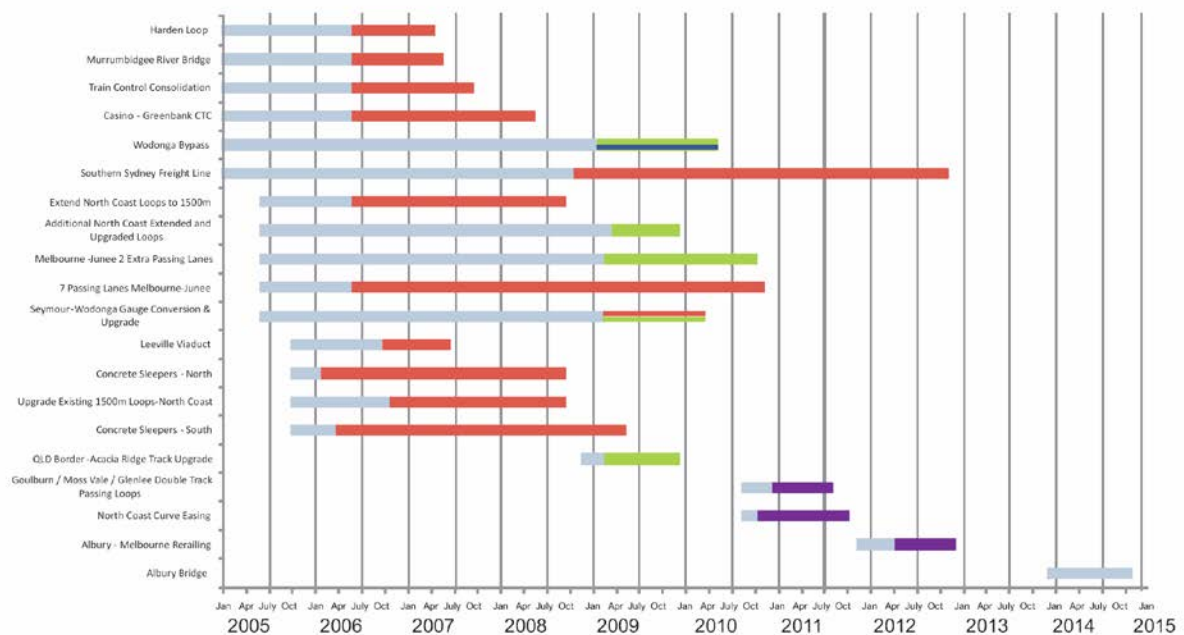
On the North South corridor ARTC has been working towards achieving a step change in performance. This corridor (Melbourne – Sydney – Brisbane) has seen a steady erosion of rail’s market share over the past few decades, and one of ARTC’s key objectives in taking up a lease of the NSW network was to create an opportunity to turn around rail’s competitiveness and increase rail freight volumes.

ARTC has delivered a number of projects planned under its initial North South upgrade strategy, and those 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 equity injection of May 2010 provides for further productivity enhancing projects on this corridor.

Key projects to be completed are:

- » 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;
- » 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



Funding Type

■ Planning ■ Auslink/ALTD ■ ARTC ■ Nation Building - Economic Stimulus Plan ■ Productivity Package

* Work prior to January 2005 not shown

Network-Wide Projects

Network Communications

- » The National Train Communications System (NTCS) project with Telstra, will replace a range of older satellite and disparate state-based terrestrial communications systems that do not meet ARTC’s future train operations requirements. The NTCS project has two major components, being the Telstra NextG™ Network and the In-Cabin Equipment (ICE).
- » The Telstra NextG™ Network component is complete, with all 81 base stations installed and in active service, forming the primary platform for the voice and data communications network, with the Iridium Satellite providing the backup (secondary) communications platform.
- » The ICE units are currently being manufactured and tested, and are expected to be delivered to rail operators in 2011.

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 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.
- » A contract with Lockheed Martin was signed in June 2008 for the design, development and testing of the system. The Proof of Concept is being trialled in two stages on ARTC track between Crystal Brook and Port Augusta.
- » Stage 1 of the Proof of Concept has been successfully completed and following on from this, stage 2 is well advanced, and will be completed during 2012.

Financial Forecasts

	2010/11	2011/12
Operating Revenue (\$M)	643.9	651.6
EBITDAI *(\$M)	211.6	269.5
Depreciation (Expense) (\$M)	(94.1)	(115.2)
Impairment (Expense) (\$M)	(343.5)	(267.1)
Earnings/(Loss) Before Interest & Tax (\$M)	(226.0)	(112.8)
Total Assets (\$M Ave.)	3,841.2	4,844.3
Return on Assets	(6.2%)	(2.5%)

*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 shareholder. 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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