



STATEMENT OF CORPORATE INTENT 2012/13

relationships **reliability** **growth**
no harm **customers** freight
maintenance **safety** people
productivity coal

MAKE RAIL THE MODE OF CHOICE IN THE NATIONAL LOGISTICS CHAIN

ARTC

The Australian Rail Track Corporation (ARTC) is a company incorporated under the Corporations Act. ARTC's shares are owned by the Commonwealth of Australia, represented by the Minister for Infrastructure & Transport, and the Minister for Finance and Deregulation.

ARTC was established in 1998 in the context of a major economic reform program aimed at improving the competitiveness and long-term viability of the Australian rail freight industry. ARTC's mandate from Government is to increase the freight volume carried on the network while operating as a sustainable commercial enterprise.

ARTC is one of Australia's largest rail network owners operating and managing over 8500 kilometres of standard gauge track in South Australia, Victoria, Western Australia, New South Wales and Queensland. ARTC's rail network is used to move a range of commodities including general freight, coal, iron ore, other bulk minerals and agricultural products. The network is also important in providing access for interstate and inter-city passenger services.

ARTC plays a critical role in the transport supply chain and in the overall economic development of Australia.

Vision

ARTC's vision is to:

Make rail the mode of choice in the national logistics chain

Strategic Direction

Since the establishment of ARTC, the key challenges have been consolidating the interstate network under ARTC control and delivering a large capital works program. The initial strategy was focused on network expansion and investment in order to build capacity, and improve reliability and efficiency across the network, and to provide a one-stop shop for customers seeking access to the infrastructure. This was particularly important in the Hunter Valley to ensure rail capacity was provided ahead of the demand for coal exports, and on the Interstate Network to make rail more competitive and able to accommodate a larger proportion of the land transport task.

ARTC has now redefined its business strategy in order to capitalise on its extensive investment program and generate improved returns for shareholders and better outcomes for its customers.

The primary aim is to transform ARTC into a customer-focused and commercially oriented organisation motivated and driven by the need to increase the freight carried on the ARTC network, and to do this in a more safe, efficient and reliable way to create value for customers.

This strategy will require ARTC to build more effective relationships with customers at all levels in the supply chain, based on a greater depth of understanding of their needs and opportunities. ARTC will be working to engage with rail operators as partners, rather than as simple purchasers of track access, to drive greater use of the rail network.

Further, ARTC needs to have a clear commercial focus, recognising that achieving its core purpose of growing the rail task will be the single biggest contributor to achieving sustainable financial viability.

Objectives

In striving towards achieving its vision, ARTC has identified six strategic objectives that will lead a significant transformational change for the business. These objectives reflect the key focus areas for ARTC and are aimed at providing long term value to customers and shareholders.



Values

In delivering its strategic objectives, ARTC will continue to be guided by the following values and behaviours:

| | |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Safety | We will manage risk to enhance safe work practices and rail operations. Our goal is that no one is harmed at work or on our network. ARTC seeks to maintain a strong relationship with all custodians of rail safety over the network. |
| Customer Service | We aim to surpass market expectations and work proactively with our customers. |
| Continuous Improvement | We will strive to innovate, improve and apply best practice principles and continually learn from our experiences. |
| People and Integrity | We will ensure our people have the skills and resources needed to perform at the optimum level and expect full commitment to the company and its goals. We will strive to carry out our activities honestly and ethically acknowledging all stakeholder interests. |
| Relationships and Information | We recognise and value relationships internally and externally to the company. We will endeavour to maintain open and honest communications and develop positive relationships that build mutual value, with all interested parties. We will encourage an environment where information is openly shared. |

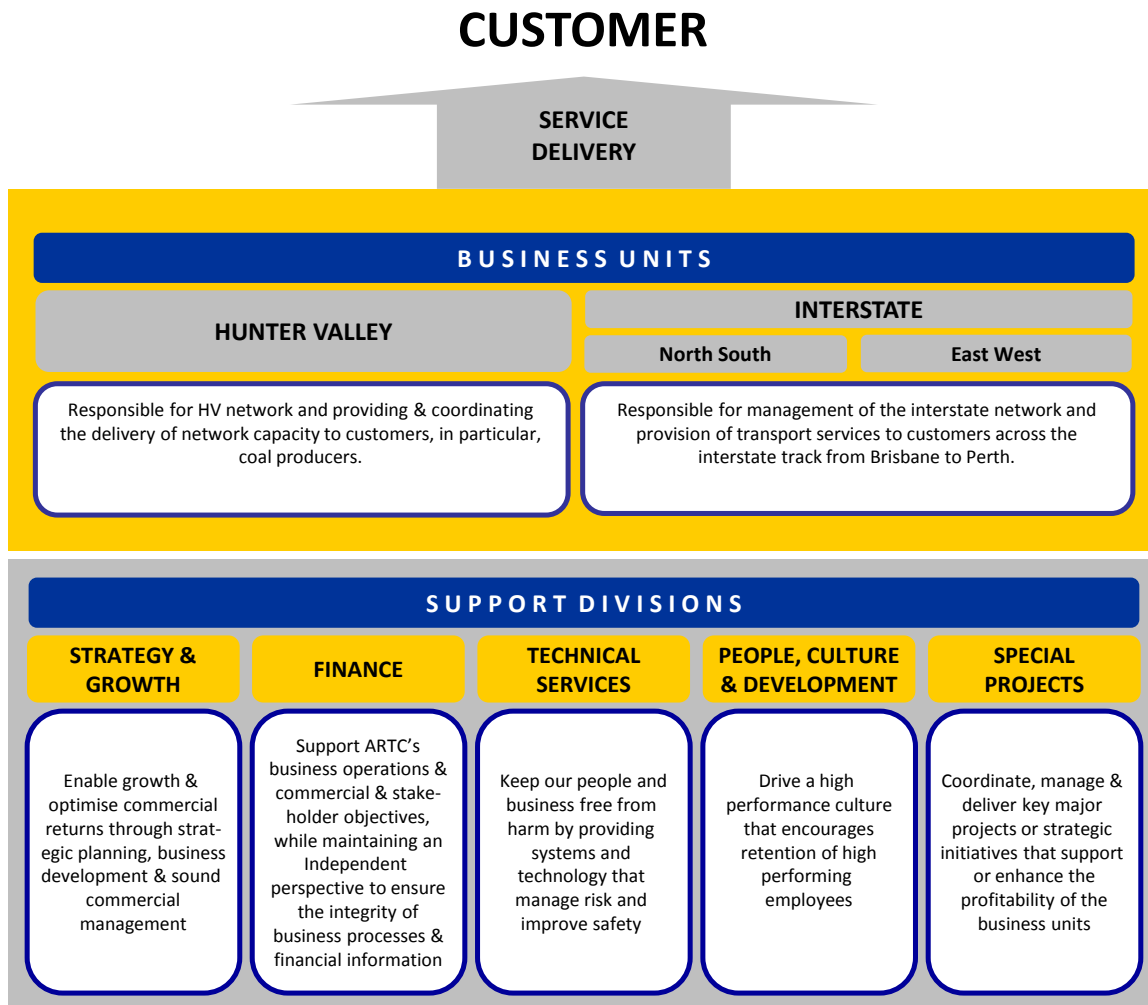
Business Structure

In July 2011 a new structure was introduced to support ARTC’s strategic direction. Two autonomous business units were created with individual profit and loss accountability:

- Interstate Network
- Hunter Valley Network

In addition, resources were expanded in the Strategy & Growth area, including the creation of a Business Development function, which will enable ARTC to become more active in the transport market to drive and influence change.

The new business structure is shown below with the two business units supported by a number of support divisions.



Key Developments & Achievements 2011/12

Following the global financial crisis it has been a challenging environment for the Interstate business, with weak GDP growth, and an increase in imported goods delivered directly to capital cities. However, despite this, over the past two years volumes on the Interstate network have grown well ahead of GDP, returning to pre-GFC levels. Minerals volumes from South Australia show considerable promise.

Strong growth on the Hunter Valley coal network continues. The Hunter Valley Access Undertaking was approved by the ACCC and became effective 19th July 2011. This will provide contractual certainty for ARTC’s infrastructure investments as well as access certainty for customers. The first contracts with coal producers are now in place.

From July 1 2011, ARTC took up the lease of the line between the Gap and Boggabilla, incorporating the 370km of track into the Hunter Valley Coal Chain.

Stage 1 of the Advanced Train Management System (ATMS) Proof of Concept phase was successfully completed and completion of the full Proof of Concept is targeted for September 2012.

ARTC continues to roll out its investment program, with the major projects completed in 2011/12 being:

Hunter Valley Network

- A new passing loop at Burilda, between Werris Creek and Breeza was commissioned;
- Two new passing loops on the Ulan line were brought online at Wilpinjong and Bengalla;
- The Koolbury and Bells Gate Loops on the Gunnedah line were opened;
- Resignalling was completed as part of the Nundah Bank Third Track project.

Interstate Network

- Laying of the 1 millionth Australian made concrete sleeper on the Parkes – Broken Hill line;
- The new crossing loops at Callington and Bordertown commissioned;
- A new passing lane commissioned near Donnybrook, north of Melbourne;
- Eleven sites of the North Coast curve easing project were completed;
- 500 kilometres of rail was laid between Albury and Geelong;
- Bidirectional passing lanes at Picton, Maldon, and Glenlee were commissioned;
- The Sefton Junction to Leightonfield portion of the Southern Sydney Freight Line (SSFL) became operational;
- Take up of Botany Yard.

Accountability

The ARTC Board has 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.

ARTC will comply with the Commonwealth Government Business Enterprise Governance and Oversight Guidelines and meet the notification requirements under the newly agreed Commercial Freedoms Framework.

Financial Results

| | 2011/12* |
|-----------------------------------------------|-----------------|
| Operating Revenue (\$M) | 649 |
| EBITDAI **(\$M) | 255 |
| Depreciation (Expense) (\$M) | (151) |
| Impairment (Expense) (\$M) | (275) |
| Net Profit/(Loss) Before Interest & Tax (\$M) | (170) |
| Total Assets (\$M Ave.) | 5,192 |
| Return on Fixed Assets | 6% |

* Likely end of year result based on 31 March 2012 data

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

Funding Update

Consistent with its funding strategies, in November 2012 ARTC issued \$300 million in 3-year bonds in the Australian debt capital market, bringing the total bonds issued by ARTC to \$500 million.

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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