

AUSTRALIAN

RAIL

TRACK

CORPORATION

2013/14 STATEMENT OF CORPORATE INTENT

*Australian Rail Track
Corporation Ltd.*

*ABN 75 081 455 754
Passenger Terminal Rd
off Sir Donald Bradman Drive
Mile End SA 5031*



ARTC

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

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 core competencies

include access management, network control, rail infrastructure planning and management, signalling and communications, as well as offering expert advice in developing rail transport solutions to customers.

ARTC plays a critical role in the transport supply chain and in the overall economic development of Australia. Its rail network is used to move a range of commodities including general freight, coal, iron ore, other bulk minerals and agricultural products. ARTC's network is also important in providing access for interstate and inter-city passenger services.

ARTC'S VISION IS TO:

Make rail the mode of choice in the national logistics chain.

STRATEGIC DIRECTION

ARTC has embarked upon a strategy of transformation and growth. The strategy is aimed at capitalising on its extensive investment program to position rail as the preferred mode of choice in the national logistics chain. In line with this, the focus will be to develop a performance based culture that places the customer at the centre of everything ARTC does. In addition ARTC aims to build a strong reputation as an industry leader and achieve commercial returns for its shareholders in accordance with agreed benchmarks. Another important ingredient is for ARTC to develop its people to provide strong leadership to drive improvements in safety, customer service and operational performance.

ARTC recognises that its network is an important component of the supply chain that provides benefits and services to a wide range of organisations that need to move goods from one place to another. It is for this reason that rail must become more available to more organisations, and that ARTC needs to develop a deeper understanding of the market and engage across the supply chain to promote and expand the use of rail. It will do this through its commercial relationship with rail operators in providing access to the network and through engagement with industry.

The aim is to further build on the success of ARTC and rail generally over the past 15 years through

enhancing ARTC's image, through culture change, and importantly, through technology. ARTC's business strategy is now well defined, and the focus now needs to turn to modernising the way ARTC presents itself to the public and its key stakeholder groups while building a positive and clear identity within the organisation. Also of key importance is the alignment of organisational culture and behaviours to underpin the delivery of the strategy. The coming year will see the commencement of a number of culture change programs and initiatives, particularly in the areas of customer service, safety culture, and commercial focus.

It is important for ARTC to have productive relationships with its stakeholders; customers, employees, contractors, the community, regulators, government and the media, and to be recognised as a good corporate citizen. This includes working with regulators on emerging environmental issues and rail noise, working with stakeholders when delivering its program of work, and continuing to emphasise the positive benefits of rail in terms of safety and environmental outcomes. ARTC's reputation with key stakeholders represents a key measure of building a successful business.

In terms of future investment, ARTC has undertaken a review of funding options and prepared a funding strategy to support Hunter Valley and other infrastructure projects. The extent and timing of future capital expenditure will have a significant impact on ARTC's capital structure which will be important in shaping the direction of the organisation over the coming years.

Advances in information technology and communications systems have created opportunities to make rail safer, more productive and more efficient. This includes the Advanced Train Management System (ATMS), a communications based safeworking system being developed by ARTC as an alternative to traditional fixed line-side signalling. The ATMS Proof of Concept project commenced in mid-2008, and is now complete. This has been a critical step and ARTC will pursue this further to take advantage of the benefits that ATMS can provide.

ARTC sees the roll out of ATMS across the network as a transformational project that will position rail at the forefront of technological innovation in the transport sector. The roll out of this technology offers considerable benefits to all rail users in terms of safety, productivity and efficiency.

OBJECTIVES

ARTC's six strategic objectives reflect the key focus areas and are aimed at providing long term value to customers and shareholders.



2012/13

Twelve months ago, ARTC developed a new Corporate Plan structure and during the past year has been communicating and embedding the revised corporate strategy. The organisational restructure which came into effect on 1 July 2011 has been further bedded down and the new Corporate Plan format, including the six strategic objectives, has been well received by both employees and key stakeholders. The last twelve months has also seen a focus on continuing to engage with the industry and gain a greater understanding of the market.

In line with the business strategy to deliver a major increase in the volume of freight on its network, ARTC's significant investment program means it now has a modern and reliable network. This network requires a consistent and focused

ongoing maintenance program and ARTC has recently entered a new phase for asset maintenance that brings planning, inspection and reactive maintenance directly under its control. This will enable ARTC to better improve the service it can offer to its customers and in 2012/13, resulted in the creation of 11 regional work centres and around 200 new positions within ARTC.

2012/13 has also seen ARTC take over the management and operation of Sydney's Metropolitan Freight Network and the opening of the Southern Sydney Freight Line (SSFL), dramatically increasing Sydney's freight network capacity and reliability. The SSFL is the single biggest project ARTC has ever delivered and makes the Melbourne to Brisbane route a more attractive option for freight movements.

VALUES

In line with its strategic direction, this year brings a set of new values that, in conjunction with supporting behaviours, are essential for delivering on the strategic objectives.

We value:

- A commitment to **safety** above all else
- Outstanding **customer service**
- **Initiative** and **excellence**
- Personal **integrity** and **respect** for others
- A focus on **commercial success**

BUSINESS STRUCTURE

ARTC's business structure is designed to support its strategic direction. There are two autonomous business units with individual profit and loss accountability: Interstate Network and Hunter Valley Network. The two business units are supported by a number of support divisions, as shown in the diagram below.



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, as well as meet all relevant regulatory requirements.

FINANCIAL RESULTS

2012/13*

Operating Revenue (\$M)	696.3
EBITDAI **(\$M)	274.8
Depreciation (Expense) (\$M)	(150.4)
Impairment (Expense) (\$M)	(409.0)
Net Profit/(Loss) Before Interest & Tax (\$M)	(284.6)
Total Assets (\$M Ave.)	4915.2
Return on Fixed Assets	6.1%

* Likely end of year result based on 30 April 2013 data

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

FUNDING UPDATE

Consistent with its funding strategies, in November 2011 ARTC renewed and increased its Syndicated Debt Facilities with the 4 major Australian banks to a total facility of \$800 Million. In addition, a further \$250 million in 3-year bonds in the Australian debt capital market were issued in April 2013, bringing the total bonds issued by ARTC to \$750 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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