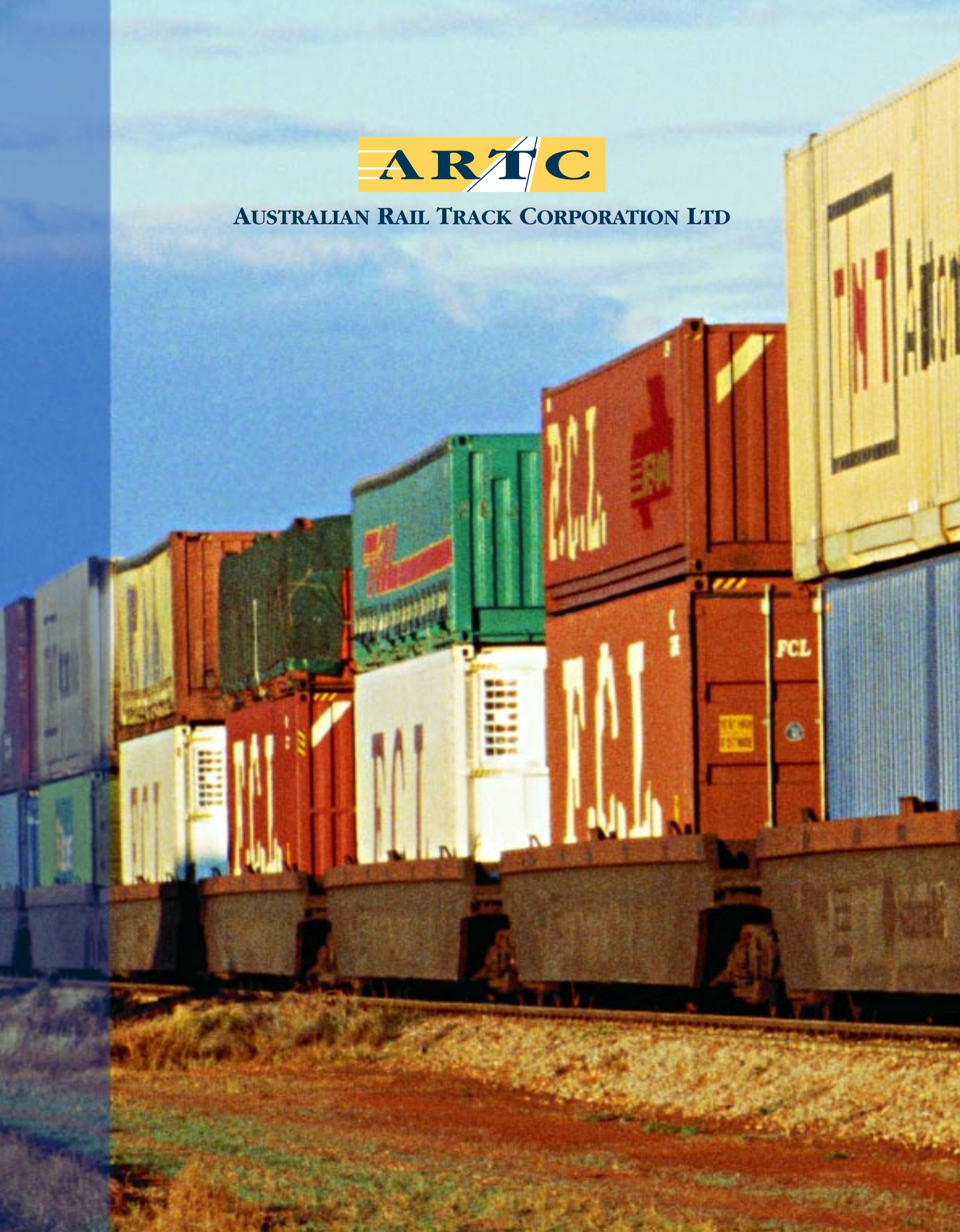


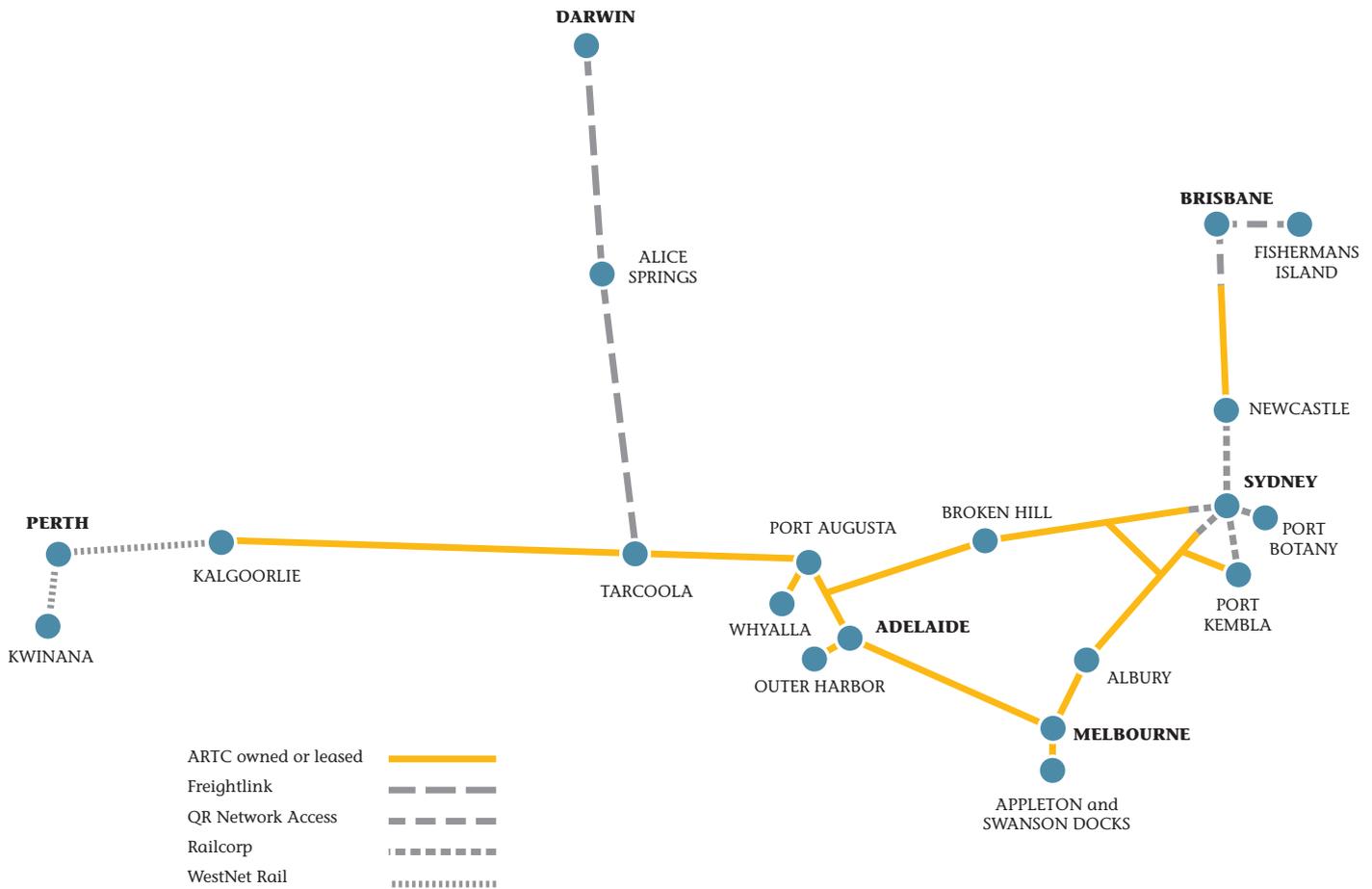


AUSTRALIAN RAIL TRACK CORPORATION LTD



Annual Report 2004

The Interstate Rail Network



Australian Rail Track Corporation Ltd (ARTC) was incorporated in 1998 following an intergovernmental agreement (IGA) between the Australian Government and all mainland States to provide a 'one stop shop' for access to the interstate rail network.

ARTC's shares are wholly owned by the Australian Government and its primary role is to provide access to train operators over that part of the interstate rail network managed by the company. ARTC is responsible for all operations relating to that part of the network under its control, principally Albury - Melbourne - Adelaide - Perth and Broken Hill - Crystal Brook. This includes the provision of train control functions, the creation and selling of train paths to rail operators and the provision of capital and maintenance works over the ARTC network.

As part of the IGA, ARTC was also given the task of improving the interstate rail infrastructure to achieve a number of performance targets relating to reduced transit times, increased network capacity and improved reliability with the underlying aim of increasing the share of interstate freight carried by rail. Over the last five years, through disciplined investment and improved management, ARTC has been able to achieve these targets.

From September 2004, under a 60-year lease with the New South Wales Government, ARTC has the responsibility for the management of, and investment in, the New South Wales interstate mainline track and Hunter Valley rail network and manages the residual NSW non-urban network for the State.



Annual Report

2004

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Chairman's Report



On behalf of the Board of Directors, I am pleased to present the 2003/04 Annual Report of the Australian Rail Track Corporation Ltd.

By far the most significant development in the past year was the signing in June of an agreement by the Australian Government, New South Wales Government and ARTC for the 60 year lease by ARTC of the interstate main line tracks in NSW plus Hunter Valley rail tracks. This marked the end of three years of difficult negotiations by all of the parties involved. In addition, ARTC entered into a contract with the NSW Government for the management of the Country Regional Network throughout the State.

Although the end of a long road in one sense, these events also marked the opening up of a unique opportunity to renew long-distance rail as a vital part of Australia's logistics network. ARTC is committed to the establishment of an efficient one-stop shop for the development of a national interstate standard gauge network.

The ARTC business case for the NSW lease incorporates an investment of \$872 million over the next five years to improve the performance of the network. The case has been supported by the Australian Government's subsequent investment of \$143 million in new equity in ARTC, and the waiving of dividend payments from the corporation during the five year adjustment period. The Australian Government investment has been supplemented by a \$60 million contribution from the NSW Government.

The Australian Government further supported its investment in ARTC with a special grant of \$450 million in the May 2004 budget statement. The ARTC Board has determined that this investment will be focused on productive improvements to the transit time, reliability, capacity and operating efficiency principally on the North South corridor between Sydney and Brisbane.

The newly announced AusLink programme has also provided a \$550 million investment in improved rail and intermodal facilities in Sydney, Melbourne, Adelaide and Perth over the next five years, with targeted investment in improved rail communications and train management systems. These investments provide a solid foundation for the reinvigoration of the interstate rail system.

ARTC faces significant challenges arising from these initiatives.

The first of these is the optimisation of the infrastructure investments to ensure that they add value in a co-ordinated form to the growth of the national rail market. The next major challenge is the integration of the NSW main lines into ARTC's national corridor management approach, and the development of a stronger ARTC culture focused on customer and service delivery within the framework of a commercially sustainable business. This requires the corporation to carefully husband its assets for long-term sustainability, even as major new improvements are brought on line.

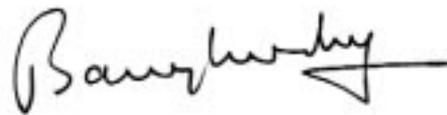
In 2003/04, traffic and revenue growth continued to improve across the existing ARTC network. Despite a significant fall in grain traffic due to the effects of the drought, overall gross tonne kilometres grew by 5.1% on an annual basis. The June

Chairman's Report

quarter saw traffic growth of 10.3% on a year on year basis. Rail's market share of the land transport market on the East West corridor reached over 81% during 2003/04 and is expected to stabilise around this level.

I am pleased to advise shareholders that ARTC recorded a net profit from its operations for the year of \$19.6 million, representing an 8.3% return on capital employed at the beginning of the 2003/04 financial year. This was after expensing \$13 million on the development of the NSW lease. With the take-up of the lease on 5 September this year, the corporation's asset base and responsibilities will grow significantly. For the immediate future, the Board will carefully manage its cash reserves plus shareholder funds so as to achieve the most efficient use of capital as the major NSW programme gets under way. In due course, large external borrowings will also be required. Future rate of return results will reflect this but, in time, growth in traffic and a strengthened national rail system will mark the emergence of the 'new' ARTC producing good results for its shareholders and the nation.

None of the achievements of the 2003/04 year could have been reached without the dedicated commitment of the corporation's management team and staff. They have worked very hard to reach these goals, often in the face of considerable scepticism. I thank them unreservedly for these efforts which augur well for the testing period ahead. I would also like to acknowledge the unwavering support of our shareholders, which has been of great encouragement to the Board. ARTC's customers and business partners have continued to offer strong support, and rightly expect more improvements ahead. The corporation will do everything it can to live up to these expectations.



Barry Murphy
Chairman, Australian Rail Track Corporation Ltd.

Managing Director's Report



For the financial year 2003/04, intermodal volumes on the ARTC network continued to grow strongly increasing by 7.5% over 2002/03. In the March and June quarters increases of 6.7% and 10.3% respectively on total volumes were recorded relative to the previous year. The East West rail corridor market share of the land freight task has averaged 81% for most of the year and appears to have stabilised at this level.

The percentage of healthy trains exiting the ARTC network on time during 2003/2004 remained at 97.2%. However, the on time entry of services from terminals and on to the ARTC's network in general was at lower level than has been previously achieved between 1998 and 2002.

On 4 June 2004 the Australian Government, New South Wales Government and ARTC entered into an agreement enabling a 60-year lease of the NSW interstate main lines and Hunter Valley rail network to ARTC. In June, ARTC commenced a significant mobilisation programme prior to take up of the lease in September 2004. The mobilisation programme incorporated employing over 400 engineering and administrative staff and the secondment of 1,200 train control and infrastructure maintenance staff. New computer systems for payroll management, personnel and HR management, work orders, procurement and train management were developed and rolled out by ARTC along with a new infrastructure backbone for IT across NSW.

In addition to ARTC's \$872 million investment associated with the lease, the Australian Government announced a special \$450 million grant to ARTC, which ARTC has identified will be predominantly used for upgrading the rail network between Sydney and Brisbane, and a further \$550 million of rail related investment was contained within the AusLink funding programme.

The overlay of these investments will require significant co-ordination and planning to enable the optimisation of the infrastructure upgrades to lift rail's performance. To this end ARTC will in the first half of 2004/05 remodel the infrastructure investment alternatives for the North South corridor so that the maximum benefit is obtained from these investments and the resulting improvement in rail's cost effectiveness and performance is translated into market growth.

The four key strategies are:

- To improve transit time;

- To improve reliability;

- To improve capacity on the network, and;

- To improve the yield for above and below rail so as to assist its competitiveness on these corridors.

Detailed modelling is being undertaken in consultation with ARTC's customers and stakeholders. This should enable a coherent programme and timetable for works to be finalised in early 2005 for an expeditious roll out.

Managing Director's Report

ARTC is moving to enhance capacity on the coal network in the Hunter Valley, and has already called for expressions of interest for the design and construction of the Kooragang overpass. The NSW take-up requires management to develop new systems and cultures for a nationally integrated ARTC.

In 2004/05 significant efforts will be applied to developing and building the management team and staff culture to facilitate a customer focused, commercially driven company.

Early training programmes have been developed for induction of new employees and a special "Take 5" safety programme is being rolled out for all infrastructure workers and managers. This programme is focused upon improving worker safety and rail safety in general on the NSW network.

An initial objective of transition in NSW is to minimise the impact of planned changes on the network and to undertake development with the least impact on the operations of rail customers whilst achieving the improvements required by the industry.

In 2003/04, ARTC continued its open, equitable and market-based pricing. During the year, the real cost of access to freight operators continued to reduce and over the last five years operators have received a real reduction in access costs of approximately 23%. ARTC's access prices continued to decrease in real terms with a price adjustment of two thirds of CPI from 1 July 2004. ARTC intends to provide discounted CPI and therefore real price reductions in its access charges in NSW during the five year adjustment period.

During 2004/05 ARTC will be consulting with customers and key stakeholders on the development of an Australian Competition and Consumer Commission (ACCC) access undertaking for the NSW network and the Hunter Valley network.

In the coming year, progress will be made in an attempt to streamline operating codes on the national interstate network so as to overcome the historical State-based arrangements which are an impediment to the efficient operation of rail. Detailed work will also be undertaken with the Australasian Railway Association, National Transport Commission and State Regulators on the formulation of a nationally consistent regulatory framework for rail.

The NSW lease provides a significant opportunity for a one stop shop for rail access users on the national interstate standard gauge network. There is strong potential for modal transfer on the North South corridor and ARTC will continue work on progressing market development opportunities to ensure that the infrastructure and operational improvements associated with the NSW lease are instrumental in the growth of the North South market.



David Marchant
Managing Director, Australian Rail Track Corporation Ltd.





The Year in Review

Market Indicators

The year saw continued strong revenue growth on the East West corridor of around 8%, resulting from increased intermodal volumes and some recovery of grain volumes following the drought.

The total gross tonne kilometres (GTK) carried for 2003/04 was 31.91 billion GTK, an increase of 5.1% on the 2002/03 total of 30.29 billion GTK. Modest growth during the first half of the financial year was followed by a strong June quarter which recorded traffic growth of 10.3% over the same quarter for the previous year.



Monthly traffic volumes peaked in May 2004, with 2.82 billion GTK moved across the network, a 9.1% increase on May 2003.

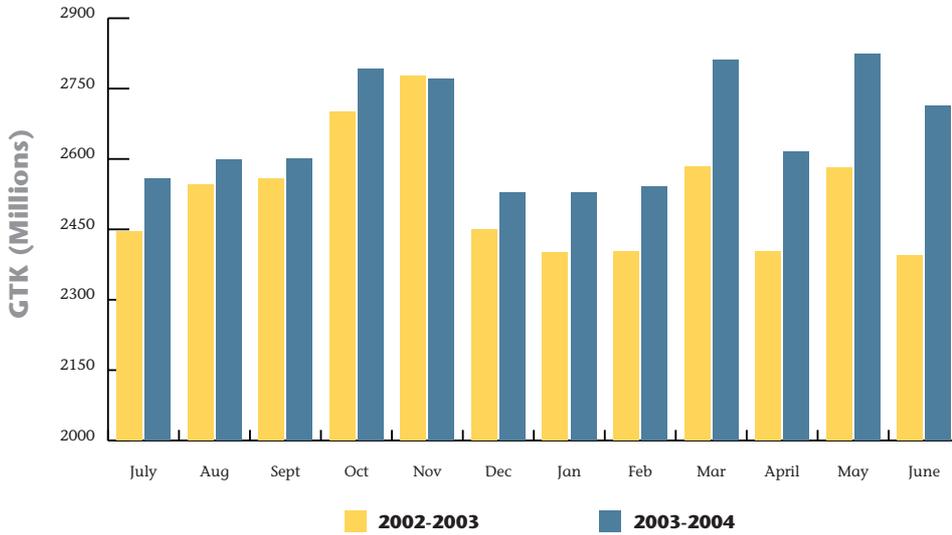
Rail's market share of the East West land freight market appears to have stabilised at around 81% in 2003/04, following sustained market share growth of 3% per annum over the previous 7 years.

Intermodal revenue growth on the North South corridor (7%) has been stronger than in previous years, assisted by the introduction of a new Freight Australia operated Melbourne-Sydney intermodal service during the year.

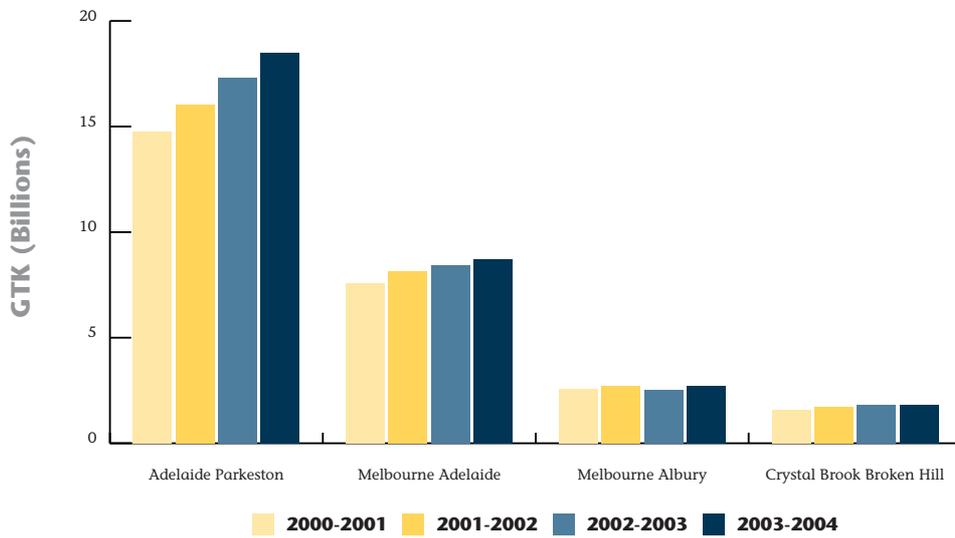
With Pacific National's acquisition of Freight Australia and re-consolidation of this service, Queensland Rail's interstate operator Interrail has entered the market with a regular Brisbane-Sydney-Melbourne intermodal service commencing late in the year.

New traffic in 2003/04 has resulted in increased volumes over the ARTC network. Following the completion of the new Alice Springs to Darwin railway in January 2004, Freightlink commenced operating intermodal services between Adelaide and Darwin, five times a week, traversing the ARTC Network between Adelaide and Tarcoola.

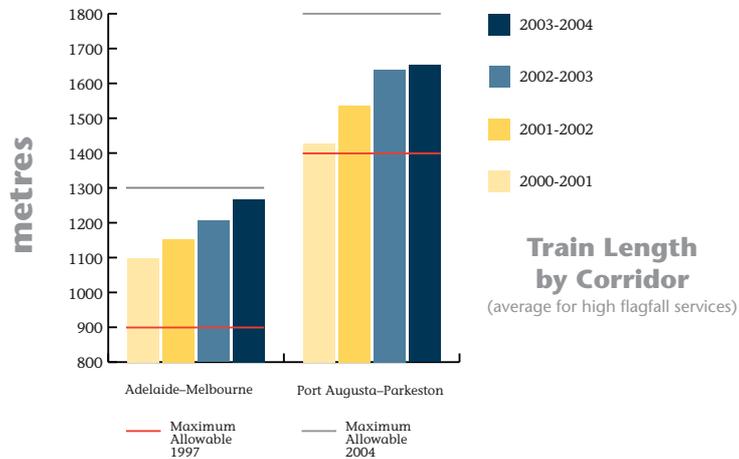
Freight forwarders Toll and Patrick both introduced new high capacity car-tainers on the Adelaide-Melbourne-Brisbane corridors during the year, carrying new motor vehicles that had previously been carried by road. The new Patrick Portlink regional intermodal facility at Bowmans in South Australia's Mid North had a successful first year of operation with container volumes exceeding initial estimates.



Monthly Comparative Network GTKs



Gross Tonne Kilometres by Corridor



Train Length by Corridor
(average for high flagfall services)

The Year in Review

Performance and Reliability

A total of 11,813 scheduled services operated over the ARTC network during 2003/04, an increase of 5.2% on 2002/03.

Of these services, 4,801 commenced their journey over the ARTC network on schedule and were classified as healthy trains. A total of 97.3% of healthy trains exited the ARTC network on time, which is consistent with the previous year's performance.



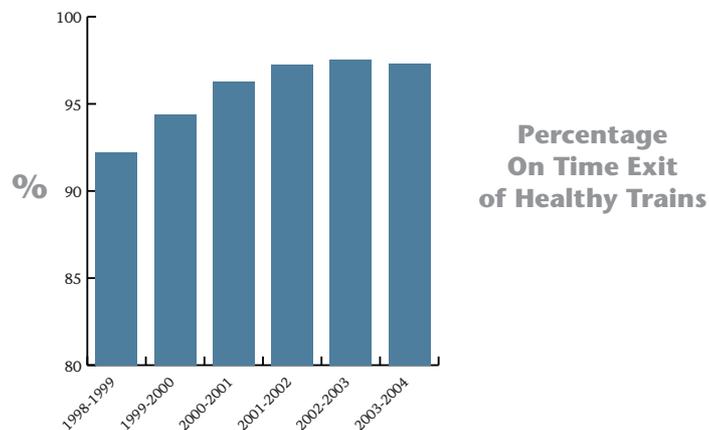
ARTC's target is for 98% of all healthy trains to exit the network on time.

For unhealthy trains, that is those services that have entered the network behind schedule or suffered operator related delays en route, 94.9% suffered no further delay while on the ARTC network. Of these, 23.7% recovered sufficient time to exit the network on schedule.

Below rail causes only accounted for 5.1% of the total net delays encountered by all services during the year.

The combined percentage for all services departing the ARTC network on time for 2003/04 was 53.7%. This result was lower than previous years and this drop in reliability was largely attributable to late entry of trains into the ARTC network from terminals and from other causes outside ARTC's jurisdiction.

Despite falling short of targets, ARTC's performance with regard to maintaining service reliability was very close to that achieved in the previous two years. This occurred despite a slight increase in the number of unhealthy services



The Year in Review

operated during the year. This reflects application of ARTC's network management principles that seek to quarantine healthy services from unhealthy services.

ARTC continues to carefully monitor these trends in order to ensure that reliability gains achieved through ARTC's targeted investment programme over the last five years are sustained.

Significant improvements in transit time were achieved for ARTC's key intermodal services and passenger services on most corridors. These were offset to some degree by some deterioration in transit times for slower standard flagfall services (steel/general freight).



Such trade-offs often result from customer requirements to better match scheduling to meet broader business needs such as terminal utilisation or end-user distribution patterns.

Time loss resulting from speed restrictions remained within acceptable levels during the first 6 months of 2003/04 and below the Australian Transport Council target of 2%. Some deterioration occurred in the third quarter largely due to significant works being undertaken in Victoria, but this started to ease towards year end and should continue to improve.

ARTC targets less than 80 minutes time loss on the network as a result of temporary speed restrictions, designed to approximate 1% track under speed restriction.



The Year in Review

Maintenance and Works

The goal of infrastructure asset management is to meet a required level of service in the most cost effective way. This is done through the effective management of asset creation, acquisition, maintenance, operation, rehabilitation and disposal.

Key elements are:

Taking a life cycle approach

Developing cost effective long term management strategies

Providing defined service levels and performance monitoring

Managing risk of failure

Sustaining the use of the physical assets

Continuous improvement in management practices

ARTC's annual Asset Management Plan incorporates 1-3 year, 5 year, 15 year and longer term projected works programmes based on forecast traffic flows and known asset deterioration characteristics. By undertaking annual reviews against short, medium and long term requirements, ARTC can ensure that the asset is maintained according to need and therefore neither over nor under maintained.

ARTC recognises that future opportunities for efficiency gains lie in improving the understanding of the asset base through better use and analysis of available information and from developing technology and in optimising advances in communications and information technology to overcome an ageing safeworking communications system that is likely to become increasingly expensive to maintain.

A total of \$47.7 million was expended for the 2003/2004 financial year with \$26.3 million spent on routine maintenance works, \$10.7 million for periodic renewal works and a further \$10.7 million in capital works spending.

This included:

The replacement of 41.6 kilometres of rail to address a number of areas where excessive rail wear had occurred or was likely to occur. A rail wear analysis of profile data from the AK track recording car was conducted to target re-railing expenditure, together with field inspections.

In other areas, tamping, ballasting, rail pad replacement and sleeper re-alignment have been implemented to prolong asset life. During the year, ballast and tamping were carried out over 50% of the ARTC network in Victoria and over a further 35% of track in the Western jurisdiction.



The Year in Review

Information from ARTC's extensive train control report close-out database was analysed at Signal Fault Strategy meetings throughout 2003/04 to target expenditure on cable renewal, track lead replacement and pole line refurbishment across the network. The overall focus is on fault reduction and sustaining the performance of ageing signalling and communications infrastructure by targeting repeat faults and failures that impact upon service reliability.

A detailed investigation was undertaken on the Western jurisdiction to prioritise expenditure on pad replacement and to ensure longevity of the asset and minimise rail wear due to poor pad condition. The condition of the rail pads between the rail and the sleeper is a key factor in attenuating impacts to concrete sleepers, protecting the rail seat from abrasions and contributing to the overall structural flexibility of the track system. A total of 13,000 pads were replaced on the Trans Australia Railway during 2003/04.

Shoulder ballast cleaning, tamping and cess drainage works were undertaken between Mile End and Belair in the Adelaide Hills to complete a major drainage upgrade programme commenced in 2002.



Victorian Network

There was some deterioration in the condition and performance of the North East line during 2003/04, partially due to the drought which created a number of problems with centre binding of sleepers.

A total of \$2.8 million was expended for remedial works between Melbourne and Albury to build on the previous investment in this corridor undertaken by ARTC between 1998 and 2000.

Major works in 2003/04 on this corridor included:

Face tamping of 280 km of single track, points and crossings;

Re-ballasting where required;

Maintenance grinding of curves and turnouts;

9,000 sleepers replaced;

Realigning the track through 30 transom deck bridges.

Extensive works were carried out in 2000 and 2001 to ameliorate chronic drainage problems on this corridor. Further works were carried out in 2003/04 to improve drainage where a number of residual mud-holes of between 10 and 20 metres in length remained and to drain ballast pockets in the formation.

The Year in Review

The Melbourne to Albury track forms an integral part of the Melbourne–Sydney–Brisbane corridor and these works have been targeted at ensuring that the infrastructure continues to be of a standard suitable for the maximum axle loads and speeds as laid down by the Australian Transport Council, including 115 km/h for superfreighters at 21 tonne axle load.

Installation of a level crossing monitoring system for protected level crossings on the ARTC lease in Victoria also commenced in 2003/04. The monitoring system will significantly reduce the risk of level crossing failure and the rollout will be completed during 2004/05.



Human Resources

Human resource management remains a high priority in the company, and will become more important during the NSW lease transition and with the overall integration of staff within ARTC.

The Enterprise Agreement, re-negotiated in early 2003, has helped provide a stable industrial environment for the business. All parties are aware of and support the working relationships and processes contained in the Agreement, and this has substantially contributed to the stable working environment.

The performance management process utilised by ARTC effectively ties into ARTC's training and development programme, as it provides additional means for identifying required skills improvement.

ARTC's training and development programme is driven by an annual training needs analysis undertaken for each employee by reviewing required skill sets outlined in position descriptions and safe working training requirements. The programme for the 2003/04 has been used as a basis to facilitate effective future succession planning in the organisation.

ARTC Services Company

In September 2003, ARTC established ARTC Services Company P/L as a subsidiary company to provide the signalling and communications maintenance services previously supplied to ARTC by Rail Infrastructure Corporation and employing 33 staff.

ARTC's Finance and Human Resource teams successfully implemented a new payroll system within the subsidiary and the Human Resource team has worked with ARTC Services Company to standardise position descriptions and is currently reviewing human resource and OH&S policies and procedures within the subsidiary.



New South Wales Lease

Considerable resources were allocated during 2003/2004 to finalising an agreement between ARTC and the NSW Government for the lease of the interstate main lines in New South Wales and the Hunter Valley coal network.

On 4 June 2004 the agreement, signed between Australian Rail Track Corporation, the Australian Government and the NSW Government (to be effective from 5 September 2004), paved the way for integrated management of the interstate and Hunter Valley rail networks in New South Wales as part of a national interstate network.



The 60 year lease covers the NSW interstate main lines, the Hunter Valley rail corridor, dedicated metropolitan freight lines to the Sydney ports and a licence to construct the Southern Sydney Freight Line within the existing rail corridor. The total length of these tracks is approximately 3,400 kilometres. ARTC will have full responsibility for these corridors including investment decisions and train control.

The remaining non-interstate, non-Hunter regional rail network will be managed by ARTC on behalf of the NSW Government which will retain policy and funding responsibility for these lines.

The Sydney urban system will remain the responsibility of the NSW Government.

The ARTC business case for the NSW lease is predicated upon growing East Coast intermodal volumes and increasing the capacity of the Hunter Valley coal network through a targeted investment programme and more efficient maintenance and management practices.

ARTC has developed an initial \$872 million infrastructure investment programme for the first five years of the lease. The majority of this funding will be spent in NSW, with \$54 million earmarked for upgrading of the Melbourne to Albury track to improve the overall performance of the Sydney to Melbourne rail corridor. This investment is aimed at improving track quality, the performance of the track and communications on the leased network.

The programme has been developed with the aim of achieving the outcomes envisaged in the National Track Audit undertaken by ARTC in 2000 in the areas of reliability, transit times and increased yield for operators and the infrastructure.

ARTC's existing investment strategy focused on these areas has been fundamental in delivering significant gains in relation to productivity and reliability across the ARTC network. On completion of the investment program, a modal share of 30% for rail on the North South corridor has been targeted compared to the existing level of around 15%.

New South Wales Lease

The investment will include:

\$192 million to build a new southern access route for freight trains through the south-western Sydney metropolitan area from Macarthur to Chullora, thereby avoiding current delays impeding rail freight growth between Melbourne–Sydney–Brisbane.

\$152 million to upgrade the Hunter Valley rail network, including track strengthening and almost \$67 million to eliminate bottlenecks, increasing the capacity of the network from 85 million tonnes of coal per year to over 100 million tonnes per year.

\$186 million to upgrade the Main South Line from Macarthur to Albury. The investment will improve signalling, extend the length of crossing loops and replace the Murrumbidgee Bridge at Wagga Wagga. It will assist in reducing the transit times for freight trains between Sydney and Melbourne by 3 hours.

\$119 million for the North Coast Line from Maitland to the Queensland border. Importantly, the investment will replace the current signalling system between Casino and the Queensland Border, originally installed in the 1920s. The investment will assist in reducing the travel time for freight trains between Brisbane and Sydney by up to 3.5 hours.

\$21 million to upgrade the line between Parkes and Broken Hill, including funds to raise the height clearance of the line allowing train operators to make unrestricted use of double stacked container trains.



In June 2004, the Australian Government made available to ARTC an additional one-off grant of \$450 million. ARTC is evaluating an indicative programme of infrastructure works principally on the Sydney to Brisbane corridor for these grant monies.

These indicative projects include the installation of Centralised Train Control signalling between the Queensland border and Acacia Ridge; a total of three bi-directional loops at Sulphide Junction and between Gosford and Dora Creek; and a concrete re-sleeping program.

Other projects that are being evaluated as part of this investment are a 10 km bi-directional refuge between Tarro and East Maitland; possible duplication of 63 km of track between Wallarobba and Stratford and up to 14 major deviations between Hexham and the Queensland border. ARTC will undertake an evaluation of the most cost effective alignments and deviations in early 2004/05 for testing in consultation with operators.

As part of its programme to enhance capacity on the Hunter Valley coal network ARTC has called for expressions of interest for the design and construction of an overpass to access the coal loader at Kooragang Island. This will eliminate the existing conflict between heavy coal trains and other rail traffic at this location.

New South Wales Lease

The combined investment programs are focused on making rail more competitive by upgrading the infrastructure to accommodate:

Improved transit times and average speed

Improved reliability

Improved capacity

Improved rail operating and maintenance costs

On east coast corridors, rail's market share is low and rail service levels are perceived as inferior to market requirements. ARTC's strategy in these corridors is to invest in increased network capacity and performance so as to meet market required service levels.



ARTC will encourage above rail competition on these corridors to ensure continued rail innovation and benefits derived from network investment are passed on to users through lower pricing. This will ensure that network utilisation targets are met so protecting ARTC investment in the network.

ARTC recognises that terminal and land capacity in east coast capital cities also constrains network capacity and competition. ARTC is actively exploring options for the development of existing under-utilised land in Melbourne, Sydney (Holsworthy) and Brisbane (Greenbank).

The development of voluntary Access Undertakings with respect to the interstate and Hunter Valley networks will be undertaken during the first 24 months and submitted to the ACCC. The operational and commercial circumstances surrounding the Hunter Valley network require a different treatment of capacity management and pricing to that of the interstate network. A separate Access Undertaking will be developed to reflect this for that part of the network.

ARTC has developed a detailed transition plan, which over four years is designed to ensure key outcomes are achieved, including:

Improved safety outcomes;

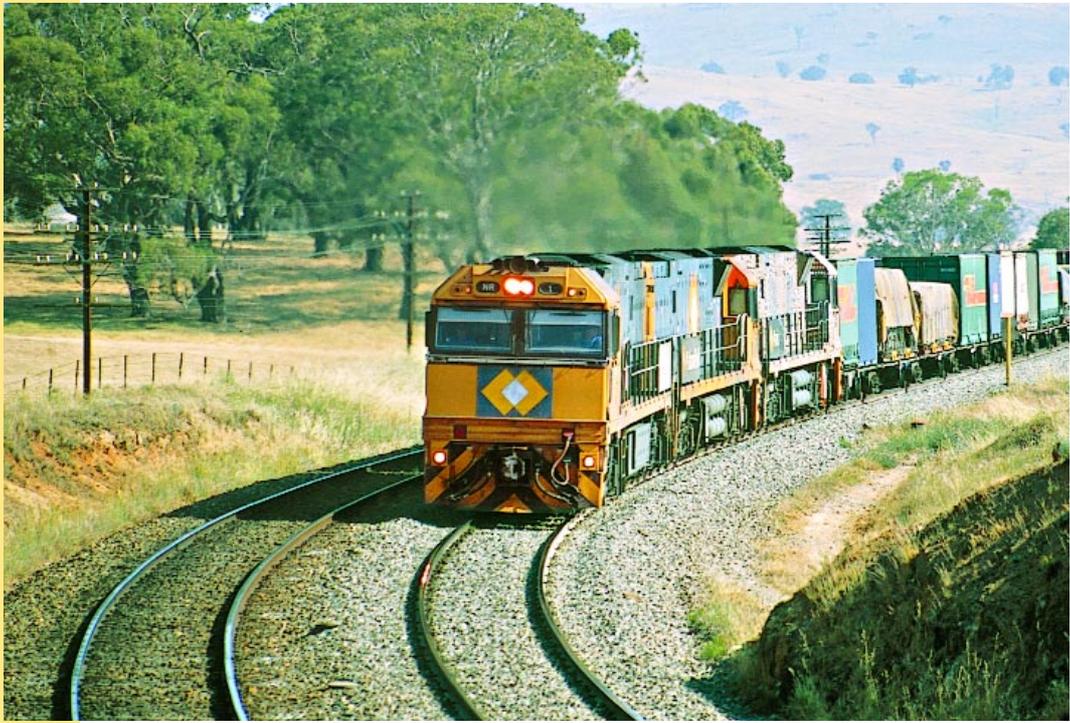
Improved service and responsiveness to customer requirements;

Early development of ARTC culture in the areas of customer services and efficiency;

Progress towards delivery of the reliability, transit time and yield outcomes of ARTC's five year investment and maintenance programme.

Safety is a fundamental core value for ARTC. It is ARTC's intention to implement improvements to existing processes that will enhance safety on the NSW network, including greater streamlining and consistency of the NSW rule-book with the interstate network.

It is ARTC's intention to encourage greater employee initiative and innovation through empowering individuals by creating clear accountabilities and responsibilities at all organisational levels.



The Way Ahead

Network Integration

In order to optimise the investment outcomes on major corridors as determined by the 2000 National Track Audit, a key goal for ARTC is to achieve the effective, integrated management of the interstate network across the former state jurisdictional boundaries.

While the immediate focus will be on achieving a safe, reliable transition with the take up of the management of the interstate and Hunter Valley networks in NSW, ARTC will explore the leasing opportunities to extend control of the Sydney to Brisbane corridor through to Acacia Ridge in order to fully integrate access management on the North South corridor.



ARTC will also pursue further developing integration strategies on the Kalgoorlie to Perth corridor.

Investment

In addition to the initial \$872 million infrastructure investment programme in New South Wales, the Australian Government announced in May 2004, a \$450 million grant to ARTC. A further investment programme of \$550m in national rail infrastructure as part of the initial AusLink funding programme was also announced. This brings the total investment by the Australian Government and ARTC in the national rail network to approximately \$1.8 billion to be implemented over the next 5 years. ARTC will be responsible for implementing the great majority of this programme.

The target areas for the investment programme are to;

address the forecast doubling of the freight transport task in Australia over the next 15 years,

improve rail efficiency and competitiveness on North South corridors
and

improve intermodal linkages in metropolitan areas (terminals, port access).

The AusLink strategy provides the potential for a more balanced approach to infrastructure funding and investment along with the opportunity for more efficient investment in the land transport network.

The Way Ahead

Indicative priorities and objectives of the investment programme in the interstate rail network committed by ARTC and the Australian Government, supported by the AusLink National Land Transport Plan, over the next 5 years are as follows.

Corridor	Objective	Amount
Sydney–Brisbane	Reduce transit times, improve operational reliability and capacity, improve rail operating and maintenance cost efficiencies	\$569m
Sydney–Melbourne	Increase network capacity, enhance operational efficiency, performance and integration	\$285m
Sydney Urban	Improve rail access between Port Botany, the intermodal facilities at Chullora/Enfield and the interstate connections to these key freight facilities including the Southern Access Corridor	\$302m
Melbourne Urban	Improve rail and road access to the Dynon intermodal precinct and the Port of Melbourne. Reduce congestion for rail traffic entering and leaving the Dynon rail terminal and improve transit times	\$150m
Adelaide Urban	Improve access to the Port of Adelaide	\$80m
Perth Urban	Improve access to the Port of Fremantle	\$14m
East West Network	Increase capacity, improve transit times, bridge strengthening	\$95m
Interstate System	Upgrade rail communications system, investigation of advanced train management and signalling system. Track alignment investigation and development	\$145m



Advanced Train Management System

Predictions are that the various existing signalling systems inherited by ARTC will need replacement within the next 7-10 years. In addition, network capacity will need to increase significantly to handle forecast growth in the national freight transport task over the next 20 years. To upgrade the existing systems using contemporary technology will be expensive and retention of the existing system architecture, even if relay based systems are replaced by electronics, will substantially close off options to gain operational advantages.

The Way Ahead

ARTC's proposed Advanced Train Management System (ATMS) brings the possibility of achieving such a replacement at relatively low cost. During 2003/04 Lockheed Martin was selected as ARTC's preferred supplier for the replacement of the various safe-working systems currently in use on the ARTC network.

ATMS is a new generation technology that will consist of centralised software based interlocking, remote control of track features such as points and movement authorities delivered by radio transmission of data to locomotives. The communication technologies will be diverse and reliable and the system will have more forgiving failure modes, allowing reasonable operating efficiencies even during failure.



ATMS will incorporate positive train separation which has the potential to significantly expand network capacity, safely and efficiently. Other key benefits of ATMS include:

Minimal wayside equipment reduces maintenance and development cost;

Wayside equipment is less prone to failure, system availability improves;

Train headways are reduced to safe braking distance plus a margin for safety;

Train position is known accurately, improving workplace and system safety;

Enhanced scope for flexible train operating configurations;

Continuously displayed driver information improves safety, train handling, efficiency and productivity;

Speed and authority enforcement improves safety.

Wayside Monitoring

ARTC is committed to its ongoing development of modern integrated technology to assist in achieving its objectives in developing a safe and efficient network. A number of wayside systems are already operational on the ARTC network to monitor axle bearing faults and wheel impacts.

The use of modern wayside monitoring equipment also offers a range of data that can be collated and interpreted to provide useful information to track owners and train operators in relation to train performance.

ARTC will continue to work with the rail industry to secure efficient investment in appropriate wayside devices to improve operational efficiency through improved rolling stock quality and the reduced frequency of incidents.





Responsible Management

Rail Safety

The delivery of a rail network that is both safe and efficient for all stakeholders including the community is of paramount importance for ARTC.

ARTC believes that safety and risk can be managed effectively within an environment where;

safety and risk management are understood to be a core value and component of all business activity,

methods, procedures and standards are logical, practical, understood, and documented,

communications are direct and unambiguous between those who issue instructions and those who execute instructions

and

there is corporate support (in terms of technology, equipment, and procedure) for those who must deliver safety and manage risk.



ARTC has documented safety management structures in place which are in compliance with the Australian Standards. The challenge is to move other individual state systems and inconsistent regulation toward a uniform national safety framework that covers all jurisdictions.

Regulatory Environment

ARTC is required to deal with multiple State based Rail Safety Regulators and Occupational Health and Safety Regulators, often resulting in different interpretations of the Regulator's role and responsibilities. ARTC and the rail industry still require accreditation in each state and each state differs with regard to regulatory approach and methodology of oversight and standards.

The National Transport Commission (NTC) commenced operations in January 2004 and it is hoped that this may assist in addressing this disconnect through the development of a national regulatory co-operative framework of the state and federal agencies.

Recent legislation has reinforced the role of the Australian Transport Safety Bureau (ATSB) as an authoritative and independent investigative body in respect to rail accidents.

Responsible Management

Occupational Health and Safety

In terms of Occupational Health and Safety (OH&S) ARTC has continued to perform well. There were no reported lost time incidents involving ARTC employees during 2003/04. Contractor lost time injuries are also monitored on a monthly basis and reported to the ARTC Board. There were 6 lost time injury incidents attributable to ARTC contractors during 2003/04. As in previous years, ARTC continues to work with its external contractors to improve workplace safety with a target of zero lost time incidents.



The OH&S Committee has proven to be an effective forum to resolve OH&S issues. In addition, the OH&S Committee has commenced reviewing existing OH&S policies and procedures to ensure they meet required legislative requirements, reflect current work practice and are effective.

Sick leave has remained low, compared to industry standards, with an average of three to four days per person lost per annum.

ARTC Human Resource and OH&S policies and procedures are being reviewed to ensure that there is consistency between ARTC's existing policies and procedures and additional obligations ARTC may have in relation to seconded employees from RIC/SRA following commencement of the NSW lease.

Environmental Management

There were no significant environmental issues affecting the company's performance during 2003/04. ARTC is committed to ensuring that all of its activities meet the appropriate environmental regulations for the jurisdictions in which activity is being undertaken and that all possible steps are taken to protect local flora and fauna.

ARTC holds a current licence to operate with the South Australian Environment Protection Agency (EPA) and continues to work with the EPA on a number of important environmental initiatives. A similar licence is being negotiated with the New South Wales EPA.

Risk Management

Throughout 2003/04, ARTC has continued development of its risk, policy and procedures aligned with the Risk Management Standard, AS/NZS 4360. ARTC has developed a strategic risk management process and this has resulted in a systematic review of internal and external risks affecting ARTC for incorporation in ARTC's Risk Register.

Responsible Management

ARTC has a risk policy and risk analysis methodology which is subject to consultation and review and is applied to the evaluation of any material change proposed within ARTC business operations.

Risks are categorised by business area and process and all categories are managed within the ARTC Risk Management Policy Framework based on assessed likelihood of a risk event occurring, ARTC's likely exposure if the event occurs, and the potential range of consequences in terms of financial, commercial, environmental, corporate governance, technological, property, business interruption, human resource and safety.



Corporate Governance

From the Board to the individual employee, corporate governance is an essential element of ARTC's day to day business operations. The process encompasses authority, accountability, stewardship, direction and control within the company.

ARTC's corporate governance policy provides for transparency of corporate structures and operation, the implementation of effective risk management and internal control systems, the accountability of the Board to shareholders through clear, accurate and timely disclosure and an ongoing process of improvement and review.

Regular monthly Board meetings were held throughout 2003/04 along with regular meetings of the Remuneration & Staff Policy Committee and Audit & Risk Management Committee of the Board. It is envisaged that Committee meetings will be held more extensively during 2004/05 in order to monitor the first year's transition of the take-up of the NSW lease.

In March 2004, the Board undertook a review of its performance with the assistance of an external facilitator and this will be continued to be reviewed on an annual basis.

With the take up of the NSW lease and resultant growth in business, the Board has taken the opportunity to restructure. The three new committees are Audit and Compliance, Environment Health and Safety, and People and Workplace Policy.

Individual directors will also take a lead role in advising the Board on engineering and asset sustainability, risk, advanced technology, major projects and government and community relations.

Key Performance Indicators 2003/04

Quarter	September		December	
Number of Services	2905		3001	
Total Healthy Services	1428	49.16%	1356	45.18%
Total Unhealthy Services	1462	50.33%	1615	53.82%
Total Services affected by Force Majeure	15	0.52%	30	1.00%
On Time Exit (Healthy Services)	1407	98.53%	1301	95.94%
On Time Exit (Unhealthy Services)	471	32.22%	461	28.54%
Number Services with On Time Entry	1915	65.92%	1871	62.35%
Number Services with On Time Exit	1875	64.88%	1762	59.31%
Undeteriorated Unhealthy Services	1406	96.17%	1520	94.12%
Number services exit >1 hr late	2408	82.89%	2330	77.64%
Total Delays	163,156		219,490	
Total ARTC delays	8710	5.34%	11918	5.43%
Track	1617	18.56%	2860	24.00%
Signals and Comms	5469	62.79%	7818	65.60%
Train Management	157	1.80%	323	2.71%
Other	1467	16.84%	917	7.69%
Total Customer delays	148797	91.20%	196485	89.52%
Late arrival	79993	53.76%	103354	52.60%
Yard	6657	4.47%	8400	4.28%
Personnel	6454	4.34%	6961	3.54%
Locomotives	5427	3.65%	9146	4.65%
Rolling Stock	5340	3.59%	5255	2.67%
Other	44926	30.19%	63369	32.25%
Force Majeure or Neither Delays	5649	3.46%	11087	5.05%
Kilometres of Track	3,625.9		3,625.9	
Track under Speed Restriction - Total km	28.75	0.79%	53.85	1.48%
Track Network Delay due to Speed Restriction - min	74.7		73.3	
Track Quality Index - ARTC Owned Network	23.5		23.5	
Track Quality Index2 - Victorian Network	36.8		36.6	

Note 1: Does not include unscheduled services e.g. grain trains.

Note 2: The higher the TQI the poorer the track quality.

In Victoria the TQI is higher than elsewhere on the network due to the effect of timber sleepers on the track quality.





March		June		Total	
2937		2970		11,813	
1073	36.53%	944	31.78%	4801	40.64%
1848	62.92%	2024	68.15%	6949	58.83%
16	0.54%	2	0.07%	63	0.53%
1038	96.74%	924	97.88%	4670	97.27%
368	19.91%	345	17.05%	1645	23.67%
1626	55.36%	1525	51.35%	6937	58.72%
1406	48.13%	1269	42.76%	6312	53.72%
1730	93.61%	1935	95.60%	6591	94.85%
2076	70.68%	1946	65.52%	8760	74.16%
247,470		274,340		904,456	
13801	5.58%	11551	4.21%	45980	5.08%
4726	34.24%	3350	29.00%	12553	27.30%
5027	36.42%	5934	51.37%	24248	52.74%
952	6.90%	321	2.78%	1753	3.81%
3096	22.43%	1946	16.85%	7426	16.15%
230007	92.94%	260576	94.98%	835865	92.42%
121058	52.63%	121804	46.74%	426209	50.99%
10774	4.68%	8732	3.35%	34563	4.13%
8428	3.66%	9357	3.59%	31200	3.73%
10221	4.44%	11574	4.44%	36368	4.35%
5730	2.49%	10011	3.84%	26336	3.15%
73796	32.08%	99098	38.03%	281189	33.64%
3662	1.48%	2213	0.81%	22611	2.50%
3,625.9		3,625.9		3,625.9	
124.26	3.42%	139.62	3.84%	86.62	2.39%
96.0		96.0		85.0	
24.3		24.3		23.9	
38.2		37.3		37.2	



The New South Wales Lease



- A C leased track —
- ailCorp lines —
- Metropolitan freight lines —
- NSW country regional network —

Australian Rail Track Corporation Ltd
ABN 75 081 455 754
www.artc.com.au

Passenger Rail Terminal Road
Off Sir Donald Bradman Drive
Mile End South Australia 5031

PO Box 10343 Gouger Street
Adelaide South Australia 5000

