



Rail 2007
Sheraton on the Park, Sydney, April 2007

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Australian Rail Track Corporation Ltd

Key areas to be covered...

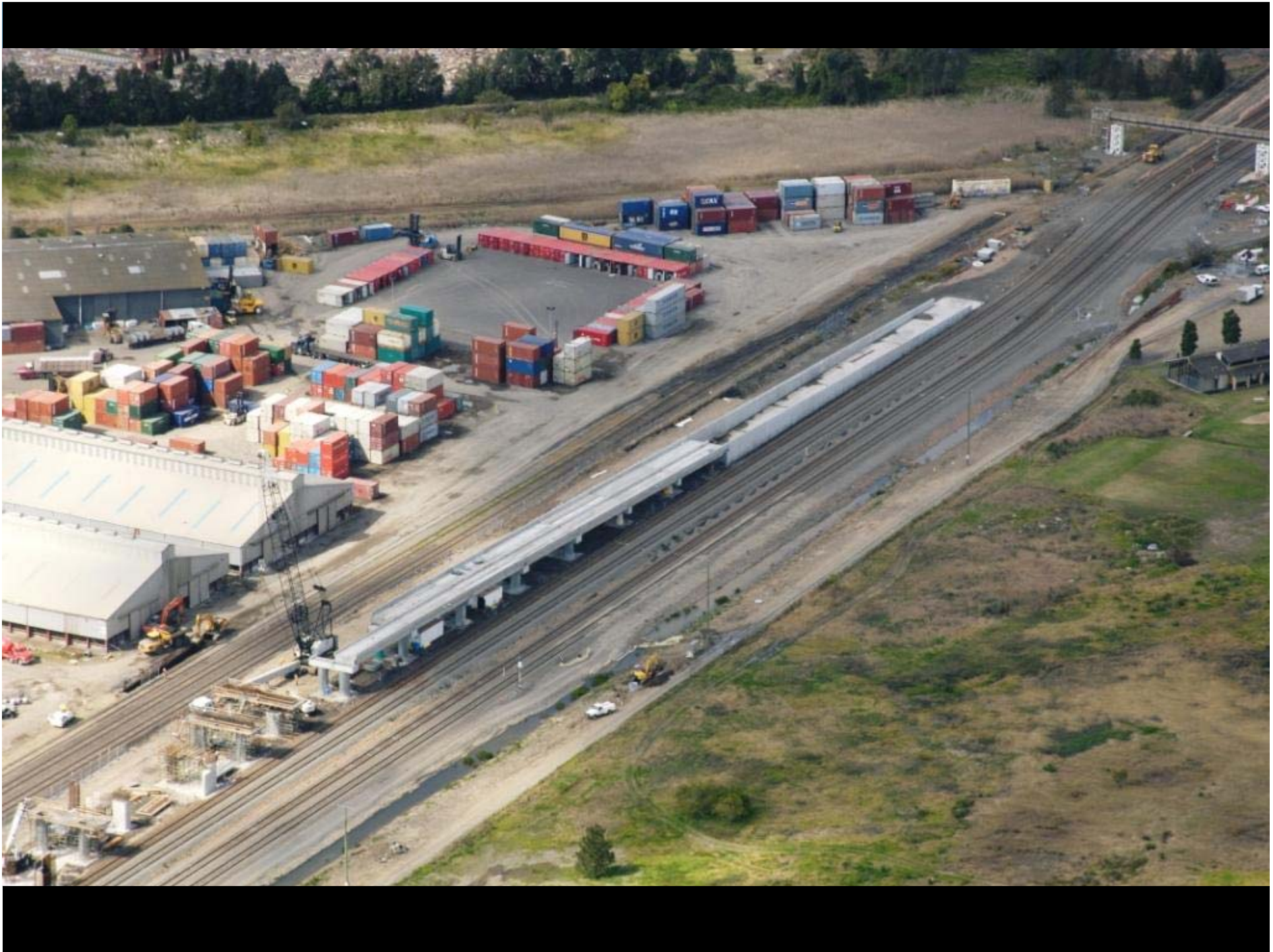
- **ARTC's Investment Program Update**
 - Hunter Valley Rail Networks
 - Sandgate project
 - Hunter Valley Rail Capacity
 - Wagga Bridge Construction
 - Projects to complete ARTC's North-South Investment Program

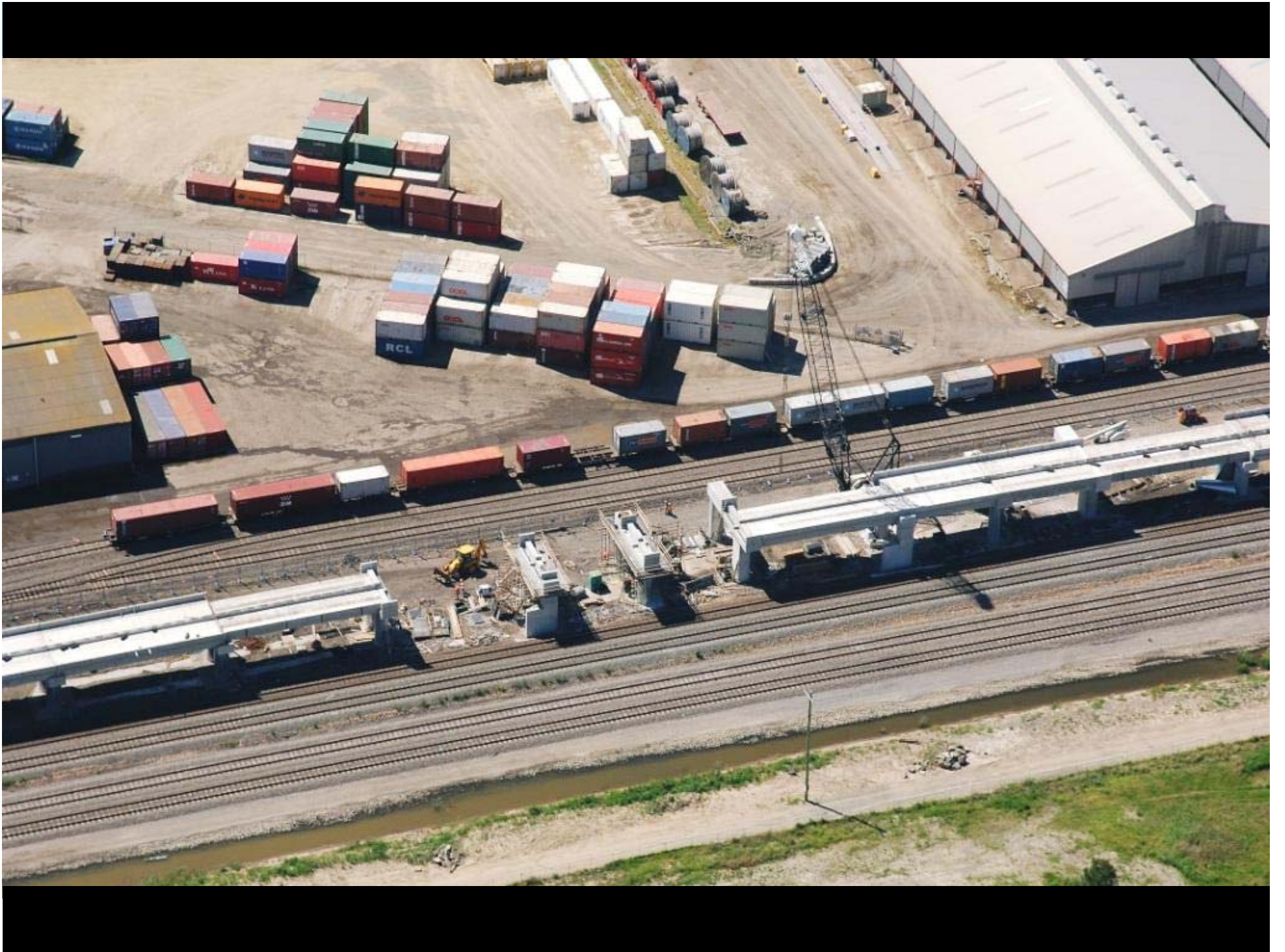
- **ARTC Access Pricing - Current State of Play**
 - Rail Volume Growth
 - East-West
 - North-South
 - Pricing Relativities - Road v Rail

Sandgate Construction...









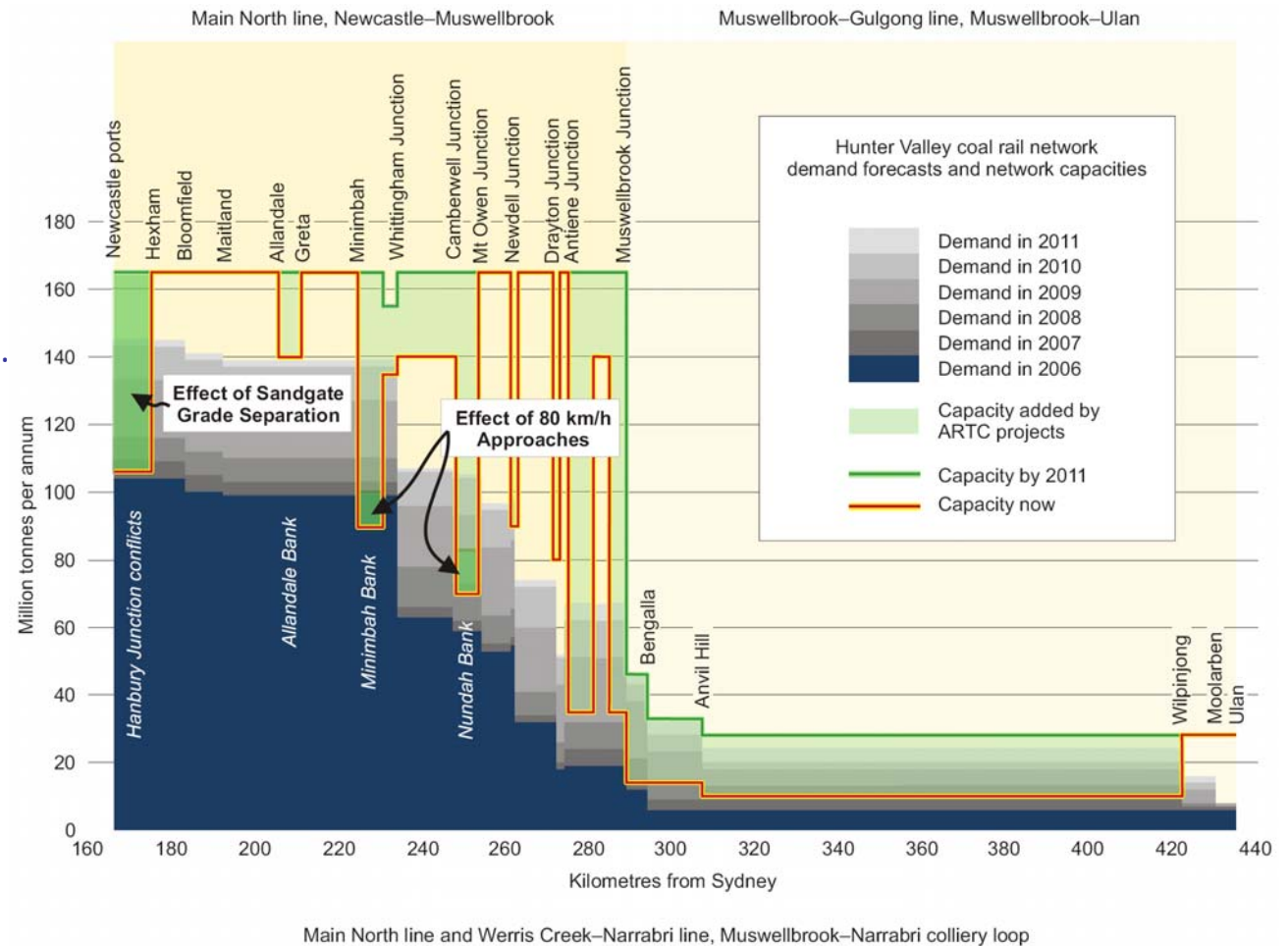


14/11/2006



Recent Projects - Capacity Effects

- The Sandgate project increased capacity at the junction from 106 mtpa to over 165 mtpa.
- This project is a necessary enabler to unblock growth.
- 80 km/h approaches have added 12 - 15 mtpa at Minimbah and Nundah banks.
- These projects, in conjunction with other ARTC projects throughout the Hunter Valley, will ensure rail capacity stays ahead of demand.



Wagga Bridge Project - Time Lapse Video

Projects to complete ARTC's North-South Investment Program...



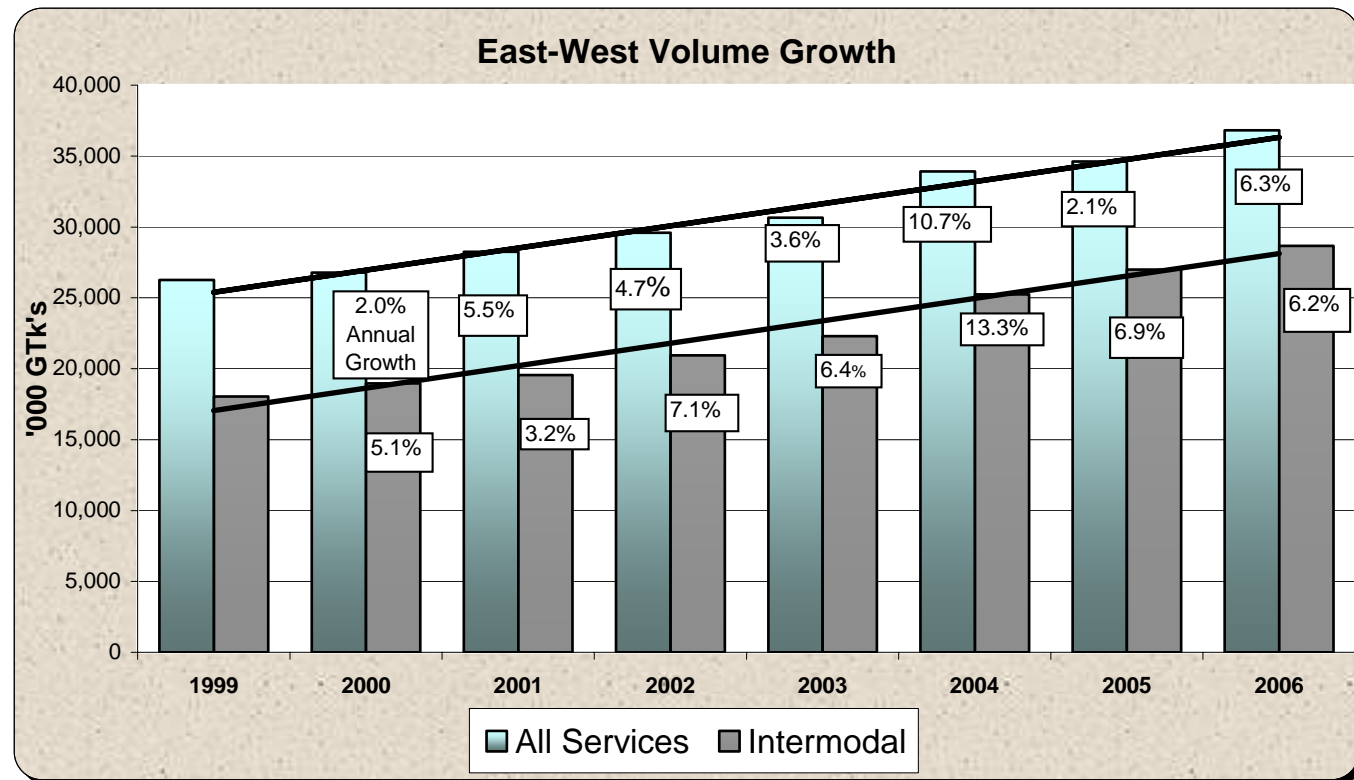
ARTC Access Pricing - Present State of Play

Background

- ARTC's current ACCC approved Access Undertaking expires May 31 2007.
- All Access Agreements (excluding RailCorp) have or are about to, expire in both NSW & SA/Vic and/or have been extended to the above date.
- As a backdrop to the development of the 2007 Access Undertaking, ARTC needs to establish a pricing regime which can be applied to new contracts.
- Pricing for indicative services (intermodal) to be incorporated in 2007 Interstate Access Undertaking.
- Significant work has been undertaken to understand the dynamics of pricing and likely impacts of changes on various traffics.

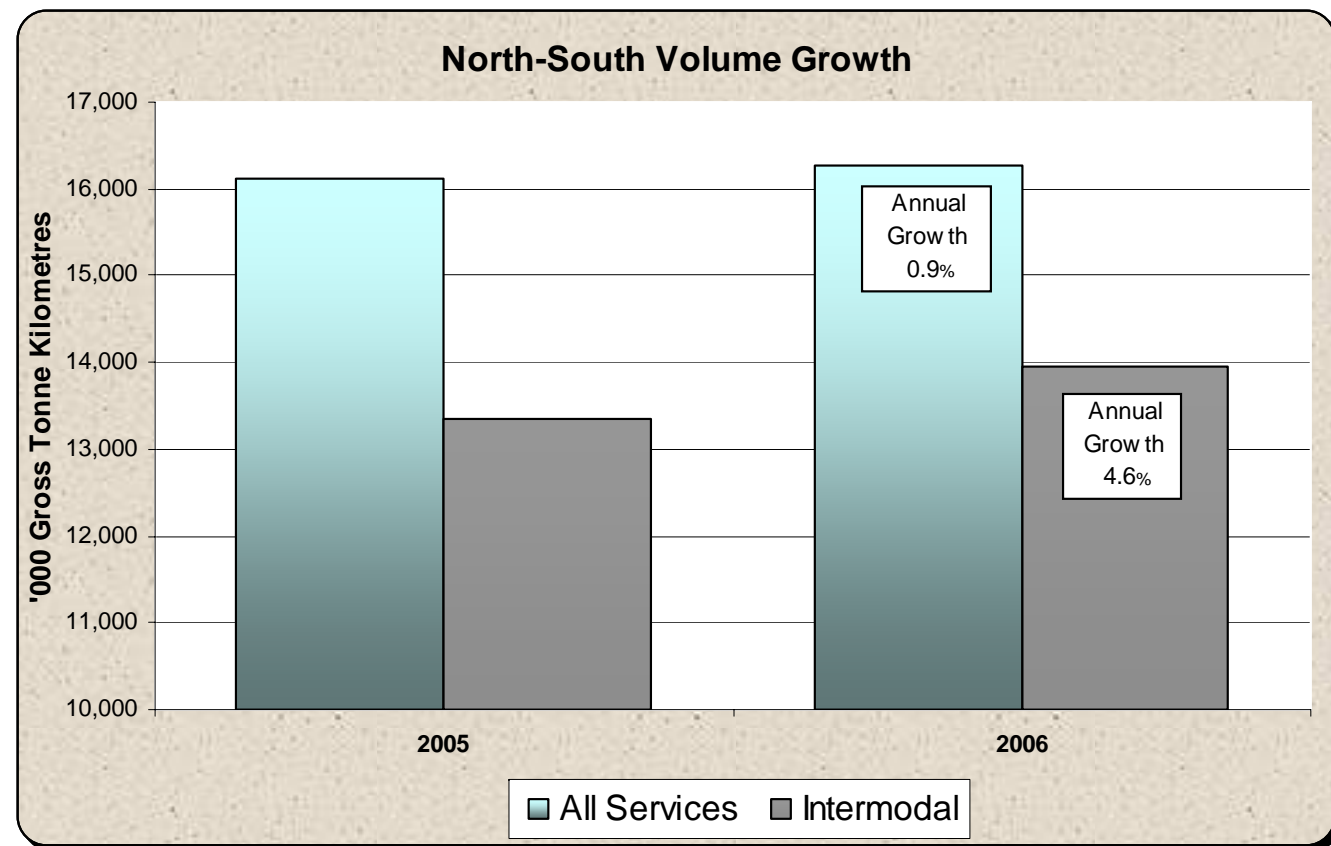
East-West Rail Volume Growth

Consistent year on year growth in East-West rail volume...



North-South Rail Volume Growth

- This graph shows the first 2 full calendar years of ARTC management on the North-South corridor (ARTC took over the NSW lease network in late 2004).
- Total annual growth is modest.
- Intermodal growth on this corridor was 4.6% over the last 12 months.



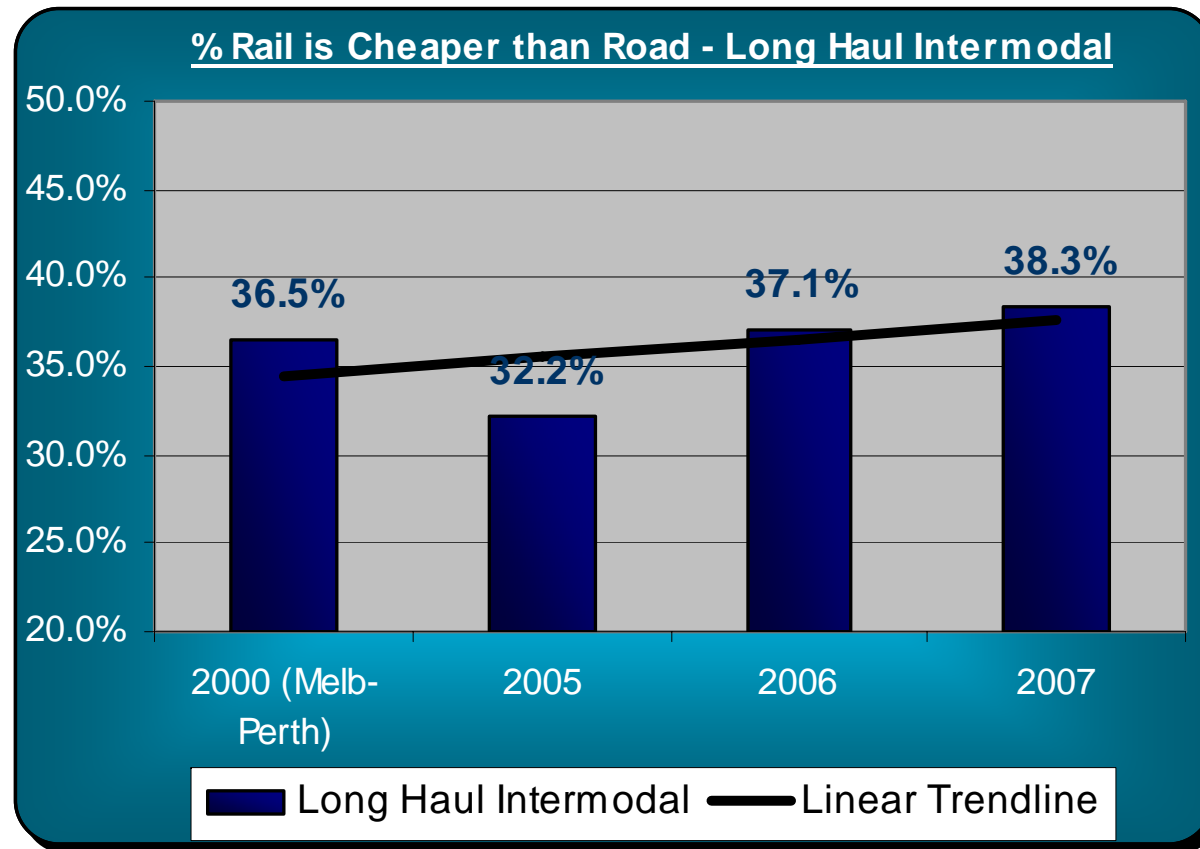
Freight Market Pricing Research

- ARTC reviewed the reflective competitive pricing position that exists between road and rail.
- Noted specifically the relative position in the current East-West market and specific commodity markets.
- The chart below highlights the relative position in Intermodal markets.

Route	Road/Rail Difference (c/ntk)	
	2005/06	2006/07
Short haul intermodal Melbourne - Sydney, Melbourne - Adelaide, Sydney - Brisbane	Road cheaper 0.33 c/ntk (4.8%)	Road cheaper 0.35 c/ntk (4.8%)
Medium haul intermodal Melbourne - Brisbane, Sydney - Adelaide	Rail cheaper 0.34 c/ntk (10.1%)	Rail cheaper 0.50 c/ntk (13.7%)
Long haul intermodal Brisbane - Adelaide, Adelaide - Perth, Melbourne - Perth, Brisbane - Perth, Sydney - Perth	Rail cheaper 1.99 c/ntk (37.1%)	Rail cheaper 2.25 c/ntk (38.3%)

Freight Market Pricing Research

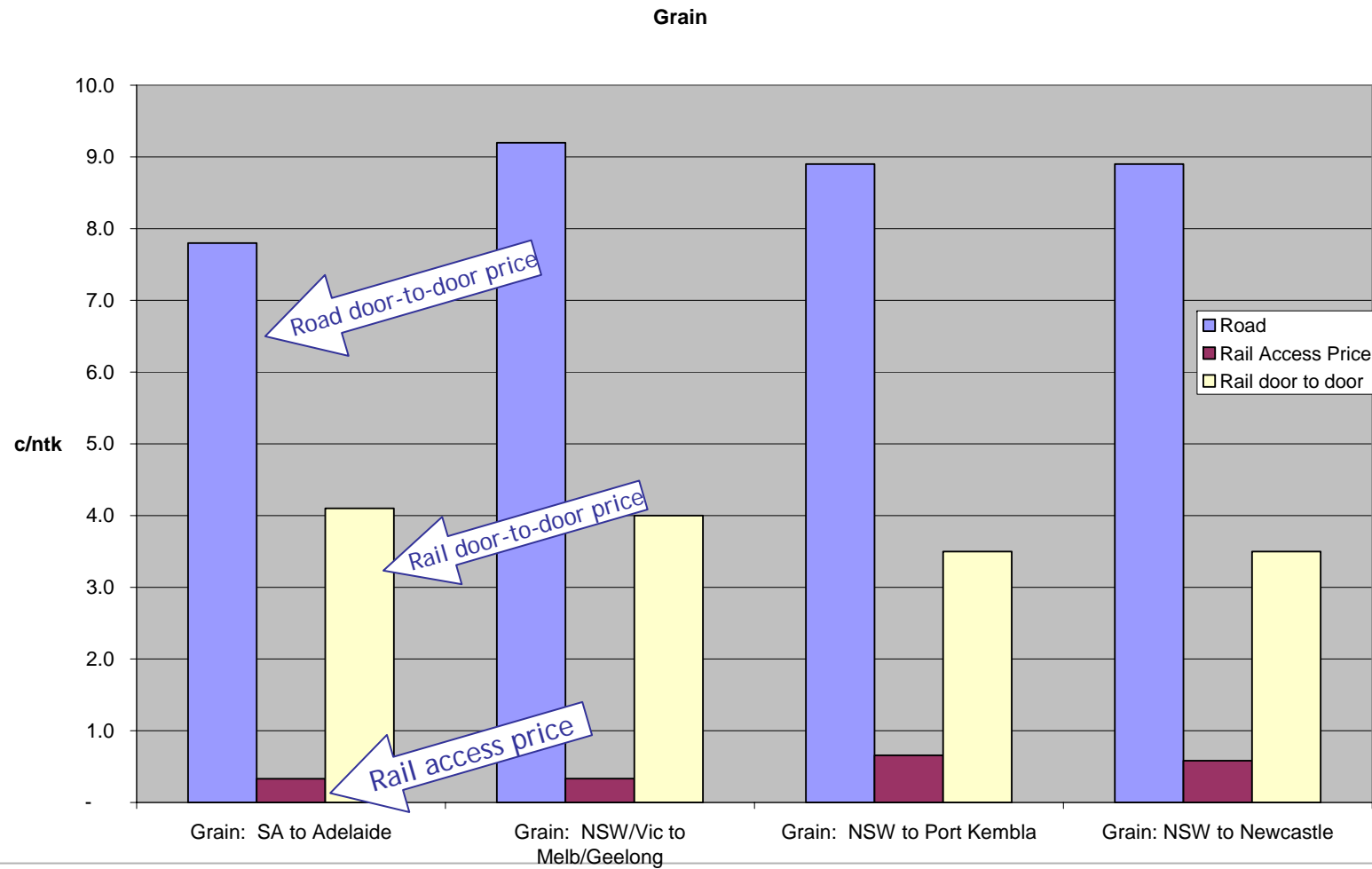
Rail is significantly cheaper than road on long-haul intermodal markets...



Road & Rail Commodity Pricing - Steel

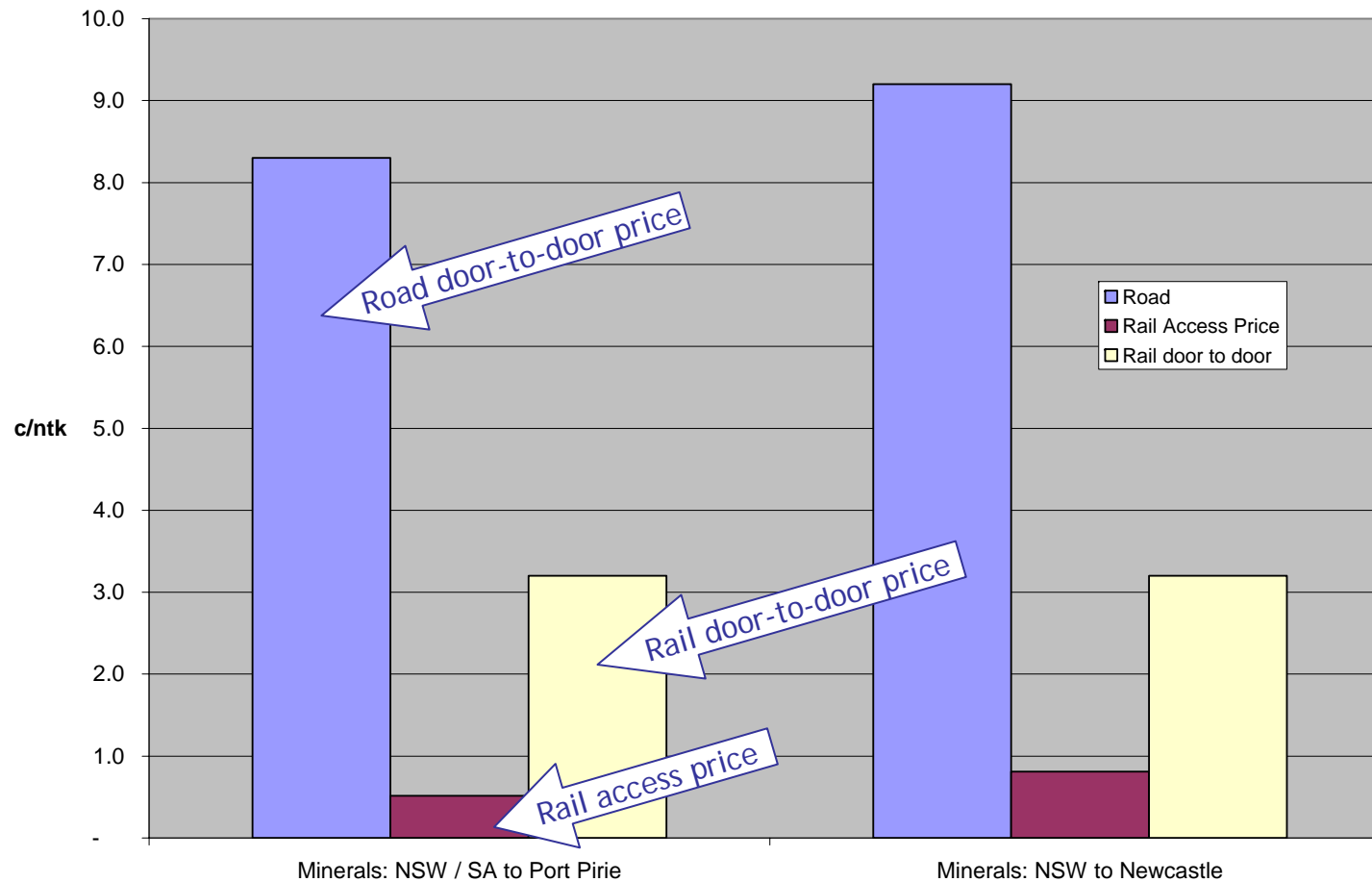


Road & Rail Commodity Pricing - Grain



Road & Rail Commodity Pricing - Minerals

Minerals

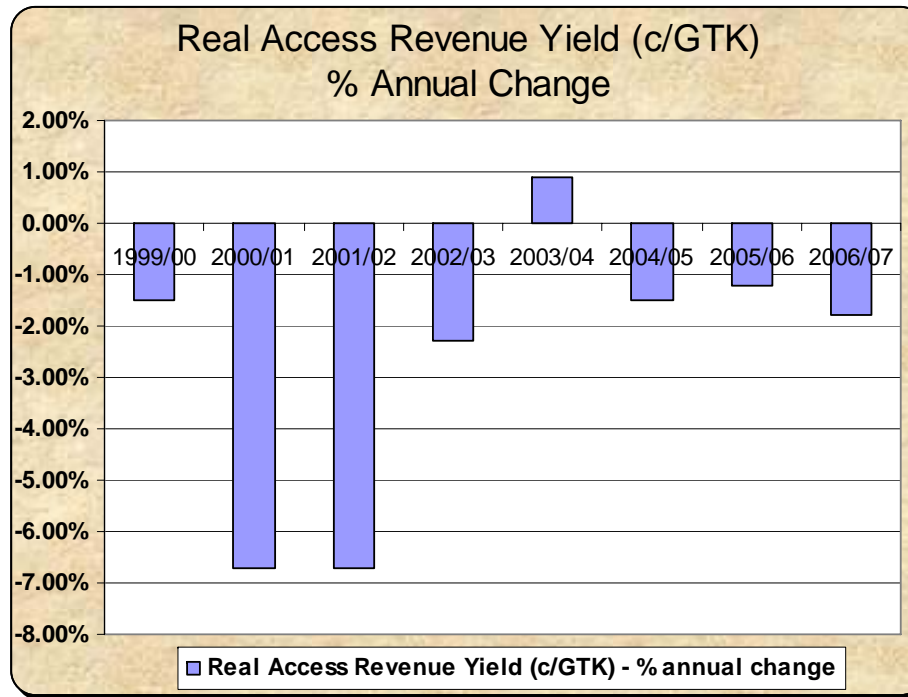


Real Access Revenue Yield Changes - East-West*

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07 YTD
Access Revenue Yield (c/GTK) - % annual change		0.1%	-3.8%	-3.4%	+0.3%	+2.9%	+1.1%	+1.6%	+1.5%
CPI Index **	121.9	124.1	127.6	131.6	135.6	138.8	142.4	146.4	151.2
Access Revenue Yield (c/GTK) – real % annual change		-1.5%	-6.7%	-6.7%	-2.3%	+0.9%	-1.5%	-1.2%	-1.8%

* East West is ARTC's WA, SA and Victoria network.

** CPI All Groups 8 capital cities as at December, excludes GST effect.



The % change in ARTC's real access revenue yield has been negative for 7 of the last 8 years.

ARTC is not generating sufficient access revenue to sustain its asset base in the long run.

ARTC Access pricing structure - need to create a consistent cohesive pricing structure across ARTC's Network?

Considerations and question...

- Is it possible to establish a common structure that can be applied across the whole of ARTC's Network?
- Need to simplify and streamline the inherited NSW pricing structure?
- Maintain a pricing structure which differentiates on pathing characteristics as much as possible rather than directly being associated with end user markets?
- Align some historical flagfall relativities more closely with views on capacity consumption?

Express Passenger (XPT, Explorer, CityRail)

- Very high speed above 115kph, lighter axle load,
- Scheduled paths, cannot charge as much as freight but comes at an opportunity cost to ARTC

Passenger (Long Distance Passenger - GSR)

- Higher speed -115KPH, lighter axle load 19t,
- Scheduled paths, cannot charge as much as freight but comes at an opportunity cost to ARTC

Express Freight (Bi-modal)

- Higher speed 115kph, light axle loads to 20t
- Scheduled paths, sensitive to movement to road

Super Freight Intermodal (Indicative service and predominant traffic type, land-bridging)

- Medium speed 110kph, medium axle loads 21t,
- Scheduled movements

Regular Freight - Scheduled (Steel, Ore, some minerals)

- Lower speed 80kph, higher axle load 23t ,
- Requires regular path availability

Standard Freight - Non Scheduled (ad-hoc) (grain, work trains, some minerals)

- Lower speed 80kph, higher axle load 23t
- Does not require regular path

Applied as part of the access pricing to different types of services as appropriate (flagfall).

Basis of price differentiation between different service types.

Analysis of ARTC's Research

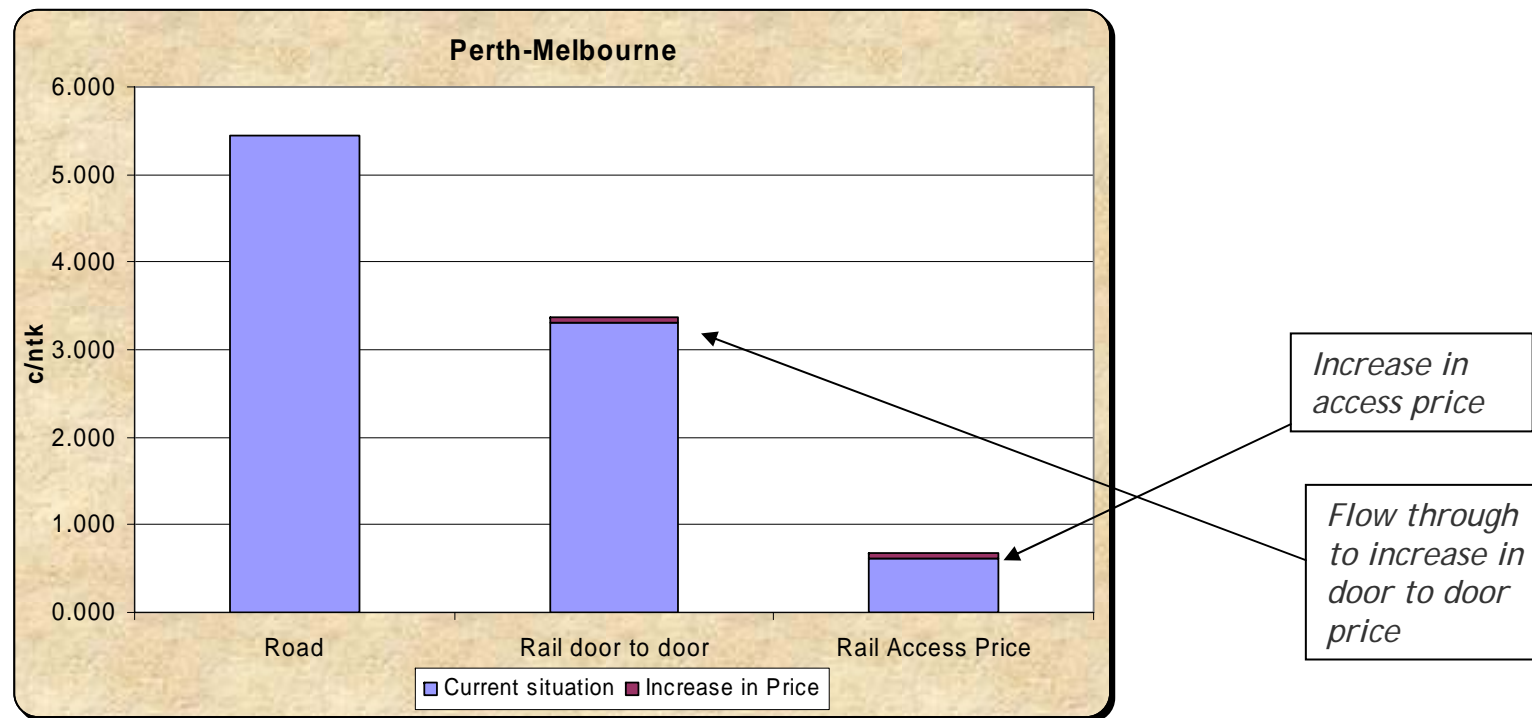
East West

- ARTC needs to recover effective yield, especially East-West.
- Analysis suggests that a 10% increase in ARTC East-West Intermodal Access price results in a PUD freight price ("end user price") increase of only approximately 1-2%.
- This is because access cost represents only a small percentage (approximately 10-15%) of end user pricing on the East-West.
- A 10% increase in access price on East-West long haul would have minimal impact on rails competitive position against road.

Analysis of ARTC's Research

East West

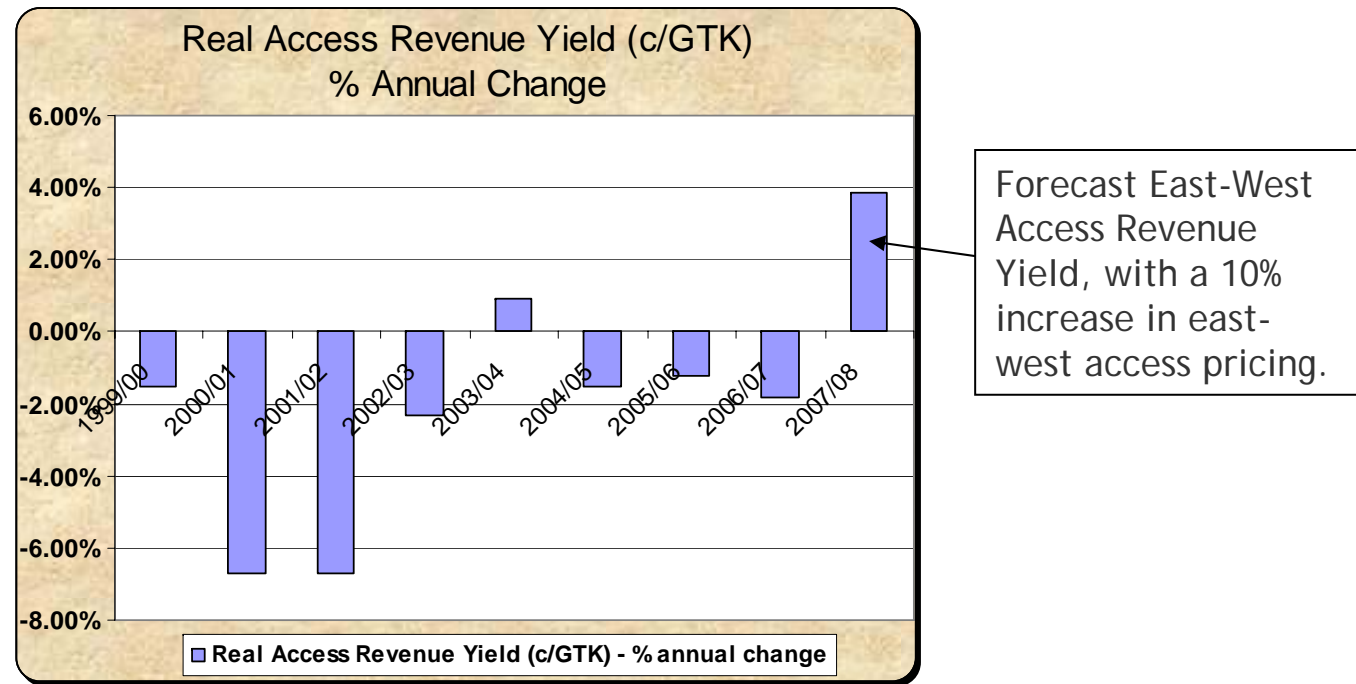
The graph below demonstrates the competitive impact of a 10% access price increase on the Perth-Melbourne intermodal corridor...



Analysis of ARTC's Research

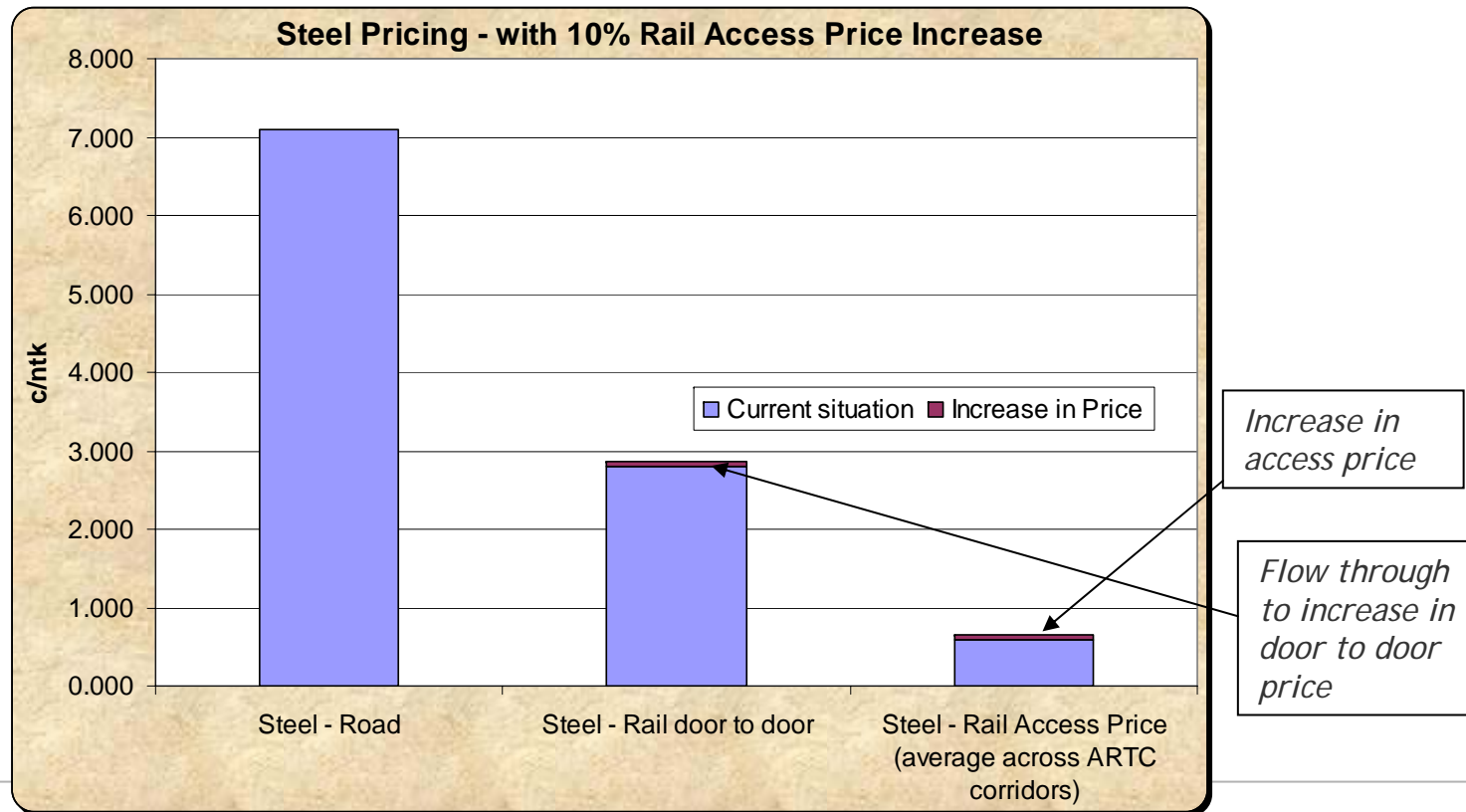
East-West

ARTC will recover real access revenue yield in 2007-08 if it were to implement a 10% access price increase on the east-west intermodal market...improving the ability to sustain the asset base in the long run.



Analysis of ARTC's Research

Similar to long haul intermodal, a 10% rail access price increase on steel traffic does little to change the relative of the road and rail competitive position...



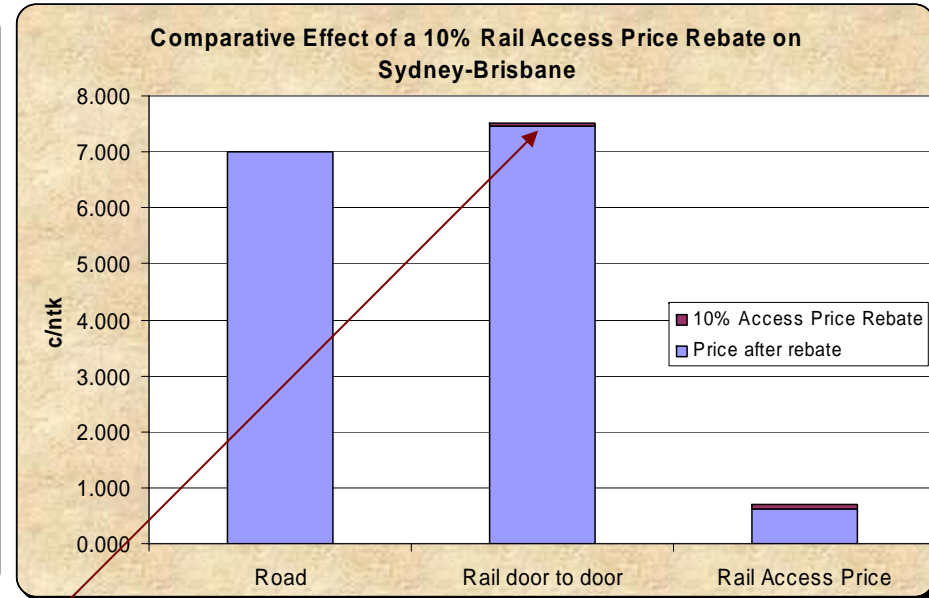
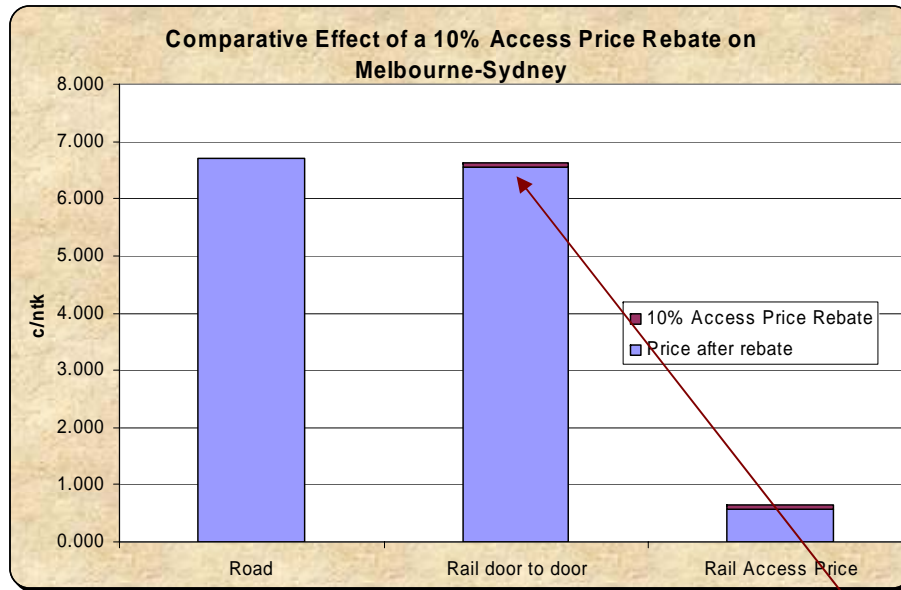
Analysis of ARTC's Research

North-South Corridor

- Earlier analysis highlighted that road pricing was relatively cheaper than rail on East coast short haul legs.
- ARTC analysed the impact of a 10% rebate for 2007/08 and 2008/09 on North-South intermodal traffic (that is, for the period while finishing North-South works).
- Although a 10% rebate will only flow through to a small decrease in rail door to door cost (as per the graphs on the following page), it will improve rails competitive position during the period of the ARTC investment program.
- Upon completion of the works program, operators will then have the benefit of 8% productivity improvements

Analysis of ARTC's Research

North-South Corridor



Assuming the 10% access price rebate is passed on to the market, rail door to door pricing will decrease and rails competitive position will improve.