



## Australian Rail Track Corporation Limited Statement of Expectations 2023

This Statement of Expectations ('this statement') is issued by Shareholder Ministers for the Australian Rail Track Corporation Limited ('ARTC' or 'the Company'). It has been issued following the Independent Review into the Inland Rail project that was undertaken by Dr Kerry Schott AO ('Review') and it replaces previous statements issued in respect of ARTC. This statement may be updated by the Shareholder Ministers from time to time and, in particular, this statement is intended to be an interim statement to apply during the period in which the Company is working to implement recommendations from the Review. This Statement of Expectations will apply, to the extent relevant, to any subsidiary of ARTC.

### **Objectives**

The Government's objectives for ARTC are:

- to provide safe, efficient and effective access to the interstate rail network;
- to operate, manage, maintain and improve track infrastructure owned or controlled by ARTC;
- to pursue a growth strategy for interstate rail and rail's share of the interstate freight market and to foster a commercially viable Australian rail industry; and
- to implement the recommendations of the Review and deliver the Inland Rail project through its fully owned subsidiary.

Government requires that ARTC pursues these objectives with a focus on achieving efficiency and effectiveness and in accordance with commercially sound principles. ARTC, primarily through its subsidiary, will deliver the Inland Rail project in an efficient, effective, economical and ethical manner to achieve value for money for public resources invested. The governance and delivery of the Inland Rail project should promote the confidence of stakeholders in the probity and integrity of ARTC's procurement and other processes.

In delivering the Inland Rail project, ARTC will implement the Government's response to the Review including in accordance with the requirements agreed with the Government. In order to give effect to the recommendations, Government also expects ARTC to engage with shareholder departments to negotiate appropriate amendments to:

- the constitution of the ARTC subsidiary;
- The Equity Financing Agreement for the Inland Rail project; and
- the Inland Rail Project Development Agreement.

## **Role and Responsibilities of ARTC**

ARTC is a wholly-owned Commonwealth company, bound by the *Corporations Act 2001* (Cth). ARTC has flexibility and discretion in the management of its business as a Commonwealth company and Government Business Enterprise (GBE), within the parameters of the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act) and related legislation and guidance materials (PGPA Requirements), other legislation applying to the Company and the Government's objectives. In this context, ARTC is expected to meet Government's expectations, objectives, add to shareholder value and to also comply with any applicable Government policy requirements.

The Board of ARTC has ultimate responsibility for the performance of the Company and is accountable to the Government as its sole shareholder. ARTC should observe the principles and obligations as set out in the Commonwealth Government Business Enterprises – Governance and Oversight Guidelines. The Government expects that the Board discharges its duties in a way that recognises the standards expected by the community of directors of a publicly-owned company.

## **Service and Policy Expectations**

- Network safety, conditions and performance

ARTC is expected to maintain the track to the standard required to ensure network safety and reliability and compliance with any relevant track standard that applies to the ARTC network (including those publicly adopted by ARTC or agreed with third parties). ARTC is also expected to develop appropriate measures and targets on track conditions and network performance to promote accountability.

- Network Resilience and Security

ARTC is expected to continue prioritising network resilience, including through its asset management plan, to ensure it provides a reliable and safe service offering in support of the national supply chain and to encourage, where appropriate, the modal shift from road to rail.

ARTC should develop, regularly maintain and test disaster and crisis management plans in collaboration with governments and its customers, to mitigate the impact of changing climate and natural disasters.

ARTC is expected to ensure security, including cybersecurity, and resilience issues are integral parts of its decision making and demonstrate best practice in managing these issues.

- Net Zero Emissions

ARTC should deliver greenhouse gas emissions reductions consistent with meeting or exceeding the Government's commitment to Net Zero emissions by 2050. ARTC should work with freight rail operators to support adoption of technologies to reduce carbon emissions.

- First Nations Australians

ARTC is expected to set, maintain and deliver an ambitious Reconciliation Action Plan. ARTC is to set specific targets for participation in employment and supply chains, in particular for delivery of any Government funded projects. ARTC is expected to contribute, where possible, to the Government's policy objectives to meet the National Agreement on Closing the Gap targets and outcomes.

- Procurement

ARTC is expected to implement and maintain high standards of probity and financial controls in connection with its procurements. This includes ensuring procurement processes are transparent,

achieve value for money and encourage competition including by testing the market where appropriate. ARTC should have due regard to providing reasonable opportunity for participation in employment opportunities and employment from local, regional and indigenous suppliers, including through conditions in procurement arrangements.

### **Operating commercially**

ARTC is a commercial entity and is expected to operate on a commercial basis, with flexibility and discretion in its operational and commercial decisions within the bounds of the legislative and governance framework. In particular, ARTC needs to be commercially sustainable to support efficient investment in the interstate rail network, servicing and repaying its debt obligations and providing an appropriate return to the Government as shareholder.

### **Working with Stakeholders**

ARTC will engage productively and collaboratively with its stakeholders including rail operators, other track owners and track operators. The Company is expected to:

- maintain an up-to-date stakeholder engagement strategy, with meaningful measures to ensure transparency and accountability;
- maintain high standards in working with landowners and communities;
- manage stakeholder expectations appropriately with a particular focus on minimising, to the extent possible, the impact on stakeholders directly affected by the construction of Inland Rail, including through land acquisitions;
- engage constructively with government agencies, regulators, industry groups and communities.

### **Implementation of the Government's Response to the Review**

The Government expects ARTC to work constructively and collaboratively with shareholder departments to implement the recommendations of the Review consistent with the Government response. In order to give effect to the recommendations, Government also expects ARTC to engage with shareholder departments to negotiate appropriate amendments to:

- the Equity Financing Agreement for the Inland Rail project; and
- the Inland Rail Project Development Agreement.

### ***Leadership***

The subsidiary board should appoint a substantive Chief Executive of Inland Rail as soon as possible.

The Chief Executive of Inland Rail should report directly to the subsidiary board and attend the ARTC Board meetings, have full control over the Inland Rail project budget, approvals, employment and other matters as appropriate to the management of a major project.

The ARTC Board should ensure that the role of Managing Director/Chief Executive of ARTC is focused entirely on managing the operating rail company business of ARTC.

### ***Establishment of a subsidiary***

The Government supports establishing a subsidiary of ARTC to deliver the Inland Rail project to provide for separation between the operations of ARTC's business as usual operations and the delivery of the Inland Rail project.

The Inland Rail subsidiary company will have a dedicated Board appointed in consultation with the Government. The subsidiary Board members will have the required skills and experience to oversee the delivery of the Inland Rail project.

### ***Staged Approach and Inland Rail Service Offering***

The Government has agreed to a staged approach to the delivery of the Inland Rail project within the existing funding envelope, including:

- ARTC to prioritise completing the sections from Beveridge to Parkes to achieve a 2027 completion date;
- Unless otherwise agreed by Shareholder Ministers, ARTC must only undertake works north of the completed Parkes to Narromine section where such work is essential to support completion of existing construction activities, progress environmental and planning approvals or property acquisition processes or otherwise is within the scope of least regrets works as agreed by Shareholder Ministers;
- Unless otherwise agreed by Shareholder Ministers, ARTC must obtain Shareholder Minister consent prior to entering into any contract relating to Inland Rail with a potential exposure greater than \$25 million;
- The service offering of 24-hour transit service on double-stacked trains of 1800m in length should only extend to Beveridge in Victoria and Ebenezer in Queensland.

### ***Public Private Partnership (PPP)***

The ARTC Board should arrange negotiations with Regionerate Rail in order to define options to change the scope and contractual model for the delivery of the Gowrie to Kagaru section, including a move away from a PPP arrangement.

### ***Risk management and reporting***

The Government expects ARTC to review its risk management systems to ensure they align with respective industry standards and to ensure there are appropriate clearly defined triggers and metrics for the timely escalation and reporting on key risks to the Board and as necessary the Shareholders Ministers.

The Government further expects that the Inland Rail subsidiary will have its own risk management and reporting systems in place which must be appropriate to a corporation responsible for delivery of a major infrastructure project and that it will report on key risks associated with the Inland Rail project to the subsidiary board, ARTC Board and as necessary to Shareholders Ministers.

### ***Signalling system***

The Government expects ARTC to continue to proactively engage with relevant states and rail infrastructure managers to ensure an appropriate national approach can be implemented that supports interoperability of signalling systems and ensures effective cost allocation.

### ***Train traffic***

The Government expects ARTC to proactively review forecast train movements, including but not limited to, in light of the staged delivery of Inland Rail as well as wider economic factors, to ensure relevant information is available to inform future decisions relating to program scheduling, scope and investment across the network.

### ***Approval processes***

The Government expects ARTC to develop and implement actions to ensure approval processes are handled effectively, including so that future primary environmental approval processes can be delivered in a timely manner and to an acceptable standard as required by the relevant regulators.

### ***Possessions regime***

The Government expects that ARTC will work with freight industry and its subsidiary to provide track possession periods that support the timely and cost-effective delivery of the Inland Rail project, including in accordance with the priorities as set by Government.

### **Transparency, Governance and Accountability**

The Government expects ARTC's Board to meet the highest standards of transparency, governance and accountability for corporate and government-owned entities. ARTC should adopt, as far as practicable, the prevailing version of the '*ASX Corporate Governance Principles and Recommendations*'.

- ARTC's Board is fully accountable to Shareholder Ministers for:
  - **the performance of ARTC**, including (but not limited to) promoting: (1) the proper use and management of the economic resources for which the Board is responsible; (2) the achievement of the objects and/or purposes of the GBE; and (3) financial sustainability;
  - **internal governance of ARTC**, including (but not limited to) establishing and maintaining: (1) an appropriate system of risk oversight and management including in respect of cyber security risks; and (2) an appropriate system of internal controls;
  - **setting strategic direction, organisational leadership and establishing and maintaining a culture** that meets the high standards expected by the public in relation to (but not limited to): (1) efficient, effective, economical and ethical expenditure of money; (2) proactive and open disclosure of information that is reasonably in the public interest; (3) following best practice principles and guidelines that go beyond strict legal obligations (e.g. probity and value for money); (4) creates an engaged results-orientated staff culture that minimises unplanned turnover; and (5) setting a remuneration structure that balances reasonable reward for meeting clearly defined objectives where achievement is genuinely 'at risk', with public expectations for compensation;
  - **ongoing compliance with external governance frameworks**, including (but not limited to): (1) any governance documents that operate between the Government, as shareholder, and ARTC; (2) the *Commonwealth GBE – Governance and Oversight Guidelines* (GBE Guidelines); and (3) the PGPA Requirements, including Corporate Planning and associated Key Performance Indicators; and
  - **timely, accurate and transparent provision of information**, including (but not limited to): (1) the obligation to keep its Shareholder Ministers informed; and (2) advance notice of, and the opportunity to review public statements and media releases.
- The Government expects that ARTC representatives appearing before the Parliament have a detailed understanding of their duties per the *Government Guidelines for Official Witnesses before Parliamentary Committees and Related Matters* (Parliamentary Witness Guide).

- Where ARTC engages a third-party (e.g. a contractor), it must take into account the risks associated with that approach and impose on them obligations in relation to the efficient, effective, economical and ethical expenditure of money.
- Where ARTC's Board delegates its power (or authorises an employee or third-party to exercise its power) it must be clearly documented and recorded.
- The Board should have **access to a company secretary**, who reports to the Board (through the Chair) and is independent of company management and who Board members can raise matters with confidentially and seek advice from as a governance expert.

**Senator the Hon Katy Gallagher**  
Minister for Finance

**The Hon Catherine King MP**  
Minister for Infrastructure, Transport, Regional  
Development and Local Government