



Australian Government

Inland Rail

Australian Rail Track Corporation Limited
Statement of Expectations

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Statement of Expectations

This Statement of Expectations (**Statement**) is issued by the Minister for Infrastructure and Transport and the Minister for Finance as **Shareholder Ministers** of the Australian Rail Track Corporation Limited (**ARTC**). It is to be read in conjunction with the ARTC **Commercial Freedoms Framework**, the **Equity Financing Agreement** and the **Project Development Agreement** between the Commonwealth and ARTC for delivery of the Inland Rail Project (**Inland Rail**). This Statement may be updated and refined over time by the Shareholder Ministers in consultation with ARTC as required to reflect future decisions by the Government or changing circumstances.

Key Benefits of Inland Rail

Inland Rail will provide a new open access freight rail corridor between Brisbane and Melbourne, which links to the other mainland state capitals through the existing Interstate network. When completed it is intended to enable a transit time of less than 24 hours between Brisbane and Melbourne, and provide a competitive offering to road freight on this corridor. A detailed scope for Inland Rail will be set out in a **Project Development Agreement** between the Commonwealth and ARTC, and will be subject to planning approvals.

As part of the 2017-18 Budget, the Government announced its commitment to the full delivery of Inland Rail through an additional equity investment in ARTC.

The Government's investment in Inland Rail centres on its wider benefits to the economy and community. Inland Rail aims to foster productivity and deliver economic and social benefits for all Australians. The major benefits intended to be achieved by Inland Rail include:

- Improved connectivity with the National Land Transport Network
- Improved access to and from regional markets
- Reduced costs for rail operators and their customers
- Reduced transit time between Melbourne and Brisbane with improved reliability and certainty of transit times
- Reduced road congestion and expenditure
- Increased capacity and reliability of the transport network
- Improved sustainability and amenity for the community.

Project Delivery Objectives

The Government's overall objective is for ARTC to deliver Inland Rail in a timely, transparent and financially responsible manner. This will be achieved through the use of appropriate commercial, financial, legal and governance arrangements and Government activities in a way which:

- Is an efficient, effective, economical and ethical use of public resources
- Achieves value for money
- Promotes the confidence of stakeholders in the probity and integrity of ARTC's procurement and other processes

- Optimises the use of existing rail infrastructure
- Is compatible and interoperable with train operations on other parts of the ARTC network
- Optimises connections with rail and road networks
- Provides a catalyst for complementary supply chain investments that leverage the enhanced logistics capability of Inland Rail
- Ensures that Inland Rail is completed in accordance with the project delivery schedule to be agreed in the Project Development Agreement.

This Statement is intended to provide ARTC with flexibility and discretion in meeting the Government's objectives through its operational, staging, procurement, delivery, technology and network design decisions, within the constraints of the Equity Financing Agreement and the Project Development Agreement, while recognising the status of Inland Rail as a nationally significant transport initiative.

ARTC is expected to pursue the above project delivery objectives while continuing to operate its business on a commercial basis.

Relationship to Government

ARTC is a wholly-owned Commonwealth company, bound by the Corporations Act 2001 and the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and guided by the Commonwealth Government Business Enterprise Governance and Oversight Guidelines.

ARTC is accountable to the Government as sole shareholder for its performance in relation to Inland Rail. The Government and ARTC have entered, or will enter, into an Equity Financing Agreement for Inland Rail. In investing in Inland Rail, the Government has regard to whether ARTC is achieving Inland Rail Objectives and whether ARTC is acting in a manner which achieves transparency and accountability in relation to the delivery of Inland Rail. The Government and ARTC will also enter into a Project Development Agreement that will set out detailed scope, project parameters, delivery arrangements and the respective obligations of the Government and ARTC.

The Government expects that ARTC's Board and management will work cooperatively and collaboratively with the Department of Finance (**Finance**) and the Department of Infrastructure and Regional Development (**Infrastructure**) as Shareholder Departments, to give effect to, and achieve, the Government's objectives outlined above.

As well as its role in delivering Inland Rail, the Government acknowledges that ARTC is responsible for the continued maintenance and operation of vital rail infrastructure throughout Australia. The Government expects ARTC to continue to deliver on its existing network operation and management functions and associated commercial responsibilities as identified in ARTC's corporate plans.

Government Expectations

ARTC is responsible for delivering Inland Rail. In its delivery of the project, the Government has a range of expectations across major project activities and functions.

The Government also intends to enter into appropriate inter-governmental agreements (**IGAs**) with each of the States of Queensland, New South Wales and Victoria. The Government acknowledges that the achievement of its expectations as detailed will be partly, or wholly, dependent on the establishment of IGAs, which is a responsibility of the Government, including

mechanisms required for the acquisition of land for the Inland Rail corridor, as determined by Government.

ARTC will support the work of Shareholder Departments to develop and implement IGAs with the Queensland, New South Wales and Victorian Governments.

1. Project Delivery

ARTC is responsible for the overall delivery of Inland Rail. ARTC's delivery responsibilities include, but are not limited to, selection, subject to environmental and planning approvals, of a feasible route alignment, environmental approvals, land acquisition, construction, cost risk, and reporting on delivery.

In delivering Inland Rail, ARTC is expected to be mindful of the following principles.

Equity Funding

Taxpayers have made a substantial investment in ARTC and Inland Rail. The Equity Financing Agreement establishes the mechanism by which equity funding is provided to ARTC by the Government and contains a number of conditions, checks and controls for funding. ARTC is expected to remain disciplined in its operations, managing costs to minimise the Government's funding requirements and working with Shareholder Ministers and their Departments to optimise its capital structure and to explore and, if commercially feasible, implement appropriate financing structures for Inland Rail.

Procurement

Recognising the scale and national significance of Inland Rail, and the substantial investment to be made by the Commonwealth, ARTC is to undertake the procurement of goods and services to a high standard to give confidence to stakeholders in the integrity of ARTC's procurement processes.

In order to meet assurance obligations under the PGPA Act, ARTC will notify Shareholder Departments prior to entering into major contractual obligations for the delivery and construction of Inland Rail.

ARTC is expected to implement and maintain high standards of probity and financial controls in connection with the procurement function. This includes ensuring all procurement processes are transparent, achieve value for money and encourage competition by testing the market. It is expected that ARTC ensure that procurements are efficient, effective, and ethical. ARTC should also have regard to the Commonwealth's Indigenous Procurement Policy and work collaboratively with the Department of the Prime Minister and Cabinet and Infrastructure in establishing and implementing indigenous procurement and employment outcomes. While not limiting the above, ARTC should have due regard to providing reasonable opportunity for participation in employment opportunities and employment from local and regional suppliers, including through conditions in procurement arrangements.

Public Private Partnership

The Government expects that ARTC will be responsible for delivering the Melbourne to Gowrie and Kagaru to Acacia Ridge project works through a combination of Commonwealth funding and optimisation of ARTC's capital structure (including by obtaining private finance). The alignment between Gowrie and Kagaru, a 126km section currently intended to include tunnels, is proposed to be delivered by the private sector under a design, build, finance and maintain contract.

ARTC is responsible for establishing a Public Private Partnership (**PPP**) Plan for the Gowrie to Kagaru segment of Inland Rail, in conjunction with the Shareholder Ministers and their Departments. ARTC is expected to work closely with Shareholder Departments in the delivery of the PPP. ARTC is required to notify Shareholder Ministers or their Departments sufficiently prior to any PPP milestones, such as the procurement of advisers and the date on which ARTC will approach the market for the PPP.

Alignment

Inland Rail will provide a new freight corridor between Brisbane and Melbourne via Toowoomba, Parkes and Albury, which links to the other mainland state capitals through the existing ARTC Interstate network. ARTC is expected to consult with Shareholder Ministers and their Departments on any proposed changes to the Inland Rail alignment. The decisions on the alignment remain subject to environmental and planning approvals. In order to obtain and implement those approvals, it may be necessary to adjust or alter the alignment from time to time. ARTC will support the work of the Government to agree and implement each of the IGAs.

Innovation

ARTC should be open to drawing on skills and experience developed and gained through projects and industries across Australia and internationally, and to adopting innovative approaches for implementation of Inland Rail leading to better outcomes and value.

2. Governance and Reporting

ARTC will ensure that it has in place governance arrangements that reflect the magnitude and complexity of Inland Rail. ARTC is expected to work collaboratively and cooperatively with the Government and to participate in the governance mechanisms established by Shareholder Departments for implementation of Inland Rail.

The Government expects that ARTC will provide all necessary information, as part of its reporting requirements, to enable Shareholder Departments to meet their assurance obligations under the PGPA Act.

In delivering Inland Rail, ARTC is expected to be mindful of the following principles.

Transparency

The Government requires a high degree of transparency from ARTC in its communication with, and reporting to, the Government, the public and Parliament. Shareholder Ministers expect ARTC will publish progress reports, release updated construction plans and deliver briefings to the public to ensure a high level of community confidence. ARTC will support the Government in reporting the broader economic benefits of Inland Rail, in addition to ARTC's reporting of the direct financial impact to ARTC from the Inland Rail project.

Communicating and Managing Risks

The Government expects that ARTC will actively anticipate and manage risk. It is expected that ARTC will advise risks to Shareholder Ministers and Departments on an 'early warning' basis (including significant lead time on sensitive delivery issues), and engage closely with them, including by providing monthly progress reports and immediate reporting on significant events.

ARTC should continue to strengthen its engagement with Government agencies including security agencies to address security risks related to Inland Rail.

Business Planning

ARTC is required to undertake a rigorous corporate planning process which aligns with the large investment the Commonwealth is making in ARTC and the national importance of Inland Rail. It is expected that corporate planning will be carried out in accordance with ARTC's obligations as a Government Business Enterprise, applicable regulatory obligations, and the objectives, government policy orders under section 93 of the PGPA Act and guidance given to ARTC by Shareholder Ministers. Any information necessary for consideration of these plans (or other network issues) should be available to Shareholder Ministers and Departments.

Reporting to the Government

The Government expects that the ARTC Board and management will, as a minimum, comply with the company's reporting obligations under the PGPA Act and the Equity Financing Agreement in relation to Inland Rail.

ARTC will provide a monthly report on the delivery of Inland Rail to Shareholder Departments.

It is expected that ARTC promptly disclose to Shareholder Ministers and Departments any material variance from its Corporate Plan assumptions or forecasts, along with other material events. Should ARTC become aware that there is a substantial risk that it will be unable to complete Inland Rail, or a major component of Inland Rail, within the parameters set out in either the Corporate Plan or this Statement, it must advise Shareholder Ministers and Departments immediately. It is expected that ARTC will continue to seek agreement from Shareholder Ministers for any additional investments in accordance with the Commercial Freedoms Framework.

3. Working with Stakeholders

ARTC engages with a number of different stakeholder groups across Australia who will have a wide range of expectations in relation to Inland Rail. The Government expects that ARTC will engage productively and collaboratively with its stakeholders including Members of Parliament, relevant State government agencies, local government, members of the public, local communities, customers, service providers, construction partners and relevant industry bodies.

It is expected that ARTC will manage stakeholder and community risks and 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.

4. Complementary Infrastructure

The Government considers that the development of infrastructure that is complementary to Inland Rail will be important to achieving the project benefits.

ARTC is expected to support Shareholder Departments' assessment and advice to Government in relation to complementary infrastructure investments that might be made to support Inland Rail. This includes engagement with States and other third parties as necessary, to ensure alignment with priorities, development of options and any market testing process.

Subject to Shareholder approval, ARTC should continue to undertake business development activities for its existing network and for Inland Rail, including in relation to intermodal supply chains and complementary infrastructure, and continue to engage with Shareholder Departments on these matters as appropriate.