

1998-1999
Annual Report

*"A commercially-focused, **flexible** and responsive transport and **logistics partner** of private enterprise and the community."*

*"QR is now an aggressive commercial force in **Australia's** transport industry."*

*"A **dynamic** national transport and logistics organisation."*

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FINANCIAL STATEMENTS

QR's 1998-1999 Financial Statements are included in this annual report as a separate booklet. This booklet has its own contents listing. Please note that page index referencing concerning the booklet is also included in our Annual Report index. These entries are shown as (Financial Statements) and include the booklet's appropriate page number.

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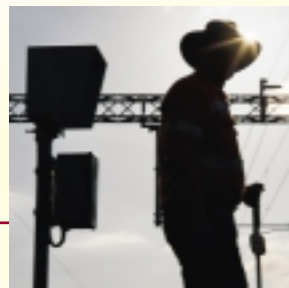
The results so far of QR's 10-year reform program begun in 1991, are well and truly providing the solid platform necessary to ensure QR's continuing growth and business development. QR's organisational development and restructuring has been necessary to enable us to meet the business challenges of the next century.

Underpinning our current position of strength has been a concerted effort by the Corporation to re-position itself in the marketplace. We believe this has placed us in a situation where we can identify and take advantage of industry growth areas.

To achieve this QR has to:

- Complete its 10-year reform program;
- Complete scheduled major track and infrastructure upgrades to meet market opportunities;
- Establish joint venture operations with companies that complement QR's existing operations and provide value-added business opportunities;
- Negotiate Government Service Agreements and their guidelines with the Queensland Government; and
- Develop and progressively implement programs aimed at keeping QR people aware of, committed to and focused on, the needs and service expectations of existing and potential customers.

QR's goals are improved business performance and to be recognised as the leading transport and logistics business in Australia.



NEW ANNUAL REPORT FORMAT

We want to be regarded as an enterprise known for its level of disclosure and accountability. With this in mind, we have changed the format for this and future annual reports.

The decision was made after receiving comments from customers, industry representatives and other interested parties concerning the way information was presented in previous annual reports.

Some readers believed previous reports centred too heavily on internal QR group structures and activity, as opposed to the efforts, operations and results of the organisation as a whole. It was felt the previous format made it difficult for them to gain an appreciation of the goals and objectives of QR as a single business entity.

To overcome this we have reorganised our annual report structure. This and future annual reports will now address the same Corporate Priorities used to report to our two shareholding Ministers and the Queensland Parliament.

We believe this new format and style of reporting primarily – under Corporate Priorities – will provide readers with more consistent, useful and less fragmented information concerning the business operations and direction of the one organisation known as QR.

Annual Report Objectives

Our annual report provides readers with information concerning the Corporation's business and financial operations for the 1998-99 financial year.

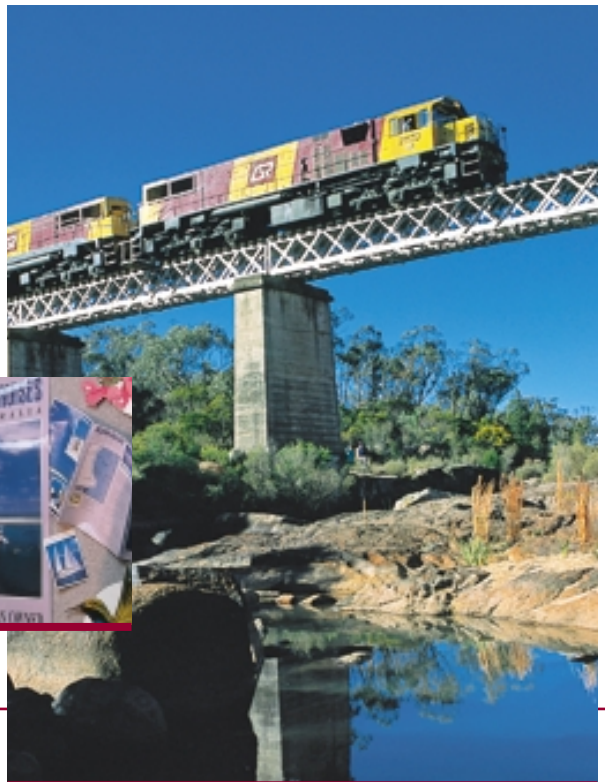
Readers of our annual report include customers and staff, the Queensland Government, industry market analysts, the communities in which QR does business, and domestic and international business industry sectors.

It also provides them with an overview of our 1998-99 business performance, our key achievements for the year and a glimpse of where we are going in 2000 and beyond.



Townsville Workshop combined traditional train building skills and the use of today's latest technology to build The Great South Pacific Express.

Our people are the driving force of QR.





QR and its people play a major role in supporting Queensland's mining industry.



WHO WE ARE

QR as a Queensland Government-Owned Corporation, provides transport and logistics services to a diverse array of customers.

Our major business activities include:

- Providing transport services to the mining, minerals processing and electricity generation industries;
- Transporting container traffic and bulk fuels between major industrial, regional and mining centres;
- Carrying livestock, sugar, grain, and other primary produce between centres;
- Providing a door-to-door network for small freight;
- Accommodating the needs of tourists and long distance rail travellers;
- Supplying safe, fast and comfortable passenger rail travel in South-East Queensland; and
- Developing and maintaining a railway network covering most population centres of the State.

We provide transport and logistics business solutions throughout Queensland and Australia, as well as overseas. QR exports railway technology and expertise to countries including Hong Kong, India, Iran, Malaysia, New Zealand, Philippines, Turkey, Uzbekistan, Thailand, Vietnam and Britain.

In Australia, QR is a major transport and logistics industry player with more than 9500 kilometres of narrow gauge rail track (Australia's largest rail network) road transport and other general freight interests.

Operating revenue is nearly \$2 billion a year and we have assets of more than \$7 billion. We employ around 14,500 people at over 300 locations throughout Queensland.

QR was created as a Queensland Colonial Government Department in 1865. We were corporatised as a commercial State Government-Owned Corporation (GOC) in 1995 and pay dividends to Government each year.

QR's Board of Directors is responsible for commercial operations within a broad strategic framework established by the Queensland Government.

Our shareholders are the people of Queensland, represented by the Queensland State Treasurer and the Queensland Minister for Transport and Minister for Main Roads.

QR, as a GOC, is basically self-funded through its commercial operations and the receipt of negotiated State Government funding in the form of Government Service Agreements. These payments are negotiated with the State Government and are made to us for the provision of non-commercial, but socially required, transport and logistics services. We borrow to support our capital works program.

QR's Vision – 1998-99

Together we are building QR into a profitable world-class transport and logistics business.

QR's Mission – 1998-99

QR will excel in meeting customer needs through:

- High quality service;
- Safe and secure operations; and
- Teamwork, innovation, technology and best practice.

ABOUT QR



Corporate Priorities

We believe our Corporate Priorities reflect our drive and commitment to be recognised as one of the world's leading transport and logistics businesses.

Each of these Corporate Priorities is dealt with in detail on the pages indicated within this report:

- Safety and Security (page 26-31);
- Financial Performance (page 32-33);
- Customer Service (page 34-37);
- On-Time Performance (page 38-39); and
- Growth through Market and Product Development (page 40-42).

Strategic Goals

In order to achieve our business objectives, we have either developed or are implementing, strategies designed to:

- Increase the market share for each of QR's businesses;
- Continue investigations into and secure further joint venture opportunities with private sector partners for our freight and passenger businesses;
- Complete on-going infrastructure upgrade and modernisation projects;
- Improve long-term customer relationships and partnering arrangements;
- Reduce operating costs; and
- Ensure staff, customers and the public are provided with transport and logistics services recognised for their high standards of safety.



WHERE WE ARE GOING

QR wants to:

- Become the largest freight transport and logistics business in Australia;
- Offer customers the widest range of rail passenger services in the nation; and
- Be recognised as a world-class railway by being efficient, productive and customer-oriented in an increasingly competitive business environment.

To do this, we are reviewing our business operations and focusing on those where we are well positioned, competitive and profitable. At the same time we are looking for and identifying business areas for growth and future development.

We are also reviewing the way we do business – performing our jobs better, making it easy for customers to deal with us, working to reduce business-operating costs and closely monitoring the way we make all our assets work for us.



Working with customers, anticipating their needs and delivering quality service were the cornerstones of our operations during the year.

SIGNIFICANT EVENTS - 1998-99

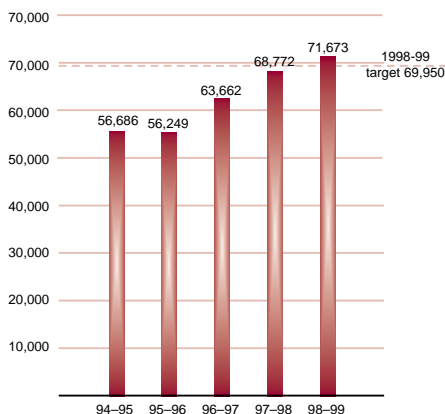
FINANCIAL

- QR's pre-tax profit of \$167.9 million represents a reduction of \$136.7 million from last year's result. Although record tonnages have been hauled (up 9.2 per cent on 1997-98), there has only been a 2.3 per cent improvement in the corresponding freight sales revenue due to continued downward pressures on our freight rates.
- Government Service Agreement revenue reduced slightly over the prior year despite an increase in the community services delivered. The negotiation of Government Service Agreements is currently underway. This will formalise service levels required and the payments to be received by QR for those services in the future.
- QR continued its high level of capital investment, with a total of \$713.4 million being spent during the year, mainly on infrastructure improvements and rollingstock acquisitions.
- This heavy investment has led to a 16.3 per cent increase in depreciation and amortisation expense and a 7.1 per cent increase in financing costs over the prior financial year.
- QR paid its shareholders a dividend of \$100.0 million during the year, with a further dividend of \$95.0 million being declared from 1998-99 profits.

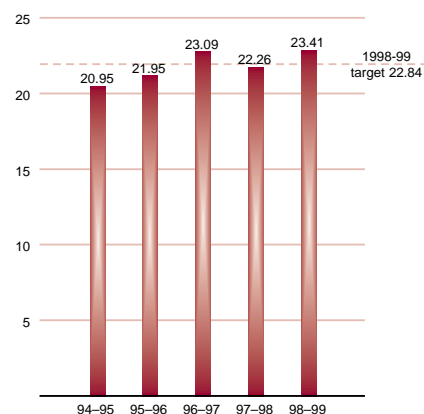
OPERATIONS

- QR became Australia's first Corporation, private or public, to transport more than 100 million tonnes of one commodity within a single year. This set a new Australian record, for the second consecutive year, with QR moving 104.5 million tonnes of coal during 1998-99.
- Our total freight tonnage movement of 120.5 million tonnes, a 9 per cent improvement over last year, was also a new record for an Australian rail operator.
- We launched Australia's premier luxury passenger train, the \$35 million Great South Pacific Express, which travels between Cairns, Brisbane and Sydney.
- Australia's first 170km/h Tilt Train service began operations between Rockhampton and Brisbane.
- QR's Tilt Train achieved an Australian rail speed record of 210km/h near Bundaberg in May 1999. This speed was a world record for a narrow gauge railway.
- Traveltrain, QR's long distance rail travel business, achieved a 7 per cent increase in patronage for the year with a total of 902,000 passenger journeys recorded on long distance and tourist train services.

Graph 1
Citytrain sales revenue
(1998-99 in \$000's)



Graph 2
Traveltrain revenue per train kilometre
(1998-99)

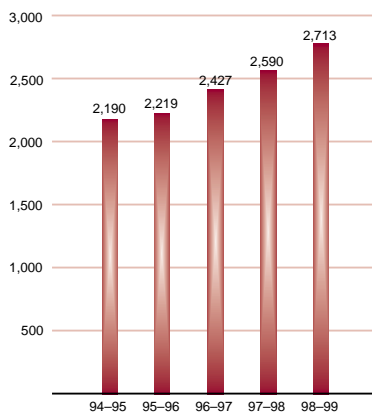




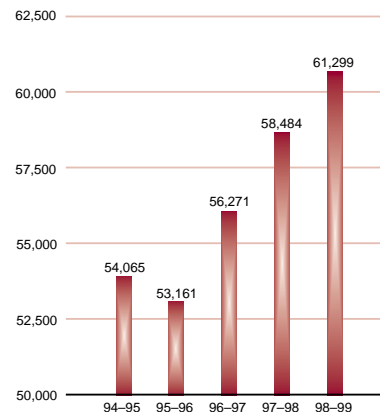
Each and every employee plays a vital role in ensuring the future business success of the Corporation.

- QR's South-East Queensland metropolitan commuter business, Citytrain, increased patronage by 3 per cent or almost 1.2 million journeys compared with last year. A total of 41.1 million passenger journeys was recorded.
- We were awarded our first contract with the Asian Development Bank. The contract involves the provision of institutional support to assist the Central Asian Uzbekistan Railways to becoming more commercially focused, competitive and ultimately viable.
- QR won a Rail Grinding Contract for Westrail's narrow gauge network in Western Australia.
- We reached an alliance agreement with Walkers Pty Ltd in Maryborough to construct two diesel-powered Tilt Trains for the \$138 million Cairns Tilt Train Project.
- The first major commissioning for the \$47.4 million Mayne-Northgate track quadruplication was completed with the Mayne-Eagle Junction quad in Brisbane becoming operational.
- Construction work commenced for Airtrain's Brisbane Airport rail link. Work started on a rail junction near Citytrain's Eagle Junction Station in Brisbane's northern suburbs.
- We entered into a 35-year agreement with the Airtrain Consortium to provide urban passenger train services on the Brisbane Airport rail link and various ancillary services.
- QR transported 14,000 cattle to the Port of Townsville for export to Egypt. It was the largest single shipment of live beasts from Australia.
- Q-Link introduced operational improvements and service enhancements through the containerisation of freight on the North Coast Line.
- A new bogie exchange facility at Acacia Ridge was constructed to give the Great South Pacific Express access to standard gauge interstate rail travel markets. At the same time it gives QR the ability to tap into interstate freight markets.

Graph 3
Net Tonne KM per wagon ('000)
(1067mm gauge only)



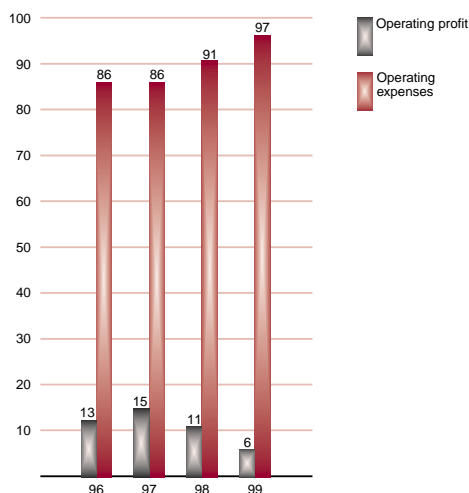
Graph 4
Net Tonne KM per locomotive ('000)
(1067mm gauge only)



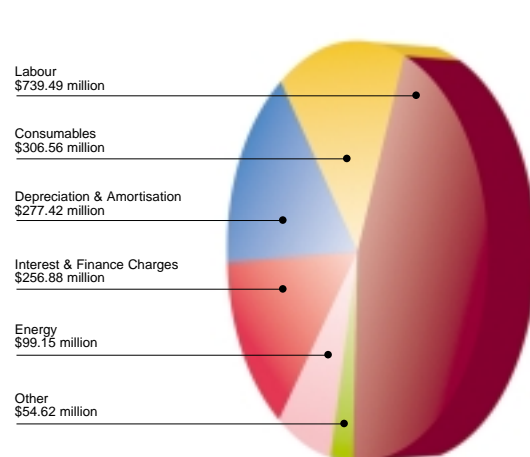
FINANCIAL SUMMARY

	1999 \$'000	1998 \$'000	% Change Inc/(Dec)	1997 \$'000	1996 \$'000
REVENUE					
Government community service sales	533,417	541,568	(2%)	659,325	595,252
Non government community services sales	1,250,215	1,231,863	3%	1,196,584	1,105,293
Other revenue	118,380	140,079	(15%)	137,081	98,444
EXPENDITURE					
Labour	549,166	520,154	6%	497,681	485,701
Oncosts	190,319	217,627	(15%)	253,911	196,437
Consumables	306,561	233,201	31%	241,280	264,180
Depreciation and amortisation	277,422	238,592	16%	217,843	202,199
Interest and finance charges	256,885	239,774	7%	226,320	213,428
Energy	99,155	100,636	(1%)	102,476	95,218
Other	54,618	40,917	33%	50,458	12,319
BALANCE SHEET					
Current assets	670,860	634,080	6%	541,451	483,971
Non current assets	6,938,477	6,397,226	8%	5,944,253	5,362,277
Current liabilities	501,342	594,060	(16%)	692,342	595,857
Non current liabilities	4,534,159	3,928,347	15%	3,456,215	2,992,481
Equity	2,573,836	2,508,899	3%	2,337,147	2,257,910
CASH FLOWS					
Net cash provided by operating activities	377,951	364,682	4%	547,297	291,522
Net cash used in investing activities	(685,423)	(513,859)	33%	(556,450)	(580,444)
Net cash provided by (used in) financial activities	259,372	183,320	41%	(16,459)	310,674
TRAFFIC TASKS					
	\$'000	\$'000		\$'000	\$'000
Total freight (net tonne kilometres)	31,605,591	30,119,477	5%	28,754,499	26,368,057
Total passengers (passenger kilometres)	1,157,273	1,113,984	4%	1,093,563	1,034,331

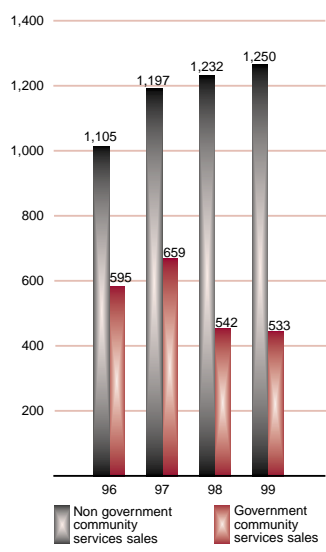
Graph 5
Operating Profit and Operating Expenses as a percentage of Sales



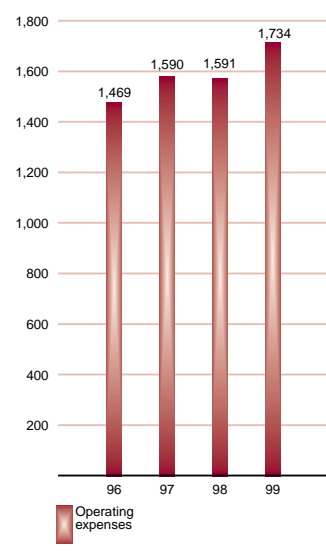
Graph 6
Operating Expenses 1998-99



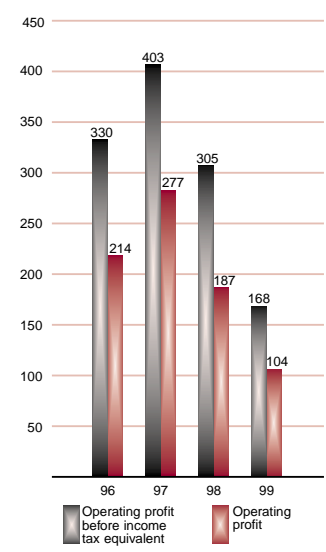
Graph 7
Total sales
(\$ millions)



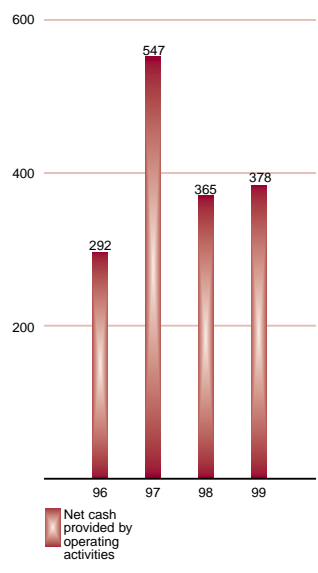
Graph 8
Operating Expenses
(\$ millions)



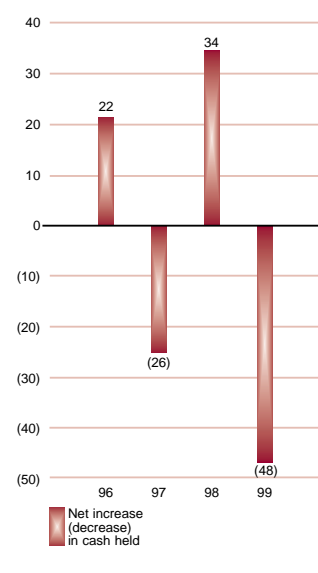
Graph 9
Operating Profit
(\$ millions)



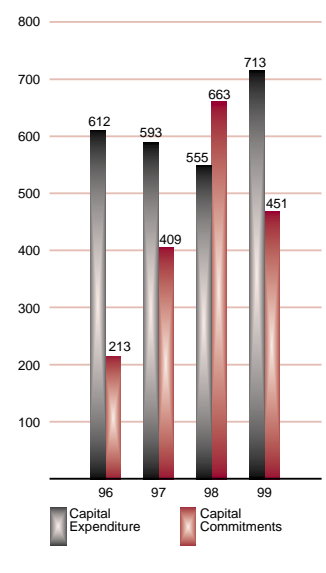
Graph 10
Operating Cash Flows
(\$ millions)



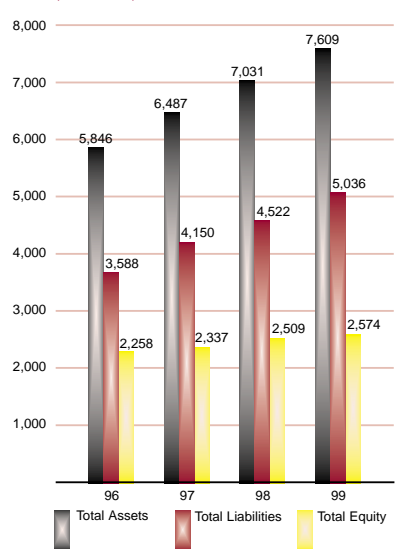
Graph 11
Net Cash Flows
(\$ millions)



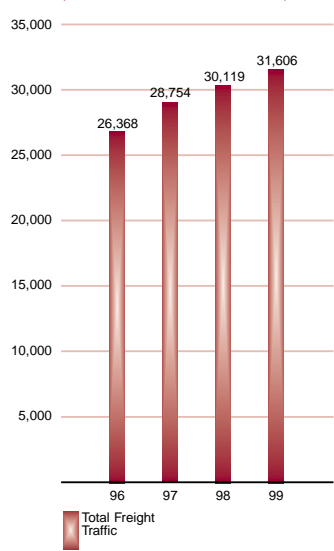
Graph 12
Capital Expenditure
(\$ millions)



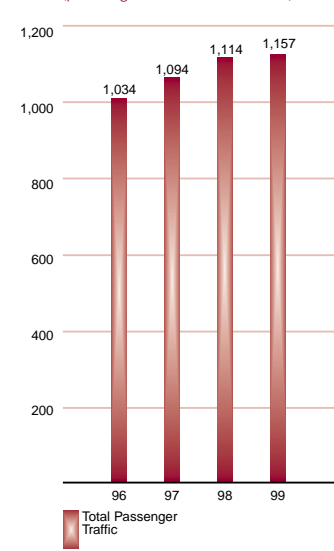
Graph 13
Balance Sheet
(\$ millions)



Graph 14
Freight Traffic
(net tonne kilometres millions)



Graph 15
Passenger Traffic
(passenger kilometres millions)



FINANCIAL REVIEW

Profit

After tax profit of \$104.2 million represents a reduction of \$83.1 million compared to 1997-98. This downturn is the result of reducing freight rates and Government Service Agreement revenue compounded by upward pressure on costs driven by increased volumes carried.

Sales Revenue

Sales revenue is up \$28.2 million on last year. While freight tonnes carried were up 9.2 per cent, freight revenue only increased by 2.3 per cent, being held back by continuing downward pressure on our freight rates.

Government Service Agreement revenue reduced by \$8.2 million over the prior year, despite a significant increase in resources consumed in delivery. It is a priority for QR to finalise Government Service Agreements. These negotiations are currently underway. This will formalise service levels required and the payments to be received by QR for those services in the future.

Consumables

Consumables have increased by 31.5 per cent over 1997-98, primarily as a result of increased tonnages and increased Year 2000 project expenditure. The comparison is also affected by the substantial inventory credits brought to account in 1997-98.

Energy

Although there have been increased tonnages, reductions in tariffs have held energy costs to levels below that of the prior year.

Depreciation and Amortisation

A continued high level of capital investment has led to a 16.3 per cent increase in depreciation and amortisation expense.

Tax

While the Profit and Loss Statement shows a tax expense of \$63.7 million, there is no tax payable for the year as the tax depreciation rates on the majority of assets are substantially greater than the book rates.

Dividends

QR's financial performance has led to a dividend of \$100.0 million paid during the financial year, with a dividend of \$95.0 million declared from current year profits.

Cash Flow

Slightly improved funds from operations, together with a reduced dividend payment, has led to lower borrowings drawn down, even though capital expenditure increased by 28.6 per cent.

Capital Expenditure

Capital expenditure during the year amounted to \$713.4 million, a \$158.8 million increase over the prior financial year. Major project expenditure included:

	1998-99 Expenditure	Total Project Budgets
Coal Fleet Upgrade	\$123.9m	\$353.6m
30 Series 220 Suburban Multiple Units	\$87.6m	\$251.1m
Gregory System Relay	\$47.0m	\$68.5m
Acquisition of 38 x 4000 Class Diesel-Electric Locos	\$33.3m	\$163.0m
Mayne to Northgate Quadruplication	\$21.2m	\$47.4m
Mt Isa Upgrade Stage 3	\$17.4m	\$96.8m

Table 1
Capital Expenditure 1998-99



*Coal railed by QR being
loaded at Mackay.*

	1999 \$m	1998 \$m	1997 \$m	
PROFIT AND DIVIDENDS				
Operating Revenue	1,902.01	1,895.51	1,992.99	
Profit before net interest and tax	422.47	542.79	626.74	
Profit after interest and tax	104.23	187.31	277.13	
Dividend	95.00	100.00	203.60	
BALANCE SHEET				
Current assets	670.86	634.08	541.45	
Total assets	7,609.34	7,031.31	6,485.70	
Current liabilities	501.34	594.06	692.34	
Borrowings	3,228.43	2,883.07	2,490.12	
Share capital	2,217.06	2,217.06	2,217.06	
Retained profits	188.53	177.74	90.43	
	Note			
Return on assets	1	5.77%	8.03%	10.16%
Return on equity	2	4.15%	8.01%	12.24%
Dividend payout	3	0.91	0.53	0.73
Interest cover	4	1.66 times	2.28 times	2.80 times
Current ratio	5	1.34	1.07	0.78
Gearing (debt/equity)	6	56%	53%	52%

Notes

- 1 Return on assets provides a measure of the effectiveness with which assets are utilised. It expresses profit before net interest and tax as a percentage of average total assets.
- 2 Return on equity provides a measure of capital efficiency. It expresses profit after interest and tax as a percentage of opening equity plus average capital contributions.
- 3 Dividend payout measures the rate of earnings paid out as dividends. It is calculated by dividing dividends by profit after interest and tax.
- 4 Interest cover shows the number of times interest expense has been covered by operating profit. It is calculated by dividing profit before interest and tax by net interest expense.
- 5 The current ratio provides a measure of the ability to discharge short-term commitments. It expresses current assets as a proportion of current liabilities.
- 6 Gearing indicates the quantity of debt finance in the organization in proportion to total debt and equity finance. It expresses borrowings as a percentage of borrowings plus total equity.



Long Haul Passenger Services are part of OR's future.

CHAIRMAN'S REVIEW

Major Developments

QR aggressively investigated new areas of potential business in 1998-99 in an effort to widen our areas of operation and influence both within and outside of Australia.

The past 12 months also saw the continuation of necessary reforms and changes to QR and the way it conducts business.

New business initiatives introduced during the year included our "Progress Through People" program, designed to maximise staff involvement in building customer loyalty, to improve our already high standards of customer service and product delivery.

Access to our rail system, under the Federal Government's "Third Party Access" legislation, continued to be a major business area for the Corporation to monitor and address. QR views the opening up of Queensland's and the rest of Australia's rail system to "third party operator" competition as a business opportunity. We are very confident of our ability to show existing and potential customers that QR is competitive and an attractive and responsive business partner.

Joint venture business partnering opportunities with the private sector continued to be investigated and introduced. Opportunities were established or identified within the tourism, luxury train travel, commuter, freight, mining, primary industry, railway technology and international consulting industry sectors.

A Year Of Achievement

QR continued to introduce new and innovative business operations and services to Queensland and the rest of Australia during 1998-99.

Our 170km/h Tilt Train, Australia's first and the world's fastest scheduled narrow gauge tilt train service, began operating between Brisbane and Rockhampton.

For the ultimate indulgence in luxury rail travel, QR and the Orient Express Company launched The Great South Pacific Express. This outstanding train, which travels between Cairns, Brisbane and Sydney, brings to Australia in meticulous detail the world-class opulence, style and romance of rail travel from a bygone era.



Chairman Bronwyn Morris

These two initiatives helped to position us as an innovative and progressive passenger rail operator serving not only the traditional rail traveller, but also the tourism and luxury markets.

Operating Results

Lower commodity prices and the slowing Asian and world economies had a significant effect on the operations of QR's business and that of our industry partners. Many of our own business and customers' markets experienced heavy price and competitive pressures during the year.

This required us to re-examine the way we serviced our customers with the aim of improving our own operational efficiency and therefore our customers' competitiveness in their markets.

QR's operating results were affected by the slower domestic and international economic conditions for its major customers. Reduced worldwide commodity prices, increased competition and the Corporation's need to continue its investment in infrastructure upgrading programs, contributed to a lower net profit despite an increase in freight tonnes hauled and total operating revenue.

Our total operating revenue for 1998-99 was up by \$6.5 million to \$1902 million. However, increased operating expenses including consumables, depreciation, interest and other financing costs constricted our operating profit after tax to \$104.2 million.

This result, considering the on-going costs involved with QR's recent massive outlays in capital infrastructure upgrading, maintenance and investment over the past few years, was still significant.

QR declared a dividend of \$95.0 million for the year. Retained profits at the end of the year amounted to \$188.5 million for future enhancement and expansion of our business.

Looking Forward

Our ability to investigate and look beyond traditional business markets and operations is essential to ensure our long-term business future.

QR will face continued real and on-going challenges from third party operators who are showing sustained interest in using our rail network.

However, we are confident that we will be able to meet whatever challenges are placed before us. We believe our industry experience, combined with improved operational efficiencies, will enable us to demonstrate to existing and potential customers that QR is a valuable business partner.

Appreciation

I would like to take this opportunity to thank QR's outgoing Board Members – Chairman, Neville Blunt, and Directors, John Elliott, David Carmichael, Terry Cogill, James Cutts, Erin Feros, Cheryl Macnaught, Joan Maloney, John Mills and Geoffrey Teys for their collective efforts.

They have left a legacy of commitment and service which the new Board will do our utmost to maintain and continue.

John Miles, who was a member of this previous Board, continues as a Director of the new Board and I look forward very much to working with him.

The former Chairman, over the past 9 years, provided a firm foundation for QR's future progress. He has the new Board's utmost appreciation for the dedication and direction he gave the Corporation during his time as Chairman.

The new Board and I are looking forward with enthusiasm and confidence to working together with the Chief Executive and all staff to take QR, as an organisation focussed on customer needs, into the 21st century.

Bronwyn K. Morris
CHAIRMAN

*An average of more than
155,00 customers used
QR's Citytrain network
each work day in 1998-99.*



CHIEF EXECUTIVE'S REVIEW

QR this year continued to strengthen its position and continued to highlight its industry reputation and leadership position as one of the nation's most efficient and progressive rail and transport logistics businesses.

We continued showing customers that we are prepared to constantly look for different and better ways to work with them. We also regularly reviewed our operations and work practices to find innovative and different solutions to the way we conduct business with customers.

Operating Performance

Safety and Security, Financial Performance, Customer Service, On-Time Performance and Growth through Market and Product Development were identified as QR's Corporate Priorities for 1998-99.

In the Safety and Security area, our Safety Management System continued to assist in improving the safety culture and attitude of staff.

Lost time frequency rates from accidents have also more than halved over the past five years. This statistically means nearly 1800 lost time injuries have been prevented since 1993-94. Our passenger safety comparisons with other railways continued to show we are one of the safest passenger rail operations in the world.

Financially, our total operating revenue increased slightly over last year by \$6.5 million to \$1.9 billion. Our operating profit before tax was \$167.9 million and our post-tax profit was \$104.2 million.

Regular surveys in each business area monitored Customer Service performance to ensure it was consistently of the highest possible standard.

In terms of On-Time Performance, Citytrain in particular had a very good year. During 1998-99, an average of 97 per cent of all commuter trains ran on-time over a 24-hour period. This result was Australia's best practice for a passenger railway.

In the priority area of Growth through Market and Product Development, QR's key business markets did just that in 1998-99 through a continued focus on efficiency and service, sustained sales and marketing efforts and the development of new and innovative products. Total freight tonnage moved by QR for the year was 120.5 million tonnes, a 9.2 per cent increase compared to 1997-98.

Our passenger rail businesses, Traveltrain and Citytrain, also registered sustained and improved business growth. Traveltrain, QR's long distance passenger business, achieved a 7 per cent increase in passenger journeys for the year, while QR's South-East Queensland Citytrain commuter business achieved a 3 per cent increase.

Major Events

The year was highlighted with the launch of what could be viewed as Australia's first new national tourist attraction for over 10 years - the \$35 million luxury train, The Great South Pacific Express.

This outstanding train, which is a QR joint venture business project, is a tangible example of the magnificent craftsmanship and engineering skills of QR workers especially those based at our Townsville Workshop.

The Great South Pacific Express was recognised at its launch by Mr James Sherwood, the Chairman of Sea Containers Ltd, the company that owns the world-famous Venice Simplon-Orient-Express train, as the "Best Train in the World". It is now the benchmark against which all other luxury trains within Australia and around the world will be measured.

After its inaugural launch in April, the GSPE commenced its regular return once weekly Brisbane to Cairns and once fortnightly Brisbane to Sydney services.





Tilt Train drivers, Danny Cummings (l) and Bill Rowan (r) share a moment with Chief Executive Vince O'Rourke.



A total of \$713.4 million was spent on capital works upgrades in 1998-99. Provision of new and upgraded rollingstock was part of this investment.

Also this year, our Tilt Trains, travelling between Rockhampton and Brisbane, took to the tracks. A QR Tilt Train became the world's fastest narrow gauge train by setting a 210km/h speed record during trials.

Our investment in world's best rail technology is paying dividends already with these fast train services experiencing unprecedented customer acceptance and patronage.

In 1998-99 we became Australia's first transport organisation, private or public, to move more than 100 million tonnes of a single commodity in a year.

We surpassed this milestone by transporting a total of 104.5 million tonnes of coal.

This was an 8.8 per cent increase on last year and the third consecutive year that QR has set an Australian haulage record for coal transport.

Infrastructure Upgrades

Major infrastructure upgrades continued during 1998-99 with a total of \$713.4 million being spent on track, infrastructure and facility upgrades around the State.

The benefits of these upgrades are faster and larger payload freight trains as well as improved travelling times and greater customer comfort for passenger trains.

The provision of new and improved wagon and locomotive rollingstock to meet customer requirements and expectations also formed part of these infrastructure upgrades.

Upgraded QR facilities and terminals around the State better serviced customer demands and significantly improved our ability to capture new business and expand our existing customer base.

Third Party Access

"Third Party Access" continued to be a significant business issue for QR. This was evidenced by the creation of the new Network Access Group at the beginning of this year.

Network Access has a key role in managing risk on QR's rail network. It is responsible for risk matters relating to the use of the network by train operators other than QR, access pricing and contracts, infrastructure investment and network capacity management.

Possible third party operators from both within and outside of Queensland, showed continued interest during the year in gaining access to our rail network.

We are committed to treating each inquiry in a fair and equitable manner. We believe doing this is in QR's best interests. If we are to expand and grow our own business, we must continue to investigate and seek access opportunities to other railways.

Industry Awards

QR's commitment to provide customers with new and innovative products and services was recognised by the receipt of various industry awards during the year.

Some of these awards were for our Rockhampton Tilt Train project, which received two separate industry accolades. The first was the "Transport Achiever of the Year" award from the Chartered Institute of Transport (Qld) and the second was a "High Commendation" from the Institution of Engineers Australia (Qld).

The Institution of Engineers also awarded another "High Commendation" award to QR for the design of close-coupled coal wagons used in our coal operations.

In the tourism area, Traveltrain received major awards recognising QR's contribution to the tourism industry. The awards were:

- Jack Herbert Heritage Excellence Award for the Barron Falls and Kuranda station upgrades and redevelopment;
- The Tropical North Queensland Tourism Award for Significant Regional Tourism attraction with the Kuranda Scenic Railway;
- Entry into the Tourism Awards Hall of Fame for the Spirit of the Outback passenger train after three consecutive annual awards;
- North Queensland Tourism Awards (Townsville) for Traveltrain's marketing campaign for 3 Way Getaway Deals; and
- Australian Federation of Travel Agents (AFTA) Marie Watson Blake Award for outstanding contribution by a company to industry profitability and development.



For pioneering innovative materials in new and different industry applications, we received an international innovation award for the use of stainless steel. The award was presented to QR by the South African Stainless Steel Association for the unusual choice and use of this product in our new VSHNSA coal wagons.

The Royal Institute of Architects also recognised QR's efforts this year with a special award for Citytrains "Easy Access Program" for passengers. This program was designed to improve the ease of access onto the Citytrain network for customers with a disability.

Working with Communities

QR's business activities and operations occur throughout the State and can have an effect on almost every community within Queensland. For almost 135 years, QR has continued to build strong economic and social associations within the communities in which we operate.

Our commitment to these communities is evidenced by joint marketing activities and new and on-going in-kind and financial support provided to a number of worthwhile causes during the financial year.

QR's Traveltrain has established strong working relationships with regional tourist authorities to develop joint marketing initiatives and provide support for regional tourism development. QR supports the domestic and international marketing campaigns of Tourism Queensland and the Australian Tourist Commission. Active memberships are also held with tourism industry associations such as Tourism Task Force (TTF), Tourism Council of Australia (TCA), Inbound Tourism Organisation of Australia (ITOA) as well as Regional Tourism authorities throughout Queensland.

We believe by assisting community causes we are in some small way recognising these communities for their past and continuing support of QR, while enhancing our own marketing efforts in these areas.

Some of the specific sponsorship we provided last year included Outback Festivals in Winton and Charleville, fundraising for the Queensland Paralympic Committee and 'special' Children's Christmas Parties across the State.

Continuing sponsorships are in place to support community activities such as our on-going \$300,000 three-year commitment to the Capricorn Helicopter Rescue Service and the Queensland Helicopter Rescue Service; youth development schemes through the Australian Football League and Australian Rugby League codes; and giving rural Queenslanders cultural access through Queensland Opera tours.

Working Better For Customers

QR investigated and introduced a number of business initiatives and reforms to improve our standard of customer service and product delivery.

However, it was felt that developing individual "stand alone" initiatives and programs was not the best option to ensure existing and potential new customers would continue to choose QR as their preferred business partner.

During the year, we made major progress in the development of a single innovative and ambitious, Corporation-wide, customer-focused business initiative called "Progress Through People".

"Progress Through People" is a formally structured on-going business philosophy where every employee recognises that the future business success of QR depends on their involvement to ensure customer loyalty.

Customers will not perceive an immediate change in the way they conduct business with QR. However, I firmly believe that over time they will notice the benefits from this initiative. All QR staff will be working to ensure continued customer loyalty by providing the best service and product delivery possible.

The Future

The coming year will see QR, through its people, redefining its approach to growth and development and strengthening its position within Australia's transport and logistics industry.

This process will see significant changes to the way we approach business. There will be a greater emphasis on building sustainable and mutually beneficial partnering relationships with private and public sector customers.

We will continue to aggressively investigate and where appropriate secure new joint venture opportunities and business alliances. Our people will have a new focus on working with customers.

The challenges and opportunities of "third party access" will be effectively dealt with and progressed to securing equitable and impartial arrangements.

I would like to thank all staff for their efforts during the past 12 months. The year has seen a number of significant changes and challenges and I am very proud of the commitment and support they have shown to QR during this period.

1999-2000 promises to see major and exciting developments for QR. I firmly believe we will successfully deal with all business challenges and opportunities and we will enter the 21st Century with much confidence.

Vince O'Rourke
CHIEF EXECUTIVE

1998 - 99 YEAR AT A GLANCE



CORPORATE PRIORITY

Safety & Security

See pages 26-31

Financial Performance

See pages 32-33

Customer Service

See pages 34-37

On-Time Performance

See pages 38-39

Growth through Market & Product Development

See pages 40-42

OBJECTIVES

- To substantially improve QR's long-term passenger fatality rate compared with 1997-98.
- To complete equipping all Citytrain Stations with CCTV cameras.
- Upgrade safety access and security at stations for the introduction of the Tilt Train service.
- Create and manage a revised debt facility with the Queensland Treasury Corporation during 1998-99.
- Introduce SAP Accounts Receivable functionality to QR this year with interfaces to all invoicing and revenue feeder systems.
- Progress a new Corporate-wide customer focus initiative.
- Improve wagon and locomotive productivity measures respectively for the benefit of customers.
- Progress development of specific and different individual performance measures for each of QR's business and support areas.
- To extend business activities into other national and international markets.
- Develop new market segments with extension into broader transport and logistics services.
- Introduce new industry leading "products" and services which enhance QR operations.
- Become the first company in Australia to break the 100 million tonne barrier for moving a single commodity.
- Review existing business operations and prepare the business for expansion.

STRATEGIES

- Improve operational service and safety.
- Implement \$39.2 million Safe Station program over five years.
- Develop specific public safety communication programs

- Invest to meet increased customer commitments.
- Reduce operating costs.

- Invest to meet increased customer commitments.
- Enhance fare evasion and review train crew efficiency.
- Implement route modernisation program, off-site ticket sales, new ticketing products and joint marketing initiatives.
- Continuous asset and labour productivity improvement to assist customer competitiveness.
- Maintenance of long-term customer relationships.

- Enforcement of cut-off times for train departure.
- Complete an indicative capacity analysis to better manage capacity and on-time performance.

- Development of High Speed services such as Tilt Trains.
- High-class tourist train Great South Pacific Express ready for launch in 1999.
- Tourist packages to attract high yield segments.
- Progress Brisbane Airport Rail Link Project.
- Continue investigations of joint venture opportunities with the private sector for the freight and passenger businesses.
- Re-engineer operations.
- Expand QR's business to build economies of scale.

MAJOR ACHIEVEMENTS

- No passenger fatalities were again recorded.
- 26 stations were fitted with video surveillance cameras completing installation at all Citytrain Stations.
- Upgraded safety access and security at stations for the introduction of the Tilt Train service.

- Revised debt facility established June 1999 with Queensland Treasury Corporation in the form a QR Client Specific Pool.
- Introduced SAP Accounts Receivable functionality to streamline our invoicing procedures and improved reliability and timeliness of customer invoice and statement delivery.

- Attained a 5.3% wagon and a 7.5% locomotive productivity improvement.
- "Progress Through People" program developed and implementation is scheduled for early 1998-99.

- Citytrain achieved a 97% on-time performance for its services – an Australian record.
- Developed specific performance measures for all of QR's business groups and progressed same work in support areas.

- Introduced the Tilt Train and Great South Pacific Express trains to both Queensland and Australian customers in 1998-99.
- Reached an alliance agreement for the construction of diesel-powered Tilt Trains.
- Commissioned a new bogie exchange facility at Acacia Ridge for the GSPE to gain access to NSW and other sectors of interstate track and allow QR to access standard gauge interstate markets for freight.
- Became the first company in Australia to break the 100 million tonne barrier for a single commodity in a single year by transporting 104.5 million tonnes of Coal (a 8.8% increase over 1997-98).
- Transported 120.5 million tonnes of total Freight (a 9.2% increase over 1997-98).

OUTLOOK

- QR will maintain its major focus on the enhancement of safety and security.
- The Safe Station program will be further promoted.
- Programs to increase staff awareness of the importance of safety issues in normal work practices will be investigated and implemented.

- The negotiation of Government Service Agreements is currently underway. These will formalise service levels required and the payments to be received by QR for future provision of these services.

- There will be a major focus on the enhancement of customer service and on business development and growth.
- Review of new tourist destinations.
- Introduction of enhanced ticket facilities such as EFTPOS, change machines and credit card facilities.
- Continued improvement in passenger information display systems.

- Review network capacity and infrastructure maintenance planning and develop train scheduling and reporting protocols to improve network reliability.

- Feasibility and construction of new high speed train on North Coast line to Cairns.
- Develop strategic alliances and joint venture marketing opportunities with private sector companies.
- Further extend transport and logistics services into interstate markets.
- Identify additional value-added business prospects to assist customers.
- Extend productivity mechanisms through fleet and corridor improvements.
- Increased market penetration with travel packages aimed at high yield short-break market.
- Continue work to ensure QR attains World's Best Practice by the year 2000.



The Great South Pacific Express recreates in fine detail the opulence and style of a bygone era.

QR, as a Government-Owned Corporation has a duty to return the best possible dividend through its shareholding ministers, to the people of Queensland.

This requires QR to balance the necessities and requirements of commercial business operations with a Queensland State Government requirement to provide non-commercial, but socially required, services to the people of Queensland.

QR's organisational restructure detailed in last year's annual report became effective 1 July 1998. To customers, this restructure would not have had an impact on the service levels provided to them. However, the restructure was necessary for QR to enable us to operate more efficiently and economically while continuing to provide high quality customer services.

PASSENGER SERVICES

Citytrain

QR's South-East Queensland commuter business, Citytrain, increased patronage by 3 per cent for this year by almost 1.2 million journeys compared with last year. A total of 41.09 million passenger journeys were recorded.

With around 155,000 passenger journeys made each workday during the year, the advantages of this quality commuter rail service are being recognised by an increasing number of people in South-East Queensland.

The commuter service extends between Brisbane and Gympie; from the north Brisbane suburb of Ferny Grove to Robina on the Gold Coast; and from Cleveland and Shorncliffe in the east to Rosewood in the west.

During the year, Citytrain continued to develop and foster business partnering and promotional arrangements. Special package deals, innovative promotions, provision of "special event" travelling arrangements for major sporting, cultural and other community activities and aggressive marketing programs were negotiated.

The Gold Coast Railway continued to be very well patronised. Our Inter Urban Multiple Unit (IMU) trains provided fast, safe and airconditioned travel for thousands of Gold Coast theme park visitors. The recent extension of the line to Robina now provides customers with increased leisure and commuting options.



QR continues improving rail operations through upgraded infrastructure investment.

Airtrain Contract

The new Brisbane Airport Rail Link announced on 11 February 1999 marked Queensland's first build, own, operate, and transfer (BOOT) rail project, and QR was instrumental in its development. The project to be built by Airtrain Citylink Limited will link the airport to current Citytrain track just south of Toombul. QR Citytrain staff will operate and service the new rail link by providing train crews, rollingstock and train control services.

Technical Services staff secured a major consultancy contract to provide engineering services to the consortium.

Traveltrain

QR's long distance rail travel business, Traveltrain, achieved an increase in patronage of 7 per cent with a total of 902,000 passenger journeys recorded on QR's long distance and tourist train services during 1998-99.

Significantly, Traveltrain's long distance services achieved a 14.7 per cent increase in passenger journeys compared to last year. Traveltrain continued to improve its operations and customer service with upgraded train facilities, running times and passenger services.

Traveltrain was close to introducing a new point of sale system at the end of this financial year. This new system will allow for concise stock control and improved business performance reporting at its retail outlets. This system is due for implementation by the end of December 1999.

Traveltrain's "one-stop-shop" Travel Centres offered customers full travel agency facilities combined with other holiday options including innovative rail/air holiday packages. New packages continued to be developed during the year, to provide customers with value-for-money holiday options.

Australia's first scheduled Tilt Train service, between Rockhampton and Brisbane, began operations. The 170km/h Tilt Trains are the latest word in narrow gauge rail technology and were built at Maryborough in Queensland.

The Tilt Train has cut two hours and twenty-five minutes off the previous time taken by conventional trains to travel between these two centres. Since its introduction, the train has received unprecedented passenger support.

Passenger facilities include ceiling mounted video monitors that show movies, passenger and other travel information. Passengers are also treated, via these monitors, to a unique "driver cam" eye view from the front of the train. Earphone headsets and comfortable, roomy, airline-style seats complete the traveller's Tilt Train experience.

Traveltrain's other tourist train activities, centred in North Queensland with the Kuranda Scenic Railway, held their own in tough market conditions. Passenger trends are improving as the service readies itself to meet head-on, competition from a third party operator.

COMMODITY TRANSPORT

QR set a new Australian record for the second year in a row for the movement of a single commodity in 1998-99. Our Coal and Mainline Freight staff transported 104.5 million tonnes of coal during the year with a further 16 million tonnes of freight also carried. This brought QR's total freight tonnage movement to 120.5 million tonnes.

This figure exceeded our 112 million tonne forecast by 7.5 per cent, despite earlier concerns of possible market reductions resulting from the Asian financial crisis.

Sales revenue for Coal & Mainline Freight was \$1006 million, despite continuing reductions in freight rates. Total revenue from the transport of Coal and Mainline Freight exceeded budget forecasts by 8.6 per cent.

Major investment expenditure continued on the coal fleet upgrade project. This project has an estimated value of over \$500 million. In 1998-99, a third of the 2000 new 104 tonne gross bottom-dump coal wagons were delivered. Work also continued on the construction of new AC traction diesel locomotives, with the first due for delivery in late 1999. Upgrading of the coal corridors also progressed with the commencement of track upgrading and rectification works on the Goonyella corridor.

Freight tonnages carried by QR's Metropolitan and Regional Services business also increased with Q-Link, grain and livestock achieving growth of 11 per cent, 4 per cent and 11 per cent respectively over the previous year's result.

QR's Metropolitan and Regional Services also undertook a major Brisbane Area Operations Review and re-organisation to consolidate operational activities in the Brisbane region and achieve greater operational efficiencies.

Construction of the \$12.5 million Willowburn Wagon Depot was also completed. The Depot provides QR with a modern maintenance facility that will drive greater operational efficiencies in the maintenance of our rollingstock. Work on the Redbank Locomotive Depot was also completed, providing improved cost efficiencies in locomotive maintenance.

MANAGING COMPETITION

Our former Network Access Unit was expanded to the Network Access Business Group in 1998-99 so the new Group could take on the broader responsibilities of infrastructure and capacity management. During the year it developed QR's Access Undertaking document to allow third party operators access to our rail network. This Access Undertaking was completed and submitted to the Queensland Competition Authority (QCA).

The Undertaking provides a framework to manage negotiations with third party operators for access to QR's railway infrastructure for the purposes of operating train services.

QR's Undertaking is a voluntary Undertaking provided for under Section 136 of the *Queensland Competition Authority Act 1997* and its purpose is to:

- Ensure that Access negotiations are conducted expeditiously on a commercial basis between QR and third party operators;
- Provide a mechanism for the exchange of information between QR and third party operators necessary to facilitate the negotiation process;
- Establish pricing principles to be employed by QR in negotiating Access and which provide guidance in the resolution of a pricing dispute;
- Ensure that Access is negotiated in a competitively neutral environment;
- Outline the interface considerations to be addressed for third party operators to obtain and maintain Access;
- Outline the principles to be incorporated in an Access Agreement; and
- Provide for a binding dispute resolution process to apply during negotiations for Access.

The Undertaking will take effect on the date it is approved by the QCA in accordance with Section 149 of the Act. It will then apply for a period of three years from its commencing date unless withdrawn as provided for under the Act.

In 1998-99 indicators to monitor the way QR and other above-rail operators can efficiently work together continued being developed. These indicators will ensure this process is efficiently managed and also identify improvement opportunities.

These will be used to highlight, in part, areas where improvements can be made in railway infrastructure management, infrastructure reliability and availability, coordination of different users operating on the same corridor and user reliability and minimisation of user-caused delays. Preventive action can then be taken to ensure customers are provided with the best possible service and products.

NETWORK MANAGEMENT

To improve the efficient management of our rail network, QR introduced a Network Development Plan during the year. It sets the strategy and direction for the development and management of our infrastructure and provides separate and specific strategies for each of QR's main rail infrastructure system groupings - Coal; Mainline Freight; Regional Freight; Metropolitan; and Standard Gauge and Dual Gauge.

This plan also ensures that customer needs are met through effective network management.

A decision was made to review our current Ten-Year Rolling Network Development Plan annually to reflect changing customer needs and take advantage of new business opportunities. Developments that may occur due to changes in the requirements of the below-rail Government Service Agreement, will also be included in future plans.



An improved Network Maintenance Plan was developed during the year. The purpose of this plan is to set out long-term maintenance activities for each of our system groupings. By adopting a formalised long-term approach, disruptions to customers through necessary and required maintenance of our rail system can be planned for in advance and kept to a minimum.

The Plan sets the strategic direction for infrastructure maintenance and provides an on-going benchmarking vehicle and budgeting tool. It encompasses routine maintenance, major renewal and major maintenance activities. Resources are allocated to provide a fit-for-purpose railway network that is coordinated with the network development plan at optimised life cycle costs.

GOVERNMENT LIAISON

Strategy and Planning staff coordinated QR's liaison with Government and reviewed draft policy regarding the Government's recent Corporatisation Review Taskforce recommendations.

This resulted in a number of significant decisions. Some of these included the State Government's decision to place delivery of Government Services on a fully commercial footing and the move towards a three-year performance contract between the Government and QR.

Strategy and Planning also worked with peak industry bodies and other QR areas to achieve a positive outcome on the diesel fuel excise rebate issue. This issue was a significant component of the Federal Government's proposed new tax package. The positive outcome for QR delivers savings for customers.

FUNDING AND RISK MANAGEMENT

A revised debt facility was established in June 1999 with the Queensland Treasury Corporation. This debt facility was in the form of a Client Specific Pool with the interest rate risk managed by QR. We became the first Government-Owned Corporation to undertake such management of its debt.

As part of our overall Risk Management philosophy, QR applied for, and was granted as from 1 July 1998, a Workers' Compensation Self-Insurers Licence.

This initiative resulted in improved rehabilitation for injured employees and assisted in the reduction of the period of time injured employees are absent from work. From an operational perspective, it also has provided a direct financial incentive for operating managers to improve the level of safety performance for the work areas under their control.

BUSINESS DEVELOPMENTS

During the financial year, QR had on-going negotiations to reach an agreement with AAPT to allow them access to QR's optical fibre cables in the Brisbane Suburban Area. This agreement should be signed next financial year.

QR, in return for allowing AAPT access, will obtain an annual rental and substantial backup facilities. These facilities will enhance the reliability of our communication services.

Significant progress was also made with Reef Networks Pty Ltd concerning the potential for them to lay an optical fibre cable on our rail corridor between Cairns and Brisbane. The benefit to QR would be free access to four fully-maintained dark optical fibres, reducing future capital expenditure for telecommunications bandwidth on this corridor.

An accounts receivable functionality in QR's SAP computer system was made available by the end of March 1999. This new functionality interfaces to all other invoicing and revenue feeder systems and helps to improve and streamline our invoicing procedures. It also improved the reliability and timeliness of customer invoices and statement delivery.

During the year the Corporation identified the need to support innovation and enhance its intellectual property management. Specific business goals and plans were developed to address the issue of knowledge management within QR.

The Coal & Mainline Freight staff continued to develop strategies and programs to assist customers, particularly coal industry customers, in their extremely competitive markets.

Coal & Mainline Freight's Industrial Products business implemented National Rail Corporation's (NRC) Freightweb booking and location browser during the year. Freightweb allows for the booking

and tracking of containers for transportation over the Queensland border, on the National Rail network. This improves information flow and availability between NRC, QR and our customers.

Coal & Mainline Freight's temperature monitoring project commenced in 1998-99. Parts of this project were completed and are now being tested. Through the use of a special tag placed on containers, container temperatures can be monitored as trains travel on the North Coast Line.

The benefits of this system include QR being able to identify out of range temperatures, advise customers of temperature problems, arranging repairs or detrain the container with customer approval, and have goods arrive at destination in saleable condition.

Also during 1998-99, our Intermodal business met a special load requirement that involved the successful freighting of 14,000 tonnes of over-size piping from Acacia Ridge to Cloncurry. The Hewitt Container Terminal was commissioned during the year to service the Tully region. The region produces tropical fruits for the southern market. Operations at all Terminals throughout the state were reviewed to meet customer service demands. Lifting equipment was also upgraded/or replaced in order to meet the capacity necessary for the larger containers now entering the market.

YEAR 2000

The Year 2000 issue has been recognised and accepted by QR as a major issue that could impact on business operations. We established a corporate project team to review the impact of Y2K on our internal systems and external relationships with suppliers and customers.

QR is on schedule to achieve Y2K readiness by October 1999.

Compliance steps undertaken were: -

- A methodology, project plan and project schedule, designed to achieve Year 2000 compliance, was developed. QR bases its compliance for Year 2000 on the Standards Australia/Standards New Zealand publication *A Definition of Year 2000 Conformity Requirements SAA/SNZ MP77*;

- Business processes that could impact on our service to customers and business partners have been identified and investigated for Year 2000 compliance;
- Computer applications affected by Year 2000 date problems have been re-written and tested. We rolled out Year 2000 compliant desktop computer capability and personal computer applications.
- Internal and external resources are being used to ensure all critical systems, products, components and embedded systems are tested and made Year 2000 compliant, where necessary;
- Various suppliers were contacted to obtain information about the status of their Year 2000 compliance projects. Certificates of Year 2000 compliance are now requested from third party suppliers for the systems, products, services, components and embedded systems they supply to QR;
- Business Continuity and Contingency Planning is being addressed corporately. This is to minimise the operational impact on QR and its customers of any works or services on which QR relies which do not, in fact, achieve Year 2000 compliance and fail to operate correctly as a result; and
- A Validation and Audit team has also been established to develop and facilitate a quality audit of the Corporate Year 2000 Project.

Please note, in accordance with the Year 2000 Information Disclosure Act 1999, we draw your attention to the following:

This statement is a Year 2000 disclosure statement for the purposes of the Year 2000 Information Disclosure Act 1999. A person may be protected by that Act from liability for this statement in certain circumstances.



SAFETY & SECURITY

Our commitment to this priority is real. We want to be known as a business that works to continually provide employees, customers and the general public with safe and secure business and work environments.

Apart from the obvious personal advantages of not having staff or customers injured, it makes good business sense to ensure our customers are and feel safe and secure when visiting QR work locations or using any of our business services or products.

Operations

QR's vision is to be the safest railway in the world. This requires a management philosophy that accepts accidents can, and must be, prevented. A safe QR is one that protects its passengers, its workers and the general public.

Commitment to safety by staff, supervisors and managers during 1998-99, helped us achieve an unsurpassed safety record.

Key Achievements

QR's long-term passenger fatality rate continued to improve during the year, comparing very favourably against other railways around the world. Again there were no passenger fatalities as a result of train operations.

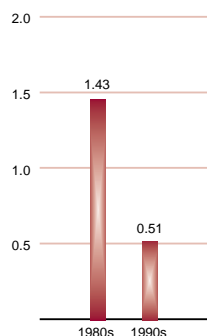
As a result of QR actions, the long-term passenger fatality rate, now stands at 1 fatality per 196 million passenger journeys. This represents a significant 180 per cent long-term improvement over the previous decade rate of one passenger fatality per 70 million passenger journeys during the 1980s (refer to Graph 16).

Public Safety

Our continuing commitment to public safety has resulted in a marked reduction in the number of public fatalities. During 1998-99, there was only one level crossing fatality (refer to Table 2).

Also for the first year ever, no accidental trespasser fatalities were recorded. This is a considerable improvement when compared to an eight-year mean of 6.1 fatalities per year.

Unfortunately, during the year there were 11 suspected suicides. This number is higher than the mean of 9.5 suspected suicides per year over the preceding eight years.



Graph 16
Passenger fatalities per 100 million passenger journeys

	Eight year mean	1998-99
Level crossing fatalities	3.1	1
Accidental trespasser fatalities	6.1	0
Suspected suicides	9.5	11

Table 2
Public Safety - Eight Year Mean

Employee Safety

In June 1998, substantially enhanced track safety rules were implemented within QR. This followed a review of track safety by international railway consultants.

The new rules require active protection measures to be in place prior to work being performed trackside. QR is seeing the benefit of this with no trackside worker fatalities occurring this year. The last trackside worker fatality was in July 1996 at Mt Rainbow.

Tragically, one employee fatality occurred this year as the result of an occupational injury received while using a chainsaw.

QR's Lost Time Injury Frequency Rate (refer to Graph 17) for this year marginally improved over last year's result. However, the lost time injury rate of 30 represents a 72 per cent improvement over the 1984-85 rate of 109, when employee injury reduction programs commenced within QR.



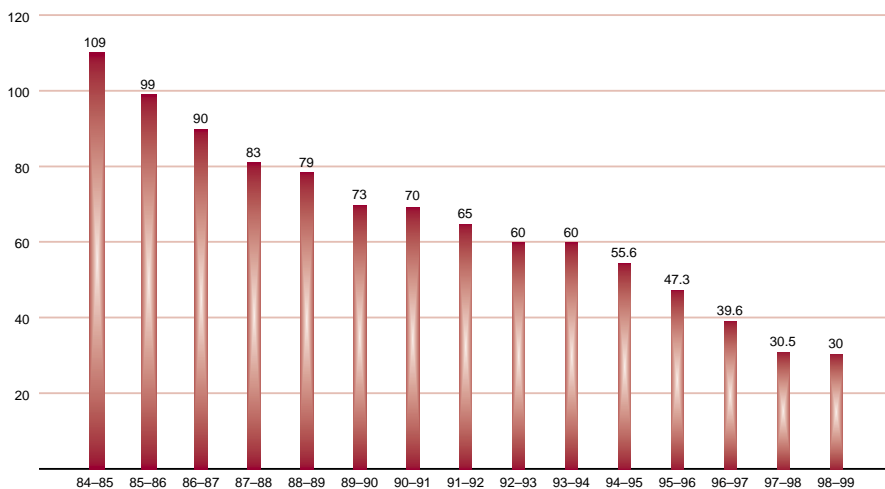
Driver training programs are a significant part of ensuring the safety of our operations.

Derailments

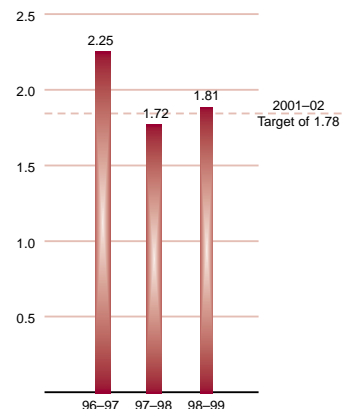
In perfect circumstances a derailment rate of zero for rail operations would be our ultimate goal. Unfortunately, due to the infinite number of variables which occur around the State and nature of the industry in which we operate, such a figure may never be possible. However, QR will work towards this result.

In 1996-97, QR set itself a 5-year goal to achieve a 20 per cent reduction in derailment rates compared to number of derailments, which occurred that year (refer to Graph 18).

We believe such a reduction is realistic and achievable. From this starting point we will continue to attempt to further reduce these rates.



Graph 17
Lost time frequency rate (lost time injuries per million hours worked)



Graph 18
Derailments per million train kilometers

Metropolitan and Regional Services

Citytrain's rollingstock retrofit program continued with 12 Electric Multiple Units undergoing the program. Work performed included the incorporation of new door control systems, Closed Circuit Television Cameras, new fronts, upgraded braking systems and upgraded voice announcing systems. The program has seen 52 trains out of 88 EMU fleet completed to date.

All 116 Citytrain stations are now equipped with Closed Circuit Television surveillance cameras (CCTV) and recording systems. The final 26 stations of our installation program were completed during the year. Enhancements to stations will continue under an on-going program to continually update coverage. Remote monitoring systems for other stations by Mayne Control Centre was also installed during the year.

Other 1998-99 Citytrain Safe Station project initiatives included:

- Provision of a regional office for the Railway Police Squad at Beenleigh;
- Equipment of a further nine car parks with CCTV cameras;
- Enhancement of lighting and fencing at various stations;
- Installation of emergency telephones completed for all stations;
- Availability of Telstra pay phones at 114 Citytrain stations; and
- Purchase and distribution of lapel microphones to all Citytrain guards.

Traveltrain completed several station upgrades during the year including Bundaberg, Maryborough West and Gympie North (associated with the commencement of the Tilt Train services), Kuranda and Barron Falls.

Q-Link performed safety audits throughout the year on a regular basis and most locations achieved 89% safety compliance. A large number of employees completed active safety training throughout the year with this program continuing on an on-going basis.

We also achieved ISRS level 4 compliance and all other divisions within MARS achieving level 1 or 2 ISRS compliance.

Coal & Mainline Freight

Safety and Security continued to be a major priority. This related to the operations and for all Coal & Mainline Freight staff.

Staff efforts achieved a reduction in the Lost Time Frequency Rate (lost time accidents per million hours worked). The corporate target for the year was 30. Coal & Mainline Freight achieved an individual group result of 13.2.

The Lost Time Frequency Rate of 19.16 was a major step forward. It was below the business target and well below the Corporate target of 35.

The Injury Downtime Rate (IDR) of 0.26 per million person hours worked was just above the target of 0.2, and the Lost Time Injuries (LTI) result of 108 shows significant reduction over the past few years. An excellent Rehabilitation Program proven to assist with reducing the IDR was available to Coal & Mainline staff in 1998-99. This program worked to ensure injured workers got back to work as soon as practicable.

An annual Safety Tour was conducted in 1998-99 and formed part of the Integrated Management System. This tour included presentations, formal walk-through inspections and review of processes and workplaces. The tour was designed and implemented to ensure support and commitment to Safety.



Continuous maintenance and on-going track upgrades enhance the safety of our rail network.



Recommendations or suggestions from employees that lead to a safer workplace were encouraged. A commendation process has been implemented for rewarding employees for their ideas.

A Safety Management Committee was set up to investigate and review all Accident/Incident reports. The Safety Council team also reviewed any incidents that occurred.

An Interpretation Committee was also formed during the year with the express purpose of incorporating all incoming applicable legislation into the Integrated Management System. This Committee was responsible for the development of Coal & Mainline Freight Business Instructions for Safety and other domains.

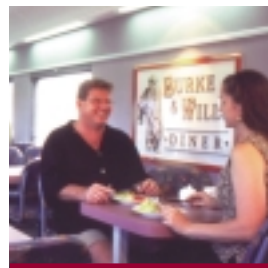
An annual Safety Plan committed to ensuring that all activities are managed to the highest practical level of safety was produced. The safety objectives are risk-based and designed to deliver maximum benefits. Each month, a topic was outlined and marketed. These topics included:

- Evacuation program and fire drills;
- Chemicals – purchase, storage, use and awareness;
- Risk assessments;
- task assessments;
- Health programs and home safety;
- Eye and ear protection;
- Manual handling;
- Audits and inspections.

The focus of the 1998 Safety Culture Change course (Progress Through People) was on Managing Safety, Customer Focus and Employee Involvement. This course included:

- Innovations in QR;
- Coal & Mainline Freight businesses;
- Group Business Manual;
- Rollingstock Maintenance;
- CEO's Commitment to Safety;
- Safety Management System;
- Safety responsibilities and procedures;
- Everyone responsible for Safety.

A feedback process was instigated in the shape of the two-monthly newsletter "Hazard Ahead". This publication gives feedback on investigations to employees directly involved in the investigation of incidents or derailments and to other interested staff.



Network Access

Network Access coordinated the production of a set of corporate operational procedures. This met the Emergency Preparedness and Response Standard required by QR's Safety Management System. These procedures detail the processes and accountabilities required for handling specific emergencies.

All Operators have to comply with the procedures and are expected to maintain their own procedures consistent with QR's standards of operational procedures.

QR's Network Access also developed a process to ensure that all railway operators adhere to infrastructure standards. The process defines the standards for all parties, both above and below rail, and provides for safer operation of the rail network.

An Operations Coordination Plan for the Standard Gauge Line between the Queensland/New South Wales Borders and Fisherman Islands and Roma Street via Acacia Ridge was also developed. The Plan documents information relating to the operation of train services on the Standard Gauge Line and includes the operational safety responsibilities of all parties.

A risk-based assessment of level crossings and access points on the network was also completed. Based on this assessment, QR developed a process for unsafe and/or illegal level crossings. The benefits of this rationalisation will be better protection of the public and improved risk minimisation for railway operators.

An Operational Control Protection and Safety Standards (OCPAS) Steering Committee and working party were established. They developed corporate standards and initiatives with the joint involvement of stakeholders.

The role of the OCPAS Steering Committee is to:

- Manage and develop QR's operations control and protection systems in accordance with current safety standards and sound engineering and commercial principles; and
- Develop initiatives to protect staff, customers, freight, property and trains during operations, including at stations and yards.

Strategy and Planning

Strategy & Planning staff managed the development of a series of options as part of a back-up train control strategy, including back-up from existing centre, separate back-up facilities, conversion of existing facilities and transportable facilities.

Technical Services

Technical Services staff continued implementing QR's Safety Management System, which was drafted under a consultative process between staff, management and unions.

The Westect Automatic Train Protection (ATP) system, which allows driver only operation, became fully operational between Rockhampton and Townsville during the year. It works to ensure the operational safety of trains operating on the same track sections of the rail network.

Technical Services established QR's first exhaust emission quality limits during the year. This is the first time in Australian railroad history an initiative such as this has been undertaken. In another groundbreaking first it developed and implemented the most stringent noise limits in QR's and Australian rail industry history.

As part of our efforts to protect the environment 2800 and 4000 class locomotives had retention tanks installed to hold waste liquids. These wastes are then dealt with in an environmentally and legislatively approved manner.

Technical Services continued to undertake workplace inspections and audits to ensure workplace safety. An employee induction procedure containing a major occupational health and safety component was implemented during the year. Also safety training requirements were identified for all positions within Technical Services.

Infrastructure Services

Attention to the basics of track maintenance has seen a steady decline in the incidence of infrastructure-caused derailments over the past five years. The rate has dropped from 1.195 derailments per million train kilometres in 1992-93 to 0.837 for 1998-99.

This improvement is being locked in through the development of an effective Integrated Management System, which combines Safety, Quality and Environmental issues into easily accessible documented procedures.

Infrastructure Services staff made substantial progress on the development and implementation of improved 'on track' machine operator safeworking training and certification. This, together with the fitting of train control radios, will address a significant staff injury risk area.

QR's telecommunications play a vital role in meeting business and customer needs.



The Gold Coast Railway, now extended to Robina on the Gold Coast, provided customers with a fast, safe and convenient commuter service.



FINANCIAL PERFORMANCE

The ability of the Corporation to perform its business operations in the most economical and profitable manner is of paramount importance and essential to the long term survival of the Corporation.

Recognising the importance of this, we identified "Financial Performance" as one of our Corporate Priorities.

Government-Owned Corporations (GOCs), such as QR, face increasing public and Government financial scrutiny due to changes in community and Government expectations of public sector service delivery over recent years.

These expectations are to ensure the best value-for-money services are obtained for socially required services provided, while still ensuring GOCs also operate under fully commercial principals.

In 1992-93 we changed the face of our financial reporting from cash to accrual accounting. This brought us into step with normal private sector industry practice. It also placed QR in a better position to measure our financial performance and benchmark against other similar private sector businesses.

FINANCIAL RESULTS

Total operating revenue improved marginally by \$6.5 million to \$1.9 billion. Our operating profit before tax was \$167.9 million and after tax was \$104.2 million.

This combined with our retained profits figure of \$177.7 million from last year, made a total of \$283.5 million available for appropriation. A dividend of \$95 million was declared with the remaining \$188.5 million profit retained for reinvestment in the business.

Taxation

The Corporation's Profit and Loss Statement registers an income tax equivalent expense of \$63.7 million. However, as the tax depreciation rates on the majority of QR's assets are substantially greater than the book rates, no tax is payable for the year under review.

Government Service Agreement Payments

These Government payments are received for the provision of socially required but non-profitable services. For 1998-99 these payments were down by \$12.4 million or 2.3 per cent compared to last year.

The negotiation of new Government Service Agreements, to formalise future service level requirements and corresponding Government Service Agreement payments to QR for the provision of these services, is currently underway.



Other Financial Information

There was a 16.2 per cent increase in depreciation and amortisation expense and a 7.1 per cent increase in financing costs over the prior financial year. These increases were due to our continued high, but necessary, level of capital investment in 1998-99. A total of \$713.4m was spent on capital investment during the year, mainly on infrastructure improvements and rolling-stock acquisitions.

The Corporation's sales revenue was up \$28.2 million on last year. At the same time as freight tonnes carried were up 9.2 per cent, freight revenue only increased by 2.3 per cent, being held back by continuing downward pressure on our freight rates.

QR's cash flow and slightly improved funds from operations, together combined with a reduced dividend payment, led to lower borrowings being drawn down. This was in spite of the fact that capital expenditure increased by 28.6 per cent.

There was a 7.7 per cent increase in net labour and consumables expenditure during the year. This resulted from increased tonnages being hauled by the Corporation compared with last year.

QR's energy costs actually fell, even though more freight tonnage was transported. This was mainly achieved due to reductions in energy tariffs.

QR spent \$713.4 million on capital investments during the year. This was mainly on infrastructure improvements and rolling stock acquisitions.

Outlook

QR's on-going programs for improved business performance, customer service and growth and product development are all aimed to improve the bottom line financial performance of the Corporation.

Improved operations and an increased effort to meet customer needs and requirements should deliver QR an improved bottom line result next year.



CUSTOMER SERVICE

In many ways Customer Services could be seen as QR's most important priority. Our business future depends on customers. Without customers there simply will be no business.

That's why during the year, we made significant efforts to improve our customer focus. These efforts were aimed at making everyone at QR more aware of customer needs and requirements. This priority also required us to try and anticipate our customers' current and possible future business needs.

We believe at QR that the delivery of true customer service relies on the commitment of people and not just on the delivery of services or products. It is people who make the real difference in a customer's mind whether or not they will use your services now or in the future with repeat business.

Work on a major new and innovative business initiative called "Progress Through People" commenced this year with full implementation to take place early next year.

Our "Progress Through People" program is a structured and formalised business philosophy where each employee recognises QR's future business success depends on, his or her, involvement in ensuring customer loyalty.

Some staff may never actually see the customer face to face over the other side of the counter. However, "Progress Through People" is designed to make all staff aware that each work decision made, or work action he or she undertakes, has an outcome eventually on a customer's perceived level of QR's service delivery.

This is a long-term and on-going initiative but the introduction and adoption of the principles behind this initiative by all QR staff, will place the company in the best possible position to ensure its continued business success.

COAL & MAINLINE FREIGHT

Coal & Mainline Freight staff developed strategies and programs to assist customers and improve service delivery through the development of competitive pricing policies and the provision of new and upgraded facilities and infrastructure, to enable them to better compete in their extremely competitive markets.

For example, a specific program was developed to acquire or upgrade rollingstock and to improve productivity of the total rollingstock fleet.

This resulted in a locomotive productivity increase of 5.3 per cent and wagon productivity increased of 7.5 per cent. These locomotive and wagon reliability productivity increases translates into QR's ability to move more customer product.

Other strategies centred on delivering the required capacity and reducing average freight charges by working with customers, investing in more efficient assets and improving asset utilisation.

Coal customers continued to earn significant incentives through the Freight and Corridor Incentive Schemes. The Freight Incentive Scheme targets mine-specific loading parameters, while the Corridor Scheme targets reductions in overall corridor railing variations. In 1998-99, QR returned over \$34million to its customers via these schemes.

We continued to work together with its coal customers through Corridor User Groups and other issue specific teams such as the "Sticky Coal" investigation team. The Corridor User groups consist of customers, ports and QR and the aim is to improve the productivity and efficiency of the corridor transport chain.

In August 1998, QR offered an initiatives package to the coal industry. The benefits to the State's coal industry as a result of this package and a second industry package offered in July 1999, are anticipated to be \$365 million through to 2003-04. Last financial year, these packages delivered benefits of approximately \$37 million to customers.

During the year, QR's Industrial Products and Coal Divisions staff conducted market research to determine the needs of customers and how they perceive our performance against those needs.

The research results provided the basis for businesses and customer service related strategies and highlighted areas to improve our service levels. Strategies implemented will ensure customer loyalty and satisfaction and that the businesses deliver the best service possible.

Customisation trends of logistics transport to meet specific customer requirements, saw Industrial Products staff progressively implementing a Quality Management System based on major commodities, customers, as well as, generic Business Processes. Industrial Products staff also achieved third party National Association Testing Authority (NATA) certification of major customer traffics.

This resulted from a review of the freight rate structure. A new methodology for determining train consists has been implemented. It gives customers a broader choice of train services to meet with their business requirements.

Improved terminal and yard management procedures and processes were introduced. This enabled faster turn-a-round times for customers and improved operating efficiencies.

Work continued on improving the quality of planning operations by adopting the Australian Business Excellence framework. Management Systems were also improved to meet requirements of all compliance areas.

METROPOLITAN AND REGIONAL SERVICES

QR's Metropolitan and Regional Services staff are very much concerned with the provision of highly visible, quality, customer-orientated services and products.

Front-line customer, passenger and freight services through QR's Citytrain, Traveltrain, Regional Freight and Q-Link are provided.

An average of more than 155,000 people used the Citytrain network each workday during 1998-99. With a statistic like this, Citytrain staff, has a very "public" face for QR in terms of customer awareness and the provision of customer service.

Passenger Service Officers handled thousands of public telephone enquiries requesting assistance during the year. These QR staff are available on a dedicated phone line, 24 hours-a-day, seven days-a-week, 365 days-a-year. Ongoing customer relations training for staff was also undertaken.

The provision of facilities for the benefit of customers included the installation of public telephones and parking facilities, bicycle lockers, video surveillance cameras, improved public address and public information display systems at Citytrain rail stations.

Work was undertaken to improve network access for people with a disability. Works included a new footbridge and lifts at Goodna, Petrie, Central Station (Wickham Terrace), Landsborough, Glasshouse Mountains and Beerwah Stations. Contracts for the installation of new lifts at Yeerongpilly, Northgate, Virginia, Zillmere, Carseldine and Bald Hills rail stations were also awarded.

Each and every one of Traveltrain's staff plays an important role in determining the public image of the Corporation – from the travel consultants who deal with initial public enquiries, reservations people who handle bookings, cleaners who wash the trains, passenger attendants who welcome passengers on board and prepare their cabins, catering and bar staff who work in the restaurants and lounges and the myriad of behind the scenes and other staff.

Each one works to ensure customers receive the best value for their travelling dollar and all can have a very real and lasting effect on the ability of QR to gain return customer business.

Traveltrain staff participated in training courses during the year to improve their skills in working with the public and in the delivery of quality customer service across their operations.

Technology improvements and enhancements also occurred with a new reservations system in North Queensland to enhance ticketing and customer service being implemented. This new system makes it simpler and easier for customers to pre-book and purchase tickets for the Kuranda Scenic Rail.

The upgrade and provision of customer facilities including car parks continued during the year.



Regional Freight staff achieved preferred transport contractor status for the haulage of domestic grain for the Australian Wheat Board (AWB).

From 1 July 1999, all domestic grain movements from depots will be offered to Regional Freight first, as the preferred carrier. This close alliance with the Wheat Board will underpin the further planned growth of QR's domestic and export grain Business in the future.

Operation improvement workshops were also undertaken between QR and Grainco, to streamline operations and drive greater efficiencies through the logistics chain for the grain business.

In 1998-99 Regional Freight developed innovative new car carrying wagons which entered revenue service. The breakthrough fully enclosed wagons are suitable for cars, ambulances, 4 wheel drive vehicles and small buses.

The wagons will operate on North Coast Line services between Brisbane and Townsville and will greatly reduce the potential for damage occurring to the vehicles.

A training and development program for station and yard staff to enhance customer service and business skills and ensure continuation of QR's strong affiliation and close business relationship throughout the regional communities of Queensland commenced.

Q-LINK

Q-Link strengthened its commitment to the delivery of quality customer service and improved product delivery. Staff underwent training programs to improve service and product delivery to Q-Link customers.

Q-Link completed the design and testing phases of its new freight tracking system called POStrac, as part of its on-going program to improve services provided to customers

Piloting of POStrac at Freight Distribution Centres proved very successful. The system allows greater flexibility and control in determining where a customer consignment is positioned prior to its delivery.

This allows for greater and improved customer information concerning accurate delivery times for goods.

NETWORK ACCESS

Network Access completed a draft standard Access Agreement to define commercial relationships with above-rail customers during the year. The Access Agreement is consistent with the Undertaking and will be used in negotiations with both third party operators and QR railway operators.

As part of its responsibility as a railway manager, Network Access undertook a business process review to provide consistency of approach in dealing with customers and service providers.

Business instructions were developed to monitor the provision of access to both internal and external customers and to manage service agreements with service providers.

This quality approach to managing the business will lead to an improved and consistent level of service in all activities undertaken.

QR, through Network Access, developed a set of easy to understand guidelines and procedures to assist customers who want to:

- Apply for new access;
- Make permanent changes to existing train paths entitlements;
- Making day of operation changes to operations;
- Introduce new or modified rollingstock to the network; and
- Make changes to train configurations.

The protocols are consistent with QR's Access Undertaking and were prepared to help customers to manage the access application process. Secondly they modify contractual arrangements contained in existing access agreements when changes to train operations are necessary.

Network Access commenced design of an Internet site intended to assist customers in applying for access and to provide a range of other information.

The site will contain maps of QR's entire railway network and customers will find information relating to specific network enquiries. For example, information such as the extent of electrified territory and distance from major centres will be available from the site.



Customers will be able to view the access protocols and to order further information including details of the access application process.

Introductory Information Packs were developed to assist customers.

The Packs contain an introduction to Network Access, a Conceptual Operating Plan Guide, key contact information, a copy of QR's Undertaking, a network map and an order form for further information. The Packs are available upon request by telephone or e-mail and will be able to be ordered from QR's Internet site from late 1999.

STRATEGY AND PLANNING

QR's Strategy and Planning staff completed an Integrated Management System project for the amalgamation of legal, safety and quality systems based on a standardised methodology. The project involved coordinated corporate analysis and software selection.

They also managed QR's input into a large number of state regional transport and infrastructure planning projects and forums.

They piloted a targeted selection process for Q-Link aimed at providing substantial productivity improvements. The process considered staff leadership, interpersonal and culture change skills.

Technical Services worked with other QR business and support groups to provide improved systems and new technologies.

An example of a project which assisted QR operations was the work undertaken for the on-going introduction of the Train Overview 2 project.

Train Overview 2 project provides actual real time train location and associated timetable and on-time running information, was introduced throughout most of the State during the year. All of the State is scheduled to be completed before December 1999.

INFRASTRUCTURE SERVICES

A series of statewide briefings for all Infrastructure staff held during the year was aimed at introducing the 'Progress Through People' initiative and ensuring that a focus was maintained on managing infrastructure caused delays and damage.

By meeting agreed delay criteria Infrastructure Services contributes to improved customer service by increasing service reliability and ensuring on-time performance.



Travelling by Tilt Train has cut more than two hours off the previous journey time between Rockhampton and Brisbane.



The Tilt Trains driver console.

ON - TIME PERFORMANCE

On-Time performance is as an important priority for the Corporation.

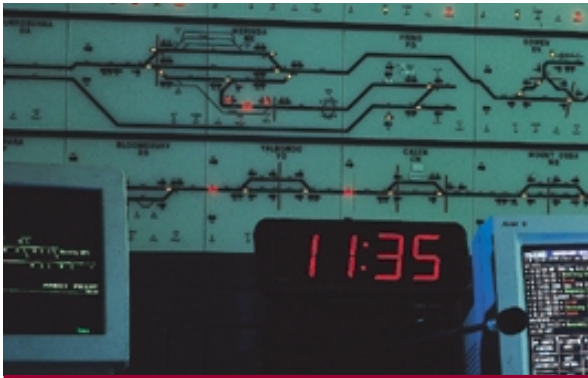
It is a specific traditional railway term relating to the percentage of scheduled rail services arriving at their destinations within a specified number of minutes of their scheduled arrival timetable. This measure is still recognised and used as an measure of a railway's performance around the world.

Due to the diverse range of individual business operations occurring within QR, it's various business areas have developed additional performance measures specific to their individual operations.

For example, our Citytrain business still defines its on-time performance in terms of scheduled train services arriving within three minutes of scheduled timetables. However, in our coal business, on-time performance is measured in terms of train cycle times occurring between mine, port and return to the mine for reloading.

QR does not understate the importance of specific operational measures such as timetable adherence, but it has extended its on-time performance measures to include other measures as designated time frames in which the Corporation attains identified business goals.

This way not only are specific train scheduling requirements attained, but the Corporation can also keep track of necessary business milestones which need to be achieved to ensure customer interests are well served.



OPERATIONS

In our Coal & Mainline Freight business, cycle times for our coal trains is used as an on-time performance measure.

The target average for 1998-99 for coal was set at 17.8 hours. The actual result for the year was just under 19 hours. This result, although not meeting the operational target set for this year, was still an improvement over last year.

Our 1998-99 operational target figure proved not to be an achievable figure due to various circumstances. These included increased traffic congestion attributable to QR's railing of record tonnages, increased track maintenance and some customers not taking up loading time freight incentives as originally planned.

QR's Intermodal business began investigations into the way it operates to improve on-time running on the North Coast Line between Brisbane and Cairns. These investigations will lead to the introduction of disciplined block-train services running point-to-point and the increased use of containerisation.

They will also lead to consultation with individual customers to work out better business options rather than the use of dedicated trains to service their needs.

In Metropolitan and Regional Services, Citytrain again achieved an excellent result for the second year in a row for on-time performance with an Australia's best practice average of 97% of trains on time over a 24 hour period.

A mainline refuelling strategy was implemented to facilitate fuelling of rolling stock on the Main Line instead of within a yard or depot, which has greatly improved transit times for customers' products.

Infrastructure maintenance planning is critical to the on-time performance of above-rail operators. To this end, QR's Network Access Group completed a draft Goonyella System Master Train Plan during 1998-99.



On-going track maintenance is a vital component of our train operations.

This plan allows scheduled maintenance to be pre-planned as a capacity commitment. This will be monitored during 1999-2000 and gradually introduced to other systems.

Network Access also developed train scheduling and reporting protocols to improve network reliability. The protocols provide train controllers with a set of parameters with which to fairly and equitably manage capacity and the operation of train services across the network.

Priority is given to keeping train services, that are running to their agreed schedule, on time.

Network Access also completed an indicative capacity analysis for the network to better manage capacity and improve on-time performance. The study identified potential future capacity bottle-necks and allowed for future infrastructure upgrades to be incorporated into the Network Development Plan.

During the year, customers on the Goonyella System requested raiting rates for coal that were approximately 10 per cent above the contracted amounts.

This unforecast demand coincided with major maintenance activity on relaying portions of the track as well as ballast and formation failures due to the prolonged wet season.

To ensure QR could meet the customer's demand, rail operators, train control, drivers, track maintenance and construction personnel worked together to find the most effective operating solutions.

This saw the reduction of train cycle times from 23.1 hours to 20.5 hours on this system and the achievement of customer railings at the required levels.

BUSINESS REQUIREMENTS

Strategy & Planning staff assisted QR to achieve the completion of necessary business activities.

In terms of business milestone on-time performance, some major achievements included the completion and delivery of the Corporate Plan and Statement of Corporate Intent; completion of the Corporation's Year 2000 process mapping; and formulation and delivery of a range of submissions to various external forums and inquiries.

To assist QR in the delivery of on time projects, Technical Services staff developed and implemented in April 1999 a Drawing Management System to suit QR requirements. The system incorporated software development, acquisition and configuration to suit QR requirements.

A schedule of upgrading control centres from CTC to UTC also commenced. Railcentre 1 was completed and Mackay will follow soon. Warwick to Goondiwindi and Cairns to Mareeba were upgraded from the Computer Assisted Train Order System (CATOS) to DTC.

Technical Services also worked on the completion of the Mayne to Eagle Junction Quadruplication, the drafting of QR's Code of Practice for Railway Noise and commenced work on our Network Noise Management Plan. Impact Assessment for capital works projects were also successfully managed during the year.

QR believes the retention of its integrated vertical structure is a fundamental strategy for us to maintain and strengthen our competitive advantage within both existing and new business markets.

With a national trend towards the vertical separation of railways, we believe QR's vertical integration structure combined with its new strategic marketing-based growth strategy of Growth Through Market and Product Development, provides QR with a distinctive business advantage within our existing and potential markets.

The addition of Growth Through Market and Product Development as a Corporate Priority in 1998-99 highlights our determination to:

- Extend activities into interstate and international markets, as commercially sound opportunities are identified;
- Continue development of new market segments within Queensland, though major rail initiatives such as the Tilt Train and Gold Coast Railway services;
- Continue development of new market segments through extension into broader transport and logistics services; and
- Continue innovation within existing Queensland market segments, through initiatives such as Cattletrain and special guardian' trains on the urban passenger network.

We believe for QR to thrive in our highly competitive business environment we want to be recognised as an innovative industry player known for our ability to adapt to the demands of the markets we find ourselves in.

We also believe it is necessary for us to look into previously non-traditional business areas, within and outside of Australia, to secure business growth opportunities.

MARKET DEVELOPMENT

QR was actively involved in a number of consulting and market development projects with national and international organisations during the year.

Our new business focus enabled us to actively identify and secure a range of business development initiatives and contracts in Australia and throughout the world.

Examples of QR broadening operations and influence in domestic and overseas markets included:

- **Institutional Strengthening of Uzbekistan Railways (UTY):** QR was awarded its first contract with the Asian Development Bank. The \$1.2 million contract involves the provision of institutional support to assist UTY in becoming more commercially focused, competitive and ultimately viable in the emerging market economy;
- **GSLP Railway Safety Project:** We were awarded a contract for a Railway Safety Project in Indonesia. The project comprises a comprehensive safety audit and the delivery of staff training and development courses for Indonesian Railways;
- **Samsun-Iskenderun Railway Feasibility Study:** This project involves the review and updating of the feasibility study for a rail corridor between Samsun and Iskenderu in Turkey;
- **MTR Contracts:** We were awarded several contracts by the MTR Corporation in Hong Kong during the last financial year including a contract to certify welding staff for the repair of turnouts and a contract to supply a rail stress measurement device and the provision of associated training and calibration services;
- **Rail Grinding Contract:** QR's Infrastructure Services, supported by Consulting Services, managed the completion of a Rail Grinding Contract for Westrail's narrow gauge network in Western Australia; and
- **Inspection of Westrail Rollingstock:** We carried out the inspection and acceptance testing of 10 new EMU units for Westrail's Perth Suburban Commuter System.

We also progressed a range of corporate business development activities. These activities represent strategic and sizeable business opportunities for QR and include:

- **National Operations Strategy:** QR undertook a major market research assignment to support the formulation of a robust and comprehensive national operations strategy. In addition, a range of business intelligence gathering activities were progressed to support decision making processes concerning a range of acquisitions and potential joint ventures;
- **Sungold/Citywest Project:** We carried out preliminary investigations into the development of a high-speed, high-frequency inter-urban passenger service linking Brisbane to Toowoomba, Sunshine Coast and Gold Coast regions;
- **Surat-Dawson Coal Rail Project:** We undertook investigations regarding various contracts being released by SUDAW Development Limited, the preferred developer for this project;
- **Brisbane Light Rail Project:** We worked with various consortia with the view to optimising QR's business position in the development and operation of this proposed light rail network; and the
- **Inland Standard Gauge Rail Link Project:** We continued to manage our participation in various proposals concerning the concept of an inland rail bridge' between Melbourne and Darwin via a direct route through western NSW and Queensland.

QR's on-going commitment to the expansion of our business by involvement in the development of new markets and projects is fundamental to the future success of the Corporation.

Our ability to determine, identify and secure market opportunities will also have flow-on benefits for our existing customers. QR, by developing new business skills, abilities, products and technologies will be able to apply these to meet the needs of existing customers.

PRODUCT DEVELOPMENT

Traveltrain launched two exciting new products onto the marketplace during the year. The first was the Rockhampton Tilt Train that commenced commercial services between Brisbane and Rockhampton in November 1998.

This innovative world-class train has cut over two hours travel time off conventional rail travel times between these two centres. As a result of this time improvement combined with the new level of passenger comfort and service provided by the Tilt Train, a significant increase in the number of passengers using this service has been recorded since its introduction.

The Great South Pacific Express (GSPE), our \$35 million investment in opulent luxury train travel also commenced services between Kuranda and Sydney in April 1999.

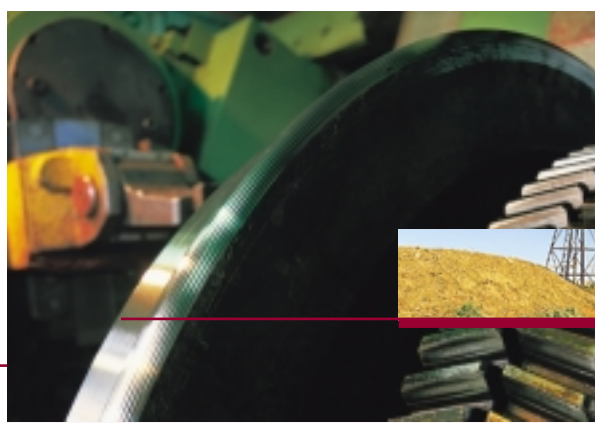
The GSPE recreates in every detail the style, decor and passenger service associated with the 1920s and 1930s golden age of luxury of rail travel. However, it also incorporates the modern day advances in rail technology and customer facilities demanded by today's rail travellers. This magnificent train has been listed as one of the top ten 'experiences' to do in the world by world-renowned Conde Nast Traveller Magazine of the United States.

Traveltrain investigated new areas to improve its market share and introduced new "short break" holiday package products that include rail, accommodation and airfare components in the one price.

These packages were developed in consultation with other transport and accommodation companies to increase business opportunities through joint venture marketing efforts.

QR reached an alliance agreement with Walkers Pty Ltd in Maryborough to construct two diesel-powered Tilt Trains for the \$138 million Cairns Tilt Train Project. Contracts should be signed early next financial year and it is expected these two diesel-powered Tilt Trains should commence services in 2002.

Diesel-powered rather than electric-powered trains, have been chosen due to the prohibitive costs involved at the present time of extending electrification of the rail network past Rockhampton on the Main Northern Line to Cairns.



In April 1999, the first major commissioning for the \$47.4 million Mayne-Northgate track quadruplication went to schedule with the Mayne-Eagle Junction quad becoming operational.

The completion of this project will result in improved running times for passenger and freight trains using this highly trafficked track section. Work on the balance of the project is proceeding on target and completion is expected in November 1999.

Work commenced on the new Airtrain rail junction near Citytrain's Eagle Junction Station in Brisbane's northern suburbs. During the year financial tendering arrangements were finalised with a civil works contract awarded by QR to Airtrain's turnkey contractor.

Orders have been placed for an additional four three-car IMUs train sets to supplement our Citytrain fleet. This order was necessary to enable Citytrain to provide the rollingstock necessary for the Airtrain services to be provided by QR under the Airtrain contract. Detailed design is currently underway.

To enable QR to provide the services required by the Arriga Sugar Mill, on the Atherton Tableland in Far North Queensland, bridge upgrades between Cairns and the sugar mill were completed this year.

Work was performed in time to permit the operation of the increased number of sugar syrup wagons and 90 tonne locomotives required by this customer for the start of the 1999 sugar season.

In Regional Freight the upgrade of the Dinmore Livestock facility, including extended electrified siding, holding yards and grade separated access to the AMH plant was completed during the year.

These extensive upgrades will enable us to assist AMH in their efforts to provide their customers with an improved cattle handling and transport service.

Regional Freight also won a greater share of the transport requirement for Sunflower seed in Queensland with a major oilseed company accepting rates provided through new volume transport packages developed by QR.

It also continued improving its transport services to the live cattle export market. QR successfully transported the largest single load of cattle from Queensland, a total of 14,003 beasts, for loading onto a ship destined for Egypt during the year.

These two innovative packages allowed QR to work closely with the customer in specifying their operational needs, which in turn, enabled QR to achieve greater efficiencies in the provision of its business services. QR was then able to pass cost savings onto the customer.

Q-Link introduced operational improvements and service enhancements to the containerisation of freight on the North Coast Line during 1998-99. Introduced operational improvements resulted in increased utilisation of our Linehaul Services by customers on this heavy traffic rail corridor.

Apart from improving rollingstock utilisation, this improvement has also led to improved overall efficiency costs for our Linehaul operations.

Q-Link also expanded its operations into the transport of produce from North Queensland to southern markets and continued to grow its inventory management services and warehousing businesses.

The commissioning of a new Bogie Exchange Facility at Acacia Ridge was completed to give the Great South Pacific Express access to standard gauge interstate markets. This facility will also enable the Corporation to realistically investigate new business opportunities across Queensland's borders.

Coal & Mainline Freight's Industrial Products and Intermodal Divisions embarked on a program of introducing Electronic consignment notes to all their major customers.

ELCON's aim is to streamline the process of consignment generation and information transfer. ELCON is also potentially the commencing point for a staged implementation of a major electronic commerce strategy.

Benefits to the customer are principally reduction in administrative duties, provision of more accurate data particularly shipping data, delivery advices to domestic customers, and an electronic con-note leading to reduction in paper costs.

QR's Intermodal Division entered into Interim Agreements with certain prominent customers leading to long-term relationships and agreements during the year. These agreements not only addressed freight rates but also addressed future capital requirements and the short and long-term requirements of those customers.

QR must provide access to third party operators under commercially negotiated terms and conditions subject to the provisions of the Federal Government's National Competition Policy.

Under this policy, operators cannot be discriminated against when competing with QR operations.

QR's Network Access Group's role is to act as an independent manager of access to the QR network with responsibility for access pricing, access negotiation and network capacity management. The Group's extended role includes network infrastructure assets management (including train control) and strategic infrastructure planning and development.

Network Access was formed in 1998 as a result of the decision to separate the ownership of railway track and infrastructure from the operation of the trains, stations and other railway services. It operates as part of the vertically structured QR, but as an independent body charged with managing access to the network.

Its main activities include:

- Selling train paths to coal, freight and passenger train operators;
- Operating the rail network, including the signalling and supply of traction electricity;
- Managing capacity and discharging train control responsibilities on the Network; and
- Maintaining, renewing and enhancing the railway infrastructure.

Network Access mainly relies on internal QR service providers for infrastructure maintenance and construction, train control services and technical and safety advice.

INTEREST IN THE NETWORK

There was unprecedented interest in QR's network during 1998-99, as potential third party operators, from within and outside of Queensland, contacted Network Access to express interest in gaining access.

Network Access made major progress in developing and refining the systems, models and policies required to meet customer demand and legislative requirements.

During 1998-99 reviews were completed or continued on:

- Developing statewide cost and pricing models;
- Determining internal access prices for each operator;
- Ascertaining required below rail infrastructure Community Service Obligations (CSOs);
- Finalising the Access Undertaking; and
- Negotiation of access agreements with third party operators.

The future focus of Network Access will be to aid cooperation between train operations and infrastructure. As a result, QR will endeavour to deliver best practice rail access through:

- Rigorous measurement of inputs and outputs, including suppliers' performance and customer service levels achieved;
- Assessment of available capacity using simulation models and other techniques;
- Understanding the cost trade-offs between above and below rail in order to deliver the lowest total cost of transport;
- Understanding present and future demand; and
- Managing access regulatory and policy issues in a professional manner.

Opportunities to expand QR's markets include targeted investment in corridors to deliver a competitive advantage to QR over other transport modes such as the development of strategic corridors such as the Melbourne – Brisbane standard gauge connection.



These opportunities and on-going investment requirements will form part of the 10-Year Network Development Plan.

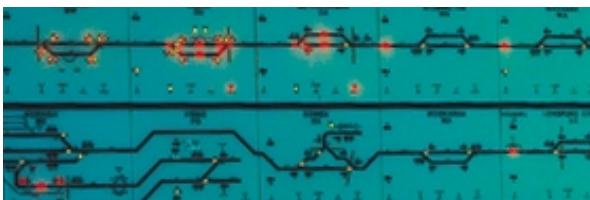
In order to deliver competitive access, out-based service agreements will be implemented with internal service providers to promote efficiency and effectiveness, as well as, reinforcing safety management, performance measurement, benchmarking and contestability.

Network Access developed QR's Access Undertaking and submitted the document to the Queensland Competition Authority (QCA).

The Undertaking provides a framework to manage negotiations with third party operators for access to QR's railway infrastructure for the purposes of operating train services. The Undertaking is a Voluntary Undertaking as provided for in Section 136 of the Queensland Competition Authority Act 1997.

The purpose of the Undertaking is to:

- Ensure that Access negotiations are conducted expeditiously on a commercial basis between QR and third party operators;
- Provide a mechanism for the exchange of information between QR and third party operators necessary to facilitate the negotiation process;
- Establish pricing principles to be employed by QR in negotiating Access and which provide guidance in the resolution of a pricing dispute;
- Ensure that Access is negotiated in a competitively neutral environment;
- Outline the interface considerations to be addressed for third party operators to obtain and maintain Access;
- Outline the principles to be incorporated in an Access Agreement; and
- Provide for a binding dispute resolution process to apply during negotiations for Access.



A QR Tilt Train set an Australian rail speed record of 210km/h during 1998-99.



The Undertaking will take effect on the date that it is approved by the QCA in accordance with Section 149 of the Act and will apply for a period of three years from the commencing date unless withdrawn as provided for in the Act.

The Access Undertaking is expected to be refined during 1998-99 through constructive discussion with the Queensland Competition Authority (QCA) and other stakeholders.

Growth through Market And Product Development is the main investment objective, representing some 60 per cent of the proposed network investment program. The growth in the mining industry and suburban passenger demand will be the primary drivers of investment.

THE YEAR AHEAD

During the coming year, QR will build expertise and set up systems to manage the infrastructure and deliver access services. Key undertakings for the year ahead include:

- Completing the first review of the 10 year Network Development Plan;
- Resolving the Access Undertaking to the satisfaction of the QCA;
- Finalising the first version of service agreements for supply of train control, infrastructure maintenance and technical advice;
- Refining internal access agreements following negotiation of terms and agreements; and
- Completing the first version of a system capacity model.



We believe our modern facilities and infrastructure combined with our commitment to quality service will convince customers to choose QR over third party operators.

SEPARATION OF QR'S OPERATING COSTS

	1998-99				1997-98			
	QR Costs as Network Infrastructure Provider \$000's	QR Costs as Rail Operator \$000's	QR Costs for Other Activities \$000's	Total QR \$000's	QR Costs as Network Infrastructure Provider \$000's	QR Costs as Rail Operator \$000's	QR Costs for Other Activities \$000's	Total QR \$000's
Labour, Oncosts, Consumables and Other Expenses	326,527	762,343	11,794	1,100,664	317,404	688,184	6,311	1,011,899
Distillate	2,095	52,904	0	54,999	2,392	50,795		53,187
Traction Electricity	44,156	0	0	44,156	47,449			47,449
Depreciation and Amortisation	136,470	140,950	2	277,422	119,127	119,463	2	238,592
Interest and Finance Charges			256,885	256,885			239,774	239,774
Total QR Operating costs	509,248	956,197	268,681	1,734,126	486,372	858,442	246,087	1,590,901

Notes

- 1 Electric energy for traction can only be delivered by the Network Infrastructure Provider from QR's catenary because separate metering for other operators' trains is not available.
- 2 Other Activities relate to ancillary revenue – earning activities which do not involve provision of rail network infrastructure or rail operations.

QR NETWORK ACTIVITY

	1998-99		1997-98	
	Gross Tonne Kilometres (000's)	Train Kilometres (000's)	Gross Tonne Kilometres (000's)	Train Kilometres (000's)
QR Operated Trains				
Coal, Minerals and Freight	58,815,048	24,028	55,763,723	22,925
Passenger	3,090,758	12,308	2,993,988	11,750
	61,905,806	36,336	58,757,711	34,675
Other Operators	573,539	347	549,394	354
Work Trains & Other	536,133	669	563,819	977
Total Traffic on QR's Network	63,015,478	37,352	59,870,924	36,006
QR Trains on Other Lines				
On Private Lines in QLD	225,358	47	239,102	49
On Interstate Lines	5,650	9	1,384	4
	231,008	56	240,486	53

OUR PEOPLE

QR remains committed to the belief that secure employment in the rail industry is best achieved by the development of a highly skilled workforce within an efficient industry able to compete with alternative forms of transport.

Therefore, we continued to work with our people to achieve a range of efficiencies during 1998-1999. Our staff continue to be the Corporation's primary source of competitive advantage through their increased capability and flexibility in performing and reforming work practices to achieve higher levels of efficiency and profitability.

During 1998-99, QR employed an average of 14,671 people across 175 employment categories. Ninety per cent of staff were employed in permanent full time positions with approximately 6 per cent engaged in fixed term, casual, and part time positions.

YOUTH EMPLOYMENT

Creating jobs for young people was one of our major achievements for the year. During 1998-99, 250 new apprentices and trainees joined the Corporation for work training. This was a major contribution to the state's employment strategy particularly for the State's youth sector.

ER SERVICES

"Just About Everything a Manager Needs to Know in Queensland Rail", a book specifically designed for QR, was a leading edge initiative designed to assist current and aspiring managers develop their core managerial and supervisory skills.

The initiative was based upon a locally written management text that was customised to suit a QR context. A key feature included the loading of the text onto the corporate intranet which gave on-line access to staff. The book, in its hard copy and electronic forms, provides simple guidelines to address everyday management problems.

The on-line version enhances the value of the book by having linkages to specific QR policies and practices. The value of this approach is the enhanced integration of general management principles with a specific organisational application. Linkages are available to legal implications and training and development options. This initiative is more than a managerial tool for today, it is a powerful resource, which will be a part of developing leaders for the future.

"Just About Everything a Manager Needs to Know in Queensland Rail", represents a major innovation in how the Corporation utilises information resources and provides access to staff. It recognises that the development of our people is critical to the future success of the Corporation, and that QR is willing to provide a platform through which this development can be achieved.

This was a locally conceived and developed initiative in cooperation with local Queensland corporations. Its value has been recognised by other major corporations, which are assessing the applicability of QR's approach to their operations.

The ability of the initiative to link organisational information resources is still being assessed. Several options for its further development are currently being considered.

INDUSTRIAL RELATIONS

QR's strategy for underpinning its industrial relations framework through enterprise bargaining was further consolidated this year. An extension of our third enterprise agreement was negotiated with and, agreed to by, employees during the year.

As with previous agreements, the current agreement commits QR and unions to work together constructively and cooperatively to achieve reform and productivity improvements.

The subsidiary agreement process outlined in QR's Enterprise Agreement provided the vehicle for substantial job redesign for Trackage Systems Operations. A trial aggregate wage agreement for Rollingstock Maintenance staff also commenced, together with the Rollingstock Gainshare Scheme.

The consultative mechanism established under the Corporate Enterprise Agreement's Grievance and Dispute Settlement Procedures continued to deliver very low lost time due to industrial disputes. Nevertheless, the parties have committed to undertake a review of the consultative process with the intention of negotiating improvements where necessary.

EMPLOYMENT EQUITY

The last twelve months saw us undertake a number of Employment Equity initiatives.

One major initiative completed was an external audit commissioned to assess the extent to which the principles of Equal Employment Opportunity had been implemented within QR.

The results of this audit indicated the need for the Corporation to refocus its efforts concerning employment equity. A number of areas were identified as needing priority, including a review of key policies and programs concerning recruitment, selection and grievance resolution. The audit also identified the need to raise awareness of equity principles and practices amongst all employees.

The adoption of the Report's recommendations is a means of supporting the achievement of QR's business and commercial goals and ensuring staff are treated in a non-discriminatory way.

The results of the Audit will be used as a basis for our three year EEO Management Plan currently under development.

The year also saw an improvement in our employment profile. A comparison of the QR employment statistics with last year showed that the number of women employed by QR has increased by 0.76% to 7.74% of the workforce.

Representation of the other groups - Aboriginal and Torres Strait Islander people, people from a non-English speaking background and people with a disability remained constant.

TRAINING AND DEVELOPMENT

The Corporation's Strategic Framework for Training aligns QR's investment in training with the priorities identified in Corporate business plans.

Current and future skill-set gaps are identified. Workforce and organisational development framework initiatives were tailored to deliver desired business outcomes.

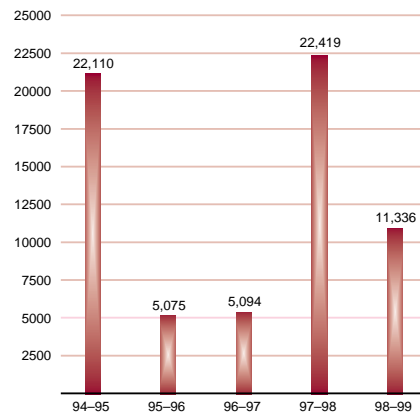
The framework focuses on enhancing our capability to meet changing customer demands within the highly competitive markets in which QR operates.

RAIL INDUSTRY COMPETENCY STANDARDS

This year we hosted the launch of the Australian National Training Authority's new Rail Industry Competency Standards. Employers, staff and unions within the Transport and Distribution industry developed the standards.

QR contributed significantly to this process and the outcome. These standards provide an opportunity for staff in traditional vocational areas to gain recognition and qualifications in nationally accredited Certificates in Transport and Distribution.

Majors within these certificates include Rail Operations, Rail Civil Infrastructure, Rail Passenger Services, Rail Freight Services, Road Transport, Warehousing and Logistics. Work was also finalised on QR's enterprise standards in Civil Infrastructure.



Graph 19
Industrial Disputes – Time Lost (in hours)

An equal opportunity employment audit completed this year identified the need to raise awareness of equity principals and practices amongst all employees.



LEADERSHIP DEVELOPMENT STRATEGY

As a component of the Progress Through People corporate priority, we developed and implemented a comprehensive leadership development strategy.

A QR Success Profile, illustrated below was introduced during the year to help the Corporation clearly define the leadership skills, abilities, and knowledge that underpin success in leadership and management roles.

The Success Profile forms the basis for leadership development initiatives and is also the basis for an integrated ER framework in Employee Relations areas such as performance management and recruitment and selection. The Success Profile has four key dimensions.

QR endorses the Frontline Management Initiative (FMI) as a central platform for developing its supervisors and managers. Building on FMI at a senior level, we introduced this year The Chief Executive's Accelerated Leadership Development Program.

This program engages participants in an action-learning program to link high-level strategic development with workplace application. The program is contributing to the development of QR's Leadership capability as a component of QR's approach to succession planning.



GETTING ON TRACK AND KEEPING ON TRACK

A major QR wide initiative introduced this year, *Getting on Track and Keeping on Track*, establishes a line of sight view for QR employees to our Corporate direction. In this program, QR's managers and staff work together to identify potential blockages to effective customer service, examining ways of improving business systems and processes.

QR's reputation as a global leader in Locomotive Driver Training was further enhanced this year with the regionalisation of Driver Training Simulators. Workplace-based units located at Callemondah near Gladstone, and Jilalan near Mackay now complement mobile units.

Drivers are able to access these simulators before and after shifts. Time off the job has been dramatically reduced further increasing the cost effectiveness of Driver training in improving fuel usage and reducing track and rollingstock wear.

In the coming year, Safety and Safeworking procedures training will be redeveloped to further reduce time off the job. Transfer of learning in these critical areas through the implementation of a workplace-based approach to training and re-accreditation will be enhanced. Succession Planning development is also a key priority for the coming year.



QR & THE ENVIRONMENT

QR is committed to responsible environmental management. As part of this commitment to the environment and to promote a strong environmental culture within QR the first issue of the Environmental Management System (EMS) was finalised during the year.

The EMS covers all people, activities, products and services QR has an influence over, both internal and external, which can have an impact on the environment.

It addresses our environmental responsibilities under the 39 identified pieces of State legislation as well a number of Commonwealth Acts and Regulations. It is the most appropriate tool to assist us in reducing risk and meeting regulatory and community expectations.

PERFORMANCE

QR reviewed its Environmental Authority (licences and approvals) requirements due to changes to Regulations under the Environmental Protection Act.

These authorities were changed where required. It was determined that the Corporation required 15 additional authorities to the existing 27 environmental authorities already held. These were applied for and were being negotiated with the Environmental Protection Agency (EPA).

The development and implementation of site-based environmental plans continued across the business with 19 plans completed. Fourteen of the licensed sites underwent internal environmental audits to assess compliance with environmental authorities.

The most significant breaches of environmental authorities reported during 1998-99 were associated with bulk fuel facilities. A \$3.5 million project commenced to improve and upgrade QR's bulk fuel facility performance across the State. Completion of these upgrades at most sites is expected in 1999-2000. Also nine sites reported additional breaches and local management have developed action plans to improve the performance.

As at 30 June 1999, QR had eight Environmental Management Programs (EMPs) being implemented under the Environmental Protection Act.

These included:

- Ongoing EMPs at Pring & Cobarra to meet licence conditions and relate to storage of bulk fuel.
- Rockhampton underground fuel line.
- Two on-going EMPs at Mayne to meet licence conditions.
- Julago storm water runoff management.

The Corporation had 62 environmental incidents during the year. These incidents are summarised in table 3.

Category 1	Controlled Incident	9
Category 2	Localised Incident Low environmental risk	44
Category 3	Localised Incident High Environmental Risk	17
Category 4	Major Incident	0

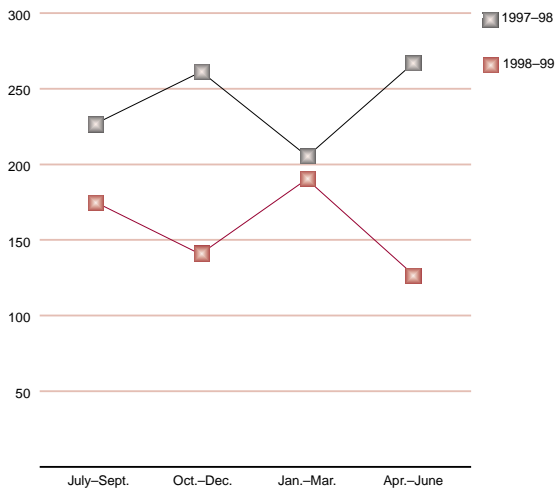
Table 3
Environmental Incidents 1998-99

While the total number of incidents rose this year, which can be attributed to improve reporting awareness, we did not have a major incident.

Environmental incidents occurring during the year included the:

- Release of construction site water with a high sediment load into stormwater at Northgate Station. A filtering system was installed to minimise the amount of sediment entering stormwater.
- Unauthorised offsite disposal of contaminated fill in Rockhampton. The Environmental Protection Agency (EPA) issued an Environmental Protection Order and the fill was returned to the Rockhampton site.
- Leak of oil water mixture past an inceptor on the creek bank at Mayne. None entered the creek.

We continued to work closely with the EPA's Contaminated Land Section to update its contaminated land register. Eleven Contaminated Soil Assessments were undertaken and completed to various stages during the year.



Graph 20
Total number of noise complaints

A total of 998 noise complaints were registered on our noise complaint database for the year. Graph 20 shows the number of complaints for each quarter in 1998-99, compared with the corresponding quarters from 1997-98. The increase in complaints is attributed to improved reporting process and increased community awareness.

Major environmental initiatives implemented during the year included:

- Commencement of the Network Wide Noise Management Plan design and development. All identification of management units and initial scoping exercise was completed in the Brisbane and regional cities. Detailed noise assessments were completed on the Citytrain network and commenced in many of the regional centres. Prioritisation of sites commenced.
- The Code of Practice for Railway Noise was drafted. This is intended to be approved by the Minister for Environment and will replace the Guidelines For Railway Noise in December 1999.
- Coal Dust Study along the Standard Gauge Rail Link commenced as a response to the report from the Public Works Committee investigation of the Rail Link. Initial results from the study confirm that there is no environmental concern in relation to coal dust from the operation of coal trains along this line.

- Commencement of the development of an Environmental GIS and an upgrade of QR environmental databases and reporting requirements. (Data Capture & Retrieval Project)
- The \$1.5 million capital works project to upgrade facilities throughout continue through the year with all items completed except for Stuart Pollution treatment plant upgrade.
- The development of QR's Greenhouse Challenge agreement commenced.

The Great South Pacific Express Environmental Management System was developed and approved by Rail Access Corp.

In addition, 16 Environmental Investigations into the environmental implications of a variety of projects throughout Queensland were completed to various stages. A number of these investigations included cultural heritage assessments and these successfully involved the traditional landowners.

OUTLOOK

The Corporation's environmental management outlook for next year promises to be busy. The implementation of the EMS with its associated on-going development and improvement will require increased attention by the Corporation.

We will be reviewing its environmental objectives and targets and setting key performance indicators. To do this, all QR business areas will need to determine the environmental aspects, impacts and related significance from their operations.

The Greenhouse Challenge agreement should be completed and implementation of the agreement commenced. Completion of the Network Noise Management Plan and the Code of Practice for Railway Noise and their implementation should also commence in 1999-2000.

QR's Traveltrains pass through some of the State's most scenic country.



COMMUNITY RELATIONS

Any business only continues to exist with the common consent of the society in which it operates. If the business does not operate in a way that the community regards as reasonable, then the community will seek to have constraints imposed through legislation and regulation.

It must continuously earn the "right" to *conduct* business if it wants to continue doing business in a community. QR believes this only makes good business sense.

For almost 135 years, the organisation has been an important partner in the economic, social and business development of hundreds of communities throughout Queensland.

Our businesses cover most of Queensland and they can have an effect on almost every community within the State. We believe it is in our business interests to maintain a commitment to positive work and social relationships with these communities.

This commitment manifested itself in two ways in 1998-99.

Firstly, we worked to build close relationships between key QR staff and community leaders, particularly in regional areas. In this way effective communication channels were established, helping to build greater support and understanding for QR activities in those areas.

Secondly, financial and in-kind sponsorship was provided to numerous worthwhile community activities and events. This not only complemented our product marketing efforts, but also in a small way recognised these communities for their past and/or continuing support of QR.

We provided financial and other in-kind support for a number of outback community celebrations, fundraising events, and child and youth appeals. A substantial community support sponsorship included an on-going \$300,000 three-year commitment to the Capricorn Helicopter Rescue Service and the Queensland Helicopter Rescue Service.

QR helped promote positive youth development through assistance to both the Australian Football League and Australian Rugby League in Central Queensland. We also continued providing practical assistance to Townsville Street Kids. Rural Queenslanders were given access to cultural activities through support for Queensland Opera tours and outback festivals where promotion of train travel was integral to the marketing package.



About 70,000 people attended launches for the introduction of the Tilt Train this year. Shown here are some of the crowd who turned out to view the train at Rockhampton.



AUSTRALIA'S FASTEST TRAIN

Australia's first Tilt Train service began operations between Rockhampton and Brisbane in 1998-99. During trials in May 1999, our Tilt Train achieved an Australian rail speed record of 210km/h outside Bundaberg. This was a world record speed for a narrow gauge train.

This selection of photographs was taken on the day to record this milestone in Australian rail history. The Queensland Police Service provided independent confirmation of the record speed attained by the Tilt Train. These photographs show some of the QR people involved in the trials on the day.



CORPORATE GOVERNANCE

Our corporate governance is the responsibility of the Board. The Board's main responsibilities include the determination of the strategic direction, setting of management goals and the measurement and monitoring of achievements against goals.

Our corporate governance policies and practices ensure QR acts ethically, within appropriate law and addresses issues relating to internal controls and the management of business, operational and financial risk.

QR's corporate governance also has a focus on our people. It works to ensure appropriate policies and processes are in place for performance review and remuneration, career and succession planning at the executive management level, and education and training.

The Board, at monthly meetings, addresses corporate governance issues and it has established five Board Committees to assist the Full Board in determinations.

The QR Board has delegated the responsibility for the management, operation, and administration of the Corporation to the Chief Executive, who, with the executive team, is accountable to the Board.

QR's main planning and control mechanisms are the Corporate Plan, the Statement of Corporate Intent and Quarterly Reports on performance to the Shareholding Ministers and the Annual Report.

APPOINTMENT OF DIRECTORS

Part 3 of Schedule 1 of the *Government Owned Corporations Act 1993* specifies provisions relating to QR Directors including:

- Directors are appointed by the Governor in Council for a period of not more than five years;
- The Governor in Council may, at any time, terminate the appointment of all or any directors for any reason or none;
- Directors may resign by written notice to the Governor; and
- The Governor in Council determines fees and benefits of Directors.



Corporate Governance provides the necessary direction for QR to successfully negotiate legislative requirements.

ETHICAL STANDARDS

Corporation policy is that the Board, the Senior Executive, and all employees maintain the highest standards of ethical and legal conduct. Our Corporate Code of Conduct covers:

- The role of QR, its employees, supervisors and managers;
- Conflicts of interest;
- Use of QR resources and information;
- Use of intellectual property;
- Public comments by QR staff;
- Accepting gifts and benefits;
- Dress and appearance;
- Safety, security and customer service;
- Equity, discrimination and workplace harassment;
- Leaving QR's employment;
- Reporting of official misconduct;
- Reporting of public interest disclosures; and
- Breaches of the Code of Conduct – criminal acts, serious breaches and minor breaches.
- Planning & Control Framework

BOARD COMMITTEES

The Full Board meets each month to consider corporate governance issues and has established the following committees to assist with full board decisions.

Audit Committee

This Committee's role is to provide the QR Board with a continuing independent review of management's implementation of Board policies. It also considers issues referred to it by the Board.

The Audit Committee meets quarterly and is responsible for:

- Reviewing the draft financial statements and Annual Report, prior to submission to the Board;
- Monitoring compliance with legislative and statutory obligations, codes of conduct, and disclosure;
- Reviewing the adequacy and content of the audit process;
- Monitoring the effectiveness of corporate governance processes, including corporate risk assessment and management processes and reporting; and
- Reviewing the adequacy of insurance cover including provisioning for known uninsured risks and/or insurance policy deductibles.

Committee Membership is made up of three Board members including the Committee Chair, Chairman of the Board as an ex-officio member; and the Chief Executive, Deputy Chief Executive and Chief Internal Auditor attend by invitation.

Finance Committee

The Finance Committee addresses any aspect of QR's financial affairs it considers appropriate and considers any issues referred to it by the Board.

It meets monthly and is responsible for:

- Establishing policy governing the composition, structure, and management of the Corporation's debt and equity funding, the investment of surplus funds and the management of financial exposures arising from market risk and credit risk, including credit terms extended to customers;
- Assessing and recommending to the Board the annual operating budget, along with the capital investment plan, the monthly financial reporting to the Board, the quarterly reports to shareholding Ministers, the Annual Report and Financial Statements; and
- Reviewing financial reporting, financial statements and the Annual Report before publication.

It is made up of four Board members including the Committee Chair, Chairman of the Board as an ex-officio member, the Chief Executive, Deputy Chief Executive, and Group General Manager Technical Services who attend by invitation.

Strategy and Planning Committee

This Committee provides input to the Board on the overall strategic direction of the Corporation, and prepares QR's Statement of Corporate Intent and the Corporate Plan.

It meets as appropriate and is made up of the Chairman of the Board (Chair) and three other Board members.



Just as our Traveltrain passenger services cover the State, our Corporate Governance practices encompass our business and reporting mechanisms.

Remuneration Committee

This committee provides the Board recommendations on the composition and levels of salaries and benefits payable to the Chief Executive and other senior executives of the Corporation.

Its meetings are held as required and membership is made up of the Chairman of the Board (Chair) and two other Board members.

General Projects Committee

This Committee address discrete tasks and periodic projects, usually involving stakeholder relations, such as the production of the Annual Report, or major promotions associated with a new business initiative.

Membership is made up of two Board members including Committee chair and the Chairman of the Board as an ex-officio member. It meets as appropriate.

MANAGEMENT COMMITTEES

The Chief Executive is responsible for the management, operation and administration of QR. The Chief Executive and his Executive team are accountable to the Board.

The management of QR's various business operations is delegated by the Chief Executive to his Executive Managers. Specific committees have been established by the Executive Managers to monitor corporate strategies and make recommendations to the Chief Executive and the Board regarding systems, policy and procedures.

QR's major management Committees include.

Senior Executive

The Senior Executive is the Corporation's principal management committee. Its role is to:

- To review financial and operational performance;
- To initiate and coordinate, where appropriate for Board consideration, the development and implementation of corporate strategies, plans, standards, and policies for the Corporation.

The Senior Executive meets twice each month and as required for specific issues. One meeting per month focuses on broad strategic issues, while the other focuses on financial and operational performance.

The management of QR's various business operations is delegated by the Chief Executive to the Group General Managers who are empowered, with their management teams, to run those businesses within an agreed framework of strategic plans, budgets, standards and policies.

Investment Committee

This Committee manages QR's capital investment program under sound commercial principles and meets monthly.

It is responsible for:

- Establishing and maintaining a corporate investment strategy consistent with the Corporate Plan and the Statement of Corporate Intent;
- Preparing an annual investment program as a basis for the Chief Executive's submission to the Board for consideration;
- Ensuring investments are consistent with the Corporation's charter and legislation;
- Reviewing investment submissions and recommending appropriate investments to the Chief Executive;
- Recommending financing strategies for the total investment program; and
- Monitoring the program and project performance against forecast costs and benefits.



Risk Management Committee

This Committee reviews organisational systems and processes. It develops policies, ensuring effective identification, measurement, management and monitoring of business, operational and financial risks.

The major identified risk areas are:

- Business risk, which addresses issues such as loss of market share, business concentration risk, third-party access, product pricing, structural cost issues and the Corporation's insurance philosophy and degree of cover;
- Operational risk, which includes disaster recovery, workplace health and safety, passenger/public security, management information system capability and redundancy; and
- Financial risk, which includes treasury issues such as funding policy, interest rate risk, liquidity risk, currency risk and commodity price risk; and issues such as balance sheet planning and management, debt/equity policy and dividend policy.

The Committee provides the forum from which recommendations regarding systems, policy and procedures are submitted to the Chief Executive and the Board for consideration. Policies and limits, where required, are recommended to the Board Finance Committee and then to the full Board for approval.

For financial risk, this Committee has responsibility for approving the following recommendations to the QR Board through the Finance Committee:

- Policy for financial risk (liquidity, interest rate, currency, treasury operational, treasury credit);
- Counterparties and countries and their respective limits for treasury transactions;
- Financial market instruments; and
- Funding facilities (including leveraged leases).

In addition, the RMC will have final approval of the following:

- Interest rate risk profile within the policy determined limits;
- Hedging QR Board authorised foreign exchange exposures before exposure commitment;
- Establishment and changes to the Treasury Procedures Manual.

This Committee also reviews an analysis of business, financial, and operational risks arising in the activities contemplated in the five-year period covered by the Corporate Plan.

Responses to such risks are considered in framing the Corporate Plan. In addition, the corporate planning process requires that business, financial, and operational risk management is reviewed as part of the business planning process at Divisional, Business Group and Corporate levels.

Table 4
Board Meeting Attendance 1998-99

Member	Board Meetings (12)	Finance Committee (9)	Audit Committee (3)	Strategy & Planning Committee (5)	General Projects Committee (2)
Neville Blunt	12			5	
John Elliott	10		3		
David Carmichael	11	8			
Terry Cogill	11		3		
James Cutts	11	8			
Erin Feros	12	9			2
Cheryl Macnaught	8		1		
Joan Moloney	11	8			
John Miles	10			3	
John Mills	12			5	2
Geoffrey Teys	12			5	

Safety Council

The Safety Council's role is to provide the impetus and leadership for the development of a strong safety culture within the Corporation as well as on-going improvements in safety performance.

The Safety Council meets every two months and approves a comprehensive safety report for submission to the Board.

The Safety Council's role includes, but is not limited, to:

- Providing leadership and direction for the management of safety within QR;
- Promoting a strong safety culture by demonstrating the commitment of Senior Executive to improving safety;
- Including staff involved in major incidents in discussions on preventative measures;
- Overseeing the development and operation of QR's Safety Management System which involves policy development, the Corporate Safety Plan, the application of risk management techniques and the safety and security of customers and the public; and
- Monitoring the safety performance of QR.

Information Steering Committee

This Committee oversees all of QR's information service provision, including the Information Services Division and information service provision aspects of QR Telecommunications and Engineering Services Divisions.

The Committee meets monthly and its charter is to coordinate overall information management within QR in support of business needs. It has the responsibility and accountability for ensuring:

- The prioritisation, use and application of QR's information resource and funds is consistent with the corporate directions and business functions of the organisation; and
- QR's deployment of information technology is directed at the effective and efficient management of QR's information resource.

Environmental Steering Committee

This Committee's role is to oversee the development, implementation and review of QR's Environmental Policy, its directions and strategies and to promote the advancement of a strong environmental culture in QR.

It meets monthly and its responsibilities are to:

- Ensure consistency across QR for environmental management;
- Develop QR's Environmental Management System (EMS);
- Facilitate the implementation of the EMS;
- Review and comment on QR's quarterly environmental compliance report;
- Assign lead agents to QR's wide environmental initiatives;
- Encourage continual improvement in Environmental Performance throughout QR;
- Set environmental goals and standards, and monitor performance; and
- Review and analyse management outcomes of all major incidents (category 4).

Y2K STEERING COMMITTEE

This committee coordinates QR's Year 2000 project. It met every two weeks during 1998-99. This project involves minimisation of the financial, legal and operational impacts on QR business before, during and after the year 2000.

The Y2K project coordinated QR's response to this business imperative during the year through:

- Allocating roles and responsibilities to lead agencies and others; and
- Providing recommendations, guidance and information to the Chief Executive, management and staff on methodologies, strategies and actions required achieving Y2K compliant systems, products, components and computer interfaces.

Other QR Management Committees included the Information Management Committee, the Pre-Audit Review Team, the Research & Development (R&D) Committee, the Strategic Infrastructure Planning Committee, the Compliance Committee, the Inventory Overview Committee and the Train Control & Protection Systems (TCPS) Steering Committee.

INTERNAL AUDIT

QR's Internal Audit Division continued to play a vital role during 1998-99, as part of our commitment to meet the requirements of good Corporate Governance.

Internal Audit systematically and objectively appraised QR's diverse operations, systems and controls to determine whether:

- Risks were identified and minimised;
- Financial and operating information was accurate and reliable;
- External regulations and internal policies and procedures were followed;
- Assets were safeguarded;
- Revenue was protected;
- Resources were used efficiently and economically; and
- The Corporate and Business objectives were effectively achieved.

Its key function is to provide management with independent advice, opinions and recommendations based on appraisals to promote effective controls.

Completed Audits

During 1998-99, Internal Audit completed numerous compliance and operational audits for the Corporation. Other special investigations and reviews were also undertaken during the year.

Audits completed included:

- Financial Reviews of major Capital Works Projects;
- Government Service Agreements;
- Revenue and Contract Audits; and other
- Operational and compliance reviews.

Internal Audit was reaccredited under the ISO 9002 Quality Standard to achieve best practice and continual improvements. It also maintained its association with the Global Auditing Information Network for benchmarking purposes.

To provide QR with an effective value-added service Internal Audit continued to develop its skills through:

- Training (via in-house programs, on-the-job, external courses) and supporting staff in their endeavours to complete external Certified Practising Accountant courses. Currently, we have a wide range of professional qualifications which strengthen our skill base;
- Encouraging professionalism and "work excellence" through participation in various Professional Associations;
- Promoting ethical work practices;
- Adopting "modern Risk-based" auditing approaches; and
- Developing good working relationships with the Queensland Audit Office.

1999-2000

Internal Audit, for next year, has identified key performance indicators. They will also perform a survey of their customers.

This survey will provide valuable feedback to ensure continued improvement and effectiveness provision of future services. Additionally, to minimise risks and increase the potential for achieving Business and Corporate objectives, Internal Audit will encourage QR to implement formal Control Self-Assessment processes.

It will continue to review processes and procedures for Y2K, Travel Allowance, Desk Top Roll-out, Internal Trading, Government Service Agreements, Network Access, Financial Management, Safety, Capital Investment and other operational and compliance audit areas.



Q R B O A R D

QR's 11 member Board comprising Chairman Neville Blunt, Deputy Chairman John Elliott and Directors David Carmichael, Terry Cogill, James Cutts, Erin Feros, Cheryl Macnaught, Joan Maloney, John Miles, John Mills and Geoffrey Teys, completed its term on 30 June 1999. A total of 12 full Board meetings were held during the year.

The State Government on 1 July 1999 appointed a new nine member QR Board. Subsequently, Deputy Chairman Dianne Linnane, resigned on 29 July 1999, and as of the printing of this report no appointment had been made to this position.



Bronwyn Morris

Bronwyn Morris BCom, FCA, MAICD
Chairman

Bronwyn Morris is a Chartered Accountant with more than 20 years' broad-based financial and business experience. She is a former audit and corporate services partner of KPMG. Bronwyn, previously a QR Board Member between March 1995 and March 1997, currently serves as a non-executive director of Stanwell Corporation Limited and the Queensland Office of Financial Supervision. She is also a Member of both the Gold Coast District Health Council and the Gold Coast Hospital Foundation. Bronwyn is immediate past Queensland State Chairman of The Institute of Chartered Accountants in Australia and currently serves on the National Council of that Institute.



Paul Bell

Paul Bell
Director

Paul Bell has 15 years experience in Local Government and has spent nine of these years as Mayor of Emerald Shire. He has represented rural and regional communities at national, state and local levels. He has a keen interest in supporting economic growth and development of regional Queensland and that of the rest of Australia. Paul is a Board Member of Ergon Energy, sits on the Central Queensland University Council and is a Board Member of Australian Local Government Training Ltd.



Kim Lazenby

Kim Lazenby BA, PGDipSocPlan, AAID
Director

Kim Lazenby has 14 years experience in the employment, training and industrial training arenas. She is currently a Principal Project Officer with the Australian National Training Authority. The Authority is the statutory body responsible for national vocational education and training policies. Kim, during her career, has pursued an interest in social planning and evaluation and social justice issues.



Warren McLachlan

Warren McLachlan
Director

Warren McLachlan is a beef cattle producer from Monto in Central Queensland. He is a principal of WW & SM McLachlan Consultancy, a service specialising in the provision of comprehensive practical advice and representation concerning land use issues. He has many years of administrative and practical experience as a member of two Local Government Authorities and as a member on an associated Board. As a member of the Cattleman's Union of Australia he accepted responsibilities for a wide range of issues and held executive positions at both State and Federal levels in that organisation. This has given him an in-depth understanding of regional and rural issues.



John Miles

John Miles

Director

John Miles is a Principal of national engineering consulting company Connell Wagner and a past national president of The Association of Consulting Engineers, Australia. He specialises in civil infrastructure, planning and environmental studies and is also involved in management, training and business development. He has wide commercial experience involving public and private organisations both in Australia and overseas.



Margaret Mittelheuser

Margaret Mittelheuser AM, BComQld, BAQld, Hon D PhilQld, FAICD

Director

Margaret Mittelheuser is a Senior Advisor with Wilson HTM Ltd. She was appointed an inaugural QR Director in August, 1991 with continuous service until March, 1997. She has extensive stockbroking and investment banking experience and was a founding member of The Securities Institute of Australia. Margaret has been an analyst of public and private companies for many years and is a Member of The University of Queensland Development Council.



Dawson Petie

Dawson Petie FAICD,

Director

Dawson Petie is the General Manager, Client Services Division, Queensland Investment Corporation. He is Fellow of the Australian Institute of Company Directors and has over 20 years experience in industrial relations, superannuation, investment and finance. Dawson has been a director of a number of public and private sector boards and has participated in the running of various community and charitable organisations. Dawson has had extensive involvement in education and training and he has held senior positions in peak industry bodies.



Geoff Stevenson

Geoff Stevenson BEcon, BA, MPA, FCIT, FIPAA, MAICD

Director

Geoff Stevenson has extensive experience in the State's Transport sector. He was Queensland's Director-General of Transport for six years, responsible for the planning and development of road, rail and maritime transport systems and infrastructure. He is a past-Chairman of the Ports Corporation of Queensland, the Port of Brisbane Corporation and the Gold Coast Waterways Authority. Geoff is a Fellow of the Chartered Institute of Transport in Australia and is Queensland's Legal Ombudsman.

QR MANAGEMENT TEAM

VINCE O'ROURKE
BEcon, FCPA, FCIT, FAIM, FFTA
Chief Executive

Vince O'Rourke was appointed Queensland Commissioner for Railways in October 1990. From 1 July 1991, under the new Transport Infrastructure (Railways) Act, he became Chief Executive of QR. Mr O'Rourke is a career railway manager with a broad background spread over 40 years in operations, finance and business aspects of the railway industry. He is currently Vice President of the Australasian Railway Association and a member of the Australian National Training Authority Board. Vince is also a member of the Queensland Treasury Capital Markets Board.

BOB SCHEUBER
BBus, BEcon, FCPA
Deputy Chief Executive

With degrees in economics and commerce, Bob Scheuber has been responsible for many improvements in QR's accounting and information systems since he began in 1974. He has held a number of positions within QR, including Chief Financial Accountant, Chief Internal Auditor and various Senior Executive positions. Bob has been Deputy Chief Executive since 1 July 1995.

DAVID GEORGE
MA, FAICD
Group General Manager,
Coal & Mainline Freight

David George has extensive experience in the rail industry, having worked for 16 years with British Rail in a wide range of marketing, operating and business management positions. Until early 1990, he was responsible for British Rail's Anglo-European Freight Strategy in the run-up to the

opening of the Channel Tunnel. He was seconded to QR for two years subsequently becoming Executive Manager Strategic Issues. In early 1998 he was appointed Group General Manager Coal & Mainline Freight. David is a Fellow of the Australian Institute of Company Directors and a Director of the SeaFreight Council of Queensland

GLEN DAWE
BA (ECON), FCIT, MAICD, AIMM
Group General Manager
Metropolitan and Regional Services

Glen Dawe joined QR as a Porter, and has subsequently worked in a wide range of roles involving planning, market research, business development and business management throughout the organisation. In 1991, he was appointed General Manager Primary Industries, taking on the additional role of managing Q-Link in 1993. Glen was Group General Manager Citytrain from 1996 until his current appointment in December 1997.

TONY DRAKE
BE, MIEAUST, FCIT, AICD
Group General Manager,
Infrastructure Services

With a background in civil engineering Tony joined QR in 1974. Initial work in civil and overhead equipment contract management lead to a role in project management including Mainline Electrification and other major projects. Appointed as Group General Manager, Corporate Services in the 1990 restructure Tony continues participation in QR's Senior Management Team with his current role in Infrastructure Services responsible for Infrastructure maintenance and construction Statewide.

MICHAEL SCANLAN
BE, GradDipMgt, MBA
Group General Manager,
Network Access

Mike Scanlan has held numerous senior positions in maintenance, planning, project management, commercial, operational and business management during a 25-year QR career. He has worked in all of the State's major centres and regions and this has allowed him to develop a through knowledge and understanding of the issues, challenges and business opportunities facing QR. Prior to his current appointment as GGM Network Access, Mike was QR's Principal Policy Adviser to Queensland Transport and held two senior management positions in QR's previous Coal & Minerals Business Group. These were as the General Manager Business Development and the General Manager (Operations). Mike was appointed Group General Manager, Network Access on+ 2 March 1998.

TERRY FISHER
BSC (HONS)
Group General Manager,
Workshops

Terry Fisher has more than 32 years experience in the manufacturing and maintenance industry, in particular associated with railway rollingstock. He joined QR in 1991. Terry's major responsibility is to provide a maintenance and manufacturing service based on commercial imperatives and best practice for the business groups of QR.

BRIAN BOCK
BE, BCom, MIEAUST,
FPWI, MAICD
Group General Manager
Technical Services

Brian Bock has had extensive experience in a wide range of positions in QR over a 20-year period involving engineering, construction, project management, freight forwarding and business management roles. He currently manages QR's core railway technical, environmental, project management and procurement functions. Brian is actively involved in railway industry bodies and is currently representing QR on the National Industry Reference Group. He is Chairman of the International Heavy Haul Association and a Member of the Board of Management of the Centre for Railway Engineering of Central Queensland University. Brian was appointed Group General Manager Technical Services in March 1998.

STEPHEN CANTWELL
BBus, GDipTportMMent, MBus,
MCIT, MACID
Corporate General Manager
Strategy & Planning

Stephen Cantwell has had an association with the rail industry spanning 20 years. Except for two years working within the Queensland Department of Transport's Policy and Planning area, all of this time has been spent with QR. Stephen's early career was centred on QR's operations involving train control and scheduling. More recently he has held management positions in coal and minerals business development and corporate strategy. Stephen took up his current position on 1 March 1998.

CHIEF EXECUTIVE
Vince O'Rourke



DEPUTY CHIEF EXECUTIVE
Bob Scheuber



GROUP GENERAL MANAGER
COAL & MAINLINE FREIGHT
David George



GROUP GENERAL MANAGER
METROPOLITAN & REGIONAL SERVICES
Glen Dawe



GROUP GENERAL MANAGER
INFRASTRUCTURE SERVICES
Tony Drake



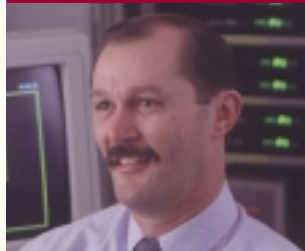
GROUP GENERAL MANAGER
NETWORK ACCESS
Michael Scanlan



GROUP GENERAL MANAGER
WORKSHOPS
Terry Fisher



GROUP GENERAL MANAGER
TECHNICAL SERVICES
Brian Bock



CORPORATE GENERAL MANAGER
STRATEGY & PLANNING
Stephen Cantwell



The Chief Executive and his executive team is responsible for the efficient management, operation and administration of the Corporation.

SUMMARY OF TRAFFIC TASK

	1998/99	1997/98
	Tonnes (000's)	Tonnes (000's)
FREIGHT		
Export Coal	94,080	86,129
Domestic Coal	10,427	9,879
Total Coal	104,507	96,008
Major Minerals	7,395	5,569
Other Freight	8,585	8,809
Total Freight	120,487	110,386
PASSENGERS		
Citytrain		
Single and Return Tickets	24,587	23,899
Multi-trip Weekly Tickets	9,942	9,438
Season Tickets	6,569	6,576
Total Citytrain	41,098	39,913
Traveltrain		
Long Distance Tickets	460	401
Tourist Train Tickets	442	442
Total Traveltrain	902	843
TOTAL PASSENGERS CARRIED	42,000	40,756

Notes

- 1 The amount of freight tonnage and numbers of passengers carried by other operators over QR's network are not known by QR and are not included in the above statement.
- 2 In 1998-99 Citytrain converted its passenger trip recording to a new electronic ticketing system. 1997-98 numbers have been restated on the same basis.



RAIL NETWORK OWNED (LEASED)

	Length in Kilometres	
	30 June 99	30 June 98
Route Kilometres		
1067mm Gauge	9,367	9,364
1435mm Gauge	99	98
Dual Gauge	34	34
Total as at 30 June	9,500	9,496
Line Sections Opened During 1998-99		
9.1.99 Macarthur Jct to Macarthur		5.09km
Line Sections Closed During 1998-99		Nil
Adjustments to Line Section Distances		
Net Decrease in Route Kilometrage for deviations etc.		1.29km

RAIL NETWORK OPERATED

	Length in Kilometres	
	30 June 99	30 June 98
Route Kilometres		
In Queensland		
1067mm Gauge	9,400	9,397
1435mm Gauge	99	–
Dual Gauge	34	34
	9,533	9,431
In New South Wales		
1435mm Gauge	875	–
Totals as at 30 June	10,408	9,431

The difference between route kilometres owned and operated is due to 1435mm gauge lines in NSW and some 1067mm gauge line in QLD over which QR runs trains but does not own the track.

AVERAGE NUMBER OF STAFF EMPLOYED

	Operating	Capital Works	Totals
1993-94	15,579	820	16,399
1994-95	14,646	1,076	15,722
1995-96	14,490	1,002	15,492
1996-97	13,546	1,622	15,168
1997-98	13,493	1,285	14,778
1998-99	13,332	1,339	14,671

ROLLINGSTOCK IN USE

	30 June 99	30 June 98
Locomotives	540	539
Coal, Minerals & Freight Wagons	11,726	11,506
Passenger Rollingstock		
Loco Hauled Cars	279	281
Rail Motors	12	10
Electric Multiple Units	350	350
Electric Tilt Train Cars	12	–
Service Stock	1,251	1,352

SUMMARY OF STATEMENT OF CORPORATE INTENT

Introduction: QR's Statement of Corporate Intent (SCI) is prepared each financial year in accordance with the requirements of Part 8 of the *Government Owned Corporations Act 1993 (GOC Act)*.

The SCI is the formal statement of intentions, key policies and the performance agreement between the Board of QR (QR) and its shareholding Ministers, the Minister for Transport and Main Roads and the Treasurer. It is derived from the Corporation's five year Corporate Plan.

Provided below is a summary of the SCI for the 12 months ended 30 June 1999. The full statement will be tabled in the Legislative Assembly in accordance with section 132 of the GOC Act.

Key Undertakings: The SCI outlines the key undertakings of QR's business groups. The major business undertakings are:

- Coal & Mainline Freight Group will haul in the order of 117 million tonnes of coal and other freight;
- Achieve 45 million passenger journeys for the Traveltrain and Citytrain Groups;
- Introduce the Tilt Train service between Brisbane and Rockhampton; and
- Introduce the Great South Pacific Express service in joint venture with Venice Simplon Orient Express.

Major Infrastructure Investments: The SCI outlines the plans of QR for major capital investments in property, plant and equipment, and infrastructure. Total capital works expenditure during 1998-99 for QR was estimated at \$700 million.



Group	1998-99 Budget \$000's
Coal & Mainline Freight	193,516
Metropolitan & Regional Services	145,726
Network Access	153,194
Infrastructure Services	59,023
Workshops	2,907
Business Services	44
Corporate	9,243
	563,653
Allowance for Future Approvals	136,347
Total QR Programmed Investments	700,000

The SCI also includes details of the programs for capital expenditure by group.

QR's Capital Structure and Dividend Policy, and Financial Risk: The SCI includes details of policies for capital structure, dividend payout and the management of financial risk.

Government Service Agreements and Subsidies: QR receives payments from Government for the following service outputs:

- Citytrain;
- Traveltrain (including interstate passenger);
- Regional Freight and Q-Link;
- Network Infrastructure;
- Gladstone Power Station subsidy; and
- Workshops.

The SCI outlines the funding of the above services, which provides for Government's Community Service Obligations. Additionally, the SCI outlines the principles for developing:

- Clear and transparent contracts (Government Service Agreement) for provision of these services; and
- Separation of this funding from any subsidies associated with shareholder interest in objectives other than transport outcomes (eg. employment, regional amenity).

Accounting and Major Asset Acquisition and Disposal Policies: Key policies in these areas are set out in the SCI.



Employment and Industrial Relations Plan:

This plan guides QR in developing and maintaining conditions of employment for employees, including labour market based remuneration. The Employment and Industrial Relations Plan contains information relating to:

- Staff profile;
- Workforce management and industrial relations strategies;
- Training and development;
- Staff performance management
- Employment policies and strategies;
- Remuneration arrangements;
- Superannuation details;
- Rail accreditation; and
- Obligations under other legislation.

Performance Monitoring: The SCI contains a framework for performance monitoring which ensures the QR Board is accountable to its shareholding Ministers for QR's performance. The SCI requires the following reports to be provided to the Minister for Transport and the Treasurer:

- **Quarterly reports:** QR will provide quarterly information in respect of the performance indicators outlined in section 3.3 of the 1998-99 SCI. Quarterly profit and loss information will be reported on a responsibility basis. Divergence from forecast results will be reported on an exception basis.

- **Annual Report to Shareholding Ministers:** QR will provide annual information in respect of the performance indicators outlined in section 3.3 of the 1998-99 SCI.

- **Performance Forecasts:** The SCI requires QR to report on a number of financial and non-financial performance indicators to present a balanced perspective on QR's overall performance. These financial and non-financial performance indicators are also reported on in the Quarterly Report and Annual Report to shareholding Ministers. Examples of financial indicators include:

- Accounting and economic rate of return on total assets
- Current ratio
- Funds flow interest cover
- Funds flow payback period; and
- Debt to equity ratio.

Examples of non-financial indicators include:

- Net tonne km
- Tonnes hauled
- Net tonne km per locomotive
- Passenger journeys; and
- Passenger journeys per car.

Modifications to SCI: Section 131(1)(d) of the GOC Act requires that each annual report of a Government-Owned Corporation include particulars of any modifications made to the SCI during the relevant financial year. QR's SCI was modified as follows:

- 1998 forecast figures in the Performance Targets have been replaced by the actual figures as reported in the 1997-98 Annual Report.

SUBJECT INDEX 1998-99 ANNUAL REPORT

Please note that page index referencing concerning the attached 1998-1999 Financial Statements Booklet is also included in our Annual Report page index. These entries are shown as (Financial Statements) and include the booklet's appropriate page number.

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GLOSSARY

ABOVE RAIL INFRASTRUCTURE

Infrastructure required by a railway operator (eg.rollingstock, crew facilities,rollingstock maintenance facilities, etc) to operate trains.

AFTA

Australian Federation of Travel Agents.

ATE

Australian Tourism Exchange.

ATLAS

Established travel industry reservation system owned by TELSTRA.

BALLOON LOOP

Rail line terminus that backs upon itself in a circular shape.

BELOW RAIL INFRASTRUCTURE

Infrastructure required by a railway manager (eg. track, stations, signalling systems, traction power systems, etc) to provide capacity for the operation of trains.

CCTV

Closed Circuit Television.

COMPETITIVE NEUTRALITY

Equal treatment in terms of taxes and charges.

CONSIST

The wagons and locomotives used to make up specific trains.

CORRIDOR ASSESSMENT PROJECT

The project is a five-year program to the year 2000 to identify and formalise rail corridor land boundaries to satisfy legislation introduced on 1 July 1995.

EA (ENTERPRISE AGREEMENT)

An Enterprise Agreement is an agreement between an employer, employees, and/or unions containing work conditions, including remuneration, and is binding on the parties for a specified time period. During 1998-99, QR operated under its fourth EA.

ENVIRONMENT MANAGEMENT PROGRAMME

An Environmental Management Programme is a plan of action to improve an enterprise's environmental performance by reducing environmental harm and achieving compliance with the Environmental Protection Act.

EMP

Environmental Management Plan – detailed plan for the management of environmental impacts from a site or activities of an organisation. It is not legislatively based, but does fit into QR's Environmental Management System.

EMU

Electric Multiple Unit – a type of electric passenger train used on the Citytrain network.

ESCALATION

Factor used to adjust freight rates for full or part inflation.

EXPORT COAL CREDIT SCHEME

Produces benefits to customers for railings additional tonnage.

FREIGHT INCENTIVE SCHEME

Benefits to customers for helping to improve rail productivity.

GOVERNMENT SERVICE AGREEMENT PAYMENT

Payment by the State Government to QR for the provision and maintenance of socially required rail services which would not be normally run, on a commercial basis.

GREENHOUSE CHALLENGE

A Federal Government initiative to assist organisations, such as QR, to voluntarily work towards the reduction of greenhouse gas emissions caused by their business operations.

IMU

Interurban Multiple Unit – a specifically designed Citytrain electric passenger train used exclusively on the Gold Coast Railway.

IRTP

Integrated Regional Transport Plan.

ITOA

Inbound Tour Operators Association.

MARSHALLING

The process of putting locomotives and rail wagons together to make up train consists.

METALLURGIC COAL

Coal used in the production of coke and metals especially steel.

MODAL SHARE

The share of total transport task that each form of transport attracts, eg. road, air, rail and sea.

NMP

Noise Management Plan.

NTK

Net Tonne per Kilometre.

NETWORK ACCESS

A Group within QR created to manage access to QR's essential infrastructure as defined by the Trade Practices Act and the Queensland Competition Authority Act.

OC MACHINES

Operator Console machines located in Station Masters Offices used for the issuing of tickets.

ON-TIME RUNNING (CITYTRAIN)

The percentage of services that arrive at their scheduled destinations within three minutes of scheduled timetable.

OCA

Queensland Competition Authority.

QUEUING

Time spent by train consists at terminals or intermediate points waiting on rail traffic ahead on the line to clear.

ROLLINGSTOCK

Railway wagons and locomotives used for specific purpose or general freight haulage.

SAFE STATION PROGRAM

QR initiative aimed to increase customer safety.

SAMMI

SAMMI is the name describing QR's single computer system which replaced many existing business systems. It stands for Supply, Accounting, Maintenance, Manufacturing and Integration of the above computer systems. It also comprises an Employee Relations system.

SAP FINANCIALS

Financial systems introduced by QR to replace the Dun and Bradstreet financial systems previously used to record the organisation's accounting transactions.

SHUNTING

Railway term referring to the movement of locomotives and wagons. Normally associated with the creation of specific train consists.

SMU

Suburban Multiple Unit – a type of electric passenger train used the Citytrain network.

SPUR (LINE)

Rail terminus that has a dead end.

TVM

A Ticket Vending Machine located at Brisbane suburban stations to enable passengers to purchase tickets.

THERMAL COAL

Coal that is burnt to form steam in the electricity and/or other industries.

THIRD PARTY ACCESS

Access by other rail operators to QR's rail infrastructure.

THIRD PARTY OPERATORS

Railway operators, as defined by the Transport Infrastructure Act, other than QR who use the State's rail network.

TILT TRAIN

A high-speed (170km/h) electric train introduced by QR on the Brisbane to Rockhampton rail corridor.

UTC

Universal Train Control – a system for remotely controlling and monitoring signalling equipment for the efficient and safe control of train operations.

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