



STATEMENT OF CORPORATE INTENT

2019-20 – 2022-23

TasRail Snapshot



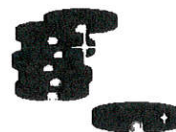
Total freight task
482,953,848 m

Net Tonne Kilometres (NTK)
2018-19



Capital Spend
\$27.8 m

2018-19



Annual revenue
\$36.2 m

2018-19

Strategic Direction

1. Introduction and overview of TasRail's operating environment

Tasmanian Railway Pty Ltd (TasRail) was established on 1 December 2009 by an Act of Parliament. The principal objectives of the business are to:

- ❖ Operate a rail business in Tasmania effectively and efficiently;
- ❖ Operate its activities in accordance with sound commercial practice; and
- ❖ Maximise sustainable returns to its Shareholder Members.

TasRail's core business is the:

- ❖ Provision of rail and associated freight services in Tasmania;
- ❖ Provision of train control services;
- ❖ Management of terminals, including bulk handling and shiploading; and
- ❖ Maintenance of, and upgrades to, the rail network infrastructure.

TasRail is one of Tasmania's largest and most efficient logistics businesses and the supply chain partner of choice for the State's heavy industries and major freight forwarders. It has delivered Tranche One (\$119.6 million) of the \$376 million Tasmanian Freight Rail Revitalisation Program on time and on budget, resulting in record safety, operational and business performance.

Aligned with the corporate planning period, Tranche Two (\$119.6 million) will commence on schedule in July 2019, and will be completed on time and on budget in June 2023 – ensuring industry has fit-for-purpose rail supply chains to reach their export markets. As with Tranche One, this will be achieved by a process of targeted asset renewal focusing on opportunities to further reduce derailment risk, improved network performance and sustainable maintenance costs.

The Australian and Tasmanian governments' 2019-20 Budgets included a shared funding commitment to Tranche Three, with \$136 million budgeted in 2021-22 and 2022-23.

TasRail's Above Rail business made a modest net profit (excluding the one-off costs of the Devonport derailment in September 2018) in 2018-19, demonstrating that the Company's commercial division is sustainable. Further growing the Above Rail net profit will be a focus in this planning period.

Notwithstanding the very serious Devonport incident, TasRail is safer than it has ever been as a result of the relentless focus of both the Board and management on a Zero Harm environment. As at 30 June 2019, it had been a record 1,041 days since a TasRail employee suffered a lost-time injury (LTI), highlighting the long-term success of the SafetyCircle Behavioural Program, which was introduced company-wide in 2016. Likewise, mainline derailments continue to be well below historic low levels, with TasRail targeting zero mainline derailments across this planning period.

The TasRail team is immensely proud of the network upgrades that underpin the long-term sustainability and productivity of a freight railway for Tasmanian industry. The Company has adopted a proactive management approach to ensuring this asset investment delivers long-term benefits.

Ultimately, fit-for-purpose infrastructure is only as good as the people operating it; therefore TasRail will continue to sharpen its focus on building the capability of its workforce. The Company will continue to focus on creating a more diverse workforce; communicate to staff its refreshed Values and Vision; and plan for the future with a commitment to leadership development, workforce requirements and succession planning.



TasRail will continue to harness the infrastructure advantages of rail freight, with a culture that is focused on its customers.

2. Strategic directions of the business

The key objective for TasRail in this planning period will be to further grow the profitability of TasRail's Above Rail segment, following on from a modest net profit in the 2018-19 financial year (excluding the one-off costs of the September incident at Devonport). Other strategic objectives for this planning period are to:

- ❖ Continue to provide efficient, on time and safe rail supply chains to Tasmanian industry;
- ❖ Deliver a Zero Harm conditions for staff, communities and the environment;
- ❖ Deliver Tranche Two and Three on budget and to scope;
- ❖ Grow forestry volumes from Brighton and commence operations from Parattah;
- ❖ Through the construction of a new bulk minerals shiploader at Burnie increase capacity to facilitate new west coast mining projects; and
- ❖ Focus on growing the capability and diversity of our workforce.

3. Key initiatives

3.1 Working towards Zero Harm

TasRail will relentlessly pursue a Zero Harm environment and target both zero LTIs and mainline derailments. The strategies to achieve these targets during the planning period are:

- ❖ Improving safety performance across the business with a clearly defined risk framework relevant to operations, task and exposure;
- ❖ Continued reinforcement of the cultural SafetyCircle Program and the ongoing rollout of the Safety Pause process. The Safety Pause is a regular proactive event where the senior management team leads a company-wide discussion on safety issues;
- ❖ Ongoing delivery of the Derailment Prevention Strategy, with key tactics including the implementation of the Track Geometry Measuring System and ultrasonic rail testing;
- ❖ Ongoing delivery of the Level Crossing Strategy;
- ❖ Delivering improvements in fatigue management;
- ❖ Exporting TasRail's safety culture to its contractors via a contemporary contractor management process; and
- ❖ Effective management of the environment in which we operate.

3.2 Meeting industry expectations

TasRail will continue to operate efficient, on-time and flexible train services that meet the needs of Tasmania's industrial base and freight forwarders (integrated transport providers). The Company will ensure that existing customers continue to receive excellent service standards (targeting 98 per cent Freight Availability on General Intermodal Services) and new customer projects are executed to a high standard.

The initiatives to meet these objectives during the planning period are:

- ❖ Maintaining reliable rolling stock and robust operational plans to provide on-time rail capacity to industry;
- ❖ Developing services for new customers that leverage TasRail's rail supply chains, terminals and bulk mineral loading services;
- ❖ Working with industry to increase log haulage capacity from the Brighton Hub and commence operations from the recently rebuilt Parattah Log Siding;
- ❖ Staffing dedicated Customer Service Delivery, Account Management and Business Development teams;
- ❖ Where advantageous, partnering with the private sector to provide specialised terminal services, such as log loading and container handling services; and
- ❖ Repurposing existing equipment to reduce the capital cost for new projects.



Continued intermodal growth and excellent service standards are key objectives for TasRail.

3.3 Delivering business sustainability

TasRail understands that ongoing business sustainability is critical, and the Company has worked with industry to secure long-term freight contracts and maintains a competitive cost base.

The Company is focusing on the following sustainability initiatives during the planning period:

- ❖ Investing network maintenance funding in parallel with the capital programs;
- ❖ Adopting a collaborative commercial approach to dealing with major new customer projects;
- ❖ Implementing Tranches Two and Three of the Tasmanian Freight Rail Revitalisation Program;
- ❖ Using new technology to better monitor track condition and renewing rail assets to deliver a fit-for-purpose network;
- ❖ Prioritising a fuel conservation program that focuses on consistent driving techniques; and
- ❖ Capturing and marketing the significant value and capabilities of each of TasRail's unique terminal sites to existing and prospective customers.

3.4 People, culture and capability

The growth of any organisation's capability is tied to the engagement and development of its people. In this corporate planning period, TasRail will deliver on the next phase of its broader People and Culture Strategy, which will address organisational culture and capability, workforce sustainability, and health and wellness programs. These strategies will be achieved by:

- ❖ Establishing and prioritising performance development plans directly linked to business performance targets;
- ❖ Promoting a more diverse workforce throughout all levels of the business;
- ❖ A commitment to talent management, and workforce and succession planning processes; and
- ❖ Developing cross-functional pathways that can provide internal learning opportunities, secondments, and inform recruitment and selection.

3.5 Strategic asset management

TasRail has adopted a proactive approach to ensure the investment in rolling stock, the rail network and terminals delivers the anticipated long-term benefits. In this planning period, the Company will bolster its strategic asset management by:

- ❖ Scoping, constructing and commissioning a new bulk minerals shiploader at the Burnie Port;
- ❖ Implementing an Asset Management Enterprise System that will support the business well into the future;
- ❖ Developing individual asset management plans to bolster the Strategic Asset Management Plan;
- ❖ Maintaining the safety, efficiency and reliability of the rail track infrastructure through appropriate maintenance (Below Rail Infrastructure Contribution) and capital improvement programs (Tranches Two and Three);
- ❖ Overseeing the overhaul of the TR Class locomotives;
- ❖ Reviewing the current rolling stock fleet against industry demand; and
- ❖ Maintaining a proactive partnership approach to rail corridor vegetation management.

4. TasRail value proposition

Freight rail provides industry:

- ❖ Long-term surety of haulage capacity and customer charges;
- ❖ Seamless connectivity with Tasmania's only open-access bulk shiploader;
- ❖ Connectivity with a state-wide network of rail terminals that interface with the ports, including bulk minerals shiploading services;
- ❖ Operational safety and simplicity – a single train clearing a day's production as opposed to coordinating a fleet of trucks;
- ❖ The ability to haul heavy weight containers (challenging by road) to reduce total supply chain costs (both on land and sea);
- ❖ Reduced exposure to heavy vehicle accident risk and legal liability;
- ❖ Opportunity to deliver large surge volumes of freight to meet shiploading windows avoiding port congestion; and
- ❖ Valuable environmental and social benefits.

TasRail will continue to harness its infrastructure advantages with a culture that is focused on its customers. This is achieved by having a highly flexible delivery model that responds to changes in the intermodal and forestry markets in real time.

Capitalising on a buoyant Tasmanian economy and natural advantages of freight rail supply chains, TasRail has worked with existing and new customers to substantially increase (~30 per cent) freight hauled by rail since the Company was formed in December 2009. In this planning period, there are further opportunities to meet customer expectations and grow rail volumes.

Opportunities include:

- ❖ Delivering reliable and flexible rail freight services for industry, adding tonnages to existing services and rolling over long-term freight contracts;
- ❖ Partnerships with new mining developments to utilise TasRail's unique bulk minerals storage and shiploading facilities at the Burnie Port;
- ❖ Partnerships with the forestry sector for continued growth from Brighton Hub and a reopened Parattah Log Siding; and
- ❖ Expansion of intermodal services (more wagons and/or more services) to service the growing demand of the newly expanded Bass Strait shipping fleet.

5. Performance agreement

5.1 Performance targets and actual results for 2018-19

Performance Target	Target Result for FY 2018-19	Actual Result for FY 2018-19
Lost Time Injury Frequency Rate (1)	0.0	0
Recordable Injury Frequency Rate (2)	7.0	2.0
Freight Availability (General Intermodal)	98 per cent	95.3 per cent
Main Line Derailments	0	2
Below Rail Infrastructure Cost (Per Track Kilometre)	\$19.0 thousand	\$20.4 thousand
Customer Revenue	\$36.6 million	\$36.2 million
Capital Spend	\$32.1 million	\$27.8 million
EBITDA (Consolidated after BRIC) (3&4)	\$0.4 million	\$(1.9) million
Above Rail Net Profit (Loss) (4)	\$1.2 million	\$(1.1) million

(1) Lost time injury frequency rate is defined as the sum of lost time injuries per million work hours

(2) Recordable injury frequency rate is defined as the sum of lost time injuries and medical treatment injuries per million work hours

(3) BRIC – Tasmanian Government Below Rail Infrastructure Contribution

(4) Impacted by the September Devonport incident, excluding the financial impact of this the Above Rail business made a modest net profit.

5.2 Performance targets to FY 2022-23

Performance Target	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Lost Time Injury Frequency Rate (1)	0.0	0.0	0.0	0.0
Recordable Injury Frequency Rate (2)	2.0	2.0	0	0
Freight Availability (General Intermodal)	98 per cent	98 per cent	98 per cent	98 per cent
Main Line Derailments	0	0	0	0
Below Rail Infrastructure Cost (Per Track Kilometre)	\$20.4 thousand	\$20.6 thousand	\$21.0 thousand	\$21.6 thousand
Customer Revenue	\$39.1 million	\$40 million	\$41.6 million	\$42.5 million
Capital Spend (3)	\$39.1 million	\$34.1 million	\$95.2 million	\$109.5 million
EBITDA (Consolidated after BRIC) (4)	\$1.7 million	\$4.2 million	\$6.4 million	\$7 million
Above Rail Net Profit	\$2.1 million	\$2.4 million	\$3.2 million	\$3.4 million

(1) Lost time injury frequency rate is defined as the sum of lost time injuries per million work hours

(2) Recordable injury frequency rate is defined as the sum of lost time injuries and medical treatment injuries per million work hours

(3) Does not include the Australian Government \$40 million election commitment to a new shiploader

(4) BRIC – Tasmanian Government Below Rail Infrastructure Contribution

Note – the above performance targets have been prepared on the financial data submitted to the Department of Treasury and Finance in the June 2019 Addendum.

Directors' Statement of Corporate Intent and agreement of Shareholding Ministers

The Board of Tasmanian Railway Pty Ltd agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this Statement of Corporate Intent, the Board of Tasmanian Railway Pty Ltd commits to the targets proposed for the 2019-20 financial year.

This Statement of Corporate Intent has been agreed between:



Samantha Hogg
Chairman
Tasmanian Railway Pty Ltd
On behalf of the Board



The Hon. Peter Gutwein MP
Treasurer



The Hon. Michael Ferguson MP
Minister for Infrastructure