

Treasurer

18 OCT 2017

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Mr R Annells
Chairman
Tasmanian Railway Pty Ltd
PO Box 335
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Dear Mr Annells

Tasmanian Railway 2017 Corporate Plan

Thank you for submitting Tasmanian Railway's Corporate Plan and final Statement of Corporate Intent, which has been revised following the release of the 2017-18 State Budget, for the 2017-18 to 2020-21 planning period.

We are pleased to see Tasmanian Railway continuing to focus on strategies aimed at improving rail freight volumes as well as initiatives to improve the safety and reliability of the rail network. We appreciate Tasmanian Railway's commitment to improving productivity within the business and we are supportive of the Drive to 75 program that is being implemented in the above rail segment.

We understand that Tasmanian Railway is forecasting further growth in new business over the planning period through increasing volumes and converting more containerised freight from road to rail, as well as pursuing activities in other sectors, including in forestry and agriculture.

Please find enclosed the Statement of Corporate Intent, which has been countersigned by us as the Shareholding Ministers. The Statement of Corporate Intent and the budget estimates underpinning it form the basis for quarterly reporting throughout the 2016-17 financial year.

Please refer to the Corporate Planning Guidelines regarding the requirements for publication of the signed Statement of Corporate Intent.

Yours sincerely



Hon Peter Gutwein MP
Treasurer



Hon Rene Hidding MP
Minister for Infrastructure



STATEMENT OF CORPORATE INTENT

2017/18 - 2020/21

Tasmanian Railway Pty Limited (TasRail) is a State-Owned Company established by an Act of the Tasmanian Parliament. The principal objectives of the business are set out in the Rail Company Act 2009 and require the Company to:

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

■ Employees as at 30 June 2016	231
■ Annual Customer Revenue	Around \$34 million
■ Annual Freight Task	Around 420 million Net Tonne Kilometres
■ Annual Ship loading volumes	0.4 million tonnes

BELOW RAIL

- 611 route kilometres of operational track
- 232 route kilometres of non-operational track (care and maintenance regime)
- 1.3 million sleepers
- 355 x bridges
- 3 x tunnels
- 106 x active level crossings (protected with warning lights and bells)
- 143 x passive level crossings (protected with relevant warning signs)
- 250 x private level crossings (combination of licensed accommodation, access and stock crossings)

ABOVE RAIL

- 17 x TR Class Locomotives
- 8 x 2000 Class Locomotives dedicated to bulk minerals haulage
- 54 x ore wagons (TOMY)
- 37 x coal wagons (17 THGHY and 20 HF)
- 18 x cement wagons (THFY)
- 40 x logtainers (RBL)
- 199 x intermodal wagons (162 TQAY, 2 TQBY and 35 QLE, IB and TQMF)
- 1 x Shiploader

DIRECTORS' STATEMENT OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

The Board of Tasmanian Railway Pty Limited 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 2016/17 financial year.

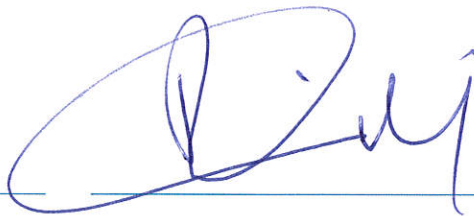
This Statement of Corporate Intent has been agreed between:



Bob Annells
Chairman
Tasmanian Railway Pty Limited
On behalf of the Board



The Hon. Peter Gutwein MP
Treasurer



The Hon. Rene Hidding MP
Minister for Infrastructure

Strategic Direction

1. Overview of TasRail and its operating environment

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 ship loading; and
- Maintenance of, and upgrades to, the freight rail network across Tasmania.

TasRail has operated without a mainline derailment for more than a year. This is a significant achievement and is evidence of the value of the investments made in rail. The renewal of Tasmania's freight rail network has allowed TasRail's modern rollingstock fleet to haul an increasing freight task efficiently between freight rail terminals.

Innovations in systems control and manage the freight rail network such as the Advanced Network Control System ensuring that rail services can reliably meet the demands of TasRail's customers while optimising the scheduling of maintenance activities. Modernisation of new freight handling equipment such as the Logtainers has expanded the functionality of TasRail's rollingstock fleet making rail services accessible to a broader range of customers and commodities providing for efficient two way freight loads.

Importantly, TasRail's focus on customer centricity has ensured that the improvements and efficiencies created in managing the freight rail network are delivered to our customers through safe, reliable and competitive services. The growth in customer confidence can be measured in the increasing amount of freight hauled and revenue generated.

Although a significant transformation has occurred since 2009 when TasRail was established, there remains much work to be done to maintain the high standard of service that TasRail's customers expect.

The first tranche of the Tasmanian Freight Rail Revitalisation Program (TFRRP) is nearing the halfway point with two years of capital works and asset renewals remaining. These capital works, jointly funded by the Tasmanian and Australian Governments under the Infrastructure Investment Program (IIP), are restoring vital infrastructure that is fundamental to mitigate derailments and underpin future sustainability.

Critically, the second tranche of the TFRRP will complete the most critical of the remaining works packages needed to remediate the freight rail network. The second tranche of IIP funding will ensure that the past investments can be sustained and full benefits realised. To ensure ongoing investments are maximised, TasRail is working with Infrastructure Tasmania to align future investment in rail to statewide infrastructure funding and the broader economic wellbeing of Tasmania.

The deployment of the SafetyCircle program within TasRail has had a transformational impact on the safety culture with the aim for each employee to go home safe and well every day. While the journey towards Zero Harm remains on the horizon, TasRail's employees have embraced the SafetyCircle culture demonstrating that the company is progressing well along that path.

TasRail's People Strategy was developed with a focus on encapsulating the company's commitment to all employees. The People Strategy was aligned to TasRail's values and designed for all employees to develop their personal capabilities and achieve their career aspirations. Importantly, employee succession and retention programs and trainee and apprenticeship programs are at the forefront to ensure that TasRail attracts, develops and retains a high performing pipeline of talent.

TasRail has established itself as a genuine freight provider within the competitive Tasmanian freight market. While providing competitive freight services for its customers remains paramount, TasRail continues to generate significant value in economic, social and environmental dividends. These dividends are directly correlated to the growth in freight volumes hauled by rail creating safer roads and generating less greenhouse gas emissions. Growth in freight volumes is good for TasRail, good for our customers and good for the community.

2. Strategic directions of the business

Vision: A world class, vertically integrated, short haul freight railway.

The key objective for TasRail in 2017-18 will be to deliver value to industry and the community by providing safe and reliable integrated freight services. To achieve this key objective, the principal areas of focus will be:

- Deploying innovative and integrated supply chain solutions to create operational efficiencies for existing and new customers;
- Continuing the four year Tasmanian Freight Rail Revitalisation Program, jointly funded by the Tasmanian and Australian Governments;
- Increasing productivity from the existing assets through a new approach to disciplined train planning and scheduling; and
- Maintaining the reliability, safety and competitive efficiency of the rail freight service.

These key initiatives will ensure TasRail can continue to meet customer expectations, expand the value proposition of rail to new customers and deliver value to industry, the community and the Shareholders.

3. Key initiatives

3.1 Working towards zero harm

TasRail's journey towards zero harm remains the key focus of the organisation and is enshrined in the commitment that each employee will go home safe and well every day. This area consists of three major initiatives:

- Safety Culture Transformation Program
- Derailment Prevention Strategy
- Level Crossing Strategy

3.2 Meeting Customer Expectations

Delivering efficient supply chain services by leveraging the competitive advantages of the rail system is the main driver to provide positive customer experiences. Five initiatives are central to these objectives:

- Developing integrated supply chain solutions for new and existing customers;
- Enabling the modal shift of freight to rail;
- Strengthening key partnerships to identify and deliver innovations in freight solutions;
- Delivering quality customer services and systems; and
- Increasing the awareness of the benefits of rail services.

3.3 Delivering business sustainability

The sustainability of TasRail is paramount to the future of the company. TasRail is focused on achieving sustainability through:

- Optimising the synergies inherent in a vertically integrated railway;
- Pursuing an ambitious cost reduction program;
- Collaborating resources across service scheduling and maintenance activities;
- Continuing asset renewals and upgrades; and
- Deploying innovative solutions that lead to improved productivity outcomes.

3.4 People, Culture and Capability

The growth of organisational capability is intrinsically tied to the development of its people. TasRail's People Strategy has been formulated to ensure that our workforce can develop and deliver increasing levels of performance. The key outcomes of the People Strategy are:

- Building a collaborative and aligned workforce;
- Optimising performance and productivity through continuous learning and development;
- Progressing Succession and Retention planning across all levels of the company; and
- Continuing a comprehensive workplace engagement strategy.

4. New Business Growth

Fundamentally, TasRail has become a strategic component to the integrated supply chain of a large number of Tasmania's major industries. The value created by TasRail assists these industries to be efficient and competitive. Confidence in TasRail to be a safe, reliable and efficient partner has increased significantly which is evident by the growth results achieved.

Building upon this growth, the future opportunities targeted by TasRail will be from:

- Converting existing contestable road freight to rail;
- Partnering with existing and new customers to develop new business opportunities both in the intermodal and bulk freight sectors; and
- Examining non-traditional supply chains and seeking to expand TasRail's unique service offerings.

TasRail's ability to attract new growth is tied to the health of the Tasmanian economy and the State Freight Market. Positive developments in the Tasmanian economy and encouraging changes to the freight landscape such as the continuation of the Tasmanian Freight Equalisation Scheme, new shipping capacity in domestic services and expansion of international shipping services underpin the growth forecast for the containerised freight market. With a rail system that now connects all major ports and industrial areas, TasRail is poised to assist industry to maximise these growth opportunities.

The mining sector continues to enjoy a modest recovery with commodity prices improving. TasRail remains engaged with a number of mining companies who are seeking to develop and expand key mining opportunities throughout Tasmania.

5. Performance Agreement

5.1 Performance Targets and Actual Results for FY2016-17

Performance Target	Target Result for FY 2016-17	Actual Result for FY 2016-17
Lost Time Injury Frequency Rate [^]	2.0	4.6
Recordable Injury Frequency Rate [*]	12.0	13.3
Freight Availability (General Intermodal)	98 per cent	92.5 per cent
Main Line Derailments	0	1
Below Rail Infrastructure Cost (per track kilometre)	\$23.8 thousand	\$23.5 thousand
Customer Revenue	\$32.5 million	\$32.9 million
Capital Spend	\$49.2 million	\$52.2 million
EBITDA (consolidated) after Tas Govt Below Rail Infrastructure Contribution	\$(2.2) million	\$(1.8) million
Above Rail Net Profit (Loss)	\$(3.8) million	\$(2.2) million

[^] Lost Time Injury Frequency Rate is defined as the sum of Lost Time Injuries per million person work hours.

^{*} Recordable Injury Frequency Rate is defined as the sum of Lost Time Injuries and Medical Treatment Injuries per million person work hours.

Critical assumptions:

1. Customer revenue is for freight haulage and shiploading revenue only. Increase from FY2017-18 onwards is primarily the result of incremental growth and new growth in the forestry and mining sectors.
2. The Capital Spend assumes that IIP investment continues from FY2018-19 onwards.

5.2 Performance Targets to FY2020-21

Performance Target	FY2017-18	FY2018-19	FY2019-20	FY2020-21
Lost Time Injury Frequency Rate [^]	0.0	0.0	0.0	0.0
Recordable Injury Frequency Rate [*]	10.0	8.0	6.0	5.0
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)	\$19.5 thousand	\$19.9 thousand	\$19.9 thousand	\$20.8 thousand
Customer Revenue	\$35.8 million	\$37.7 million	\$39.3 million	\$41.9 million
Capital Spend	\$29.2 million	\$30.9 million	\$31.9 million	\$32.3 million
EBITDA (consolidated) after Tas Govt Below Rail Infrastructure Contribution	\$0.0 million	\$0.7 million	\$2.1 million	\$2.9 million
Above Rail Net Profit (Loss)	\$0.7 million	\$1.3 million	\$2.0 million	\$3.1 million

[^] Lost Time Injury is defined as the sum of Lost Time Injuries per million person work hours.

^{*} Recordable Injury is defined as the sum of Lost Time Injuries and Medical Treatment Injuries per million person work hours.

Critical assumptions:

1. Customer revenue is for freight haulage and shiploading revenue only. Increase from FY2017-18 onwards is primarily the result of incremental growth and new growth in the forestry and mining sectors.
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