



Statement of Corporate Intent

2018-19 to 2021-22



Our Future on Track

Introduction

TasRail's highly-valued team of employees and contractors continuously challenge traditional thinking and relentlessly pursue value-adding activities to achieve economic, social, environmental and leadership distinction for our customers, shareholder members and the wider Tasmanian community.

TasRail continues to deliver Tranche One (\$119.6 million) of the \$240 million Tasmanian Freight Rail Revitalisation Program (TFRRP). The TFRRP is jointly funded by Tasmanian and Australian Governments and enables TasRail to safely and efficiently service heavy industry and freight forwarders by rebuilding a fit-for-purpose Tasmanian Rail Network.

TasRail was established by an Act of the Tasmanian Parliament in 2009. 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; and
- Maximise sustainable returns to its Shareholder Members.

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

TasRail Snapshot

• Employees at 30 June 2018 (FTE)	230
• Annual customer revenue	\$33.8 million
• Annual freight task	3.36 million tonnes
• Annual shiploading volumes	463,462 tonnes

OUR NETWORK AND TERMINALS

ABOVE RAIL ASSETS

17	locomotives TR Class
8	legacy locomotives 2000 Class
54	ore wagons
18	cement wagons
40	logtainers
37	coal wagons
166	intermodal wagons
35	legacy wagons
1	shiploader

BELOW RAIL ASSETS

611	route kilometres of operational track
232	route kilometres of non-operational track
1.3	million sleepers
3	tunnels
355	bridges
23	hi-rail vehicles
2	ballast tampers
1	ballast regulator
106	active level crossings
143	passive level crossings



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 2018-19 financial year.

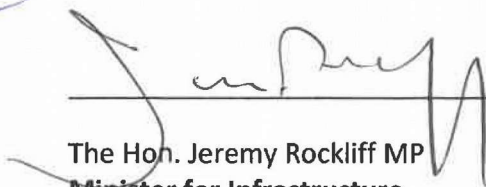
This Statement of Corporate Intent has been agreed between:



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



The Hon. Peter Gutwein MP
Treasurer



The Hon. Jeremy Rockliff 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 rail network infrastructure across Tasmania.

TasRail achieved its first Above Rail profit in 2017-18, recognising the Company's ongoing commitment to cost control, securing new freight onto existing services and high levels of customer service.

Safety remains a key priority for all TasRail employees and its contractors, resulting in zero Lost Time Injuries being recorded in 2017-18. This is a remarkable achievement considering the 24-hour, seven-day-a-week nature of the Company's heavy haulage operations. TasRail's Recordable Injury Frequency Rate (the sum of all Lost Time Injuries, Suitable Duties and Medical Treatment Injuries per million person work hours) was 7.1 for 2017-18, compared to a target result of 10.

Only one mainline derailment was recorded for the financial year, which was caused by a severe weather event on the West Coast. A tree crashed down a steep embankment on the Melba Line, struck the track and dislodged the line by approximately two metres. TasRail's team showed exceptional foresight and skill to re-rail the locomotive in a remote area inaccessible by cranes in a timely and safe manner, minimising disruption to customers.

In 2017-18, TasRail delivered the third year of Tranche One of the Tasmanian Freight Rail Revitalisation Program, with a focus on upgrading drainage, ballast, sleepers, bridges and level crossings to ensure a fit-for-purpose network across Tasmania for industry. The TFRRP capital works were delivered on time, to budget and to a high standard. TasRail and its highly-valued contractors will complete Tranche One of the TFRRP in June 2019. The Tasmanian and Australian Governments' commitment to funding Tranche Two of the TFRRP also gives confidence to industry, TasRail, our contractors and the wider public that rail is a secure long-term freight option in Tasmania.

In 2018-19, TasRail will continue to provide vital infrastructure and logistics support to the Tasmanian economy by delivering efficient supply chain solutions to heavy industry and freight forwarders. Efficient and safe supply chains are an important component in ensuring Tasmanian businesses remain sustainable and competitive in domestic and international markets.

There is no doubt that TasRail strengthened its reputation as a reliable, efficient and competitive provider of innovative logistics solutions in 2017-18.

TasRail is now poised for unprecedented success due to the buoyant Tasmanian economy and market, the optimism expressed by existing customers and the high level of interest of new customers in utilising rail and TasRail's bulk mineral concentrate options for storage and shiploading.

2. Strategic Directions of the Business

The key objective for TasRail in 2018-19 will be to deliver value to industry and the community by providing safe, competitive and reliable integrated freight services.

To achieve this key objective, the principal areas of focus will be:

- Maximise the values and benefits of Tasmania having a safe and reliable freight railway system;
- Deploy innovative and integrated supply chain solutions to create operational efficiencies for existing and new customers;
- Complete the successful delivery of Tranche One of the TFRRP, jointly funded by the Tasmanian and Australian Governments, and complete planning for the launch of Tranche Two in July 2019; and
- Maintain 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 Shareholders.

3. Key Initiatives

3.1 Working towards zero harm

TasRail's journey towards zero harm remains a 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 four major initiatives:

- Pursuing a Safe Working Culture;
- Refining and delivering the Derailment Prevention Strategy;
- Refining and delivering a Fatigue Management Strategy; and
- Reviewing the Level Crossing Strategy.

For the first time since TasRail's inception in 2009, the Company achieved zero Lost Time Injuries in the 2017-18 financial year.

This is a significant accomplishment and TasRail employees are committed to a zero LTI target for each financial year moving forward.

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 shift of freight on 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;
- Developing programs of business improvement to reduce waste and increase efficiency;
- 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 Strategic asset stewardship

As the custodian of the Tasmanian Freight Rail Network, the Above Rail assets and the State's only publicly-owned and open access mineral concentrate bulk handling and ship loading facility, TasRail is adopting a proactive approach to ensuring investment into these assets delivers the anticipated benefits over the long term.

TasRail is developing a Strategic Asset Management Plan, which will leverage best practices in asset management.

The Strategic Asset Management Plan will inform TasRail's future asset investment program over the 10-year horizon, providing a clear line of sight towards future asset requirements required to build a sustainable business.

3.5 People, culture and capability

TasRail has an increasingly diverse range of employees from multiple disciplines. The key to sustaining and further developing TasRail's capability is by leading and developing employees with a consistent approach centred on a values-based culture focused on:

- Developing and implementing a sustainable Leadership Development Strategy and Framework;
- Developing a diverse and capable workforce to enable TasRail to deliver on its key strategies and business plans;
- Building a values-based culture to enable a diverse workforce that is engaged, safe and productive; and
- Expanding the Health and Wellbeing program to address important issues such as mental health first aid training, and trauma support training and employee assistance programs.

4. New Business Growth

TasRail is a leader in the provision of integrated supply chain solutions for a large number of Tasmania's major industries. The Company prides itself on the partnerships it sustains to create value and operating efficiencies that contribute to the competitiveness of TasRail's customers.

Customer confidence in TasRail's ability to perform remains high as demonstrated by increasing freight volumes.

Building upon this customer confidence, TasRail will focus on the following opportunities:

- Conversion of existing contestable road freight to rail;
- Partnering with existing and new customers to develop new business opportunities in the intermodal, bulk and forestry freight sectors; and
- Deploying value-adding integrated freight services that reduce customer operating costs and increase transactional efficiencies.

Tasmania's rail system connects all major ports and industrial areas across the State with terminals positioned in key locations.

Such positioning, coupled with a highly-focused customer-centric service team, modern rollingstock and an improving freight rail network, provides TasRail the ability to engage with a broadening customer base, exploit the developments of the expanding Tasmanian economy and foster new growth.

5. Performance Agreement

5.1 Performance Targets and Actual Results for 2017-18

Performance Target	Target Result for FY 2017-18	Actual Result for FY 2017-18
Lost Time Injury Frequency Rate [^]	0	0
Recordable Injury Frequency Rate [*]	10	7.1
Freight Availability (General Intermodal)	98 per cent	87 per cent
Main Line Derailments	0	1
Below Rail Infrastructure Cost (Per track kilometre)	\$19.5 thousand	\$18.7 thousand
Customer Revenue	\$35.8 million	\$33.8 million
Capital Spend	\$29.2 million	\$32.7 million
EBITDA (consolidated) after TAS GVT Below Rail Infrastructure Contribution	\$0.0 million	\$0.0 million
Above Rail Net Profit (Loss)	\$0.7 million	\$0.4 million

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

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

5.2 Performance Targets to FY2021-22

Performance Target	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Lost Time Injury Frequency Rate [^]	0.0	0.0	0.0	0.0
Recordable Injury Frequency Rate*	7.0	6.0	4.0	2.0
Freight Availability (General intermodal)	98 per cent	98 per cent	98 per cent	98 per cent
Mainline Derailments	0	0	0	0
Below Rail Infrastructure Cost (Per track kilometre)	\$19.0 thousand	\$19.7 thousand	\$20.2 thousand	\$21.0 thousand
Customer Revenue	\$36.6 million	\$40.6 million	\$43.0 million	\$44.1 million
Capital Spend	\$32.1 million	\$32.4 million	\$32.2 million	\$33.0 million
EBITDA (consolidated) after TAS GVT Below Rail Infrastructure Contribution	\$0.4 million	\$1.6 million	\$2.1 million	\$2.3 million
Above Rail Net Profit (Loss)	\$1.2 million	\$1.8 million	\$2.3 million	\$2.8 million

* Recordable Injury is defined as the sum of Lost Time Injuries, Suitable Duties and Medical Treatment Injuries per million person work hours

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

Critical assumptions:

1. The increase in Consolidated Revenue from FY2018-19 onwards will primarily be the result of incremental intermodal growth and new growth in forestry and mining sectors; and
2. Tranche Two of TFRRP funding is included in the Capital Spend from FY2019-20 onwards.