

STATEMENT OF CORPORATE INTENT 2020- 2021

 **TASRAIL**



SAFETY



INTEGRITY



RESPECT



BEING REMARKABLE



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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 is currently delivering an unprecedented capital works program that will further ensure that industry has a fit-for-purpose rail supply chain to reach its export markets.

Thanks to a seamless transition between funding programs, TasRail is now delivering Tranche Two (\$119.6 million) of the \$376 million Tasmanian Freight Rail Revitalisation Program, which will be completed on time and on budget in June 2023. As with Tranche One, this will target asset renewal, enhance safety, improve network reliability/availability and deliver sustainable maintenance costs.

In their 2019-20 Budgets, the Tasmanian and Australian Governments committed \$136 million to Tranche Three of the program, commencing in 2020-21 with the program to be completed in June 2024. A new shiploader at the Burnie Port, a \$40 million election commitment by the Australian Government, will be funded as part of this tranche, benefitting both TasRail and industry by securing funding for this essential last-mile infrastructure. TasRail is currently finalising the design parameters for the project to allow construction to begin during 2020-21.

The TasRail team is immensely proud of the infrastructure upgrades that underpin the long-term sustainability and productivity of a freight railway for Tasmanian industry. TasRail will implement a contemporary asset management enterprise system in this planning period to ensure this asset investment continues to deliver long-term benefits.

Approximately 87 per cent of TasRail's freight task is destined for interstate and international export. Therefore, the unprecedented contraction in global economic activity caused by COVID-19 impacted trading conditions in 2019-20 and this is forecast to continue into the 2020-21 financial year.

Despite COVID-19, TasRail has maintained full operational capacity for Tasmanian industry, which relies on rail logistics to reach its export markets. Likewise, the capital program has continued without interruption, improving the network and driving investment and jobs in regional areas.

TasRail has established a 'COVID-19 Response and Recovery Team'. The Team is responsible for ensuring TasRail's workforce remains healthy; for responding to changes in public health advice; and ultimately make for making certain that operational capacity is maintained for Tasmania's major industries and freight forwarders.

TasRail continues to deliver best practice in safety, the result of a relentless focus on ensuring a Zero Harm environment. As at 30 June 2020, it had been 152 days since a TasRail employee suffered a lost-time injury (LTI), and a record 1,158 days since a TasRail contractor experienced an LTI. Likewise, mainline derailments continue to be well below historic levels. TasRail reported one minor mainline derailment early in 2019-20, when a northbound log train derailed at Tunbridge.

Ultimately, fit-for-purpose infrastructure is only as good as the people operating it, and TasRail will continue to sharpen its focus on building the capability of its workforce. TasRail will continue to create 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.



Formation work near Ross: TasRail is now delivering Tranche Two (\$119.6 million) of the \$376 million Tasmanian Freight Rail Revitalisation Program.

2. Strategic directions of the business

Despite COVID-19 and the associated risks to industrial output and rail freight, TasRail's long-term strategic objectives remain consistent. They include to:

- ❖ Provide efficient, on-time and safe rail supply chains to Tasmanian industry;
- ❖ Deliver a Zero Harm environment for staff, customers, communities and contractors in a COVID-19 operating environment;
- ❖ Where possible, grow Above Rail profit, building contingency for incident costs and long-term sustainability;
- ❖ Deliver Tranches Two and Three of the Tasmanian Freight Rail Revitalisation Program (including the new shiploader at the Burnie Port) on time and on budget;
- ❖ Continue to partner with the forestry industry to grow volumes; and
- ❖ Focus on growing the capability and diversity of our workforce.

3. Key initiatives

3.1 Working towards Zero Harm

TasRail relentlessly pursues a Zero Harm environment and targets both zero LTIs and no mainline derailments. The strategies to achieve these targets during the planning period are to:

- ❖ Improve safety performance across the business with a clearly defined risk framework relevant to operations, task and exposure;
- ❖ Continue reinforcement of the cultural SafetyCircle Program and the ongoing rollout of the Safety Pause process. Safety Pause is a regular, proactive event where the senior management team leads a company-wide discussion on safety issues;
- ❖ Continue delivery of the Derailment Prevention Strategy, with key actions including the implementation of a track buckle prevention program and ongoing use of the Track Geometry Measuring Vehicle;
- ❖ Continue delivery of the Level Crossing Strategy;
- ❖ Export TasRail's safety culture to its contractors via a contemporary contractor management process and the introduction of the Safety Pause process to Infrastructure Investment Program Contractors; and
- ❖ Effectively manage the environment in which we operate and develop an Environmental Management System.

In addition to the above long-term safety strategies, TasRail is adapting to what Zero Harm means while staff, customers and the community learn to live with COVID-19. TasRail's COVID-19 Response and Recovery Team is implementing the latest health advice into TasRail's operations to ensure industry can rely on rail logistics as the backbone of its export supply chains.

3.2 Meeting industry expectations

TasRail operates efficient, on-time and flexible train services that meet the needs of Tasmania's industrial base and freight forwarders. A commitment to safe working systems and enthusiasm for new projects has served to enhance TasRail's reputation for sustainable supply chain solutions and excellent service standards (targeting 98 per cent Freight Availability on General Intermodal Services).



TasRail's Bulk Minerals Export Facility is currently fully utilised. Extension plans are on the agenda for this planning period.

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

- ❖ Maintain reliable rolling stock and robust operational plans to provide on-time rail capacity to industry;
- ❖ Develop services for new customers that leverage TasRail's rail supply chains, terminals, and bulk mineral loading services;
- ❖ Work with industry to increase log haulage capacity from the Brighton Hub and the Parattah Log Siding, including providing weighbridge services;

- ❖ Capitalise on the synergies created by having integrated our customer service delivery, account management and business development teams;
- ❖ Enhance opportunities for the mining sector via an expanded Bulk Minerals Export Facility and a new shiploader at the Burnie Port;
- ❖ Where advantageous, partner with the private sector to provide specialised terminal services, such as log loading and container handling services; and
- ❖ Repurpose existing equipment where appropriate to reduce the capital cost for new projects.

3.3 Delivering business sustainability

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

TasRail is focusing on the following sustainability initiatives during the planning period:

- ❖ Continuing a collaborative commercial approach to dealing with major new customer projects and providing high quality, sustainable logistics solutions;
- ❖ Investing IIP Tranche Two and Three funds into infrastructure that enables industry to transition from road to rail;
- ❖ Building a new shiploader at the Burnie Port along with extending the capacity of the Bulk Minerals Export Facility to provide supply chain surety to Tasmania's mining industry;
- ❖ Finalising a strategy to repower, overhaul or replace TasRail's legacy locomotives;
- ❖ 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 planning period, TasRail will deliver on the next phase of its broader People and Culture Strategy, which will address organisational culture and capability, workforce diversity, talent management and succession planning, and health and wellness programs. These strategies will be achieved by:

- ❖ Embedding TasRail's recently refreshed Vision, Purpose and Values across the organisation, resetting behavioural expectations accordingly;
- ❖ Prioritising performance development plans that are directly linked to business performance targets;
- ❖ A commitment to increasing workforce diversity and embedding talent management and succession planning processes;
- ❖ Developing cross-functional pathways that can provide internal learning opportunities, secondments, and inform recruitment and selection; and
- ❖ Focusing on employee engagement opportunities, building positive momentum with increased leadership visibility and workforce interaction.

3.5 Strategic asset management

TasRail has adopted a proactive approach to ensure that investment in rolling stock, the rail network and terminals deliver the anticipated long-term benefits. In this planning period, TasRail 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 underpin the Strategic Asset Management Plan;
- ❖ Maintaining the safety, efficiency, and reliability of the rail track infrastructure through appropriate maintenance and capital improvement programs;
- ❖ Reviewing the current rolling stock fleet against industry demand and operational requirements; and
- ❖ Maintaining a proactive partnership approach to rail corridor vegetation management.

4. TasRail value proposition

Freight rail provides industry with:

- ❖ Long-term surety of haulage capacity and customer charges;
- ❖ Fit-for-purpose rail logistics for the bulk, intermodal and log sectors;

- ❖ Connectivity with a statewide network of rail terminals that interface with the ports, including bulk minerals shiploading services and Tasmania's only open access bulk shiploader;
- ❖ Operational safety and simplicity – a single train clearing a day's production as opposed to coordinating a fleet of trucks;
- ❖ The ability to haul heavyweight and dangerous goods containers (challenging by road and sea) to reduce total supply chain costs;
- ❖ Reduced exposure to heavy vehicle accident risk and legal liability;
- ❖ The opportunity to deliver large surge volumes of freight to meet shiploading windows; and
- ❖ A low-emission supply chain option that provides valuable environmental and social benefits.

TasRail continues 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.

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. Industry embraces TasRail's low risk, reliable and efficient supply chains as a way to improve its own commercial, safety and sustainability outcomes. 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 additional tonnage to existing services and rolling over long-term freight contracts;
- ❖ Partnering with new mining developments to use TasRail's unique bulk minerals storage and shiploading facilities at the Burnie Port;
- ❖ Partnering with the forestry sector for continued growth from Brighton Hub and the reopened Parattah Log Siding;
- ❖ Exploring new and innovative partnerships with industry that have the potential to shape TasRail's long-term profitability; and
- ❖ Marketing TasRail's competitive advantages as Tasmanian industry increasingly seeks a low-emission supply chain.

5. Performance agreement

5.1 Performance targets and actual results for 2019-20

| Performance Target | Target Result: FY 2019-20 | Actual Result: FY 2019-20 | Performance Target: FY 2020-21 |
|---|------------------------------|------------------------------|-----------------------------------|
| Lost Time Injury Frequency Rate (1) | 0.0 | 1.71 | 0.0 |
| Recordable Injury Frequency Rate (2) | 2.0 | 3.42 | 2.0 |
| Freight Availability (General Intermodal) | 98 per cent | 95 per cent | 98 per cent |
| Main Line Derailments | 0 | 1 | 0 |
| Below Rail Infrastructure Cost (Per Track Kilometre) | \$20.4 thousand | \$21.3 thousand | \$21.0 thousand |
| Customer Revenue | \$39.1 million | \$36.5 million | \$37.1 million |
| Capital Spend (3) | \$39.1 million | \$38.9 million | \$65.9 million |
| EBITDA (Consolidated after BRIC) (4 & 5) | \$1.7 million | \$6.0 million | \$374 thousand |
| Above Rail Net Profit (Loss) (5) | \$2.1 million | \$1.1 million | \$(950) thousand |

(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) Phasing of the capital spend is based on agreed reprofiling with both the Tasmanian and Australian governments.

(4) BRIC – Tasmanian Government's Below Rail Infrastructure Contribution.

(5) 2019-20 Actual Results align with TasRail's audited Financial Statements

Directors' Statement of Corporate Intent and agreement of Shareholding Ministers

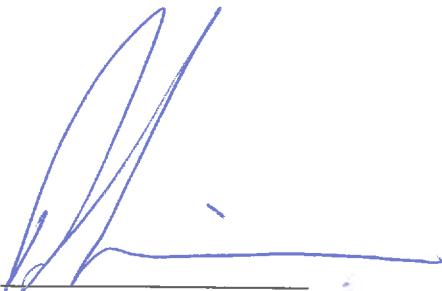
The Board of Tasmanian Railway Pty Ltd agrees to provide the Shareholding Ministers with financial and other information as set out in this Statement of Corporate Intent.

In signing this Statement of Corporate Intent, the Board of Tasmanian Railway Pty Ltd commits to the targets proposed for the 2020-21 financial year.

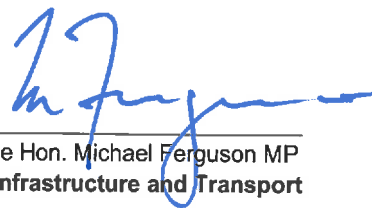
This Statement of Corporate Intent has been agreed between:



Stephen Cantwell
Chairman
Tasmanian Railway Pty Ltd
On behalf of the Board



The Hon. Peter Gutwein MP
Treasurer



The Hon. Michael Ferguson MP
Minister for Infrastructure and Transport