

ANNUAL REPORT 2017-18





Rebuilding a rail network that all Tasmanians can take pride in.

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

As a State-owned Company, TasRail was established on 1 December 2009 by an Act of Parliament.

The business was created by combining the Below Rail assets that the State Government had assumed responsibility for in 2007, with all of the Above Rail and business assets purchased from Pacific National in 2009, including the Emu Bay Railway.

As a vertically integrated freight rail business, TasRail strives to set new benchmarks of excellence through the safe, reliable and competitive delivery of innovative and integrated logistics solutions.



SAFETY / INTEGRITY / LEADERSHIP / TEAMWORK / RESPONSIBILITY / EXCELLENCE / INNOVATION

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OUR BUSINESS

The principal objectives of the Company 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, being the Treasurer and the Minister for Infrastructure.

TasRail's core business focus includes:

- Multi-modal haulage services for intermodal and bulk freight, such as logs, paper, coal, cement, mineral ores, processed metals and domestic consumables;
- Supply chain partnerships;
- Bulk handling and storage;
- Ship loading; and
- Seamless interconnectivity between freight rail and mining and manufacturing facilities.

TasRail is currently managing a \$240 million upgrade of the Tasmanian Rail Network, jointly funded by the Tasmanian and Australian Governments. The Tasmanian Freight Rail Revitalisation Program (TFRRP) commits two tranches of funding, each valued at \$119.6 million, to address a prioritised program of Below Rail renewals and critical works over eight years.

Tranche One works commenced in 2015-16 and will conclude on 30 June 2019. Tranche Two will immediately follow-on, enabling TasRail to build momentum and retain project personnel, skills and equipment. This in turn saves the hefty cost of remobilisation expenses, thereby maximising the available investment.

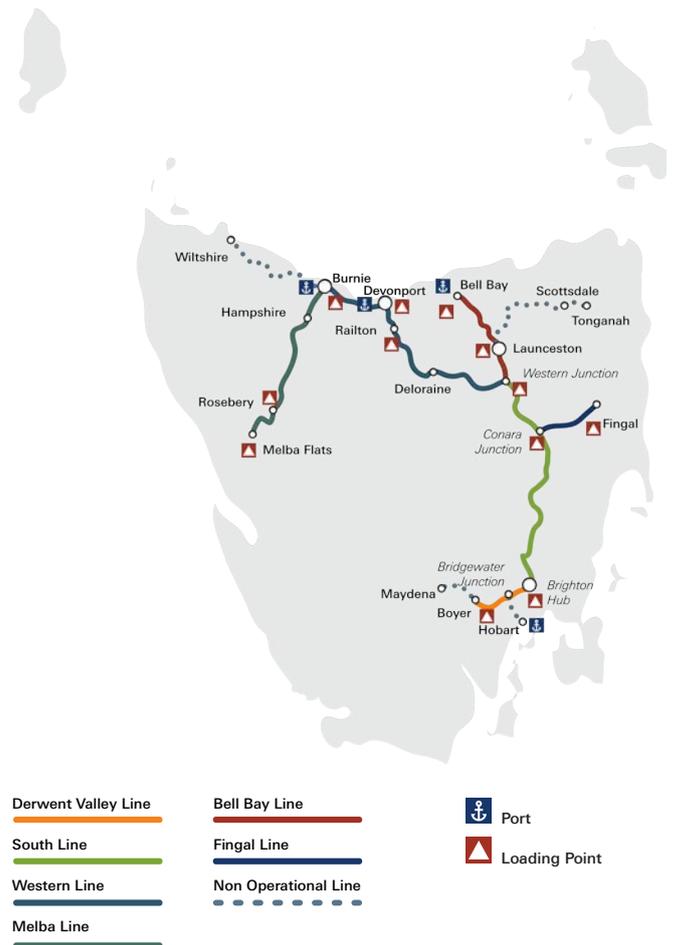
ABOVE RAIL ASSETS

- 17** TR Class locomotives
- 8** 2000 Class legacy locomotives
- 1** Driving Van
- 54** Ore wagons
- 18** Cement wagons
- 15** Ballast wagons
- 40** Logtainers
- 8** Log wagons
- 37** Coal wagons
- 199** Intermodal wagons
- 1** Shiploader
- 1** Underfloor wheel lathe

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

OUR NETWORK AND TERMINALS



OUR TERMINALS

TasRail operates from strategically located freight terminals at Burnie, Brighton, George Town and Devonport. With direct links to major ports, our state-wide terminals are designed to support and seamlessly interface with multi-modal operations.

As specialists in the safe storage, handling and haulage of bulk products, and owner/operator of the State's only multi-commodity shiploader at Burnie, TasRail is able to offer the market a broad range of services and options for the responsible movement of freight. This includes integration with customer operations and rail sidings.



BRIGHTON

The Brighton Transport Hub is a significant and contemporary intermodal terminal that services major industries and freight forwarding customers with the efficient transfer of road and rail freight. In 2013 the Toll Group invested \$25 million in its new facilities within the Hub where TasRail also has administration and training facilities as well as a maintenance workshop that services and provisions rollingstock. Separate storage and staging facilities to service southern forestry operations are also in operation here, with TasRail railing a growing volume of logs and timber commodities for the sector.

BURNIE

This Rail Freight Terminal is integrated within the vital export hub that is the Port of Burnie. A major intermodal terminal in its own right, TasRail's Burnie operations also include a multi-commodity bulk minerals storage warehouse with bulk handling and direct shiploading facilities that service customers including major West and North West Coast Mines. In 2017, TasRail invested \$5.5 million in a new state-of-the-art wheel lathe operation at its adjoining rail yard.



DEVONPORT

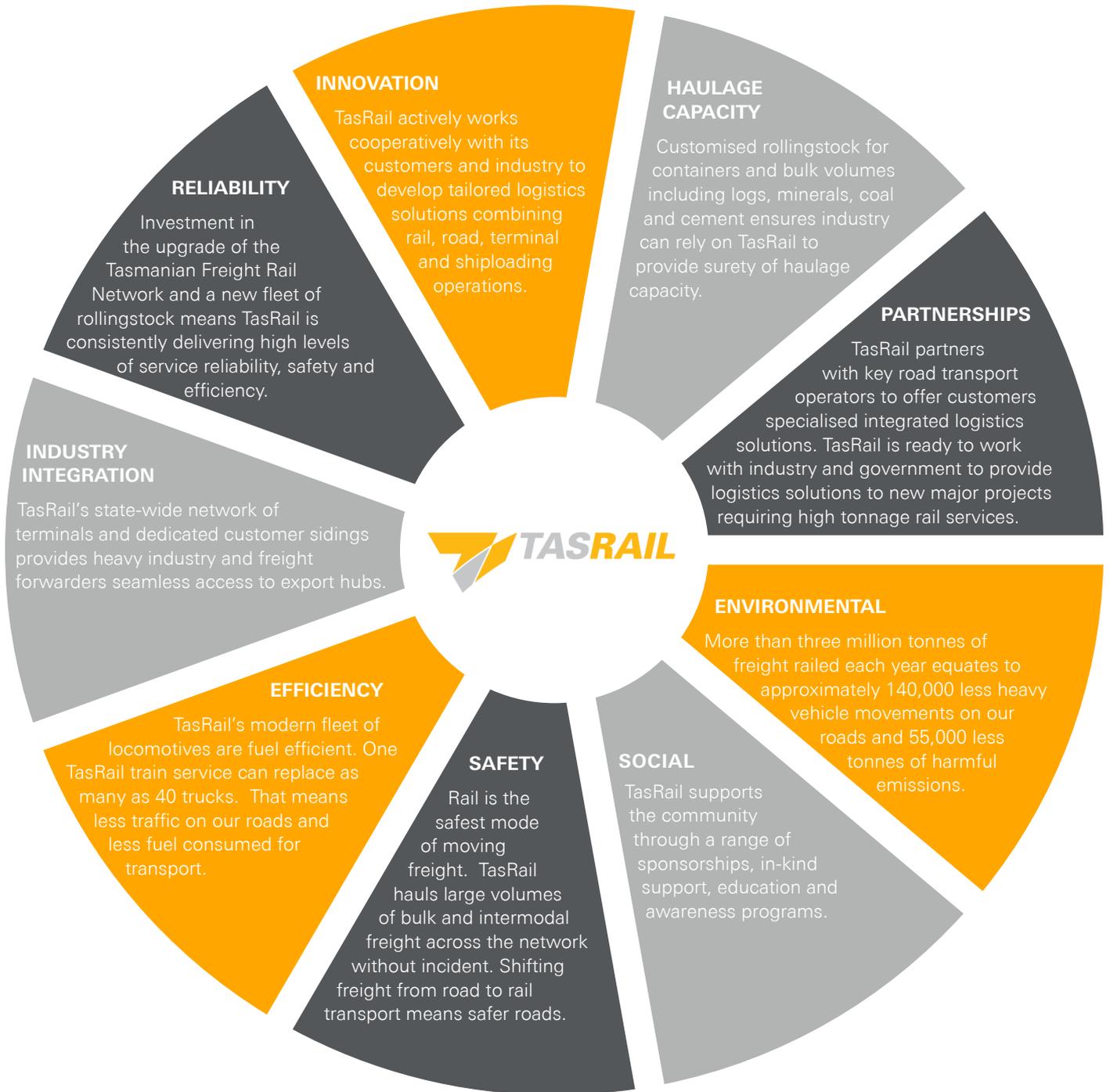
TasRail's Devonport Terminal plays a pivotal role in the Company's cement hauling operations between Railton and Devonport, as well as servicing intermodal freight in and out of West Devonport on behalf of key road transport companies.

GEORGE TOWN

This is a multi-modal terminal located in the heart of the Bell Bay Major Industrial Zone, near George Town. The \$7 million facility commenced operation in 2015 and offers freight connections to major ports. Providing a range of intermodal, bulk and log services, TasRail is able to support industry with multiple logistics services and flexible container handling options.

HOW TASRAIL CREATES VALUE

TasRail prides itself on offering safe, efficient, reliable and competitive freight services to its highly-valued customers, and returning a strong social and environmental contribution to the wider Tasmanian community.



STATEMENT OF CORPORATE INTENT

TasRail measures its performance against a range of financial and non-financial targets. These targets are agreed between the Company and its Shareholder Members prior to each financial year and are published in an annual Statement of Corporate Intent. The table below illustrates TasRail's actual performance against the agreed measures and targets for 2017-18:

Performance Target	Target Result for 2017-18	Actual Result for 2017-18	Comments
Lost Time Injury Frequency Rate [^]	Zero	Zero	TasRail is committed to safety excellence and ensuring all employees and contractors go home safe and well every day. In 2017-18 TasRail recorded zero Lost Time Injuries – a remarkable achievement for a 24/7 heavy haulage freight operation. The Recordable Injury Frequency Rate was also well below the target result.
Recordable Injury Frequency Rate*	10	7.1	
Freight Availability (General Intermodal)	98 per cent	87 per cent	While the average Freight Availability performance across the network was less than TasRail's aspirational target of 98 per cent, this in part reflects the challenge of balancing the competing needs of track access for infrastructure upgrades in parallel with maintaining safe rail operations and services.
Main Line Derailments	Zero	1	One mainline derailment occurred in 2017-18 as a result of adverse weather that caused a large tree to fall and dislodge a section of track on the Melba Line. Despite being in a remote location not accessible by crane, the track was promptly restored with minimal disruption to customers.
Below Rail Infrastructure Cost (per track kilometre)	\$19.5 thousand	\$18.7 thousand	Infrastructure maintenance costs were less than plan due to accounting adjustments related to the June 2016 flood event.
Customer Revenue	\$35.8 million	\$33.8 million	TasRail achieved a 2.7 per cent increase in customer revenues compared to the previous financial year, but fell short of its ambitious target.
Capital Spend	\$29.2 million	\$32.7 million	Capital expenditure was higher than plan but overall expenditure remains within five year plan limits.
EBITDA (consolidated) after TAS GVT Below Rail Infrastructure Contribution	Break even	Break even	TasRail delivered its first Above Rail profit since the Company's inception in 2009. The result was achieved through a combination of increased freight volumes, tighter cost control and operating efficiencies.
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

CHAIRMAN'S REPORT

The end of the 2017-18 financial year saw TasRail post a solid result and record a number of milestones.

For the first time since establishment, the Company posted an Above Rail profit of \$440 thousand. While this may appear a modest amount, it is a significant achievement in the context of challenging conditions. That it was achieved at all is testament to prudent fiscal management and a relentless effort to grow revenues and control operating costs.

The level of the Below Rail Infrastructure Contribution (BRIC) from the Tasmanian Government has reduced by 58.5 per cent from a peak of \$19.5 million in 2010-11 to \$8.1 million in 2017-18. While the actual cost to maintain the network is higher than the BRIC allocation, operating surpluses generated from the Above Rail business are being used to offset this shortfall. TasRail's strategy to leverage the Infrastructure Investment Program to eliminate known single points of failure is seeing the burden of reactive maintenance reducing, but closing the gap between the true cost of maintaining the Below Rail assets and the current level of the BRIC will continue to be a challenge moving forward.

Cash generated by the Above Rail business is also being used to support TasRail's sustaining capital requirements including the future locomotive change-out program.

Future replacement of TasRail's multi-commodity shiploader is also on the horizon. The shiploader is critical infrastructure that services the West Coast mining industry and is paramount to the minerals sector.

It is imperative that funding options to replace this fifty year old asset be considered in the context of Infrastructure Tasmania's 30 Year Plan. TasRail will continue to work co-operatively with relevant stakeholders including the State Government, TasPorts and Infrastructure Tasmania, capably led by TasRail's newly appointed Chief Executive Officer Steven Dietrich.

Steven joined TasRail in June 2010 as Chief Financial Officer and Company Secretary. His achievements in that role and as a key member of the TasRail Executive, combined with some three decades experience in logistics and infrastructure, made him a standout replacement for Damien White who had been at the helm since 2010. On behalf of the Board I'd like to thank Damien for his dedication and commitment to TasRail over the past eight years, and to acknowledge his significant contribution to the rebuilding and transformation of the business.

Improving commodity prices and a lower Australian dollar are continuing to drive new opportunities in the minerals and forestry sectors and TasRail has shown tenacity in pursuing and capturing new business in both intermodal and bulk freight this financial year. The Board is determined to further expand TasRail's market share by exploiting the inherent advantages that rail offers to the market. These have now expanded beyond traditional haulage to include the design and operation of integrated supply chain logistics. TasRail's Management is to be congratulated on its work over the past 12 months to win new business and its growing competency to plan, implement and deliver new services.



'2017-18 has been a year of considerable change and achievement for TasRail, positioning the organisation for long-term sustainable success'.

*Samantha Hogg
Chairman*

It would be remiss not to highlight that much of what has been achieved could not have been realised without the commitment and support of the Tasmanian and Australian Governments. The availability and certainty of Infrastructure Investment Program (IIP) funding to 30 June 2023 is enabling TasRail to build on the momentum of previous investments that addressed the most urgent of the legacy defects across the network. IIP Tranche Two will see a prioritised list of renewals completed over the next few years. This important investment underpins TasRail's capacity to deliver safety and reliability standards that are substantially better than the freight rail industry in Tasmania has experienced in decades. As a result, the freight market has confidence that rail is a genuine competitor and our customers are reporting renewed levels of confidence with TasRail's capabilities.

On behalf of the Board and the whole of the TasRail team I'd like to thank the Tasmanian and Australian Governments for their continued support and for their belief in TasRail and its legitimacy as a major player in the freight and logistics sector. There are some exciting developments occurring in the industry including the impending introduction of new and bigger ships to service Bass Strait, rising forestry volumes, prospective new mines and the re-opening of the Hellyer Gold Mine. TasRail is well positioned to take advantage of these opportunities and is already proving its value to the forest sector with its increasing demand for rail which may well offer a solution for Southern Forests Residues.



With respect to tourist and heritage rail operations in Tasmania, the Board welcomes and supports the State Government's policy to encourage new opportunities on both the operational and non-operational lines. The legal, regulatory and administrative framework that governs rail operations is complex and the hurdles to achieving and maintaining rail safety accreditation cannot be overstated. By creating options for tourist and heritage rail to either operate on a Strategic Infrastructure Corridor under lease with the Crown and its own accreditation; or applying to TasRail for a Network Access Agreement and being responsible for only its Above Rail accreditation, provides the tourist and heritage rail organisations with transparency and choice.

TasRail will continue to engage with the various organisations and provide practical support and assistance wherever reasonable. Our policy to offer tourist and heritage rail organisations advance notice of the disposal of redundant rail assets will continue, as will the reasonable donation of items.

On behalf of the Board, I would like to thank and congratulate Steven Dietrich and the whole of the TasRail team for their dedicated service and contribution to the Company's results.

To my fellow Directors, thank you for your professionalism and support, and for your individual and collective contributions that are of great value.

I must also thank TasRail's Shareholder Members, the Hon. Jeremy Rockcliff MP and the Hon. Peter Gutwein MP for their support and assistance and it's important to acknowledge the co-operation and efforts of their hardworking staff.

I'd also like to thank and acknowledge the former Minister for Infrastructure, the Hon. Rene Hidding MP for his contribution and commitment to the of freight rail in Tasmania.

In conclusion, I extend special thanks and appreciation to Bob Annells and Sarah Merridew. As inaugural Directors, both made outstanding contributions through TasRail's most challenging years and each deserves to take much credit for the Company's resurgence. As founding Chairman, Bob's leadership, determination and stewardship proved pivotal to establishing the strong foundation from which TasRail can now propel forward.

Samantha Hogg
Chairman



2017-18 ACHIEVEMENTS



ZERO
LOST TIME
INJURIES



FIRST
ABOVE RAIL
PROFIT



RECORD 3.36 MILLION
TONNES OF FREIGHT HAULED



RECORD MONTHLY FREIGHT
TONNAGE **331,591**
FOR THE MONTH OF NOVEMBER



ADDITIONAL
\$119.6
MILLION
INFRASTRUCTURE FUNDS COMMITTED



WINNER OF THE
AUSTRALASIAN FREIGHT RAIL
EXCELLENCE AWARD



CEO REPORT

It's been an outstanding year for TasRail and its best since it was established nine and half years ago.

I thank Damien for his leadership and drive over the past eight years and for his work to position TasRail for success.

I feel extremely privileged to now lead the organisation, and I thank the Board for the confidence it has shown in me through my appointment as CEO. I'd also like to thank the Executive and Management Teams and everyone at TasRail for their support and for helping the transition to a new era of leadership.

TasRail's success can be measured in many ways. For me, it's knowing that our hardworking and dedicated team went home safe and well at the end of each shift; that we delivered excellent service to our highly valued customers; and that we secured and commenced new business opportunities. TasRail also delivered another year of significant capital investment on time and as per agreed milestones. Perhaps most significantly for our Shareholders and the Community, the Company returned TasRail's first ever Above Rail Profit on the back of renewed cost control and business growth.

I am incredibly proud of the TasRail workforce and its passion for business success. Ours is a 24/7 heavy haulage logistics business and to have worked a full year without a single Lost Time Injury is a significant achievement.

An absolute commitment to the SafetyCircle® principles of working safely and having the confidence to call out unsafe behaviour is behind the transformation of TasRail's safety culture and ultimately its vastly improved safety report card.

The belief that zero harm is achievable is also behind TasRail's derailment prevention strategy. Although one mainline derailment was reported in the 2017-18 financial year, it was not caused by an asset failure, a fault or human error, but rather a natural event whereby a large tree had fallen down an embankment following heavy rainfall, dislodging a section of the Melba Line by two metres. TasRail employees showed exceptional foresight and skill to safely re-rail the locomotive in a remote area inaccessible by a crane. Normal services were able to resume in a timely manner, ensuring minimal disruption to customers.

TasRail's market share continued to increase in 2017-18 for a record annual total of 3.6 million tonnes. Intermodal volumes remain strong, with a three per cent increase for the year.

We set a new record in November 2017 with 331,591 tonnes hauled. This is the highest ever volume recorded in a single month. The outlook for bulk commodities on rail is also on the increase, with TasRail recording 13 per cent growth in logs railed between Brighton and Bell Bay.



'Another freight tonnage record proves that Tasmanian industry is committed to a long term future for rail in Tasmania'.

*Steven Dietrich
Chief Executive Officer*



Other notable business achievements for the year include:

- Moving plantation wood on rail for the first time;
- Finalisation of a new contract with Hellyer Gold Mine for bulk storage and shiploading services, with potential for rail volumes as mine production increases;
- Major contract renewals with resource and forestry customers;
- New partnerships for heavy lifting services at George Town Freight Terminal; and
- Increased interest and activity from new and returning customers.

There is a strong sense of optimism and confidence in the Tasmanian economy and this is translating to new prospects for TasRail. I am confident the Company has the expertise, capability and innovation to seek out and seize these opportunities as they start to manifest.

This year, TasRail was recognised by the Australasian Railway Association, winning an award for freight excellence. To have TasRail's accomplishments and maturity as an innovative freight logistics provider recognised in this way by the rail industry is exceptional and a strong validation of the work over the past nine years. I was honoured to accept the award on behalf of TasRail, but the credit for what has been achieved belongs to the TasRail team, past and present Directors of the Board and the Tasmanian and Australian Government for their vision to revitalise the State's freight rail business.

TasRail has a great team that stand at the forefront of our success. Their collective energy, enthusiasm, skills and professionalism is something I'm immensely proud of. Ensuring that all employees are respected, valued and empowered to achieve excellence must remain a priority if we are to retain and attract the right people. Providing opportunities for professional learning and development and fair systems of recognition and reward continue to be central to TasRail's People First Strategy.

The much improved result for TasRail was only achieved thanks to the collective effort of many, especially our highly valued customers who I must thank for their confidence and loyal support of our services.

To the TasRail Chairman and Directors, thank you for your support, encouragement and guidance. And to my Executive Team, thank you for your ongoing support, wise counsel and leadership.

I must also acknowledge the support of the State and Federal Governments and their unwavering commitment to the first and second tranches of the Infrastructure Investment Program that is facilitating TasRail's revitalisation.

Steven Dietrich
Chief Executive Officer

BOARD OF DIRECTORS



TasRail boasts a skills based Board of Non-Executive Directors

Back Row L-R: Stephen Cantwell, Ian Dobbs, Philip Mussared, Front Row L-R: Samantha Hogg (Chairman) and Janine Healey

SAMANTHA HOGG

Samantha has extensive executive management experience in the resources and infrastructure sectors, as well as in Australian and international finance, marketing and strategic projects. Samantha was previously Chief Financial Officer of Transurban. She is a fellow of the Australian Institute of Company Directors, a Non-Executive Director of Hydro Tasmania and MaxiTRANS Industries Limited and Chair of Tasmanian Irrigation.

STEPHEN CANTWELL

Stephen was appointed to the TasRail Board in December 2016. He was previously Executive General Manager Mineral Processing at Bradken and interim CEO of Queensland Rail where he worked for 33 years. Stephen is also a Fellow of the Chartered Institute of Transport and Logistics, a Fellow of the Centre for Integrated Engineering Management and a Graduate Member of the Australian Institute of Company Directors.

JANINE HEALEY

Janine was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years experience working in senior roles with both KPMG and Deloitte. As a former Director of Hydro Tasmania, Port of Launceston Pty Ltd and Inveresk Railway Management Authority Janine has a wealth of experience. She is currently Treasurer of the Launceston Chamber of Commerce and Harvest Launceston; and an AICD Fellow.

IAN DOBBS

Ian was appointed to the TasRail Board in July 2017. Ian worked in a range of operational management roles in the UK rail industry before leading the Victorian transport reform program, establishing his own consulting business, managing a number of the UK's private rail franchises and being appointed Chairman and CEO of Public Transport Victoria. He is currently VP of the International Association of Public Transport.

PHILIP MUSSARED

Philip was appointed to the TasRail Board in December 2017. He has held senior positions in the Commonwealth, NSW and Tasmanian public sectors, most recently as Retirement Benefits Fund CEO. Philip is a Director of Hobart International Airport, National Trust (Tas), Tasmanian Heritage Council, Chair of the Tasmanian Traineeships and Apprenticeships Committee and Australian Risk Policy Institute Vice President.

EXECUTIVE TEAM

CHIEF EXECUTIVE OFFICER
Steven Dietrich



CHIEF OPERATING OFFICER
Stephen Kerrison



CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
Karen van der Aa (Interim)



GENERAL MANAGER PEOPLE AND CULTURE
Alice Vujanovic



EXECUTIVE MANAGER CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT
Neale Tomlin



FREIGHT SERVICES

Freight Services provides safe, reliable and sustainable rail freight and logistics services, and operates TasRail's terminals. It is also responsible for operating the rollingstock fleet and for the safe and authorised access to the network.



CORPORATE SERVICES

Corporate Services is responsible for financial reporting, auditing, accounts receivable, accounts payable, payroll, procurement, IT, business systems and property management. This team is also responsible for Board administration and business performance reporting.



PEOPLE AND CULTURE

People and Culture is focused on building a values-based culture and growing organisational capability through inclusion, diversity and collaboration. The team manages and implements human resource policy including; remuneration and reward, industrial relations, training and development and performance management.



CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT

This team incorporates the functions of business development, customer account management, customer service delivery, media, marketing and communications. It is also responsible to manage and facilitate stakeholder and community relations and reputation management.



ASSET MANAGEMENT

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock, facilities and TasRail's vast rail land corridors.



BUSINESS IMPROVEMENT

The Chief Operating Officer is also responsible for oversight of the Infrastructure Investment Program, Capital Projects and Safety. The role also maintains a strong focus on cost control and business improvement.

PEOPLE AND SAFETY

TasRail embarked on a reinvigorated leadership development journey in 2017-18 designed to empower its senior managers and supervisors to excel, motivate, communicate and lead in a more effective, efficient and rewarding workplace. This investment is helping to build and maintain positive and constructive workforce relationships. This customised training is helping participants to develop core leadership skills such as active listening, empathy, emotional intelligence and conflict management and to gain confidence in the way they engage with their teams.

Other key initiatives undertaken during the reporting period include a review of the way training is delivered across the business; the development of a more consistent approach to professional development and succession planning and the negotiation of a number of Enterprise Agreements.

A greater focus on diversity and to ensuring that all employees are respected, valued and empowered to achieve excellence remains central to TasRail's People and Culture Strategy:

- ✓ **Transition the Workforce**
- ✓ **Optimise Performance and Productivity**
- ✓ **Manage and Develop Capability**
- ✓ **Effective Leadership**
- ✓ **Aligned Engagement**
- ✓ **Continuous Learning and Development**



TRAINEE DRIVERS

Toward the end of the 2017-18 financial year, eight of TasRail's Rail Operators earned promotion to Trainee Driver roles. Included in the new intake was TasRail's first Trainee Cement Team Driver Jamie Webster (Devonport) as well as Scott Williams and Nick Halman (Brighton); Ty Harding, Doug Keep and Kai Schumann (Burnie); and John Billett and Ben Foden (Launceston).

'We are here as a collective with every part of the organisation important and equal to the other. By working together, empowering and caring for each other and upholding the behaviours and values that distinguish our organisation as an industry leader, we will achieve great outcomes'.

*Steven Dietrich
Chief Executive Officer*

WORKFORCE PROFILE

As at 30 June 2018

50 
LOCOMOTIVE DRIVERS

 **14%**
INCREASE IN
NUMBER OF
WOMEN IN WORKFORCE

29  EMPLOYEES WITH
30+ YEARS OF
SERVICE


229.1
FULL TIME
EQUIVALENTS

 **100.7**
FREIGHT SERVICES
FULL TIME EQUIVALENTS

 **32.5**
CORPORATE SERVICES
FULL TIME EQUIVALENTS

95.9 
ASSET MANAGEMENT
FULL TIME EQUIVALENTS

SNAPSHOT / CUSTOMER SERVICE EXCELLENCE

As the first female operational manager at TasRail (and perhaps in the history of the Tasmanian Rail Industry) Vanessa Sullivan is somewhat of a trail blazer. As TasRail's Customer Service Delivery Manager, Vanessa consistently displays a strong sense of determination, strength, energy and commitment to her role. By being transparent, flexible, reliable, safe and decisive, she has successfully developed effective and strategic relationships with each of TasRail's customers.

2017-18 has been a remarkable year for Vanessa. She was nominated for the Women in Resources (Tasmania) Awards, being named co-winner of the Exceptional Woman Award. She was then invited to represent Tasmania at the National Awards, to be presented at the Australian Parliament House during September 2018.

Earlier in the year, Vanessa was also selected to participate in the Australasian Railway Association Future Leaders Course as part of a small group from Australia and New Zealand. Her inspirational application focussed on empowering her team as well as leadership, coaching and innovation. Vanessa is the first to acknowledge that her award success is in large part attributed to her great team.

Vanessa is an exceptional role model for current and future generations of women and a great ambassador for the rail industry. TasRail congratulates Vanessa on another outstanding year in 2017/18.



'I am overwhelmed and completely humbled that the resources industry in Tasmania has recognised my efforts and achievements.'

*Vanessa Sullivan
Manager Customer Service Delivery*

PEOPLE AND SAFETY

Going home safe and well today and every day is now the mantra of everyone at TasRail.

This strong commitment to safety excellence has seen TasRail achieve its best ever safety results.

As at 30 June 2018, TasRail employees had worked 674 consecutive days free of Lost Time Injury. As at the same date, TasRail contractors had worked 428 consecutive days without Lost Time Injury

This is a remarkable achievement given the nature of TasRail's heavy freight activities that operate around the clock and in parallel with a substantial infrastructure upgrade of the network.

TasRail also achieved a better than target performance for Recordable Injuries.

Although one mainline derailment was recorded in 2017-18 it was caused by natural events rather than an infrastructure or asset fault or human error. This derailment occurred on the Melba Line following heavy rainfall that caused a large tree to fall, causing the dislodgement of a section of track in a remote area.

No injuries or damage to freight occurred as a result of the incident and TasRail's crews were able to safely repair the track and restore services with only minimal disruption to customers. This was a significant challenge given the remote area was not accessible by crane.



An updated Safety, Health and Environment (SHE) Strategy was launched in June 2018, building on the foundation of programs and actions in place by taking into account a review of current SHE performance, legislative requirements, audit results and assessed risk exposures.

Five 'Mission Critical' Initiatives were identified and will continue to be priority areas of focus.

1. Contractor Management Process
2. Engineering Controls
3. Derailment Prevention Strategy
4. Fatigue Management
5. Level Crossing Strategy



'TasRail's exemplary safety record is not just luck. Our team is continuously making decisions and choices that are consistent with 'inside the circle' behaviour, resulting in a Lost Time Injury free year.'

*Derek Van der Heide
Risk and Compliance Manager*

SNAPSHOT / FATIGUE MANAGEMENT

TasRail recognises the hazard of fatigue as a critical safety element, prompting a comprehensive review of its Fatigue Management System (FMS).

A number of short and longer term actions have been recommended, which are now being implemented. Several fatigue related work tasks were identified, such as 'lone vehicle driving' and appropriate 'rest breaks' during the course of a work shift.

A Drowsy Driver Detection system is currently being trialled, which involves a forward facing camera and an internal facing camera being installed in a number of TasRail's fleet of vehicles. This system is able to detect, measure and monitor a road vehicle driver's eye and mouth movement to sense the onset of a micro-sleep. Where this occurs, the system will alert the driver by sounding an alarm and seat vibration.

Numerous other fatigue mitigating actions are proposed for implementation in 2018/19 to ensure TasRail's FMS meets industry best practice. TasRail is committed to the goal of reducing employee fatigue and to minimising the risk of safety incidents related to fatigue.

'TasRail is to be congratulated for taking this proactive step in managing worker fatigue as part of the Company's commitment to safety excellence.'

*Tony Halman
Project Leader Fatigue Management*



R U OK?

Supporting Mental Health and Wellness has been an area of renewed focus in 2017-18 with a group of 25 employees completing Mental Health First Aid training.

Rail is an industry where employees can be affected by emotional or mental trauma as a direct result of exposure to public incidents on the railway such as a level crossing near miss, train collision or trespass.

As an organisation, TasRail works to ensure it has the capacity and capability to support employees achieve good health and wellbeing by equipping its leaders and peer support team members with the skills necessary to identify and assist a colleague who may not be coping with personal and/or work related issues. A range of free and confidential support services are also easily accessible to TasRail employees.

'Most of us see our peers on a regular basis which puts us in a great position to notice changes in a colleagues demeanour or behaviour. By finding the time and courage to ask R U OK? we show we care. By 'staying chatty', we can help to reduce feelings of isolation and doubt. A conversation could change a life'.

*Alice Vujanovic
General Manager People and Culture*

SNAPSHOT / TRAIN CONTROL

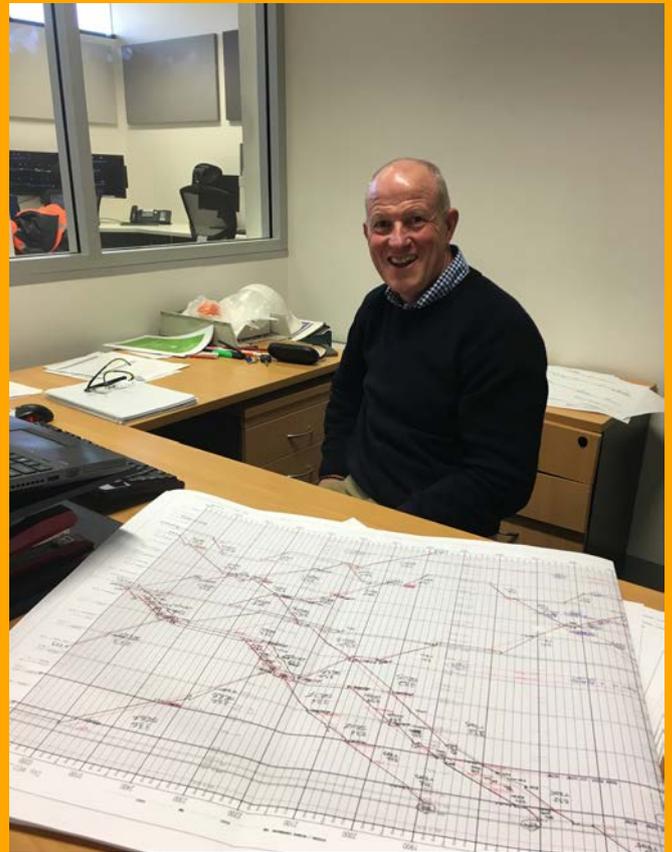
TasRail's Garry Cummings has been employed in the Tasmanian Rail Industry for 37 years. In that time he has worked in a variety of roles including as a Train Driver, Operations Manager and Train Controller.

Currently TasRail's Network Access Manager, Garry is responsible for a team of ten that work in the 'central nervous system' of operations to ensure a safe working system to protect and control all movements of people, equipment and assets across the Tasmanian Rail Network. He is also responsible to manage radio communications, the rostering of Train Drivers and the car plan to transport them to pre-determined locations for shift changes.

Garry says every day is different which means a Train Controller needs to be adaptive, highly organised with exceptional time management. He says prerequisite competencies include communicating with precision, having an analytical mind and to always be thinking at least eight hours in advance.

Issues such as extreme weather events, track obstructions, acts of vandalism to track or signals, a train timetable or crew rostering change can disrupt the whole train plan. This triggers a range of actions and revisions to schedules that can affect the movement and timing of services, crewing and their transport etc.

One of the more surprising issues encountered during the 2017-18 year was the sighting of a seal resting on the track near Ulverstone.



'We are extremely fortunate that as a result of the progressive upgrade of the freight rail network, combined with investment in the new TR class fleet of locomotives and the latest Automated Network Control System, TasRail is now a much safer and more reliable operator. As a result we are experiencing substantially fewer disruptions to our daily master plan.'

Garry Cummings
Network Control Manager



'Rail is proving to be a valuable supply chain partner for the forest industry, with TasRail successfully commencing new services for plantation timber on rail during the first half of 2018'.

*Neale Tomlin
Executive Manager Corporate Relations and Strategic Development*

ABOVE RAIL

The Above Rail business is the commercial arm of TasRail. It provides safe, reliable, innovative and sustainable rail freight and logistics solutions to our highly-valued customers.

The Above Rail team is responsible for operating freight terminals, bulk handling, storage, shiploading services. It also manages train services and rollingstock fleet operations, as well as safe and authorised access to the Tasmanian Rail Network.

The Company's state-wide network of terminals and dedicated customer sidings underpin seamless access to export hubs for heavy industry and freight forwarders. Customised rollingstock for containers, logs, minerals, coal and cement ensure industry can rely on TasRail to provide surety of haulage capacity.

TasRail is focused on exceeding the expectations of our customers by:

- Providing freight handling and delivery services that are reliable, safe, efficient and price competitive;
- Building strong business partnerships with our customers by understanding and meeting their needs and by providing responsive customer service and attention to detail; and
- Delivering a social and environmental dividend to our customers and the community by facilitating a reduction in transport related emissions and heavy vehicle movements across the State's road network.

Substantial improvements to the Tasmanian Rail Network delivered through TasRail's IIP works, as well as a renewed focus on cementing long-term strategic partnerships with customers, have enabled the Above Rail business to achieve its first profit since the Company's inception in 2009.

TasRail hauled a record 3.36 million tonnes of freight in 2017-18, an increase of 10.5 per cent on the previous year.

While strong growth was recorded in the log and general intermodal sectors, other freight volumes were lower than forecast during the financial year, influenced by industry output.

TOTAL NET TONNE KILOMETRES

2017-18	488,515,583
2016-17	472,896,218
2015-16	442,845,844

Net Tonne Kilometres are calculated by multiplying the total distance travelled in kilometres by the net weight of the wagon.

SHIPLOADING

Shiploading volumes have increased by 17 per cent since 2015-16. However, total volumes for 2017-18 were slightly down compared to the previous year. This is because in 2016-17 TasRail was able to secure some opportunistic volumes that were available to the market on a short-term basis.

The shiploader is critical infrastructure that is able to direct load a range of different bulk commodities received at TasRail's bulk handling facility by both road and rail. Demand for these services is forecast to increase with renewed interest and a number of new developments being generated by a resurgent West and North West Coast mining industry.

A new shiploader to replace the existing 50-year old asset is one of TasRail's priorities to ensure the support and ongoing sustainability of Tasmania's export-focussed minerals sector.

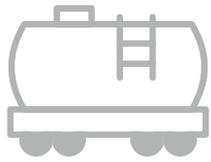
TOTAL SHIPLOADING TOTALS

2017-18	463,462 tonnes
2016-17	496,808 tonnes
2015-16	396,483 tonnes

'Tasmania's resurgent mining sector is generating new opportunities for TasRail and it is heartening that this important industry considers rail as pivotal to its triple bottom line'.

*Stephen Kerrison
Chief Operating Officer*





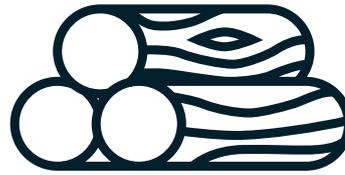
**RECORD
3.36
MILLION
TONNES
FREIGHTED
OVER THE YEAR**



7%
GROWTH IN GENERAL
INTERMODAL FREIGHT NTK



**PLANTATION
WOOD
HAULED ON
RAIL FOR THE
FIRST
TIME**



24%
GROWTH
IN LOG NTK



10.5%

**INCREASE IN
THE ANNUAL
FREIGHT
TONNAGE TASK**

ROLLINGSTOCK ASSET UTILISATION

TasRail's innovative team worked hard during 2017-18 to further optimise its rollingstock assets to ensure additional freight could be hauled more safely, efficiently and effectively.

No new wagons or locomotives were purchased during the financial year.

A total of eight retired QL intermodal wagons were modified into TFAF log wagons and a total of two IB intermodal wagons were taken out of service.

One retired 2000 class locomotive was converted into a driving van (DV2) for the cement train operations.

2017-18	25 locomotives	19,540,623 NTK per locomotive
2016-17	25 locomotives	19,201,848 NTK per locomotive
2015-16	24 locomotives	18,451,910 NTK per locomotive

2017-18	312 wagons	1,565,755 NTK per wagon
2016-17	306 wagons	1,568,778 NTK per wagon
2015-16	267 wagons	1,658,599 NTK per wagon

LOCOMOTIVE KILOMETRES

The total amount of kilometres travelled by TasRail locomotives on the Tasmanian Rail Network in 2017-18 increased by 56,421 representing a 3.6 per cent productivity increase.

2017-18	1,617,571 kilometres
2016-17	1,561,150 kilometres
2015-16	1,444,830 kilometres



ABOVE RAIL

TasRail is the preferred logistics supply chain partner for some of Tasmania’s most important industries and major employers that produce zinc, paper, logs, cement, coal, mineral ores and general freight forwarders. The buoyant economy and strong business confidence resulted in general intermodal volumes growing by seven per cent year on year. This is an excellent result and was largely achieved by hauling the additional volumes on existing services. TasRail works in partnership with freight forwarders and road transport operators to seek further commercial opportunities that leverage the natural advantages of both modes.

The forest industry in Tasmania is also performing strongly and TasRail is experiencing increased demand for its services between Brighton and Bell Bay, up 24 per cent year on year.

TasRail now has three forestry customers and operates a daily service to Bell Bay. The addition of plantation logs in June 2018 marked an important milestone for TasRail, hauling this commodity on rail for the first time. TasRail sees strong growth potential and will continue to work with the forest sector to secure additional volumes.

TasRail has partnered with experienced local companies skilled in lifting and loading services at both its George Town and Brighton terminals. These arrangements are proving very efficient and enable TasRail to expand its service offerings to customers while retaining a focus on its core activities.

TOTAL FREIGHT TASK 2017-18 NET TONNE KILOMETRES

Commodity	2017-18 NTK	2016-17 NTK	Percentage change year on year
Coal	42,601,177	44,863,564	-5
Cement	25,976,894	28,136,132	-8
Mineral Concentrates	22,810,917	22,923,272	-
Logs	23,989,688	19,285,427	24
General Intermodal	246,889,952	229,820,283	7
Paper	126,246,955	127,867,540	-1
Total	488,515,583	472,896,218	3



SNAPSHOT / UNDERFLOOR WHEEL LATHE



TasRail's South Burnie Wheel Management Centre was officially opened on 25 August 2017.

The \$5.5 million underfloor wheel lathe replaced a 40-year-old above ground lathe located at East Tamar. This innovative and highly efficient technology enables wagons and locomotives to be moved over the lathe pit by a remote-controlled electric shunter so the wheels remain on the rollingstock throughout the re-profiling process.

The previous system required the 1680 wheel sets on TasRail's locomotives and rollingstock to be removed manually for re-profiling once a year. This resulted in each locomotive being out of service for approximately six days.

The new precision German technology reduces the time each locomotive is out of operation from six days to one, resulting in improved efficiencies, enhanced service reliability and reduced maintenance costs.

Wheel wear is expected to improve by up to 30 per cent.

TasRail launched a competition to name the ES 600 Hegenscheidt battery-powered shunter, which was won by Sally Rossiter of Greens Beach who suggested "Bunter the Shunter". The name was in recognition of former Tasmanian locomotive driver, the late Peter Shaw, who was nicknamed by his rail colleagues as Billy Bunter or Bunter.



'This is a wonderful tribute to a man who was very passionate about Tasmania's rail industries and I am sure he would be thrilled to be recognised in this way'.

*Sally Rossiter
Greens Beach Resident*

INFRASTRUCTURE INVESTMENT PROGRAM

TasRail is currently delivering Tranche One of the Tasmanian Freight Rail Revitalisation Program (TFRRP), jointly funded by the Tasmanian and Australian Governments, under the Infrastructure Investment Program (IIP).

This \$119.6 million program of works is focused on reducing single points of failure to underpin a fit-for-purpose Tasmanian Rail Network, enabling TasRail to deliver freight in a safe, timely, efficient and reliable manner on behalf of its highly-valued customers.

In 2017-18 the Tasmanian and Australian Governments committed to Tranche Two of the TFRRP, recognising the integral role rail plays in the State's freight transport system, enabling existing industry to expand and new industry to establish.

Over the past 12 months TasRail has completed many challenging projects including the Coastal Erosion and Landslip works along the pristine North West Coast between Ulverstone and Penguin.

Extensive stakeholder engagement was undertaken, including engaging an expert in penguin habitats and behaviours to advise on the protection of penguin colonies located along the coastline. On one site where it was likely penguins were nesting, each burrow was checked for occupancy prior to excavation. Any penguins found were carefully relocated and small nesting boxes were provided.

Innovative solutions to long-standing embankment and track formation issues were implemented on the South and Western Lines. This resulted in significantly improved reliability, reduced maintenance and the removal of a long-standing temporary speed restriction.

The TasRail team is proud to be delivering the IIP projects on time and on budget in partnership with highly-skilled and capable local contractors.



'TasRail continues to diligently plan, schedule and deliver this critical program of works safely, on time, on budget and in a sustainable manner. Seeing these significant projects revitalise the Tasmanian Rail Network is very rewarding and adds value to the TasRail business proposition'.

*Gilbert Ness
Infrastructure Investment Program Manager*



REPLACEMENT OF
56,468
SLEEPERS



11
LEVEL
CROSSING
SURFACE
RECONSTRUCTIONS



SLIP/COASTAL
EROSION
REPAIRS
11
SITES



MORE
THAN
2,721
TRACK WELDS



18 CULVERTS
REHABILITATED



47,866 METRES OF RAIL
REPLACED



2 BRIDGE
UPGRADES



TAMPING OF
40,675
METRES
OF TRACK



Examples of key infrastructure investment program works completed in 2017-18 include:

- ✓ Solutions to long-standing embankment and track formation issues on the South and Western Lines
- ✓ Completion of Coastal Erosion and Landslip works along the North West Coast
- ✓ Replacement of the Elizabeth River Rail Bridge at Campbell Town
- ✓ Critical track upgrades across the network including renewal of formation and track ballast.
- ✓ Bridge and culvert renewals and level crossing surface reconstructions

'Ongoing investment in the Tasmanian Freight Rail Network is creating jobs and boosting local economies. Importantly it is also underpinning renewed industry confidence in rail as a safe and reliable mode of transport'.

*Karen van der Aa
Chief Financial Officer (Interim)*

SNAPSHOT / ELIZABETH RIVER BRIDGE REPLACEMENT

During Easter 2018, rail operations on the South Line were temporarily suspended for 70 hours to enable a new, contemporary designed rail bridge to be constructed over the Elizabeth River at Campbell Town.

The original 28 metre long, five span bridge was a priority renewal project for Tranche One of the Infrastructure Investment Program. The original asset had reached a point where ongoing maintenance was uneconomic.

VEC Civil Engineering successfully tendered for the works and constructed the 26 bridge pre-cast concrete components at its Ulverstone facility. More than 390 tonnes of concrete were used to manufacture these components.

The new bridge has been engineered to comprise only two spans, and is expected to have an asset life of one hundred years.

Some of the benefits of the new design include:

- improved hydrolic capacity
- enhanced environmental flows
- reduced potential for debris build-up during flood events
- asset reliability
- reduced ongoing maintenance costs
- safe train operations

The project works comprised three in-situ, concrete pours for the footings and additional pours for the fill between the existing abutments. New panels and a new steel walkway to accommodate the access needs of authorised rail personnel were also constructed as part of the project.

TasRail's contractor is to be commended for completing the works on time and free of any safety incident. This ensured there was no delay to customer services or impact to train schedules.

'There is no doubt that committing to the replacement of a rail bridge within such a very tight deadline is challenging, but we accept that it's necessary to get the job done safely within the available window in order to prevent disruption or delays to TasRail's freight rail operations'.

*Lincoln Bromwich
General Manager VEC Civil Engineering*



'By operating the Below and Above Rail segments as a vertically integrated business, TasRail is able to schedule its resources to deliver a fit for purpose network that meets the specific safety, reliability and transit requirements of our customers. This results in less duplication of resources and more efficient maintenance and investment outcomes'.

*Rhys Prestidge
General Manager Asset Management*

BELOW RAIL

The Below Rail business segment is the maintenance division of TasRail. It is responsible to maintain the Tasmanian Rail Network and all of the associated infrastructure including bridges and culverts, tunnels, rail formation and level crossings. The team is also responsible to maintain TasRail's land tenure that comprises both operational and non-operational rail corridors and spans more than 850 kilometres. In addition to scheduled vegetation maintenance works, TasRail is also required to ensure that the line of sight is clear at all level crossings.

TasRail maintains the operational network in accordance with Track Engineering Standards that are consistent with industry best practice. This includes the routine physical inspection of the infrastructure to identify any non-compliance with the Track Standard which provides for the early detection and mitigation of risk. Track geometry trolleys are used by Track Inspectors to enhance the effectiveness of these frequent inspections.

TAMPING

Tamping is fundamental to maintaining good track condition.

For the 2017-18 financial year, TasRail's Asset Management team tamped a total of 166 track kilometres consistent with target.

Tamping is the process whereby a specialist track resurfacing machine is used to 'lift and line' the track for the purpose of restoring the correct track geometry. Tamping is generally undertaken as part of the regular maintenance cycle. It is also carried out following track renewal or upgrade works.

Tamping activity	2017-18 kilometres	2016-17 kilometres
TasRail	166	135
IIP	41	66

TEMPORARY SPEED RESTRICTIONS

A Temporary Speed Restriction (TSR) is a risk prevention measure to protect the safety of the network.

A TSR may be applied to a section of track following detection of an issue on the track such as a non-compliant track geometry reading or fault. Other examples where a TSR may also be applied include hot or extreme weather conditions with potential to create tensile stress; reports of rail trespass or livestock on the track; and following a public safety incident on the network or at a level crossing.

TasRail reported a reduction in the percentage of the operational network under TSR as at 30 June 2018.

Percentage of the Network with TSR	
As at 30 June 2018	10.47
As at 1 July 2017	11.84

TRACK GEOMETRY MEASURING SYSTEM

During the second quarter of 2018 TasRail introduced a new track geometry measurement system (UTGMS) to assist with the early detection of defects.

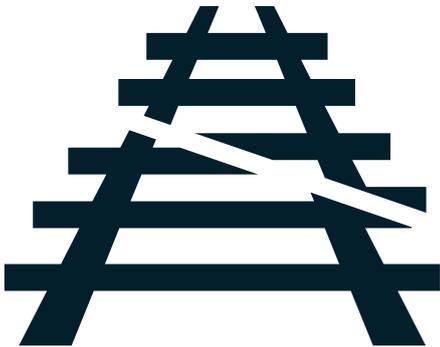
In a first for Tasmania, new laser based technology has been fitted to a TasRail intermodal wagon that operates across the network to measure track geometry under loaded conditions. The equipment calculates track twist and inspects and records the type of rail and its wear status. The data is analysed to determine track quality.

Up until April 2018, TasRail engaged a mainland contractor to undertake its track geometry measurements on a regular basis, utilising a hi-rail truck that operated on the tracks.

With ready access to the Track Geometry Wagon, TasRail now has to flexibility to conduct more frequent track recording and rail inspection runs. This will be particularly effective during periods of extreme weather temperatures that effect track condition, such as the January 2018 heat wave.



BELOW RAIL



BUCKLES (Mainline)

2017-18	42
2016-17	19
2015-16	54



BROKEN RAIL (Mainline)

2017-18	7
2016-17	18
2015-16	15



BROKEN RAIL (Yard)

2017-18	2
2016-17	0
2015-16	4

TRACK/INFRASTRUCTURE IRREGULARITIES

Steel contracts at low temperatures and expands at high temperatures. In extreme cold, a length of continuously welded rail (CWR) suffers tensile stress which can cause the rail to fracture (broken rail). In extreme heat, CWR suffers compressive stress which can cause the rail to buckle. Other factors that affect CWR condition and the risk of buckling include the stress free temperature of the rail; the condition and profile of the track ballast; the type and placement of the sleepers; the rail stiffness (weight); track consolidation and track geometry.

Rail age and weld age are the primary underlying cause of rail breaks. Ultrasonic testing of the rail is undertaken to detect internal rail defects that may develop into breaks. In the longer term, reducing the age profile of rail and welds and improvements to the quality of new welds will help to reduce the frequency of broken rails.

TRACK QUALITY INDEX

	Mar-18	Jul-17	Mar-18	Jul-17	Mar-18	Jul-17	Mar-18	Jul-17
	Percentage of line rated Good		Percentage of line rated Fair		Percentage of line rated Poor		Percentage of line rated Very Poor	
Western Line	72.65	74.93	22.76	20.09	4.42	4.36	0.17	0.62
South Line	63.79	55.78	29.05	34.60	6.48	8.82	0.68	0.80
Melba Line	67.41	64.67	27.15	28.97	5.26	6.17	0.18	0.19
Bell Bay Line	40.73	47.46	42.02	39.31	15.41	11.96	1.83	1.27
Fingal Line	74.91	72.97	19.26	19.79	5.12	6.18	0.71	1.06
Derwent Valley Line (Bridgewater to Boyer)	38.06	49.62	44.03	38.35	16.42	10.53	1.49	1.50

The data used to derive the above Track Quality Index was generated by a third party owned measurement system equipped to a hi-rail Geometry Truck. Since April 2018 track geometry has been measured by the unattended track geometry measurement system (UTGMS) but at the time of writing this report the UTGMS data for the Track Quality Index was not available for the period 1 April to 30 June 2018. However, review of the initial data indicates it will be comparable to the hi-rail based system.

OUR COMMUNITY

COMMUNITY-BASED SAFETY INCIDENTS

TasRail continues to work proactively with farmers, landowners, trackside residents and local councils to address community concerns, as well as issues that affect TasRail operations:

		2017-18	2016-17	2015-16	2014-15
	Level crossing failure to stop or give way	72	76	123	94
	Level crossing collisions	1*	1	1	1
	Trespass	69	43	67	85
	Vandalism and theft	72	55	52	48
	Livestock in the rail corridor	122	64	86	95
	Animal collisions with trains	20	10	32	40

*One level crossing collision was reported for 2017-18 when a motorist failed to stop at a level crossing (Westbury). The motorist was lucky to escape with no physical injury and only minimum damage to the side of his vehicle.



RAIL SAFETY

TasRail actively engages with key stakeholders through targeted campaigns such as Rail Safety Week, ensuring critical messages about obeying level crossing signals and signs, as well as not trespassing in the rail corridor, are communicated as widely as possible.

TasRail's Operating Procedures require the train horn to be sounded twice per level crossing for a duration of one second each time – once on near approach to the crossing, and once prior to entering the level crossing. The procedures mandate the Low Note be applied between the hours of 10pm and 6am. It should be noted the procedures are minimum requirements only, with the train driver authorised to sound the horn at any time he/she perceives there to be a potential danger.

TasRail acknowledges that the sound of the train horn at night is a concern for a minority of people who choose to live near a railway line. However, the safety of rail operations and the general public must be a priority.

TRAIN HORN COMPLAINTS

2017-18	21
2016-17	20

SNAPSHOT / CLEAN-UP DAY

TasRail prides itself on a proactive and positive relationship with members of the Tasmanian community, whether through the sponsorship of key events, supporting our customers, promoting rail safety, or providing timely and accurate communications about TasRail activities.

This year TasRail organised a Clean Up the Rail Corridor event in conjunction with Clean Up Australia Day. An enthusiastic gathering of one hundred volunteers including TasRail employees, contractors and community members gave up their Saturday for the initiative. The team collectively removed almost two tonnes of rubbish and debris from the Bell Bay Rail Corridor that runs through Launceston’s Northern Suburbs.

Heavy earth moving equipment was also deployed over several days to clear away abandoned cars and larger household goods including washing machines that had been dumped in the rail corridor.

A new fence was also erected as part of the initiative.

TasRail continues to work with the Northern Suburbs Community and the Launceston City Council to monitor and maintain this rail corridor.



CORRIDOR LAND MANAGEMENT

TasRail is responsible for the management of some 850 kilometres of land corridors, including terminals, depots and sidings. The Company diverts a percentage of its track maintenance budget for the implementation of a prioritised program of land management activities across both the operational and non-operational network. This provides for a bi-annual spray and slashing program of the corridor, with targeted weed eradication initiatives scheduled on a prioritised basis.

VEGETATION COMPLAINTS

2017-18	31
2016-17	80

SNAPSHOT / PARTNERSHIP WITH BEACON

TasRail launched a three-year partnership with the Beacon Foundation in October 2017, focused on empowering Tasmanian students to be the best they can be as they transition from education to the workforce.

As part of the program, TasRail is managing a range of activities within Beacon's collaborative education program in schools, including mentoring, workplace experience, careers on wheels and job chats to highlight the vast range of career opportunities available to Tasmanian school leavers through the rail industry.

During 2017-18 students toured TasRail terminals around the State, meeting with locomotive drivers, rail operators, rollingstock maintainers, managers and others to discuss career choices and daily work tasks.



At the launch held at TasRail's Brighton terminal, Beacon State Manager Nick Probert said it was an invaluable opportunity for students to have direct interaction with a busy and productive workplace, as well as meet members of the TasRail team who shared their career progression stories.

TasRail CEO Steven Dietrich congratulated the Beacon Foundation on the outstanding results achieved in assisting young Tasmanians transition from education to meaningful employment.

TOURIST AND HERITAGE RAIL

TasRail welcomes and supports State Government policy to encourage new opportunities for tourist and heritage rail operators seeking access to operational and/or non-operational lines. A third party operator now has the option to seek access to a non-operational line and to operate under its own rail safety accreditation as per the Strategic Infrastructure Corridors (Strategic and recreational Use) Act 2016; or alternatively to apply to TasRail for a Network Access Agreement (NAA) to access an operational line. Under the NAA, TasRail is responsible for the Below Rail operation and accreditation with the applicant responsible for its own Above Rail safety accreditation. These pathways provide clarity and transparency for third parties with the resources and capacity required to operate a railway in Tasmania.

Throughout 2017-18 TasRail continued to work co-operatively with tourist and heritage rail organisations in Tasmania.

Activities include the sharing of information, knowledge and in-kind assistance as well as the donation of redundant assets in accordance with TasRail's Disposal of Assets Policy and Procedures. Examples of donations provided in 2017-18 include the following:

- Donation of sleepers and machinery to Don River Railway;
- In-kind assistance to Tasmanian Transport Museum Society;
- Reservation of sleepers for the Launceston North East Railway; and
- Provision of a Track Inspector and Hi-Rail for three days at no cost to support the Derwent Valley Council's independent condition assessment of the Derwent Valley Line.



CORPORATE GOVERNANCE

At TasRail, Corporate Governance relates to the system by which the business is directed and managed. Much of its success is underpinned by strong and effective relationships between the Board and the Management Team, the Shareholder Members and other stakeholders.

CORPORATE GOVERNANCE FRAMEWORK

TasRail is managed by a Shareholder-appointed Board of Directors. The Board operates under a framework that is consistent with the ASX Corporate Governance principles and recommendations:

PRINCIPLE 1 – lay solid foundations for management and oversight:

The TasRail Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letters of appointment and the Board Charter. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Board Charter requires annual reviews of the Board, its Committees and Directors. The process for evaluations is in line with the Guidelines "Assessing Board Performance" issued by the Shareholder Members. The Chairman and CEO, along with the Portfolio Minister, appear before and respond to Parliamentary Scrutiny Committee(s) as and when required.

PRINCIPLE 2 – Structure the Board to add value:

All TasRail Directors are independent of management. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasRail. The Chairman is an independent Director and is not an Executive of the Company. Directors are selected and appointed on the basis of their skills and experiences and in consideration of diversity and independence, probity and background checks. The appointment involves the creation of a Director Selection Advisory Panel. An executive search firm is appointed to assist the panel to identify potential candidates. TasRail maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has. The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. An induction program is administered by the Chairman with the support of the Company Secretary and CEO.

PRINCIPLE 3 – Act ethically and responsibly:

The Board Charter commits the Board to maintaining the highest ethical standards. It expects that Directors will demonstrate the spirit and intent of its Code of Conduct as well as comply with all applicable legislation, lawful directions from Shareholders and Company policies. Each Director is bound to uphold the Code of Conduct by exhibiting model performance, behaviour and conduct that is in line with the Code during the course of their employment. They must promote the Code and ensure that any potential breaches are taken seriously, identified and reported and acted upon appropriately. The Code of Conduct is underpinned by other policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Right to Information Policy, Privacy Policy, Procurement Procedure, Public Interest Disclosures Policy and People Management Business Critical Process.

PRINCIPLE 4 – Safeguard integrity in corporate reporting:

The Board operates an Audit and Risk Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance. The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and CFO provide the required declarations under S295A of the *Corporations Act* and formally sign the accounts before it makes any recommendations to the Board. The TasRail Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit. Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members. The Audit and Risk Committee also meets with the external auditor without management present from time to time. TasRail's Annual Reports are provided to Shareholders by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are subject to the scrutiny of all Members of Parliament and the community.

PRINCIPLE 5 – Make timely and balanced disclosure:

TasRail is required by its Constitution to communicate with its Shareholder Members and others, via regular and irregular reporting and other means of communication. In practice, there is a flow of information throughout the year on important matters to ensure Shareholder Members are kept informed. If the Directors at any time form the view that matters have arisen that may prevent, or significantly affect achievement of the objective, strategies, policies or financial targets of the Company, the Directors must promptly notify the Shareholder Members. Details about disclosures made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out on page 36 of this document.

PRINCIPLE 6 – Respect the rights of Shareholders:

TasRail's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware. Consistent with the *Rail Company Act 2009*, Directors must comply with the lawful directions given in writing by the Shareholder Members.

PRINCIPLE 7 – Recognise and manage risk:

Under its Charter, the Board commits to ensuring TasRail effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system. TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Audit and Risk Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company. TasRail provides its Shareholder Members with information about risk by including key financial and operational risks in the annual Corporate Plan and regularly discussing risks at Shareholder Member briefings.

PRINCIPLE 8 – Remunerate fairly and responsibly:

The Board has specifically retained responsibility for approving the Remuneration and Incentive Framework and Policies, Organisational Structure amendments and conditions of employment. The Governance and Nomination Committee comprises five independent Non-Executive Directors. Its Charter sets out the Committee's role as assisting the Board to meet its responsibilities by:

- Ensuring TasRail's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values and overall business objectives;
- Ensuring TasRail's remuneration policies meet the requirements outlined in the Guidelines for Tasmanian Government Businesses, Director and Executive Remuneration;
- Reviewing and recommending to the Board remuneration policies and practices to be introduced at TasRail;
- Reviewing and recommending to the Board principal terms of employment contracts including the remuneration packages for the CEO and senior executives;
- Reviewing and recommending to the Board remuneration of the CEO annually;
- Monitoring the performance of the CEO and key performance indicators to determine and recommend to the Board performance criteria and payments; and
- Reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for Company employees, and ensure remuneration is aligned with market trends.

The Committee also ensures remuneration reports are provided to Shareholder Members as required.

PUBLIC INTEREST DISCLOSURES

TasRail is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* and does not tolerate improper conduct by its employees, officers or members, or the taking of detrimental action against those who come forward to disclose such conduct.

The *Public Interest Disclosures Act 2002* provides protection to persons who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and for rectifying actions to be taken.

TasRail has adopted model procedures to be followed by Public Bodies in relation to Public Interest Disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body.

They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered. The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under Section 38(1)(c) of the Act.

Under the *Public Interest Disclosures Act 2002* TasRail is required to report on any disclosures about improper conduct by its public officers or TasRail.

In accordance with the requirements of Section 86 of the Act, TasRail advises that:

- (a) TasRail's procedures under the Act are available at www.tasrail.com.au or email PD.Officer@tasrail.com.au. Alternatively you can write to: Public Interest Disclosure Officer, TasRail, PO Box 335, Kings Meadows, Tasmania 7249.
- (b) One disclosure was made to TasRail during the year. Following assessment of the matter, it was found the disclosure was not supported by the evidence on which it was based. As the disclosure did not show, or tend to show, that a public officer had engaged, or is engaging in improper conduct, or that detrimental action had occurred, it was determined not to accept the disclosure as a public interest disclosure. The disclosure, including a summary of TasRail's actions leading to its decision not to accept the disclosure was reported to the Ombudsman who confirmed he was satisfied that TasRail's decision was appropriate. The review decision by the Ombudsman completed this matter in terms of action under the PID Act.
- (c) No Public Interest Disclosure was investigated by TasRail during the year.

- (d) No disclosed matters were referred to TasRail during the year by the Ombudsman.
- (e) No disclosed matters were referred by TasRail during the year to the Ombudsman to investigate.
- (f) No investigations of disclosed matters were taken over by the Ombudsman from TasRail during the year.
- (g) There were no disclosed matters that TasRail decided not to investigate during the year.
- (h) There were no disclosed matters that were substantiated on investigation.
- (i) The Ombudsman made no recommendations under the Act that relate to TasRail.

RIGHT TO INFORMATION

TasRail is committed to compliance with the *Right to Information Act 2009* and to act in a fair, objective and timely manner to ensure the spirit of the Act is upheld. Information about the *Right to Information Act 2009* and TasRail's obligations under it are available at www.tasrail.com.au or email righttoinformation@tasrail.com.au

During 2017-18, TasRail received no Right to Information requests.

TasRail embraces the objectives of the *Right to Information Act 2009* by routinely publishing information that it considers to be of interest to the public. TasRail's preferred method of disclosure of information is proactive disclosure via its publications, website and social media.

PERSONAL INFORMATION PROTECTION

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004 (Tas)*, which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988 (Cwth)*.

Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au. No reports were made under this regime for the 2017-18 reporting period.

BUY LOCAL

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes. A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers.

TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being Tasmanian if the invoice payment and/or the Australian Business Number (ABN) is registered to an address within the State. Purchases are defined to include operating expenses together with capital expenditure. The table below excludes employment and finance expenses and depreciation.

Buy Local performance	2017-18 (\$)
Value of Purchases from Tas Businesses	41,102,747.07
Percentage of purchases from Tasmanian Businesses	69.21

Rail uses specialised materials that are not available for local purchase, production or manufacture. For example, rail and sleepers.

PAYMENT OF ACCOUNTS

TasRail complies with the Tasmanian Government Policy that requires State-owned Companies to:

- Implement appropriate policies and procedures to ensure that all accounts are paid on time, and if not, interest is to be paid for late payments;
- Pay invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term; and
- Pay invoices with a value above \$50,000 in accordance with the agreed terms and by the due date.

The expectation is that TasRail will pay all invoices correctly rendered by suppliers within the period specified by the supplier; or where the contract is silent on payment requirements, within 30 calendar days of the date of the correctly rendered invoice.

Accounts due or paid within 2017-18	
Number of accounts due for payment	10,417
Percentage of accounts paid on time	99.9
Amount due for payment	\$57,751,998
Amount paid within agreed timeframes	\$57,751,914
Number of payments for interest on overdue accounts	1
Interest paid on overdue accounts	\$1



Unaudited financials - exclusion of capital program on reported operating results	2018 (\$'000)	2017 (\$'000)
Loss from continuing activities	(25,168)	(31,718)
Add back impairment expense	32,020	42,923
Less grant income for capital works	(15,757)	(21,523)
Loss from operating activities (excluding capital program)	(8,905)	(10,318)

The Financial Statements outline the accounting treatment prescribed for the grant revenue received from both the Australian and Tasmanian Governments. This results in capital grant income recorded as both income in the Statement of Profit and Loss and as an equity contribution, whilst the full amount of the impairment of the assets is recognised in the Statement of Profit and Loss. The table above (unaudited) reconciles the reported loss from operations and adjusted for those capital items recorded in the Income Statement to provide a loss from operating activities excluding the capital program in 2018 of \$(8,905,000), an improvement of 13.7 per cent from the 2017 result.

CONTRACTORS

There were a number of contracts let in 2016-17 and some of that commitment carried to this financial year. Additionally, TasRail has awarded contracts in the 2017-18 year that have commitment values into the next financial year. Individual contracts awarded in the 2017-18 financial year were as follows:

Contracts valued over \$5 million

Contract works package	Procurement method	Buy local policy applied	Contractor	Contractor State of operations
Nil				

Contracts valued over \$2 million but less than \$5 million

Contract works package	Procurement method	Buy local policy applied	Contractor	Contractor State of operations
IIP Coastal Erosion and Slip Works	Open tender	Yes	Shaw Contracting Pty Ltd	Tasmania
IIP Melba Line Welding and Track Works	Open tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania
IIP Bell Bay, Fingal and Western Line Track Works	Open tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania

CONSULTANTS

The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity.

The following consultancies were valued at more than \$50,000 (excluding GST):

Name of Consultant	Location	Description	Period of Engagement	Amount
Biarri Optimisation	QLD	Detailed train design module	Dec 17 - Jun 18	\$337,741
Pitt and Sherry	TAS	Engineering advice - wheel lathe, flood	Jul 17 - Jun 18	\$320,057
GHD Pty Ltd	TAS	Remediation design, site investigation	Jul 17 - Jun 18	\$305,258
Opus International	VIC	IIP2 advice and quality assurance	Jul 17 - Apr 18	\$176,057
Impact Solutions International	TAS	Leader development and training	Jul 17 - Jan 18	\$136,592
PDA Surveyors	TAS	Surveying, engineering and planning	Jul 17 - Jun 18	\$ 87,093
Advisian Pty Ltd	NSW	Engineering advice	Nov 17 - May 18	\$65,817
Sub Total				\$1,428,615
There were 28 Consultants engaged for \$50,000 or less totalling				\$451,622
Total Payments to Consultants for 2017-18				\$1,880,237



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Hon. Jeremy Rockliff
Gutwein
Minister for Infrastructure
Member, Tasmanian Railway Pty Ltd
Level 10, 15 Murray Street
HOBART TAS 7000

Hon. Peter
Treasurer
Member, Tasmanian Railway Pty Ltd
Salamanca Place
HOBART TAS 7000

Dear Shareholder Members

Statement of Compliance - TasRail Annual Report 2017-18

I write to you in your capacity as a Shareholder of Tasmanian Railway Pty Ltd.

In accordance with section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the Annual Report of Tasmanian Railway Pty Ltd (TasRail) for the period 1 July 2017 to 30 June 2018.

The Annual Report has been prepared in accordance with the provisions of the *Government Business Enterprise Act* and the *Rail Company Act 2009*.

Signed in accordance with a resolution of Directors.

Yours sincerely

Samantha Hogg
Chairman

Janine Healey
Non Executive Director

10 October 2018



RAIL
CROSSING



STOP
ON RED
SIGNAL

CMA CGM

eco cont
bamboo flo

CMA CGM
021 078
000

TQAY 021-V

TARE 15.0t
CAPACITY 58.2t





October 2018

