



# STATEMENT OF CORPORATE INTENT

2015/16 - 2018/19



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

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

■ Employees as at 30th June 2015	<b>235</b>
■ Annual Customer Revenue	<b>\$34.2 Million</b>
■ Annual Freight Task	<b>419.3 Million Net Tonne Kilometres</b>
■ Annual Ship loading volumes	<b>432,377 Tonnes</b>

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

<b>ABOVE RAIL</b>	
■ 17 TR Class Locomotives	
■ 54 ore wagons (TOMY)	
■ 17 coal wagons (THGHY)	
■ 18 cement wagons (THFY)	
■ 40 logtainers (RBL)	
■ 19 log wagons (FEP)	
■ 120 intermodal wagons (118 TQAY and 2 TQBY)	
■ 28 legacy intermodal wagons (QLE – dedicated to bauxite haulage)	
■ 1 Shiploader	

*Some of the older rollingstock fleet is being retained for new business and incremental growth opportunities – these include a number of DQ class locomotives, 18 IB wagons and 15 TQMF wagons.*

# DIRECTORS' STATEMENT OF CORPORATE INTENT AND AGREEMENT OF SHAREHOLDING MINISTERS

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

In signing this Statement of Corporate Intent the Board of Tasmanian Railway Pty Ltd commits to the targets proposed for the 2015/16 financial year.

This Statement of Corporate Intent has been agreed between:



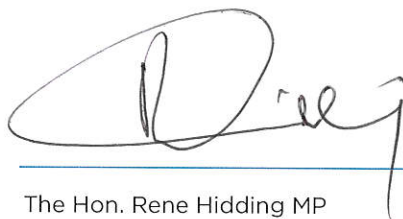
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Bob Annells  
**Chairman**  
**Tasmanian Railway Pty Limited**  
*On behalf of the Board*



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The Hon. Peter Gutwein MP  
**Treasurer**



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The Hon. Rene Hidding MP  
**Minister for Infrastructure**



# STRATEGIC DIRECTION

## 1. Overview of TasRail and its operating environment

TasRail's core business is the:

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

The 1st of December 2014 marked the fifth anniversary of the establishment of TasRail. Over the first four years of operation, TasRail concentrated on the rescue and revitalisation of rail freight services through addressing the most urgent track and infrastructure priorities, improving the safety and reliability of operations, developing new business systems and organisational capability, procuring new assets and restoring customer confidence.

The past 12 months have seen a completion of a number of these major projects with new rollingstock being commissioned, growth in revenue and freight volumes across a wide range of sectors and enabling the economic development of Tasmania's major industries. This is evident through two new services commencing operations; container freight services returning to Devonport and the haulage of ore from a new mine at Campbell Town to the Port of Bell Bay for Australian Bauxite Limited.

Through the jointly funded Australian and Tasmanian Government Infrastructure Investment Program (IIP), TasRail is now underway with a series of capital works packages which stretch across all corners of the network. These works packages have been tailored to eliminate derailments, address critical single points of failure, increase track reliability and to upgrade the network to a sustainable condition. With the commitment of the Tasmanian Government's Annual Below Rail Infrastructure Contribution (BRIC), the track will be maintained to this improved condition and this in turn will enable TasRail's operations to support future growth projections and maximise the utilisation of Above Rail assets for the benefit of Tasmanian business and industry and the wider community.

The focus on employee safety to achieve zero harm remains at the core of TasRail's values. A structured safety program is underway, designed to eliminate derailments and to achieve a culture of zero harm to all employees.

A focus on leadership skills, growth in capability and fostering talent is central to the continued professional growth of TasRail's employees. TasRail's employees are the drive behind the organisation and their development will ensure TasRail has the capacity to continue to achieve its goals.

TasRail maintains and operates strategic economic infrastructure owned by the Tasmanian Government. The Company is acutely aware of the need to return a dividend through the economic enabling activities provided to industry and the community. Drawing from a recent study undertaken by Pitt & Sherry on the value of the Tasmanian Freight Rail Industry, there are numerous benefits other than the pure economic returns from utilising freight rail. By choosing to move freight by rail, business and industry benefits from lower freight costs; and the state and community benefit from avoided road maintenance costs, reduced road accidents on major highways; avoided road accident costs and fewer carbon emissions are generated.

TasRail takes its role to service existing industry and to enable new business through the provision of competitive freight services and efficient supply chains very seriously, and it believes that this service provision is a critical part of its value proposition to the Tasmanian people.

Freight volumes across Australia, including Tasmania, are forecast to grow in the next decade, and with that there is a need for increased movement of freight on rail. Provided TasRail can continue to deliver reliably and sustainably, secure future growth in freight and partner with industry to realise economic gains, then the organisation will be well placed to offer the market a viable, sustainable and attractive alternative to heavy road freight in Tasmania over many years to come.

# CORPORATE INTENTIONS - THE NEXT 12 MONTHS

## 2. Strategic directions of the business

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

A number of significant developments will conclude during the 2015/16 financial year that will provide TasRail with reliable and sustainable statewide connectivity to all major ports:

- The commencement of operations at the new George Town Freight Terminal;
- The completion of the Burnie Port Optimisation Project;
- The expansion of rail freight services into Devonport; and
- The commencement of the four year Tasmanian Freight Rail Revitalisation Program, jointly funded by the Australian and Tasmanian Governments.

These major initiatives will enable TasRail to offer freight and logistics services to a broader number of new customers and to expand its service offering and value proposition for existing customers.

## 3. Key initiatives

### 3.1 Working towards zero harm.

The implementation of a targeted program designed to move TasRail closer towards zero harm will be a priority. This initiative will comprise three major strategies:

- Derailment Prevention
- Injury Prevention
- Safety Leadership Program

### 3.2 Expanding the competitiveness of rail.

This will be achieved by:

- Greater service capacity delivered through the wagon efficiency plan, the utilisation of smarter locomotive deployment techniques and the maximisation of trailing capacity through major freight corridors;
- Increased reliability in the delivery of freight rail services achieved through improved terminal handling and the elimination of unplanned service delays such as track access conflicts and Temporary Speed Restrictions;
- Proficient terminal operations through defined operating plans and achievement of consistently high levels of efficiency and safety;
- Innovation in business-to-business services by partnering with the private sector to develop customer-specific supply chain solutions and operational efficiencies.



### 3.3 Enhancing the value proposition of rail.

To optimise the value of rail, TasRail will:

- Strengthen key partnerships to identify and deliver further productivity improvements in integrated freight logistics services resulting in cost efficient operations;
- Maximise supply chain value through closely integrated alliances with intermodal customers while continuing to develop the Pit-to-Port service model;
- Promote quality service improvements by generating a shift towards a customer-centric culture throughout the organisation.

### 3.4 Improving TasRail's ability to maintain a 'fit for purpose' network.

TasRail strives to operate and maintain a safe and reliable network to achieve optimum service levels at the lowest possible cost. With Infrastructure Investment funding from the Australian and Tasmanian Governments secured, a series of targeted works packages will be deployed over the four years to June 2019. These packages will enable TasRail to:

- Address the most critical single points of failure through discrete projects designed to reduce known points of significant deterioration;
- Renew near life-expired sections of track;
- Install new sleepers and new rail across priority sections of the network;

### 3.5 Growing organisational capability.

Ensuring that the organisation has the right people, skills and systems is key to TasRail's capacity to deliver on commitments to its customers, its shareholders and the broader community. An organisational development program is underway to address:

- The development of leaders at all levels with increased accountability to deliver performance targets and business goals;
- The development of the capabilities required to create the required customer-centric culture that will competitively meet the expectations of customers;
- Continuity of workforce training and succession planning.

## 4. New business growth

The targets set out on page 4 recognise TasRail's growing confidence in its commercial value and its position in the freight services industry.

Through a combination of long term contracts and statewide connectivity through new and optimised rail freight terminals, TasRail expects to see continued growth in rail freight over the coming years.

While TasRail has executed a number of modernised contracts with existing and new customers, it must be acknowledged that TasRail's revenue remains largely a function of economic activity in Tasmania, and as such is linked to the continuing growth of the state.



## 5. Performance Agreement

### 5.1. Performance Targets and Results for 2014/15

Performance Target	Target Result 2014/15	Actual Result 2014/15	Target Met
Recordable Injury Frequency Rate <sup>1</sup>	13.3	24.8	No
Freight Availability (General Intermodal)	98 per cent	97 per cent	No
Mainline Derailments	2	2	Yes
Customer Revenue	\$34.3 million	\$34.2 million	No
Capital Spend <sup>2</sup>	\$78.3 million	\$38.0 million	No
EBITDA (consolidated) after Tasmanian Government Below Rail Infrastructure Contribution	\$(1.4) million	\$0.0 million	Yes

#### Notes:

1. Recordable Injury Frequency Rate is defined as the sum of Lost Time Injuries, Suitable Duties and Medical Treatment Injuries per million person work hours.
2. Target Result for Capital Spend assumed \$119.6 million Infrastructure Investment Program funding for Tasmania's Rail Freight Revitalisation Program would commence from 2014/15 and; finalisation of new locomotive and wagon fleet has not yet occurred.

### 5.2. Performance Estimates to 2018/19

Performance Target	2015/16	2016/17	2017/18	2018/19
Recordable Injury Frequency Rate	12.7	9.09	7.27	5.45
Freight Availability (General Intermodal)	98 per cent	98 per cent	98 per cent	98 per cent
Mainline Derailments	0	0	0	0
Below Rail Infrastructure Cost (Per track kilometre)	\$20.1 thousand	\$20.5 thousand	\$20.9 thousand	\$21.4 thousand
Customer Revenue	\$40.5 million	\$45.1 million	\$48.2 million	\$50.2 million
Capital Spend	\$48.9 million	\$33.5 million	\$30.2 million	\$29.0 million
EBITDA (consolidated) after Tasmanian Government Below Rail Infrastructure Contribution	\$0.1 million	\$2.2 million	\$0.3 million	\$0.7 million
Above Rail Net Profit (Loss)	\$(4.1) million	\$(2.1) million	\$(0.4) million	\$0.1 million

#### Critical assumptions:

1. The increase in Customer Revenue from FY2016 onwards is attributed to forecast intermodal freight growth.
2. The Capital Spend includes \$119.6 million IIP investment in Below Rail Infrastructure upgrades over four years commencing FY2016.



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