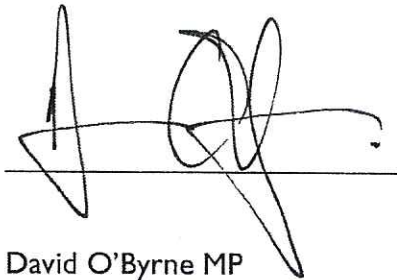


MEMBERS' STATEMENT OF EXPECTATIONS

MARCH 2012

TASMANIAN RAILWAY PTY LTD

This Members' Statement of Expectations is jointly approved by:

A handwritten signature in black ink, appearing to be 'David O'Byrne', written over a horizontal line.

David O'Byrne MP
**Minister for Infrastructure
Member**

A handwritten signature in blue ink, appearing to be 'Lara Giddings', written over a horizontal line.

Lara Giddings MP
**Premier
Treasurer
Member**

Date: 18 APR 2012

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I. INTRODUCTION

- This Statement of Expectations has been prepared by the Minister for Infrastructure and the Treasurer (the Members), following consultation with Tasmanian Railway.
- The Statement sets out the Government's broad policy expectations and requirements for Tasmanian Railway.
- The *Corporations Act 2001* and the Constitution of Tasmanian Railway govern the operation of the Company.
- This Statement should be read in conjunction with the following Acts:
 - *Rail Company Act 2009*;
 - *Rail Safety Act 2009*;
 - *Rail Infrastructure Act 2007*; and
 - *Government Business Enterprises Act 1995*.
- This Statement takes effect from the date it is signed and remains in effect until it is amended or revoked.
- The Statement is to be tabled in Parliament by the Minister for Infrastructure and published on the website of Tasmanian Railway.

2. PURPOSE AND STRATEGIC EXPECTATIONS

2.1 Principal Purpose

- The principal purpose of Tasmanian Railway is to provide rail freight services in Tasmania.

2.2 Principal Commercial Objective

- Pursuant to legislative requirements, the Members expect Tasmanian Railway to:
 - be a successful company by operating in accordance with sound commercial practice and as efficiently as possible; and
 - achieve a sustainable rate of return on its commercial operations in accordance with its corporate plan having regard to the social and economic objectives of the State, as agreed in writing with the Members.

2.3 Strategic Expectations

- In undertaking its core business, the Portfolio Minister and the Treasurer expect Tasmanian Railway to:
 - provide a safe, reliable and efficient rail freight service in Tasmania;
 - ensure the safety and security of the public and the Company's employees through the implementation and compliance with best practice operating procedures including compliance with the Rail Safety Act;
 - maintain the safety and efficiency of the rail track infrastructure through appropriate maintenance and capital improvement programs;
 - develop and implement strategies to create a strong corporate identity and grow the business through a focus on quality customer service;
 - develop and implement strategies to increase the Company's share of the Tasmanian freight market;
 - undertake related activities such as the operation of intermodal transport hubs, freight loading equipment and storage sheds;
 - only undertake expansion activities where supported by commercial outcomes or where approved by the Portfolio Minister and the Treasurer;
 - upgrade the network for specific third party access only where funded from the party seeking access;
 - ensure that the rolling stock matches the characteristics of the rail track infrastructure and the transport task by developing an appropriate maintenance and capital program;
 - use its best endeavours to undertake any necessary remedial action to resolve any environmental issues as may be required by the Environment Protection Authority, noting that in the event that the Company has insufficient funds to undertake the required remedial works, the Government would give consideration to a request for additional funds on a case by case basis;
 - manage financial performance and business risk; and
 - actively pursue and implement cost reduction strategies and efficiency gains while attracting and retaining staff in key skill shortage classifications to ensure the Company is adequately resourced to deliver efficient rail services.

2.4 Compliance with Government Policies

- In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, Tasmanian Railway shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer's Instructions and guidelines that are applicable to Tasmania Railway; and
 - Government policies specifically applying to Tasmanian Railway as advised by the Members.

3. NATURE AND SCOPE OF OPERATIONS

3.1 Core Business

- The core business of Tasmanian Railway is the:
 - provision of rail and associate freight services in Tasmania;
 - provision of train control services;
 - management of freight terminals, including bulk handling and loading; and
 - maintenance of, and upgrades to, the rail network infrastructure in Tasmania.

3.2 Business Presence Outside the State

- Tasmanian Railway must only operate its core business in Tasmania.

3.3 Non-commercial Activities

- Tasmanian Railway's non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Members agree would be non-commercial and direct Tasmanian Railway to perform.
- Non-commercial activities are listed in Schedule I of this Statement.
- Where Tasmanian Railway is required to perform non-commercial activities, those activities are to be:
 - performed in an efficient and effective manner; and

- costed and funded in accordance with arrangements as agreed with the Treasurer. If no arrangement is in place, the non-commercial activity is to be funded by the company.

4. FINANCIAL AND COMMERCIAL MANAGEMENT EXPECTATIONS

4.1 Financial Performance

- The Members expect Tasmanian Railway to:
 - meet its financial and commercial targets, including target dividends, as set out in the annual Statement of Corporate Intent. Target dividends are to be agreed during the corporate planning process;
 - implement the business strategies contained in the Corporate Plan in order to meet the agreed long term performance targets for the organisation, consistent with the Government's expectations;
 - be proactive in identifying and implementing operational efficiencies and productivity measures to enhance financial performance; and
 - keep the Members, and the Department of Treasury and Finance (Treasury), as principal financial advisor, informed of any significant issues impacting on the company, especially its financial performance targets.

4.2 Customer Service

- In delivering its services, the Members expect Tasmanian Railway to take account of contemporary practice and other management developments in the industry in which Tasmanian Railway operates and the commercial sector generally.
- Tasmanian Railway is to have in place a customer service charter which is to be publicly available.

4.3 Reporting

- The Members expect Tasmanian Railway to comply with any relevant reporting requirements specified in any guidelines issued by Treasury.
- The Members expect the Company to consider its reporting structure to ensure the appropriate separation of accountability and transparency between the above rail and below rail operations. Below rail infrastructure access fees must be transparent and levied on above rail operations of the Company in the same manner as imposed on third parties in accordance with the approved Tasmanian Rail Access Framework.

4.4 Pricing

- The Members expect Tasmanian Railway to set prices, fees and charges which:
 - meet the objectives of efficiency, and financial sustainability;

- represent fair value to its customers;
 - encourages, as far as practical, increased usage of the rail network; and
 - to the extent possible, move towards a commercial return on assets employed as set out in the annual Statement of Corporate Intent.
- The Members expect Tasmanian Railway to manage access arrangements, including pricing, to all access seekers (including itself) in accordance with the Tasmanian Rail Access Framework issued from time to time by the Portfolio Minister.
 - Access fees approved under the Tasmanian Rail Access Framework are to be charged as the company's internal transfer price.

4.5 Borrowings and Investment Activities

- The Members expect Tasmanian Railway's borrowings to be consistent with any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- When investing any surplus funds, Tasmanian Railway should provide the Tasmanian Public Finance Corporation the opportunity to offer its services.
- Capital structure and debt levels should be maintained at a level that is consistent with the overall strategic portfolio objectives of the Government.

4.6 Capital Asset Management

- The Members expect Tasmanian Railway to:
 - develop Asset Management Plans reflecting prudent commercial practice;
 - regularly review its asset holdings with the aim of identifying surplus non-performing and non-core assets; and
 - subject any capital investment proposal to rigorous and considered analysis prior to any decision to commit resources.
- The Members and Treasury, as principal financial adviser, are to be notified of any proposed major new capital investments.
- All major capital investment decisions must be approved in writing by the Members prior to any significant expenditure being incurred.

4.7 Risk Management

- The Members expect Tasmanian Railway to have in place risk mitigation strategies that recognise the Government is a long-term risk-averse investor, identify business and financial risks, and provide for their ongoing management in a manner that is commensurate with the risk profile of the Government.

5. OTHER

5.1 Director Appointment Process

- The Members expect Tasmanian Railway to work cooperatively with relevant Director Selection Advisory Panels to ensure that the appointment process results in a balance of renewal and continuity of Board membership.

5.2 Employee and Industrial Relations

- The Members expect Tasmanian Railway to:
 - adhere to any Government policy guidelines in regard to Executive remuneration including bonuses or other forms of rewards; and
 - be cognisant of any Government policy in regard to employee remuneration, consistent with contemporary public sector wages policy.
- The Members are to be notified of any significant changes to the employee relations policy of Tasmanian Railway, including the finalisation of any workplace or enterprise agreements.

5.3 Integrity and Ethics

- The Members expect the Board, management and employees of Tasmanian Railway to exhibit the highest level of integrity and professionalism in undertaking their duties.

5.4 Significant Developments

- The Members are to be kept informed of any matters of significance. Specifically, the Members expect to be notified of any adverse developments which may:
 - prevent the achievement of financial performance objectives; or
 - significantly affect the financial viability or operating ability of Tasmanian Railway; or
 - significantly impact on Government policy, client relations and environmental issues.

5.5 Provision of Information

- The Members expect to be:
 - informed as soon as practicable of any material or significant events, transactions or other issues relating to the company; and
 - provided with any information or reports requested, in an accurate and timely manner.

SCHEDULE I

NON-COMMERCIAL ACTIVITIES

The following non-commercial activities, as defined under Clause 3.3, shall be performed by Tasmanian Railway:

- upgrades, maintenance and operation of the rail track network in Tasmania.