



2019-20 ANNUAL REPORT



VISION

TASMANIA'S TRUSTED
PROVIDER OF SAFE
AND DEPENDABLE RAIL
LOGISTICS SOLUTIONS

SAFETY

We will never compromise on safety. We recognise that people need mental and physical health to thrive.

INTEGRITY

We do what we say we will do.
We are fair, ethical, and honest
and we take responsibility.

BEING REMARKABLE

We are passionate about our success. We continually strive for excellence and performance. We will make a difference and be remarkable!

RESPECT

We are inclusive and value each other's differences and ideas. We embrace diversity.

PURPOSE

MAXIMISING THE BENEFITS OF
SUSTAINABLE RAIL LOGISTICS
SERVICES FOR TASMANIA

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CHAIRMAN'S REMARKS

The COVID-19 pandemic looms large in our minds as we reflect on the 2019-20 year. Certainly, it has tested TasRail.

As an 'essential service', TasRail moved quickly to establish protocols to keep staff, customers and community members safe.

This enabled us to continue providing around 100 freight services per week, helping to keep supermarket shelves stocked and our economically important export industries going.

Those same COVID-safe protocols have also allowed us to continue our significant capital program, which is being delivered on time and on budget. This has been vital not only for long-term business sustainability, but also to ensure employment for our civil contractors across regional Tasmania.

Like most businesses across the nation, our 2019-20 financial results were impacted by the sharp contraction in economic activity and corresponding reduction in freight revenue. Tasmania's economy is export orientated, and 87 per cent of TasRail's freight task is destined for interstate and international markets. As we look to the coming year, we expect subdued trading conditions to continue with significant downside risk for TasRail and our customers.

Our enduring partnership with the Tasmanian civil construction sector continued to deliver a much-enhanced rail network for Tasmanian industry in 2019-20. Priority projects included installation of 25,000 metres of new rail and 10,700 new sleepers. These upgrades addressed potential single points of failure, such as the Rhyndaston Tunnel in the south of the state and coastal erosion sites on the north-west coast. This work pushes TasRail forward in its journey to materially improve safety and reliability. Derailments and temporary speed restrictions are down from their prior highs by 80 and 53 per cent, respectively.

With an eye to the longer term, TasRail has completed the groundwork for a new shiploader. Owned and operated by TasRail, the current infrastructure is over 50 years old. Tasmania's only open access bulk minerals shiploader connects the west coast road and rail network to bulk

export ships at the Port of Burnie. Construction of the new shiploader, funded by the Australian Government, will start in 2020-21 and take about two years. I'd like to acknowledge the support of all levels of government, the mining industry and TasPorts in bringing this long-awaited project to reality.

As a State-Owned Company, TasRail is aware of its role in the Tasmanian community and economy during the pandemic. At the practical level we reorientated our approach to creditors and moved to paying their accounts weekly. Our aim was to support the local companies that are our long-term and trusted suppliers. Likewise, we are acutely aware of the economic difficulty facing many Tasmanians, and in this context were pleased to accept a proposal from our executive to forgo staff performance bonuses for the financial year just completed, despite individual performances that, in line with policy, would have otherwise been rewarded.

While challenged by the COVID-19 pandemic, we are confident that TasRail is well positioned as an integral part of the Tasmanian economy and export industry supply chains. In this regard much credit must go to those who came before us and established TasRail's sound foundation.

In particular, I acknowledge Samantha Hogg who retired from the Board in December 2019, having been a Director since August 2015 and the Chairman since December 2017. Sam's time on the Board was pivotal in establishing our current positive trajectory. On behalf of the Board, I thank Sam for her contribution and wish her the best in the future.

We welcome our incoming director, Alison Chan. Alison is a finance professional with twenty years' experience in banking and corporate governance. She has a strong interest working with government and industry to facilitate sustainable investment.

Finally, I would like to acknowledge my fellow directors for their hard work and valuable support, and CEO Steven Dietrich and the entire TasRail team for their determination to keep serving Tasmanian industry to the highest standard, despite the challenges of 2019-20. The Board is most grateful for their commitment to TasRail and its values. We will continue to manage the business prudently and invest in our people and assets, readying ourselves to serve Tasmanian industry long into the future.



STEPHEN CANTWELL

BOARD OF DIRECTORS



STEPHEN CANTWELL (CHAIRMAN)

Stephen Cantwell was appointed to the TasRail Board in November 2016, becoming Chair in January 2020. He has more than 40 years' experience in a broad range of operational, strategic and customer-facing roles in the Australian rail and heavy manufacturing sectors. In addition to a number of other board roles, Stephen continues to work with a range of global corporations and governments to advise in the areas of transport, logistics and infrastructure. He is a Fellow of the Chartered Institute of Transport and Logistics, Fellow Centre for Integrated Engineering Asset Management, and a Graduate Member of the AICD.



ALISON CHAN

Alison Chan was appointed to the TasRail Board in February 2020. She is an award-winning governance and finance professional with 20 years' experience in the industry. Alison has held banking and finance executive roles in Sydney and London. She is currently employed in the Australian banking industry, where her expertise lies in working with industry and governments looking to invest in sustainability. Alison has been a trustee of Alexandra Rose Charity and the Dunhill Medical Trust. She is also a member of the International Capital Markets Association's Green Bond Principles and Social Bond Principles Advisory Council and its Climate Transition Finance Working Group.



IAN DOBBS

Ian Dobbs was appointed to the TasRail Board in July 2017. He worked in a range of operational management roles in the UK rail industry, before leading the Victorian Transport reform program, managing a number of the UK's private rail franchises, and being appointed Chairman and CEO of Public Transport Victoria, a position he retired from in 2015. Ian holds a number of private and public sector board appointments in the transport sector and is currently Deputy President and Member of Executive Board, International Association of Public Transport (UITP) Brussels and Chairman of UITP's Australian/New Zealand Board.



JANINE HEALEY

Janine Healey was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years' experience in the industry. She is a former director of Hydro Tasmania, Port of Launceston Pty Ltd and the Inveresk Railyard Management Authority. Janine is currently Divisional President of the AICD, Treasurer and Board Member of the Launceston Chamber of Commerce, Board Member of Football Tasmania and Treasurer of the Tamar Community Peace Trust. She is a Fellow of the AICD and the Institute of Chartered Accountants and a Chartered Tax Adviser.



PHILIP MUSSARED

Philip Mussared 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 Chief Executive Officer of the Retirement Benefits Fund. Philip was a Director of Hobart International Airport Pty Ltd until December 2019 and is currently a Director of the National Trust (Tas.), Chair of the Tasmanian Traineeships and Apprentices Committee, Vice President of the Australian Risk Policy Institute, Associate Director of TFG International Pty Ltd and a member of the Tasmanian Heritage Council. He is a Fellow of the AICD and CPA Australia and the Institute of Public Administration Australia.

CEO'S REMARKS

What a remarkable difference a year can make.

At TasRail's 10th birthday celebrations in December 2019, no-one could have predicted the six months that lay ahead for TasRail and the industries it serves, which have had their businesses reshaped by the COVID-19 pandemic.

TasRail forms a critical part of Tasmania's export supply chain, with approximately 87 per cent of TasRail's freight task ultimately exported interstate and overseas. Like the Tasmanian economy, TasRail's freight task and revenue were directly impacted by the strong contraction in the domestic and international economy. Likewise, challenging operational conditions on Bass Strait put downward pressure on rail freight. Bass Strait shipping services have normalised; however, TasRail expects subdued trading conditions to persist across several of our customer sectors throughout 2020-21 due to the pandemic.

These circumstances and incident costs resulted in TasRail not meeting its financial targets in 2019-20. The reported financial result was impacted by a number of one-off financial adjustments, such as asset revaluations, inventory write-offs and insurance claims. After excluding the one-off accounting treatments, there was a deterioration in TasRail's underlying trading position, missing the internal consolidated profit target by \$2.7 million.

To keep our teams and customers safe, we have implemented best-practice hygiene and physical distancing measures; we set in place working from home, and split-shift operations in our maintenance workshops. Our steadfast focus is on being Tasmania's trusted provider of safe and dependable rail logistics solutions, and we are ready to grow with industry as the economy recovers.

An industry standout in 2019-20 has been TasRail's burgeoning relationship with the forestry sector, which values the safety, reliability, efficiency and environmental benefits inherent in rail supply chains. The 42 per cent increase in net tonne kilometres (NTK) hauled for the forestry industry was in part enabled by the construction of rail infrastructure at Bell Bay and the reconstruction of the Parattah Log Siding.

TasRail's resolve to provide a Zero Harm environment for staff, customers, contractors and communities remains absolute. The entire team is proud of our reputation for safe service delivery – a reputation that will continue to stand TasRail in good stead in an increasingly risk-focused business environment. Railway networks travel through areas close to communities, and TasRail is responsible for ensuring people maintain a safe distance from the rail corridor. We use opportunities such as Rail Safety Week to reinforce this important message.

As at 30 June 2020, it had been 152 days since a TasRail employee suffered a lost-time injury (LTI), and a record 1,158 days since a TasRail contractor experienced an LTI. Likewise, mainline derailments continue to be well below historic levels. TasRail reported one mainline derailment early in 2019-20, when a northbound train experienced a very minor derailment at Tunbridge.

A significant improvement in staff engagement has been achieved, with our Employee Engagement Survey in September 2019 recording a 25 per cent increase in staff engagement since the last survey in 2017. The survey results highlighted areas of opportunity and these will be a focus for the business. The mental health of staff continues to be a priority, and we are acutely aware of the new challenges presented by the pandemic.

I am pleased to witness the continued diversification of the TasRail team. Half of our advertised positions were filled by female candidates in 2019-20; females are now equally represented on the Executive Team and hold a record number of positions as network train controllers, train drivers and rail operators.

TasRail would like to acknowledge the two team members who reached their 50-year milestones in 2019-20, and also the four who reached 40 years of service. There are many staff whose years of service fall between those two achievements, and this demonstrates the passion our team has for the rail industry.

I am pleased to officially welcome Stephen Cantwell into his new role as Chairman of TasRail. Stephen, a Board Member since 2016, stepped into the role in January 2020. His depth of industry knowledge has been invaluable. I would like to thank him, our Directors, staff, customers and contractors for their support during these demanding times.



STEVEN DIÉTRICH

EXECUTIVE TEAM



CHIEF EXECUTIVE OFFICER
STEVEN DIETRICH



CHIEF OPERATING OFFICER
STEPHEN KERRISON

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, safe and authorised access to the network and the storage and shiploading of bulk minerals.

Asset Management

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock fleet, bulk storage assets including the Burnie Shiploader, and statewide facilities. Asset management is also responsible for vegetation management activities on TasRail's vast rail land corridors.

Business Improvement

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

Safety, Health and Environment (SHE)

TasRail's dedicated SHE team of specialists supports all operational areas with a particular focus on continuous improvement in TasRail's safety culture, risk management and effective management of the environment in which the Company operates.



MANAGER, CORPORATE RELATIONS AND STRATEGIC DEVELOPMENT

NEALE TOMLIN

Corporate Relations and Strategic Development

Corporate Relations and Strategic Development is focused on TasRail's strategic development opportunities. It also manages government, stakeholder and community relations including media, online presence, publications, and marketing and communications.



ERIN MOLLISON

MANAGER, PEOPLE AND CULTURE

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.



CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY
KAREN VAN DER AA

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.



VANESSA SULLIVAN

MANAGER, CUSTOMER AND BUSINESS DEVELOPMENT

Customer Service and Business Development

Customer Service and Business Development unite to ensure streamlined service for customers and Tasmanian industry from their first point of contact with TasRail through to booking their freight on rail. The team manages the functions of business development, customer account management, customer communications, market analysis, logistics design and planning, and importantly customer service delivery.

STATEMENT OF CORPORATE INTENT

Performance Target	Target Result: FY 2019-20	Actual Result: FY 2019-20	Comments
Lost Time Injury Frequency Rate (1)	0.0	1.71	Disappointingly, the recorded results exceeded the targets set. TasRail remains committed to safety excellence and to ensuring all employees and contractors go home safe and well every day.
Recordable Injury Frequency Rate (2)	2.0	3.42	
Freight Availability (General Intermodal)	98 per cent	95 per cent	This financial year's average Freight Availability performance was modestly impacted by unforeseen operational events.
Main Line Derailments	0	1	One mainline derailment occurred in July 2019, a low speed and low-impact incident at Tunbridge.
Below Rail Infrastructure Cost (Per Track Kilometre)	\$20.4 thousand	\$21.3 thousand	Infrastructure maintenance costs were slightly greater than planned.
Customer Revenue	\$39.1 million	\$36.5 million	Despite the challenging economic climate, a slight increase in customer revenue over the previous financial year was recorded. However, 2019-20 fell short of planned levels due to the impact of COVID-19 on the economy.
Capital Spend (3)	\$39.1 million	\$38.9 million	Capital spend was largely in line with plan, and importantly milestones for the jointly funded Tasmanian Freight Rail Revitalisation Program (TFRRP) were achieved.
EBITDA (Consolidated after BRIC) (4 & 5)	\$1.7 million	\$6.0 million	The impacts of COVID-19 are reflected in the recorded financial results, along with incident costs and 'one-off' transactions. Further details on these transactions are outlined in the audited financial statements.
Above Rail Net Profit (Loss) (5)	\$2.1 million	\$1.1 million	

(1) Lost-time injury frequency rate is defined as the sum of lost-time injuries per million work hours.

(2) Recordable injury frequency rate is defined as the sum of lost-time injuries and medical treatment injuries per million work hours.

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

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

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



PEOPLE AND CULTURE

At TasRail we recognise that people are our most valuable asset.

We strive to create a culture that fosters purpose and empowerment and embraces the Company's four key values – Safety, Integrity, Respect and Being Remarkable.

LEARNING AND DEVELOPMENT

TasRail continues to focus on building a capable workforce through a program of training and other development opportunities. In 2019-20, a second group of employees graduated from TasRail's customised Leadership Development Program, further strengthening the leadership potential of the workforce.

A 24/7 freight rail service like TasRail also requires a strong compliance-based training regime to ensure employees are competent to safely perform their roles, now and into the future. All staff have the opportunity to complete TasRail's trauma training. Presented in conjunction with TrackSAFE, Coping with Trauma is designed to provide education on support and coping strategies for all employees in the rail industry.

EMPLOYEE ENGAGEMENT SURVEY

TasRail conducted its biennial workforce engagement survey in September 2019, with pleasing results that point to the success of several tailored initiatives. Employee engagement has increased by 25 per cent since 2017, to an 'engagement rating' of 65 per cent. The survey measured the extent to which employees identified with TasRail's recently refreshed Vision and Values. It also provided data that highlighted increased satisfaction with team leadership.

TasRail is now using the survey findings to set the tone and direction of employee initiatives over the next 12-24 months, particularly in the areas of recruitment, induction, training and staff communication.

HEALTH AND WELLBEING

TasRail's unwavering commitment to sending employees home safe and well has played an important part in our business resilience this financial year, especially during the COVID-19 pandemic.

With employees both on the front line and working from home, mental health support has been of the utmost importance. In tandem with TasRail's traditional Rail R U OK Day messaging, TasRail's 22 accredited Mental Health First Aid Officers, across multiple sites, have played a key role in peer support. TasRail's annual influenza vaccination program was also brought forward, with car park immunisations occurring to ensure physical distancing.

In the first half of 2019-20, TasRail embraced and promoted a SunSafe message across the business, and the initiative was launched with a presentation by Melanoma Tasmania. TasRail now supports a skin check for employees every two years.

WORKFORCE PROFILE

251 full-time equivalent employees
Freight Services – 112.3 full-time equivalents
Corporate Services – 41.5 full-time equivalents
Asset Management (includes IIP) – 97.2 full-time equivalents

AGE

Youngest – 20 years
Average – 46.7 years
Oldest – 70 years

GENDER

Of TasRail's total workforce in 2019-20, 15.1 per cent were female.

Fifty per cent of new TasRail employees in 2019-20 were female.

MILESTONES

Two employees reached 50 years of service to the rail industry.

TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM

TasRail completed year one of the Tasmanian Freight Rail Revitalisation Program (Tranche Two) on time and on budget in 2019-20. Working with its strategic partners in the Tasmanian civil construction industry, TasRail developed COVID-19 safe protocols to ensure that critical network upgrades could continue unabated and support an estimated 150-plus construction jobs in regional Tasmania.

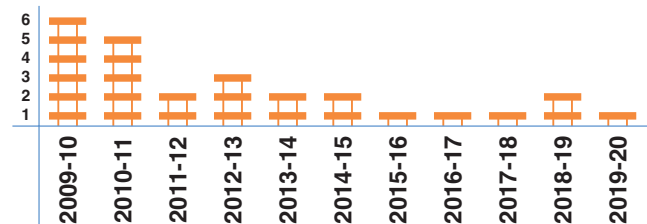
During 2019-20, Tranche Two delivered:

- Installation of 10,722 sleepers and 25,195 metres of new rail.
- 13 track turnouts (or points) on the network repaired or replaced.
- Renewal of 8 level crossings.
- Three coastal erosion sites strengthened and remediated.
- Strengthening of the 900-metre-long Rhyndaston Tunnel.
- Reconstruction and commissioning of the Parattah Log Siding.
- Installation of a truck weighbridge at Brighton Transport Hub.

Building on Tranche One, the record investment in the network is producing tangible benefits for Tasmanian industries that rely on rail logistics for supply chain services.

The continued downward pressure on 'single points of failure' in the network has helped reduce mainline derailments to record lows. TasRail remains resolute that it will achieve the target of zero mainline derailments thanks to ongoing network investment and its derailment prevention strategies.

Running line derailments



Tranche Two is a four-year program (\$119.6 million) funded in equal measure by the Tasmanian and Australian Governments. TasRail will deliver the program on budget and on time by 30 June 2023, working with its partners in the civil construction sector. Tranche Two investment will be focused on the primary freight corridor between Burnie and Brighton. This will provide heavy industry and freight forwarders with the confidence that TasRail will continue to provide high quality rail freight logistics services.

After the success of Tranche One, the Tasmanian and Australian Governments committed \$136 million to a third tranche of the Freight Rail Revitalisation Program. It is anticipated that Tranche Three will commence in the second half of 2020-21, targeting completion in June 2024, and continuing critical work on network renewal.

During 2019-20 TasRail completed the scoping phase of the project to replace its bulk minerals shiploader at the Port of Burnie. The project is fully funded by the Australian Government and will allow TasRail (the owner and operator) to replace a unique and critical piece of infrastructure that is now more than 50 years old. It is anticipated that the new shiploader project will take two years to deliver and provide industry with significant productivity, reliability, environmental and safety benefits.

The Tasmanian and Australian governments have committed \$376 million to Tranches One, Two and Three of the Tasmanian Freight Rail Revitalisation Program. This record investment will continue to improve network performance while providing industry with confidence that it can rely on TasRail for safe, reliable and efficient rail logistics for its supply chains.

While delivering capital investment is critical, TasRail is also responsible for asset stewardship. Much progress was made in 2019-20 in the development of a Strategic Assessment Management Plan (SAMP). The SAMP provides a framework for the lifecycle management of the rail network and Above Rail assets, such as locomotives and wagons. TasRail has partnered with a Tasmanian technology company and chosen a software platform used by railways the world over to reduce risk and project development costs. The system will guide the timing and scope of investment decisions.





ABOVE RAIL BUSINESS

TOTAL FREIGHT TASK / NET TONNE KILOMETRES (NTK)

COMMODITY	2019-20 NTK	2018-19 NTK	Percentage change Year on Year
Coal	37,776,703	42,695,134	-11.5%
Cement	23,983,822	25,459,817	-5.8%
Mineral Concentrates	22,695,639	22,053,768	2.9%
Logs	41,110,223	28,903,180	42.2%
General Intermodal	244,765,564	246,822,408	- 0.8%
Paper	109,291,862	117,019,541	- 6.6%
TOTAL	479,623,813	482,953,848	- 0.7%

The Above Rail business is the commercial arm of TasRail and provides rail logistics to Tasmanian industry across three market categories – intermodal (containers), bulk and forestry. TasRail's modernised contracts require high levels of service delivery for industry, and this can only be achieved by maintaining the fleet of locomotives and wagons to exacting standards.

The Above Rail teams have been integral to TasRail maintaining uninterrupted 24/7 frontline services throughout the COVID-19 pandemic, providing surety of haulage capacity across TasRail's statewide network of terminals, bulk handling sites and dedicated customer sidings.

In addition to rail logistics, the Above Rail business operates:

- A statewide network of terminals;
- Container handling services;
- Bulk minerals handling, storage and shiploading; and
- Bulk log handling, storage and loading.

The rail freight task handled by TasRail's Above Rail business in 2019-20 was slightly less than the previous year at 2.87 million tonnes. While growth in logs hauled reflects TasRail's strategic partnership with the Tasmanian forestry sector, other commodities have experienced reductions due to challenging market conditions.

TOTAL NET TONNE KILOMETRES

2019-20	479,623,813
2018-19	482,953,848
2017-18	488,515,583

Net tonne kilometres are calculated by multiplying the total distance travelled in kilometres by the net weight of the freight.

LOCOMOTIVE UTILISATION

The team at TasRail worked hard to optimise the use of rollingstock across the network in 2019-20, ensuring that a wide range of freight could be hauled for our highly valued customers. TasRail's fleet includes 17 TR, eight DQ, and two 2050 class locomotives.

2019-20	27 locomotives	17,763,845 NTK per locomotive
2018-19	27 locomotives	17,887,179 NTK per locomotive
2017-18	25 locomotives	19,540,623 NTK per locomotive

SHIPLOADING OPERATIONS

Bulk minerals shiploading volumes were down 13 per cent on the previous year as some customers experienced challenging market conditions. TasRail's Bulk Minerals Export Facility provides the on-wharf material storage for Shiploader and is currently capacity constrained due to the number of contracted customers and wide range of products. Expansion options are currently being reviewed.

Total shiploading volumes

2019-20	489,148 tonnes
2018-19	564,201 tonnes
2017-18	463,462 tonnes



BUILDING OUR BUSINESS

TasRail holds long-term contracts to provide rail logistics services to Tasmanian heavy industries and freight forwarders.

In 2019-20 TasRail provided industry with just under three million tonnes of rail haulage services. As a freight transport task this equates to 480 million net tonne kilometres. Some of our customers experienced pandemic-related market slowdowns and operational challenges that impacted demand for rail services.

Despite challenges in some customer categories there were improvements. TasRail's mineral concentrates rail service transported 3 per cent more material than the previous year.

TasRail's strategic partnership with the forestry industry continued in 2019-20, with new customer contracts executed and further investment in sidings and rollingstock that effectively expand capacity for industry partners. TasRail now has two fit-for-purpose log loading locations in southern Tasmania at Brighton and Parattah, providing industry with options to link harvesting and road transport with rail services.

Likewise, there are now two unloading sidings at Bell Bay, directly servicing two processing and export mills. Despite challenging conditions in overseas markets, log volumes grew by 42 per cent in 2019-20. The forestry industry values the inherent safety, simplicity and efficiency of TasRail's services and there is also an emerging recognition of the environmental benefits of rail transport.

The carbon intensity for a tonne of freight moved by rail is significantly lower than if moved by road. Analysis prepared for TasRail shows a 62 per cent reduction in greenhouse gases when industry chooses to use rail transport in their supply chain in Tasmania. TasRail believes that over time, low carbon intensity of rail supply chains will be valued highly by existing and prospective customers in forestry and other heavy industries.

Although the only freight railway in Tasmania, TasRail operates in a highly competitive market and must provide an excellent standard of service to industry to retain and grow market share.



TasRail operates more than one hundred services per week, linking industries with their customers and export supply chains. Delivering freight on time is critical, particularly for container service customers that need to connect with daily shipping services on Bass Strait.

Freight Availability is a key metric for TasRail, and measures performance in customer freight being available to unload at the agreed time. In 2019-20, TasRail had a combined Freight Availability target for its three intermodal services of 96 per cent and achieved an actual result of 97.4 per cent. This result is a credit to operational teams. Being on time is an integral part of TasRail's value proposition.

The sharp contraction in the domestic and international economy was keenly felt by several TasRail customers. This impacted demand for rail services and customer revenue. Nevertheless, TasRail is confident affected industries will rebound and stands ready to serve its customers.

TasRail will prepare itself by investing in the network and rolling stock. Critical rail network upgrades and main engine overhauls on the TR Class locomotives undertaken in 2019-20 will continue. For current and potential bulk mineral customers, the scoping and planning work competed during 2019-20 for TasRail's new bulk minerals shiploader at the Port of Burnie will see a step change in productivity.

SAFETY

TasRail's dedicated Safety, Health and Environment (SHE) team is the lynchpin in its journey towards Zero Harm.

Safety is entrenched as one of TasRail's four key values and the mantra of going 'Home Safe and Well Every Day' is part of the company culture thanks to the continued reinforcement of the cultural SafetyCircle™ Program that has been in place since 2016. This reputation for safe service delivery is also of significant value to TasRail's customers who are increasingly focused on risk mitigation in their supply chains.

As of 30 June 2020, it had been 152 days since a TasRail employee suffered a lost-time injury (LTI), and a record 1,158 days since a TasRail contractor experienced a LTI. TasRail is proud of its contractor partners and continues to work closely to proactively guide and support them in relation to risk management and safety culture.

Likewise, mainline derailments continue to be well below historic levels. TasRail reported one derailment early in 2019-20, when a northbound train experienced a minor derailment at Tunbridge due to a combination of adverse operational factors.

FATIGUE RISK MANAGEMENT PROJECT

TasRail also continued to grow its commitment to safety by targeting the risks associated with fatigue in its workforce in 2019-20. Phase one of the Fatigue Risk Management project resulted in roster improvements and upgraded risk controls for drivers based at TasRail's Devonport site. This has set the tone for the introduction of multiple defences against fatigue risk that will be rolled out across the business in 2020-21.

The project objective is to build a Tasmanian best-practice Fatigue Risk Management System for high-risk transportation environments. The project will build the strength and consistency of TasRail's safety culture by increasing workers' and leaders' commitment to managing fatigue at all levels of the organisation.

BEING COVID SAFE

TasRail's SHE team continues to play a proactive role in keeping TasRail's workforce safe and healthy during the COVID-19 pandemic. Led by a SHE team member, a COVID Recovery Committee, with representation from all areas of the business, has been established to bolster TasRail's ongoing transition into a COVIDSafe workplace.

Along with developing TasRail's COVID-19 Relief and Recovery Strategy, the Committee, in conjunction with the Executive Team, ensures that appropriate processes are in place to comply with all regulatory requirements and that there are consistent control measures across all sites.

COMMUNITY RAIL SAFETY

TasRail takes a proactive role in promoting community safety around rail, spreading the message via a variety of channels, including periodic advertising campaigns. It works closely with the TrackSafe Foundation to develop educational material, and on national initiatives like Rail Safety Week. In 2019-20 TasRail saw a marked decrease in level crossing incidents throughout the State, pointing to the success of initiatives in this area.

	2019-20	2018-19	2017-18	2016-17
Level crossing failure to stop or give way	33	85	72	76
Level crossing collisions	1	2	1	1
Trespass	57	58	69	43
Vandalism and theft	37	31	72	55
Livestock in the rail corridor	167	104	122	64
Animal collisions with trains	33	19	20	10
Train horn complaints	16	22	21	20



BELOW RAIL SEGMENT

TasRail's Below Rail segment is responsible for the management and maintenance of the Tasmanian Rail Network including rail, sleepers, ballast, points, formation, bridges, culverts, tunnels, and level crossings. The team also maintains TasRail's land tenure (including vegetation management) comprising both operational and non-operational rail corridors of more than 790 linear kilometres.

Percentage Rated: Good, Fair, Poor, Very Poor

	Jun 2020 (Good)	Jun 2019 (Good)	Jun 2020 (Fair)	Jun 2019 (Fair)	Jun 2020 (Poor)	Jun 2019 (Poor)	Jun 2020 (V. Poor)	Jun 2019 (V. Poor)
West	78.9	80.7	18.3	16.9	2.7	2.2	0.06	0.11
South	72.2	67.6	24.0	27.2	3.5	5.1	0.34	0.23
Melba	80.3	72.5	17.5	24.2	2.2	3.2	0.00	0.19
Bell Bay	67.3	70.7	27.0	22.7	5.5	6.5	0.18	0.18
Fingal	81.3	80.4	15.5	16.4	3.0	3.0	0.18	0.18
Derwent Valley	61.2	44.8	26.9	39.6	9.0	12.7	2.99	2.99
Network	75.9	73.4	20.6	22.4	3.3	4.0	0.22	0.24

TRACK QUALITY INDEX (TQI)

The TQI is derived from mandatory, scheduled mechanised track geometry recordings that are measured by TasRail's Track Geometry Measurement System (TGMS). The outputs of the TGMS allow the Asset Management team to make informed decisions on network maintenance priorities.

In 2019-20 there was an overall increase in the proportion of track rated as 'Good' (see table above). This was led by improvements on the South, Melba and Derwent Valley lines.

TAMPING

Effective use of TasRail's tamper and ballast regulating machines is vital to the network maintenance strategy – ensuring that the track geometry is maintained to standard. The tamper works in close association with the TasRail ballast train, which distributes new ballast to the track in advance of the tamper. Consequently, a ballast wagon refit program in late 2019 resulted in fewer kilometres being tamped this financial year – down 28 per cent to 126km. This program has now been completed.

	2019-20	2018-19
Tamped Kilometres	126	174

TEMPORARY SPEED RESTRICTIONS (TSR)

As a result of TasRail's detailed inspection process, it is sometimes necessary to mitigate risk by reducing the speed of the trains in a specific location. A TSR assists in managing risk in areas where a track defect or other issue has been identified, pending a permanent solution. The percentage of the operational network under TSR as of 30 June 2020 was steady compared to 1 July 2019. Due to the capital and maintenance programs being delivered, TSRs are approximately 53 per cent lower than their highpoint in 2016.

Percentage of the Network under TSR

30 June 2020	8.3
30 June 2019	8.0

CORRIDOR LAND MANAGEMENT

TasRail is responsible for maintaining the Tasmanian Rail Network. This comprises terminals, depots, sidings and approximately 1,580 kilometres of land corridor. Land management activities include biannual spraying and slashing, selective weed control and/or eradication, removal of problem trees and other hazards within and adjoining rail land, and the clearance of line of sight obstructions in the rail corridor. Details about TasRail's land management activities are published on the Company website.

	2019-20	2018-19
Vegetation Complaints	48	56



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

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.

TasRail is governed 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 governance 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 letter of appointment and the Board Charter.

The Company Secretary is accountable directly 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 Shareholders.

The Chairman and the CEO, along with the Portfolio Minister, appear before and respond to the Parliamentary Government Business 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 the 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 ('Whistleblowers') Policy and People Management Business Critical Process.

Principle 4 – Safeguard integrity in corporate:

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 therefore subject to the scrutiny of all Members of the Parliament and the community.

Principle 5 – Make timely and balanced disclosure:

TasRail is required by its Constitution to communicate with its Shareholders 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 Shareholders 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 are made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out in the Annual Report.

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 discusses and reviews emerging and actual risks in the Company's external and internal environment and uses 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 Shareholders 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 People and Remuneration Committee comprises three 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;
- Monitoring the performance of the CEO and key performance indicators to determine and recommend to the Board performance criteria and payments;
- Reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for company staff, and ensuring remuneration is aligned with market trends.

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

CORPORATE GOVERNANCE (CONT)

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) No disclosures were made to TasRail during 2019-20.
- (c) No Public Interest Disclosures were 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 2019-20, TasRail received four 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* (Cth).

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 2019-20 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) are 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

Value of purchases from Tasmanian businesses	\$43,852,588.74
Percentage of purchases from Tasmanian businesses	62.64 per cent

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 2019-20

Number of accounts due for payment	10,806
Number of accounts paid on time	10,806
Amount due for payment	\$70,097,768
Amount paid within agreed timeframes	\$70,097,768
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0



CORPORATE GOVERNANCE (CONT)

CONTRACTORS

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. There were a number of contracts let in 2018-2019 where commitments carried forward into this financial year. Additionally, TasRail has awarded contracts in 2019-20 that have commitment values into the next financial year.

Values over \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
IIP trackworks Defects Type 2 & 3	Open Tender	Yes	VEC Civil Engineering Pty Ltd	TAS
IIP Formation Renewals	Open Tender	Yes	Shaw Contracting Pty Ltd	TAS

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 trackworks Defects Type 1	Open Tender	Yes	Global Rail Australia Pty Ltd	VIC

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

Name of consultant	Location	Description	Amount \$
ISW Development	TAS	Software implementation	433,681
GHD	TAS	Engineering support	377,625
PDA Surveyors	TAS	Surveying, engineering and planning services	243,225
Alexandries Engineering	SA	Engineering and project management advice	175,363
Pitt & Sherry	TAS	Engineering support	170,958
Riccardo Rail	NSW	Professional services	156,898
Jacobs Group (Australia)	TAS	Engineering support	98,153
COVA Thinking	TAS	Professional services	78,163
Sub Total			1,827,347
There were 19 consultants engaged for \$50,000 or less, totalling			164,880
Total payments for consultants to June 2020			1,992,227



CUSTOMER VALUE PROPOSITION

TasRail is the trusted provider of safe and dependable rail logistics solutions for Tasmanian industry. TasRail's infrastructure advantages, along with a culture that is focused on its customers, make it an ideal partner for existing and potential clients from key heavy industries throughout the State.

TASRAIL PROVIDES INDUSTRY:



Long-term business partnerships providing surety of rail haulage capacity and bulk shiploading services;



The ability to haul heavyweight and dangerous goods containers as well as bulk cargoes to reduce total supply chain costs;



Innovative and progressive Tasmanian rail transport solutions across all major freight sectors for containers, bulk and forestry freight;



Opportunities to campaign in large volumes of freight to meet customer requirements;



Connectivity with a statewide network of rail terminals that interface with major ports, freight precincts and industries;



Reduced exposure to heavy vehicle accident risk and compliance with Chain of Responsibility requirements of the National Heavy Vehicle Regulator;



Seamless connectivity with Tasmania's only open access bulk minerals shiploader;



Valuable safety and environmental benefits; and



Operational reliability, safety and simplicity across all heavy freight modes, including road, port and shipping operations;



Dedicated industry specialised customer account and service management teams engaged to provide leading-edge customer outcomes.



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