



# ANNUAL REPORT

2014/15



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**Tasmanian Railway Pty Limited**

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## ABOUT TASRAIL

TasRail is committed to delivering transport and logistics solutions that are safe, reliable and sustainable.

Tasmanian Railway Pty Limited (TasRail) is a State-Owned Company established on 1 December 2009 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; and
- Maximise sustainable returns to its Shareholder Members.

As a vertically integrated, short haul, freight rail business, TasRail was created by combining the Below Rail assets (that the State had assumed responsibility for in 2007) with all of the Above Rail and Business Assets purchased from Pacific National in late 2009, including the Emu Bay Railway.

Administration of rail funding from the Australian Government transferred to TasRail late in 2009 from the Rail Management Branch within the then Department of Infrastructure, Energy and Resources.

This completed the amalgamation of the whole operating rail network within Tasmania, along with responsibility for the upgrading of the Below Rail and Above Rail elements of the business.



## ABOVE RAIL

The Above Rail business operates terminals, bulk handling and shiploading facilities and all train services in response to customer requirements. It is also responsible for maintaining and operating the rollingstock fleet.



- Freight rail is a viable alternative to road transport. By providing safe, efficient and sustainable freight solutions, TasRail helps to create a more competitive freight market, which in turn leads to lower freight costs for Tasmanian business and industry and consumers.

Similar to the Tasmanian road network, the rail network is a critical piece of infrastructure that requires ongoing funding from the State Government to ensure that it is maintained to an appropriate standard. The investment generates substantial savings to the State in the form of avoided road maintenance costs, avoided road accident costs, environmental savings and reduced operating costs for business and industry.

The Australian Government provides funding for Below Rail infrastructure renewals and upgrades. This investment allows fundamental rail efficiencies to be captured by the Tasmanian freight system.



## BELOW RAIL

Below Rail operations are responsible for maintaining and upgrading the railway network and the supporting infrastructure such as bridges, culverts, drainage and formation, level crossings, signals and communications and for the safe operation and authorised access of the network.

# STATEWIDE CONNECTIVITY

TasRail's freight terminals are strategically located across major freight corridors, offering customers an improved range of freight logistics services and seamless and direct links to the State's major ports.



**George Town:** The new \$7 million facility is expected to be operational by September 2015. It is a well designed multi-modal terminal located in the heart of the Bell Bay Major Industrial Zone and it will be pivotal to TasRail's capacity to attract new intermodal freight volumes.



**Burnie:** The \$12 million Burnie Optimisation Project will create a high productivity transport link for all freight users within the port. The design includes a direct interface between the railhead, road and port and provides for a substantial increase in rail terminal capacity that will also enable TasRail to transact with multiple customers. The project commenced in January 2015 and is scheduled for completion during November 2015.



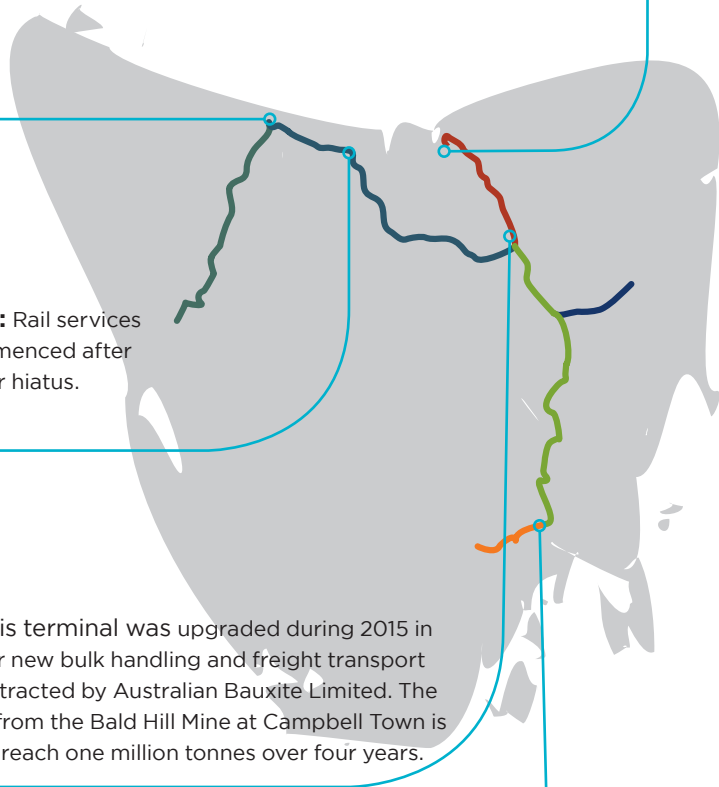
**Devonport:** Rail services have recommenced after an eight year hiatus.



**Conara:** This terminal was upgraded during 2015 in readiness for new bulk handling and freight transport services contracted by Australian Bauxite Limited. The freight task from the Bald Hill Mine at Campbell Town is expected to reach one million tonnes over four years.



**Brighton:** The Transport Hub became fully operational from 1 July 2014 following TasRail's relocation from the Macquarie Point terminal.



Map 1

## THE OPERATIONAL RAIL NETWORK

- The South Line runs approximately 175 kilometres from the Transport Hub at Brighton to Western Junction.
- The Derwent Valley Line is approximately 71 kilometres from the Bridgewater Junction to the Florentine Rail Yard west of Maydena. The section of line between Boyer and Maydena is currently non-operational.
- The Melba Line is approximately 130 kilometres running from the Port of Burnie to Melba Flats
- The Western Line commencing at the East Tamar Junction and runs approximately 176 kilometres to Burnie via Western Junction. The section of the line that runs between Burnie and Wiltshire is currently non-operational.
- The Bell Bay Line runs from the East Tamar Junction to the Port of Bell Bay for approximately 57 kilometres.
- The Fingal Line runs for approximately 55 kilometres from Conara Junction to Fingal.

# RESULTS

Table 1

Performance Measure	Target 2014/15	Actual Result 2014/15	Target 2015/16
Recordable Injury Frequency Rate <sup>1</sup>	13.3	24.8	12.7
Freight Availability (General Intermodal)	98 per cent	97 per cent	98 per cent
Mainline Derailments	Less than 2	2	Less than 2
Customer Revenue	\$34.3 million	\$34.2 million	\$40.5 million
Capital Spend <sup>2</sup>	\$78.3 million	\$38.0 million	\$48.9 million
EBITDA (consolidated)			
After Tasmanian Government Below Rail Infrastructure Contribution	(\$1.4) million	\$0.0 million	\$0.1 million
Below Rail Infrastructure cost (Per track kilometre)	New target		\$20.1 thousand
Above Rail Net Profit (Loss)	New target		(\$4.1) million

**Table 1 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 but is now scheduled to commence from 2015/16; finalisation of new locomotive and wagon fleet has not yet occurred.



Ben George was a member of the thermit welding team before being promoted to the role of Infrastructure Asset Inspector in August 2014.



Lester Jones (Freight Services) is an experienced Train Driver who started his career with the State's Railway as a wagon maintainer in 2000. He attained his Train Driving qualification in 2007.

## 2014/15 ACHIEVEMENTS AND CHALLENGES

- Delivered a better than planned EBITDA result, representing an \$1.4 million improvement against budget and in the face of a \$3 million impact from two train derailments.
- Sustained a marked improvement in freight availability performance achieving 97 per cent, delivering 99.97 per cent of all freight consignments without incident.
- Increased overall freight volumes by 3 per cent, despite a loss of some contracted volumes due to a downturn in mining activity.
- Achieved 232 consecutive days without a lost time injury, but a disappointing safety performance overall with the recordable injury frequency rate increasing to 24.8.
- Experienced an increase in public incidents at level crossings, including one vehicle collision, although none resulted in serious physical injury.
- Successfully managed the single, largest-ever change to rail freight operations in the State with the implementation of a new Advanced Network Control System (ANCS) across the network in January 2015.
- Executed new commercial agreements with major customers, securing 98 per cent of TasRail's baseload freight volumes under long-term contracts.
- Successfully tendered for the land transport freight task for Australian Bauxite Limited, establishing freight and logistics services ahead of the start-up of a new mine at Campbell Town.
- Commenced capital works on the Burnie Port Optimisation Project.
- Completed construction of the new George Town Freight Terminal, on time, without incident and within budget.
- Recommended terminal operations at Devonport after an absence of eight years.
- Completed the development, construction, testing and commissioning of the innovative Logtainers. This innovation provides a safer and more efficient solution for the railing of logs, as well as a high level of interoperability and up to a 12 per cent increase in productivity.
- Received confirmation of the first tranche of \$119.6 million of Infrastructure Investment Funding by the Australian and Tasmanian Governments for the Tasmanian Freight Rail Revitalisation Program to 30 June 2019. A commitment to a second tranche of funding was also secured.
- Restructured the Freight Services, Asset Management and Infrastructure Maintenance Divisions of the Company to increase efficiencies and optimise performance. Overall 26 positions were made redundant. TasRail wishes to thank those employees who retired or left the Company during 2014/15. Your contribution to the business is appreciated.
- The Legislative Council - Government Administrative Committee "A" - resolved on 28 May 2015 to commence an Inquiry into the financial sustainability of TasRail. Public hearings are expected to be held during the second half of 2015.
- Readied the business to deliver a viable alternative to road transport and an increased share of the contestable freight market on major freight corridors.



# CORPORATE INTENTIONS - THE NEXT 12 MONTHS

## 1. 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.

## 2. Key initiatives:

### 2.1 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

### 2.2 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.



## 2.3 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.

## 2.4 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;

## 2.5 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.

## 3. 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.

[See a short video here - Bauxite Train along side Glenwood Road](#)



## CHAIRMAN'S FOREWORD



*Undeniably, TasRail is performing better than the five year plan had anticipated, and this was again evident in the 2014/15 EBITDA result that was \$1.4 million better than budget.*

The end of 2014/15 financial year marked the completion of an ambitious initial five year development program and the start of TasRail's transition to a modern freight and logistics business. TasRail is determined to grow its freight market share, and in the process, provide a viable freight alternative for its customers and secure a sustainable future for the business.

Undeniably, TasRail is performing better than the five year plan had anticipated, and this was again evident in the 2014/15 EBITDA result that was \$1.4 million better than budget.

The turnaround in key performance measures, including the condition of the network and reliability of services, has seen a return of customer confidence in rail that is best demonstrated by the amount of freight that is now being hauled on rail.

That TasRail was able to absorb the loss of significant contracted bulk volumes yet still achieve a three per cent increase in total freight volumes for 2014/15 is an outstanding result. That the Company has delivered overall freight growth of 11 per cent during the Rail Recovery phase is exceptional and testament to the effort that has been expended by the workforce to date.

It is important to recognise that these results have been made possible because of the substantial capital committed by the Tasmanian Government to replace life expired assets and maintain the Below Rail infrastructure; and through Australian Government infrastructure funding to address the most urgent of the inherited maintenance and renewals deficit. These investments have helped to level the playing field for rail by improving the safety and reliability of the network to a standard better able to compete with road transport for the contestable share of the freight market. While the condition of the track is now vastly better than when TasRail was established, there is more to do to ensure the whole of the network reaches the desired standard.

The joint announcement in May 2015 by the State and Federal Governments, confirming a total of \$119.6 million will be made available over the next four years for the Tasmanian Freight Rail Revitalisation Program was very pleasing. This will allow TasRail to continue with the delivery of a prioritised track upgrade program. Importantly, the certainty over track funding enables TasRail to more confidently commit to future growth opportunities with increased potential to deliver a cash positive result by the Above Rail business.

TasRail is serious about its role to service industry through the provision of competitive and efficient freight services.

This extends to providing the necessary infrastructure and haulage capacity to support start-up operations for new customers with potential for long term business relationships with TasRail, as well as significant economic uplift potential for regional areas. However, the lead times for upgrade of rail infrastructure and/or securing of additional haulage capacity inevitably requires TasRail to invest resources in advance of a customer's anticipated commencement date. This exposes the business to the risk of something occurring in the interim that either delays or frustrates the start-up of operations, with consequences for TasRail's bottom line in the year that these delays occur.

Despite this risk, the Board is determined to be supportive of such start-up activity for the benefit of Tasmania. Venture Minerals is one example where this has occurred. The delayed start to services for Australian Bauxite Limited is another.

Similarly, TasRail's base load bulk freight customers will to a large degree always be vulnerable to the volatility of global commodity markets and the rise and fall in the value of the Australian dollar. It's therefore imperative that TasRail's operating capacity, costs and structures are streamlined but nimble enough to respond to the cyclic nature of these industries.

The management team worked diligently throughout 2014/15 to ensure the Company maintained the right balance of skills and capacity to competitively deliver TasRail's current freight task, but remain positioned to deliver incremental and new business opportunities as they are identified. This is not an easy task but the Board is satisfied that the right balance has been achieved.

I would like to congratulate Damien White and his team for another year of solid performance.

I must also thank my fellow Directors for their individual and collective contributions throughout the year that are of great value to the Company and to me personally.

Finally, I wish to thank TasRail's Shareholder Members for their continued support of TasRail and their commitment to the future of freight rail as an increasingly relevant and integral component of the Tasmanian Freight System.



Robert Annells PSM  
**Chairman**

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Minister for Infrastructure  
Member, Tasmanian Railway Pty Limited  
Level 1 Franklin Square  
HOBART TAS 7000

Hon. Peter Gutwein MP  
Treasurer  
Member, Tasmanian Railway Pty Limited  
Level 9 Executive Buildings  
HOBART TAS 7000

Dear Shareholder Members

#### **TASRAIL ANNUAL REPORT 2014/15**

I write to you in your capacity as a Member of Tasmanian Railway Pty Limited.

In accordance with Section 22 (1) (b) of the *Rail Company Act 2009* I hereby submit for your information and presentation to the Parliament, the Annual Report of Tasmanian Railway Pty Limited covering the period 1 July 2014 to 30 June 2015.

Signed in accordance with a resolution of Directors.

Yours sincerely



**Bob Annells PSM**  
Chairman

15 October 2015



## CEO REPORT



*The new generation TR locomotives are symbolic of the resurgence of freight rail in Tasmania, and have significantly increased operating efficiencies, haulage capacity and service reliability.*

It was a challenging year on the revenue front, but the cost outcomes from TasRail's new assets were in some cases greater than anticipated.

Unplanned costs associated with two derailments meant that the EBITDA result, although higher than budget, could have been far better. The Colebrook derailment in November was particularly disappointing because it should not have occurred. The impact to our bottom line was significant, but if not for TasRail's actions to proactively work with customers to provide alternative transport and to resolve claims swiftly, the reputational damage caused by this incident could have been devastating for TasRail. Two separate, independent investigations into the Colebrook incident confirmed the derailment was not caused by the condition of the track or the rollingstock but was the direct result of a train handling error and excessive speed. With the implementation of TasRail's new Advanced Network Control System (ANCS), the risk of a similar derailment occurring should now be eliminated. The support shown to TasRail immediately following this incident was very encouraging and I sincerely thank our customers for their understanding and continued support of rail.

### Operating Performance

With the delivery and commissioning of the new rollingstock complete, TasRail's operating arrangements were redesigned during the year so as to fully exploit the benefits of the new rollingstock and to position TasRail to be responsive to opportunities for the conversion of road freight to rail. The new generation TR locomotives are symbolic

of the resurgence of freight rail in Tasmania, and have significantly increased operating efficiencies, haulage capacity and service reliability. The performance of the new wagon fleet has been outstanding, delivering increased capacity, improved train marshalling and loading performance. The new cement wagons have all but eliminated product spillage delivering environmental benefit and savings in the order of \$0.5 million in clean-up costs. Consolidation of new asset maintenance plans delivered better operating performance, with unplanned maintenance levels falling to around 30 per cent over the year and realising a 23 per cent reduction in operating costs. Fuel efficiency, asset availability and reliability performance all improved considerably.



*Train Controller James Miller (left) and Network Access Manager Garry Cummings (right) review daily Train Control data.*



## Customer Service

In parallel with improvements in operating performance, we've worked to ensure that TasRail's pricing is competitive and we've continued to think outside the square to develop transport and logistics solutions that create additional value for our customers. Although TasRail is in the early stages of its journey to create a true 'customer-centric' culture, I've been encouraged by the early progress made to shift the organisation from what was largely an engineering and operationally focussed rail organisation. Average freight availability for TasRail's premium intermodal service is vastly improved at 97 per cent, a level of service previously unheard of in Tasmanian rail and at least equal to a similar service offering anywhere, be it on road or rail. Freight availability across bulk services was consistently high throughout the year.

TasRail's terminal capacity took a big leap forward with the commencement of the Burnie Port Optimisation Project late last year and the construction of a new terminal at George Town completed in May. The investment in the development of these strategically located terminals will be a catalyst to the conversion of more freight to rail, enabling TasRail to offer customers expanded service offerings including state-wide connectivity and 'end-to-end' logistics solutions. Our network of freight terminals are literally TasRail's 'shop front' for customers and it was particularly pleasing that we resumed intermodal rail services into Devonport for a returning customer after an absence of eight years.

Another highlight was the work to develop and implement a fully integrated, mine-to-port logistics solution for a greenfield mine at Campbell Town. In a relatively short period of time, TasRail had mobilised all of the resources and equipment required and was service ready ahead of schedule. Although the start-up date was delayed due to weather related issues affecting the customer, the result showcases TasRail's enhanced capability and commitment to enabling economic development.

## People

Both the Above Rail and Below Rail divisions were subject to major restructures during the year. The Above Rail changes were necessitated by the indefinite deferment of the contract for the start-up of a substantial new business and the suspension of services to support two West Coast customers, as well as a consolidation of our rollingstock maintenance activities. The review of resourcing for Below Rail infrastructure maintenance activities was undertaken to optimise efficiencies and to cater for a planned reduction in the track maintenance budget reflecting the previous investments made. Every effort was made to minimise the impact on employees, but where redundancies were inevitable, staff were provided with appropriate support throughout the transition period.



Steve McNamara (left) of Toll Tasmania pictured here with Martin Thorpe (right) at the Brighton Transport Hub. Martin is TasRail's Business Development Manager - Intermodal Freight.



It would be remiss not to acknowledge the contribution of those employees who left the business during the course of the year, including those who took up the option of voluntary redundancy. On behalf of TasRail, I would like to take this opportunity to publicly thank them all for their commitment and contribution to the rail industry.

Throughout the year, TasRail continued its focus on organisational development. A core component of TasRail's leadership program is to create a continuous improvement ethos right across the organisation. During 2014/15 Leaders were trained in a suite of techniques that will assist them to identify smarter and more efficient ways to work, as well as developing and refining leadership skills to develop better relationships with our staff.

TasRail also implemented a new employee performance appraisal and development procedure for all leaders with the intent to roll this out across the organisation in due course. In terms of Industrial Relations, 2014/15 was another relatively harmonious year. A new Enterprise Agreement was achieved for the Cement Team and we commenced negotiations for a new EA for Bulk Handlers. Negotiations for a new General EA will commence early in 2015/16.



*Rail Operator Chris Baric (Freight Services) at work in the Brighton Quick Fix.*



*Matthew Patten (Freight Services) played a key role in the establishment of operations at Conara to support the start-up of the new bauxite service and in the development of training documentation and operating procedures for the new Logtainers.*

## Safety

Notwithstanding the significant efforts and resources that have been devoted to improving safety and eliminating incidents and injuries over the past five years, TasRail's overall safety performance has effectively plateaued. This is not acceptable and requires urgent re-examination of TasRail's safety strategies and an increased commitment to zero harm from everyone working at TasRail. On a positive note, the introduction of the new ANCS has improved the safety of train operations and track maintenance staff on the network. Post commissioning enhancements are continuing to improve the operation of the system, particularly as it applies in freight terminals and operating yards.

## Capital Investment

The delivery of capital projects has been a major focus for TasRail over much of the past five years, but this chapter is largely drawing to a close as the business shifts its focus to operational excellence and the pursuit of new freight volumes. The confirmation of Infrastructure Investment Funding from the Australian and Tasmanian Governments was very welcome news, and will see TasRail embark on a four year program to upgrade priority sections of track and the selected renewal of rail and sleepers on major freight corridors.

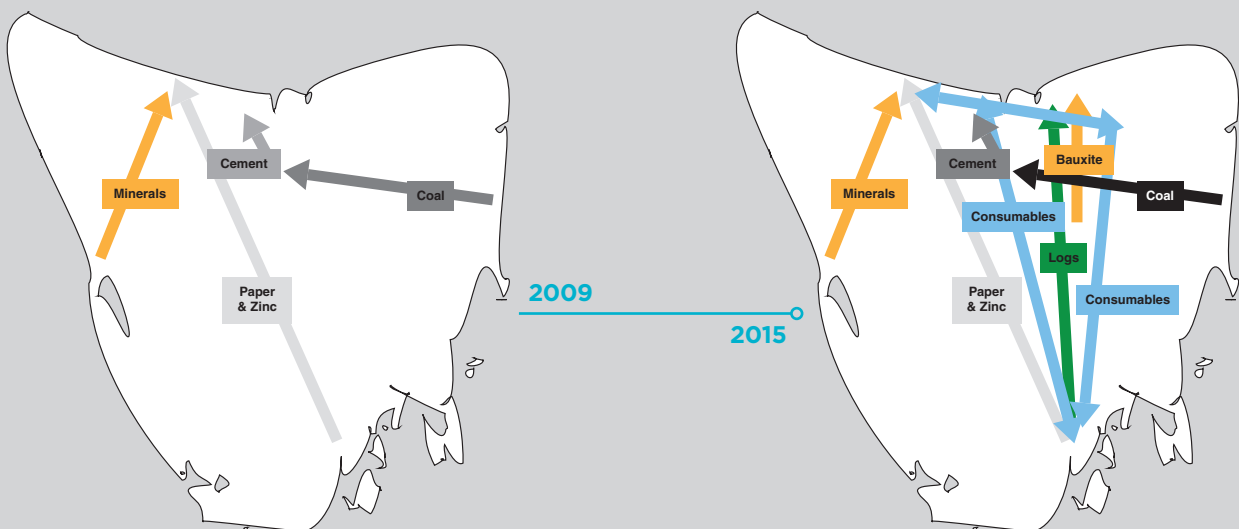
## Outlook

TasRail has made enormous strides to restore customer confidence in rail and to increase its share of the contestable freight market. Looking back to 2009 when the Company was established and comparing it to TasRail today, the quantum of change that has occurred is far more compelling than the picture represented by the annual financial accounts. Most importantly, TasRail is now equipped and ready to launch into a new era that will see it pursue substantial growth in market share, and deliver increased value to its customers, its shareholders and the broader Tasmanian community.

Damien White  
**Chief Executive Officer**

## TasRail's Freight Task

Map 2





# EXECUTIVE TEAM

as at 30 June 2015



Chief Executive Officer

**Damien White**



Chief Operating Officer

**Stephen Kerrison**



Company Secretary/  
Chief Financial Officer

**Steven Dietrich**

Finance/Shared Services  
Business Development  
Procurement  
Information Technology  
Land and Property



General Manager  
Asset Management

**Jonathan Drew**

Rollingstock  
Infrastructure  
Capital Projects



General Manager  
Freight Services

**George Pitt**

Train Operations  
Train Control  
Terminals



Executive Manager  
Safety

**Michael Halaby**

Health and Safety  
Risk Management

Human Resources  
Manager

**Jim Burden**

Corporate Relations  
Manager

**Jennifer Jarvis**

Commercial &  
Strategy Manager

**Shannon Cox**

# PERFORMANCE DATA

## People and Safety



**Recordable Injury Frequency Rate**



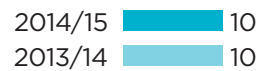
**Number of Lost Time Injuries**



**Lost Time Injury Frequency Rate**



**Number of Medical Treatment/Suitable Duty Injuries**

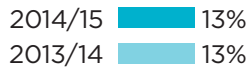


**Safeworking Irregularities**

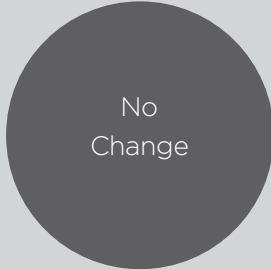




**Number of Employees (FTE)**



**Staff Turnover Rate**

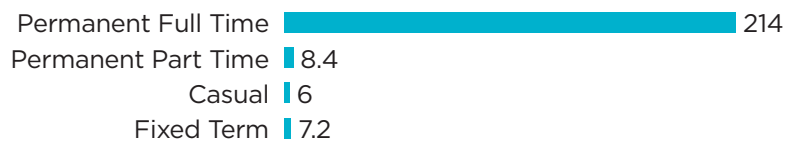


*Robyn Laphorne - Planner (Asset Management) is responsible for vegetation management across the rail corridor.*



*Julian Long - Infrastructure Delivery Supervisor East (Asset Management) is responsible for the management of track workers at Brighton and Launceston and for all tamping works across the network.*

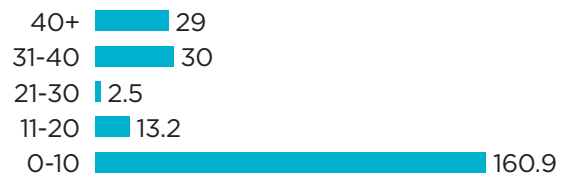
**Employment Status Profile - FTE**



**Gender**



**Years of Service**



**Division Profile\***

\*Includes Capital



## ABOVE RAIL



### The commercial arm of TasRail

The Above Rail business provides rail and logistics services to the market.

Like any other commercial enterprise, the Above Rail business is focussed on delivering financial returns and building a reputation for service excellence.

The resurgence of freight rail in Tasmania continued to advance in 2014/15 with TasRail now hauling a total of 68 per cent of all freight on the Brighton to Burnie corridor, and 50 per cent of all contestable freight on corridors covered by the rail system.

The combination of investment in new assets combined with a resolute commitment to customer service and improved condition and performance of the Below Rail network has led to the progressive restoration of customer confidence in rail freight. Testament to this is the signing of new, long-term rail haulage contracts by all of TasRail's major customers during the reporting period and another strong performance that saw overall freight volumes increase by a further three per cent for 2014/15. However, performance across the bulk and intermodal sectors was variable. The loss of mineral concentrate volumes from two West Coast customers represented 10 per cent of TasRail's total bulk volumes. This was offset by increases in coal, cement and paper volumes. A number of new and returning commodities were also attracted to rail during the reporting period. These include grains, flour and beverages on the Burnie to Launceston corridor, and scrap metal on the Brighton to Bell Bay corridor.



TasRail pursued the opportunity to re-start rail operations into Devonport, achieving a resumption of services after an absence of eight years. This terminal is expected to become increasingly important for TasRail and its customer, particularly given the customer's announced investment in new ships.

General intermodal volumes on the Brighton to Burnie corridor also fluctuated, partly attributed to a softening market and a change in the haulage patterns for zinc. The major derailment at Colebrook during November was undoubtedly a setback. Notwithstanding the disappointment of this incident that was confirmed to be caused by operator error and excessive speed and not the condition of the track or the assets, TasRail achieved the safe delivery of 99.97 per cent of all freight consignments without incident for the year.

Log volumes were down slightly compared to the previous year but overall remain fairly consistent. Working in partnership with Forestry Tasmania and SFM, TasRail has been able to demonstrate the

advantages of rail as a safe and efficient alternative transport provider of choice for the forestry sector. The ambition to attract further log volumes has been considerably enhanced with the April commissioning of 40 purpose built Logtainers (log cradles that can haul containers or logs on both trains and trucks). The Logtainers are hailed by the industry as an innovation that delivers superior loading/unloading efficiencies at reduced risk and increased payload compared to current operational methods. The Logtainer frame has forklift pockets that provide for easier and safer lifting on and off the train. The units also provide TasRail with the flexibility to utilise the backload train journey to haul other containerised freight because the Logtainer frames are fitted with twist locks to suit general intermodal wagons. The Logtainer units were designed and manufactured by Graeme Elphinstone at Triabunna and funded by a grant under the Australian Government's Tasmanian Jobs and Growth Plan.



*Launceston based Rail Operator Josh Barnett (Freight Services) stows the strap of a Logtainer.*

A significant new business opportunity came to fruition in 2014/15 with TasRail ready to commence services for Australian Bauxite Limited (ABx) ahead of the anticipated start-up date. In late 2014 TasRail successfully tendered to supply a total mine to port transport solution to ABx for its Bald Hill mine at Campbell Town. Under contractual agreement, TasRail is responsible for all logistical aspects from the loading of product at the mine right through to railing the containerised product direct to the Port of Bell Bay. This necessarily involves TasRail procuring and managing road haulage to and from the mine. The truck drivers are also contracted to load bauxite into containers at the mine, operate lifting machinery to direct load the containers onto the train at Conara, and then unload the returned containers from the train at Conara ready for transport to the mine. The first bauxite train service operated in May. Railed bauxite volumes were less than forecast to 30 June 2015, due to the customer experiencing production delays, but over the expected four year life of the mine, total volumes will be in the order of one million tonnes.

TasRail already operates mine to port solutions for a number of its bulk customers. During the reporting period TasRail's Business Development team continued to look at other integration opportunities for its existing and potential new customers that further increase the value proposition of rail to business and industry.

The announced expansion of the Tasmanian Freight Equalisation Scheme is also expected to create new opportunities for TasRail, with a forecast increase in intermodal freight movements across the State's major freight corridors and the containerisation of more products. TasRail is actively working with the broader business and industry sectors to identify new volumes for rail and to develop competitive proposals for potential new customers.



*Brighton based Rail Operator Scott Williams (Freight Services) confirms freight consignment details at Boyer with Andrew Grubb of Norske Skog.*





## ROLLINGSTOCK PERFORMANCE

The performance of TasRail's new rollingstock fleet has been a game changer for the business, delivering substantially improved safety, productivity and reliability and at reduced operating cost with improved fuel efficiency. Trailing tonnage capacity per locomotive has doubled, compared to the older fleet.

Delivery of the entire locomotive fleet was completed in July 2014. As is typical with the commissioning of assets of this scale and complexity, the new TR class locomotives have experienced a relatively small number of 'teething' issues since entering full service. The supplier has been very responsive in identifying and addressing any faults or failures, including through the redesign, testing and proving of modifications to components, the retrofitting of new components across the full fleet and by working with TasRail to proactively prevent any future issues. Any identified issues have been promptly and thoroughly assessed and remedied at the cost of the supplier as per the terms and conditions of the warranty. Final acceptance of the locomotives will not take place until such time as TasRail is satisfied with the sustained performance of the fleet and has determined that the supplier has complied with all of the contractual terms and conditions.

The performance of the new wagon fleet has exceeded expectations.



*Jarrod Cook (Freight Services) attained his Train Driver qualification in November, after beginning his career with TasRail as a Rail Operator.*



### THE FLEET:

- 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.*

# PERFORMANCE DATA

## Above Rail



### Customer Revenue

*Reflects the loss of bulk and shiploading volumes as a result of mine closures*



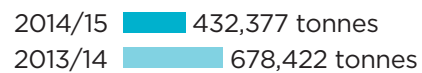
### TOTAL Volumes (NTKs)

*The reduction in mineral concentrates, forestry and intermodal was offset by a strong performance in coal, cement and paper. Includes the start-up of bauxite.*



### TOTAL Shiploading Volumes (tonnes)

*Direct result of mine closures*



### Freight Availability

*Significant improvement over previous year*





**TOTAL number of Intermodal train services  
(includes logs, paper and containerised freight)**

*TasRail's total intermodal freight volumes increased by 3 per cent overall for 2014/15, but the number of services required to haul this freight fell by 6 per cent compared to the previous year achieved by operational efficiencies and the superior performance and haulage capacity of the new rollingstock fleet.*

**1,804**  
services

**TOTAL number of Bulk train services  
(includes cement, coal, minerals, bauxite)**

*The total number of bulk services fell by 6 per cent for 2014/15 compared to 2013/14. The reduction in services is predominantly the result of mine closures and the consequential loss of volumes from the West Coast. Operational efficiencies and the introduction of the new rollingstock is also a factor that contributed to efficiency gains including through increased payload across all bulk services.*

**4,564**  
services





## TOTAL FREIGHT TASK BY COMMODITY

Table 2

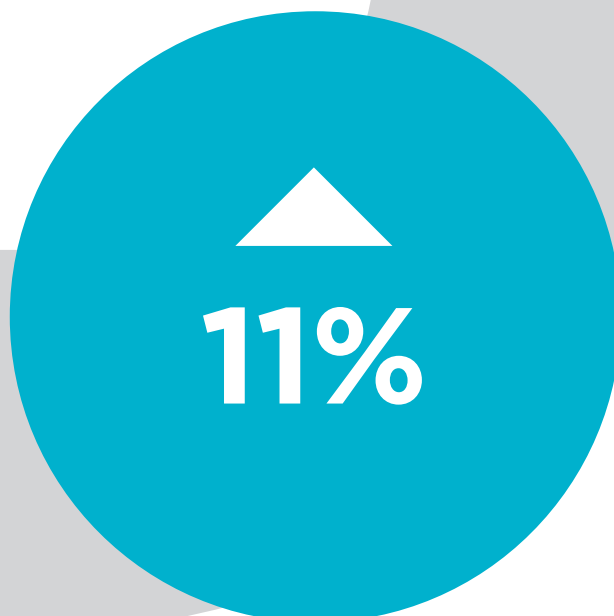
Commodity Type	Total Customer NTKs hauled	Total Customer NTKs hauled	Change in Performance
	2014/15	2013/14	
Coal	30,185,320	24,037,138	▲ 26%
Cement	26,396,545	25,142,757	▲ 5%
Mineral Concentrates	27,066,805	30,718,811	▼ 12%
Bauxite	150,333		New Business
Logs	19,556,245	21,230,883	▼ 8%
Intermodal - General	195,930,488	210,580,369	▼ 7%
Intermodal - Paper	120,047,104	95,310,942	▲ 26%
<b>TOTAL</b>	<b>419,332,840</b>	<b>407,020,900</b>	▲ 3%

## 2014/15 TOTAL FREIGHT TASK

Table 3

Year	Total Customer NTK Railed	Growth
2009/10	<b>379,243,582</b> <i>Annualised</i>	First Year
2010/11	<b>391,002,351</b>	▲ 3%
2011/12	<b>366,019,860</b>	6% ▼
2012/13	<b>415,591,123</b>	▲ 14%
2013/14	<b>407,020,900</b>	2% ▼
2014/15	<b>419,332,840</b>	▲ 3%

FREIGHT GROWTH





## BELOW RAIL



The infrastructure maintenance division of TasRail

Independent analysis conducted by leading infrastructure consultants pitt&sherry has confirmed the social, economic and environmental value generated by the availability of freight rail in Tasmania is significantly higher than the State's contribution to maintaining the Below Rail infrastructure.

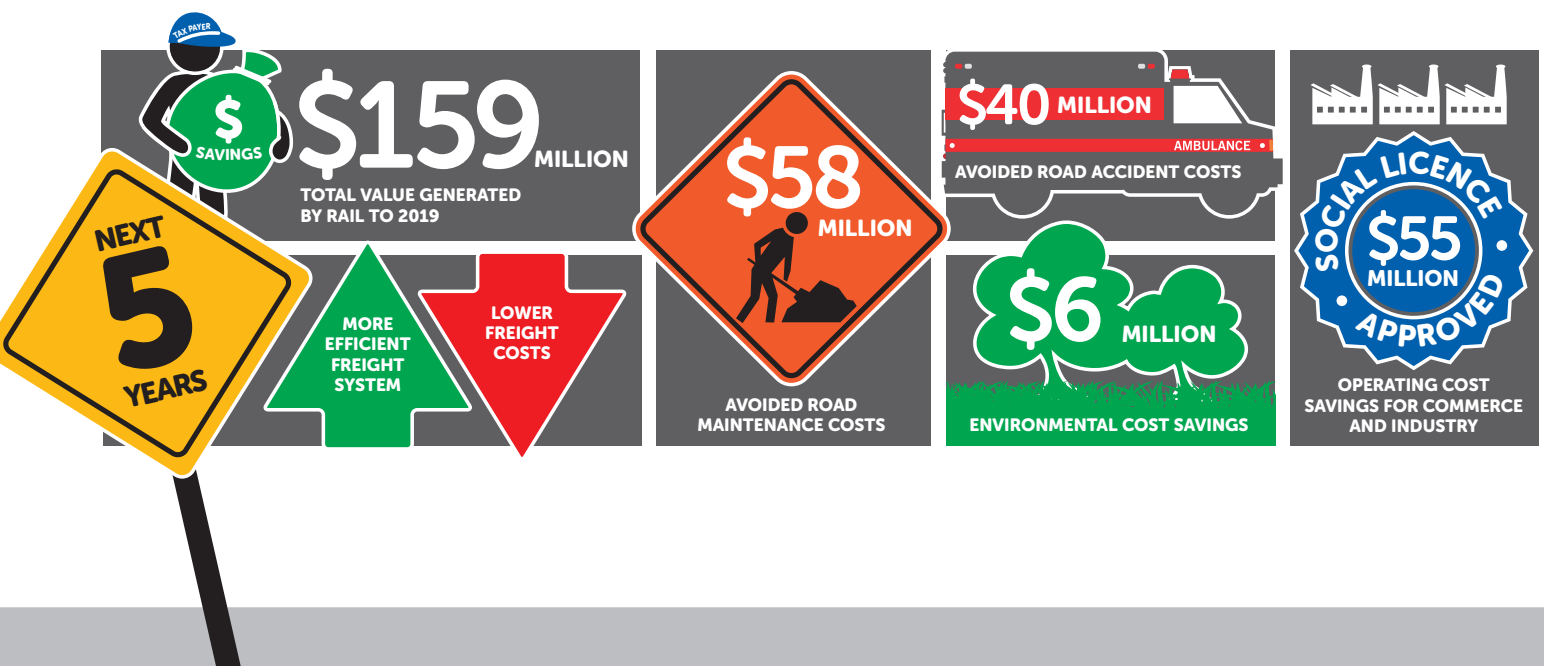
It is widely acknowledged that just like the road network, rail infrastructure cannot generate a profit and will always require an annual Below Rail Infrastructure Contribution (BRIC) from the Tasmanian Government. The BRIC is essential to ensure these strategic assets are maintained to an appropriate standard and to avoid the problems of the past where the infrastructure was allowed to deteriorate to the point that it was no longer able to support safe or reliable freight operations. Under TasRail, the amount of BRIC provided has progressively reduced. The forecast cost to maintain the rail network in future years is higher than the BRIC allocated to rail in the Forward Estimates. This shortfall is expected to be addressed through redirection of future profits generated by the Above Rail profits.

Over the past five years, TasRail has achieved substantial improvements in the condition of the network as the benefits of previous capital investment programs and a more proactive approach to asset management are realised. This amelioration has helped restore customer confidence in the safety and reliability of rail and enabled TasRail to pursue growth opportunities.

TasRail directly contributes to the cost of annual Below Rail maintenance through the payment of access fees by the Above Rail business division for its use of the network. Access fees paid by TasRail are set in accordance with the Transitional Access Regime as determined by the State Government.

Independent analysis conducted by leading infrastructure consultants pitt&sherry has confirmed that the use of rail rather than road to transport freight delivered approximately \$26 million of value to the State in 2013/14 by way of avoided road maintenance costs; avoided road accident costs; environmental savings and reduced operating costs for business and industry. Taking into account the \$16.57 million BRIC from the State Government in the same year, that equates to a net benefit (dividend) of nearly \$10 million. pitt&sherry predicts these savings to continue to increase, reaching an estimated \$159 million over the five years to 2019.

At the heart of the analysis is the confirmation that rail is the most efficient freight mode on major freight corridors as well as for heavy freight movements over short and medium distances. These findings add force to the importance and value of freight rail to Tasmania.



pitt&sherry noted that its report did not include analysis of a number of as yet unquantified benefits of rail including the value of:

- o Savings that result from the interconnectivity that exists between freight rail and a number of mining and manufacturing industries;
- o Savings from avoided road upgrade costs – i.e. the funding that would otherwise be required to enable ‘off network’ road systems to carry rail freight;
- o Logistical savings that flow to customers due to freight rail’s economy of scale – i.e. loading a single train with large volumes of freight as opposed to loading multiple trucks for the same freight task;
- o Avoided traffic decongestion at key points across major freight corridors.





**The Below Rail business is focussed on delivering a ‘fit for purpose’ network at the lowest possible cost.**

The task to achieve this and arrest the inexorable decline in network condition that will occur over time is extremely challenging and requires a vigilant inspection regime and absolute diligence in the planning and allocation of available capital funding. The scale of the task is exacerbated by the reality that the network still comprises large sections of rail that is more than 100 years old and that is not expected to be replaced in the short term.

In May 2015, following the release of the Federal Budget, the Australian and Tasmanian Governments confirmed the availability of the first tranche of \$119.6 million for the Tasmanian Freight Rail Revitalisation Program. Over the four years to 30 June 2019 TasRail will invest this funding in the elimination of a prioritised list of the most critical single points of failure on the network. The majority of the funding will be allocated to the major freight corridors of the South Line, the Western Line and the Melba Line, with provision for selected re-sleepering and re-railing works on the Fingal and Bell Bay Lines

and areas of the operational Derwent Valley Line to Boyer. Works packages have been scoped and will be progressively released to tender on the open market. Based on past upgrade programmes, these works will generate substantial economic benefits and local employment across the regions.

Investment in rail infrastructure and track upgrades not only improves the safety and reliability of freight rail operations to a standard able to compete with road transport for contestable loads, it also delivers an overall increase in the efficiency of the State’s transport system. This in turn translates to lower freight costs for business and industry.

In terms of Below Rail infrastructure maintenance, TasRail reviewed its systems, data and operating structure in 2014/15 to find smarter and more productive ways of ensuring the integrity and safe operation of the network. The effectiveness of the Below Rail maintenance strategy continues to improve with the requirement for unplanned maintenance reducing year on year as a more proactive approach to asset management is adopted.

**THE NETWORK:**

- 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)



Severe weather again tested the robustness of the infrastructure, particularly during the winter months. TasRail's maintenance crews worked around the clock on multiple occasions to repair damage and to ensure safe passage of train services. Their efforts to achieve this in what were challenging and difficult conditions were again outstanding.

TasRail turned to acclaimed experts to assist with the challenge of broken rails. Monash University has been engaged to investigate a number of broken rails and to determine the root cause of the failures. As part of the project, Monash will also recommend the optimum maintenance and inspection processes required to help prevent similar failures from occurring.

In association with UTAS and SenseT, a project to help predict broken rails was also commenced. This involves interrogation of TasRail's existing track geometry and other data as well as new data from a planned video survey of the network scheduled to occur in the first half of the 2015/16 financial year.



*Rail Operator Glenn Desmond (Freight Services) operates a derailer at Brighton.*



# PERFORMANCE DATA

## Below Rail



### Mainline Derailments

9 November 2014: KPS64.9 (Colebrook)  
Cause: Train handling error/excessive speed



26 January 2015: KPW98.995 (Kimberley)  
Cause: Track geometry

### Number of Signal faults (All Fail Safes)



### Track Condition Index

Table 4

Line	Percentage of track rated Good	Percentage of track rated Fair	Percentage of track rated Poor	Percentage of track rated Very Poor
Western <i>20 per cent has concrete sleepers</i>	58.85	32.58	8.06	0.51
South <i>20 per cent has concrete sleepers</i>	53.56	36.57	9.03	0.85
Melba	32.74	52.95	13.66	0.65
Bell Bay	50.92	40.26	8.27	0.55
Fingal	74.91	20.32	3.71	1.06
Derwent Valley <i>(Bridgewater to Boyer)</i>	49.25	34.33	15.67	0.75

The \$119.6 million of Infrastructure Investment Program funding from the Australian and Tasmanian Governments over the four years to 30 June 2019 will be used to target the most critical sections of track on major freight corridors. It will also be required to arrest the inexorable decline of other sections as much as is possible within the available funding.

## COMMUNITY



TasRail and the Department of State Growth have established a working group to develop a draft framework that can be used to identify, evaluate and manage the future use of the non-operational rail corridors

### NON-OPERATIONAL RAIL LINES

TasRail does not anticipate a commercially viable freight task arising on any of the non-operational rail lines in the future, at least not of the scale required to justify the substantial capital investment needed to reinstate the track and infrastructure to a safe, fit for purpose standard for freight rail operations.

Following TasRail's relocation from Macquarie Point to Brighton, there has been considerable interest in future use of the Hobart Line to Granton by supporters of passenger and tourist rail as well as a number of non-rail proposals. In response to these requests, a working group comprising TasRail and the Department of State Growth through Infrastructure Tasmania was established during 2014/15 to develop a draft framework that can be used to identify, evaluate and manage the future use of the non-operational rail corridors.

By necessity, this involves compiling a knowledge bank of information about the non-operational corridors on a line-by-line basis, and identifying the process for how these lines may be able to be utilised by another party including for both rail and non-rail activities.

The framework will also include recommendations for a formal process that can inform and guide those parties interested in seeking access to the lines, or parts thereof. In the meantime, TasRail is working co-operatively with the State Government to facilitate the development of the North East Rail Trail, utilising the non-operational rail corridor that runs between Coldwater Creek and Tonganah.



## The train horn is a risk mitigation that is designed to save lives.

TasRail's new TR class locomotives are fitted with a horn that meets industry standards, but emits a different sound and frequency than the various types of horns previously used on the older fleet. When the new TR's were first introduced into service, the change of horn prompted an increase in community complaints, particularly from people residing in areas where there is a high frequency of level crossings. TasRail acted responsibly to these complaints by reviewing its horn blowing procedures and introducing new protocols that reduced the volume and frequency of train horn use between the off peak hours of 10pm and 6am. As a result of these changes, the number of train horn noise complaints reduced by almost 50 per cent in 2014/15.

All noise complaints are investigated and where details are provided, train data is downloaded to assess compliance with the protocols.

TasRail's train horn protocols set a minimum standard only, with a train driver authorised to apply the horn in any situation where he or she perceives there to be a potential danger. Again in 2014/15 there were too many near-miss incidents where road users either failed to pay attention to the railway or chose to ignore level crossing warning signs and signals.

Although the reported number of near miss incidents overall (vehicles and pedestrians) was down slightly from the previous year, the North West continues to be over represented in the statistics, accounting for 72 of the total of 94. Equally disturbing is the number of people who trespass the rail corridor. TasRail experienced an 35 per cent increase in trespass reports for 2014/15 with 85 incidents of which 56 were on the Western Line.

At least one train driver required time away from work as a result of post traumatic stress following a reported near miss involving a pedestrian.



*Tom Wolfenden (Freight Services) joined TasRail in 2013 after many years experience as a Train Driver interstate.*







TasRail's level crossing strategy continues to assess the types and effectiveness of warning signals and protection deployed at rail crossings, but short of closing down level crossings, it is apparent that a change in the behaviour of road users and pedestrians is key to reducing the risk. Tasmania Police provide excellent support through enforcement of road safety rules, surveillance campaigns and the issue of infringement notices where appropriate evidence of offenders is provided. TasRail also works with the trackSAFE Foundation and the Australasian Rail Association to develop and promote public rail safety campaigns including active participation in National Rail Safety Week. TasRail acknowledges the support it receives from Tasmanian media in helping to place a spotlight on rail safety, particularly at times of serious incidents or irresponsible behaviour on or near railway lines.



# PERFORMANCE DATA

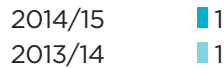
## Public Rail Safety



**Number of reported near miss incidents involving vehicles at level crossings**



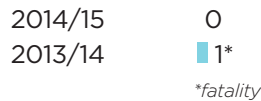
**Number of reported vehicle collisions at level crossings**



**Number of reported near miss incidents involving pedestrians at level crossings**



**Number of reported pedestrian collisions at level crossings**



**Vehicles and pedestrian Near Miss incidents by region**



**Change in performance**



Number of reported incidents of trespass



Number of reported incidents of theft and vandalism



Number of reported incidents of livestock in the rail corridor



Number of reported animal collisions in the rail corridor



Trespass incidents by region



Change in performance



## PUBLIC DISCLOSURES

### Public Interest Disclosure

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 contractors, 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. 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 Act 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 s 38(1)(c) of the Act. These Guidelines and Standards can be viewed on the Ombudsman's website at [www.ombudsman.tas.gov.au](http://www.ombudsman.tas.gov.au) TasRail's PID procedures are available at [www.tasrail.com.au](http://www.tasrail.com.au) or by contacting the Protected Disclosure Officer, TasRail, PO Box 335, Kings Meadows Tasmania 7249.

In 2014/15 TasRail investigated one incident of PID related to a reported breach of the TasRail Code of Conduct and unauthorised disclosure of personal/commercial information to an external party. The matter was independently investigated in accordance with the requirements of the PID system. The investigation substantiated that a breach had occurred but was not able to determine the party responsible for the misconduct. Rectifying action taken by TasRail at the conclusion of the investigation included a written communication to all employees reminding them that compliance with the TasRail Code of Conduct is a condition of employment. The matter was reported to the Ombudsman in compliance with Section 76 of the *Public Interest Disclosures Act 2002* but did not require further investigation by the Ombudsman.

### Right to Information

TasRail is committed to compliance with *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](http://www.tasrail.com.au) or email [righttoinformation@tasrail.com.au](mailto:righttoinformation@tasrail.com.au)

During 2014/15 TasRail received a total of five formal applications for Assessed Disclosure. Each of these was finalised and responded to within the required timeframes.



## 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. National Privacy Principles are prescribed under the *Privacy Act 1988* (Cwth). Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published at [www.tasrail.com.au](http://www.tasrail.com.au)

No reports were made under this regime for the 2014/15 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.

One contract valued at \$5 million or over was awarded during 2014/15. The contract was awarded to local construction company Hazell Bros following a tender process for civil construction works at the George Town Freight Terminal. Works commenced in November 2014 and were completed on schedule by May 2015.

### Summary of purchases from Tasmanian Businesses\* for 2014/15

Table 5

Percentage of purchases from Tasmanian businesses	39
Value of purchases from Tasmanian businesses	\$28.06 million

*\* TasRail is only able to identify a business as being Tasmanian if the invoice payment and/or the ABN is registered to an address within the State. TasRail supports many other local businesses that employ Tasmanians, but if the payment and or ABN is to an interstate Head Office or bank account, these have not been included.*

## Payment of Accounts

TasRail complies with the Tasmanian Government Policy for State-owned Companies to pay outstanding invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term. Invoices with a value above \$50,000 must be paid in accordance with the agreed terms and by the due date.

Table 6

Performance Measure	Actual Performance 2014/15
Number of Creditor Days	17
Number of accounts due for payment	10,323
Number of accounts paid on time	10,318
Amount due for payment	\$72.36 million
Amount paid on time	\$72.36 million
Number of payments for interest on overdue accounts	5
Interest paid on overdue accounts	\$18

## Consultancies

In September 2014, the Tasmanian Government introduced a new policy that requires State-owned Companies to report details about its procurement and annual spend on Consultancies with a value of \$50,000 or more.

The following table outlines consultancies engaged by TasRail from the date the policy took effect:

Table 7

Consultancies valued at more than \$50,000 (ex GST)				
Name of consultant	Location	Description	Period of engagement	Amount
pitt&sherry	Tasmania	Engineering and economic analysis services	September 2014 to June 2015	\$172,103
Worley Parsons	Victoria	Engineering services	November 2014 to June 2015	\$110,624
			Total	\$282,727
There were 25 consultants engaged for \$50,000 or less totalling				\$326,652
Total Payment to Consultants				\$609,379





**TASRAIL**

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