



TASRAIL

ANNUAL REPORT
2015/16

Setting new standards for freight logistics in Tasmania



Tasmanian Railway Pty Limited

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Jarrod Cook - Locomotive Driver

Who We Are

TasRail was created as a vertically integrated railway 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 2009, including the Emu Bay Railway. Administration of rail funding from the Australian Government transferred to TasRail in late 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.

Tasmanian Railway Pty Ltd (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.

The Treasurer and the Minister for Infrastructure are the two Shareholder Members of the Company.

TasRail is one of the largest transport providers in Tasmania, connecting industry and commerce to major shipping ports and freight hubs across the State. It specialises in handling and hauling a range of commodities from containerised freight to bulk and dangerous goods.

Since its establishment nearly seven years ago, TasRail has grown in capability and performance. The TasRail of today is commercially focussed and committed to delivering optimal and innovative logistics solutions to its customers.

Our Capability

Connectivity

TasRail operates from strategically located freight terminals at Burnie, Devonport, Brighton and George Town. These terminals are designed to support multi modal operations and the efficient, seamless and timely transfer of freight. As the owner and operator of Tasmania's only open access minerals shiploader and bulk handling service, TasRail is also able to integrate its operations with industry, offering 'pit to port' solutions by transporting bulk commodities direct from mine to market.

Expertise

TasRail exists to provide safe, efficient and reliable freight transport services and it is fast earning a growing reputation for its role in facilitating new business and its commitment to designing dynamic and tailored freight logistics solutions. Our expertise includes:

- Multi modal haulage services for intermodal and bulk freight including for example logs, domestic consumables, paper, coal, cement, mineral ores and processed metals.
- Supply chain partnerships.
- Bulk handling and storage.
- Shiploading.
- Seamless interconnectivity between freight rail and mining and manufacturing facilities.
- Design of tailored solutions including Greenfield developments and Brownfield operations.

Safety

TasRail's new \$11 million Advanced Network Control System is leading edge technology that ensures safety of operations across the rail network is paramount.

Capacity

Rail's economy of scale results in logistical savings for freight service providers and customers. With a new fleet of purpose-built locomotives and wagons in operation across the network, TasRail has substantially increased hauling capacity, efficiency and reliability. A further \$119.6 million of network improvements is taking place over four years to 2019, ensuring the continued modernisation of the rail system.

Innovation

TasRail is at the forefront of innovation in freight transport and is delivering multi-modal solutions for a wide range of bulk commodities. The haulage of logs and timber commodities benefits from further innovation with the introduction of specially designed log stanchion bases developed in partnership with Elphinstone Engineering. The new log stanchion bases deliver a more efficient and cost effective transport solution for the forestry sector. Technology also plays an important role in improving customer service and the efficiency of operations. TasRail will continue to investigate and utilise new technologies that facilitate the seamless and responsive movement of freight.

Social Licence

Rail freight transport helps fortify the social licence of many industries, which is critical to the continued stability and security of their business. Rail also has the capacity and the capability to facilitate economic growth. Industry can plan in the knowledge that their production can be transported on rail at a reasonable cost and that the community will accept the movement of this freight given the widespread understanding of rail's strong safety and environmental credentials.



Alex Vander Wijngaart - Train Controller

Above Rail Assets

- 17** locomotives
TR Class
- 8** legacy locomotives
2000 Class used as required for bulk minerals haulage
- 54** ore wagons
TOMY
- 18** cement wagons
THFY
- 40** logtainers
RBL
- 37** coal wagons
THGHY and HF
- 164** intermodal wagons
TQAY and TQBY
- 35** legacy wagons
TQMF, QLE and IB used as required for new business and growth opportunities
- 1** Shiploader



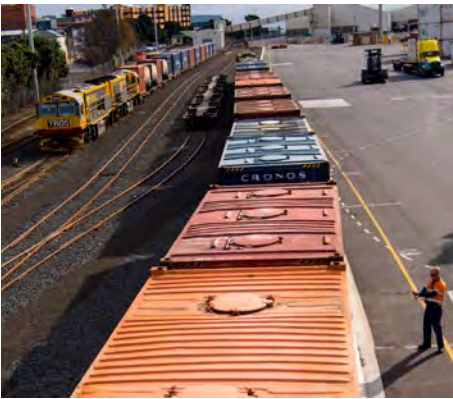
Below Rail Assets

- 611** route kilometres of operational track
- 232** route kilometres of non-operational track
- 1.3** million sleepers
- 3** tunnels
- 355** bridges
- 24** hi-rail vehicles
- 2** ballast tampers
- 1** ballast regulator
- 106** active level crossings
- 143** passive level crossings

Our Network and Terminals



George Town Terminal



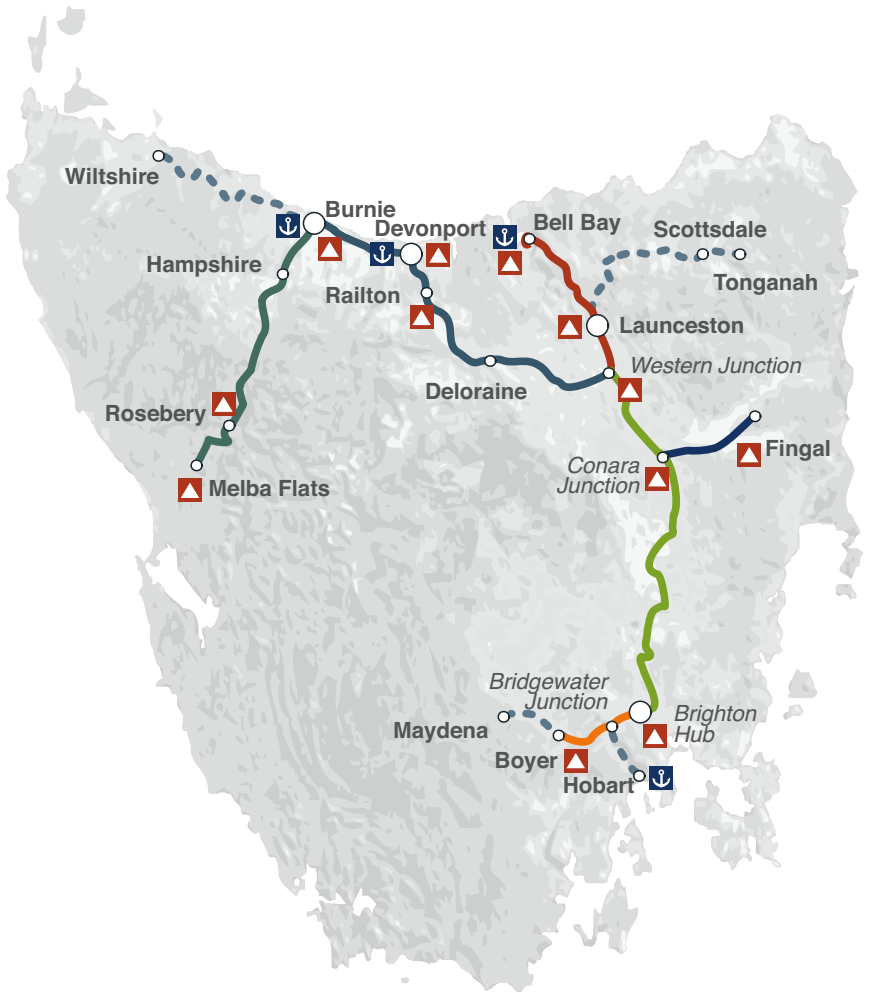
Burnie Terminal



Devonport Terminal



Brighton Transport Hub



- Port 
- Derwent Valley Line
- South Line
- Western Line
- Melba Line
- Bell Bay Line
- Fingal Line
- Non Operational Line

Vision and Values

<p>Vision</p>	<p>To be a world class, vertically integrated, short haul freight railway.</p>		
<p>Mission</p>	<p>TasRail will provide safe, reliable, efficient and competitively priced services.</p> <p>Our customers will consider us a strategic partner in their supply chains.</p> <p>Our people will be proud to contribute to excellence in customer service.</p> <p>TasRail will become the freight transport supplier of choice for intermodal and bulk freight transport markets in Tasmania.</p>		
<p>Values</p>		<p>Safety</p>	<p>Genuine care for the health and wellbeing of staff, contractors, customers and the wider community.</p>
		<p>Integrity</p>	<p>Staying true to our values, even when it's hard.</p>
		<p>Leadership</p>	<p>Striving for clarity of vision and strategies to drive a culture of unity and achievement.</p>
		<p>Teamwork</p>	<p>Working together to achieve common goals and shared outcomes.</p>
		<p>Responsibility</p>	<p>Owning our actions and outcomes.</p>
		<p>Excellence</p>	<p>Seeking and achieving exceptional outcomes in everything we do.</p>
		<p>Innovation</p>	<p>Embracing new ideas, concepts and systems to create added value.</p>

Statement of Corporate Intent

TasRail measures its performance against a range of financial and non-financial targets. These targets are agreed between the Company and its Shareholder Members prior to each financial year, and are published in an annual Statement of Corporate Intent. The table below shows TasRail's actual performance against the agreed measures and targets for 2015/16.

Performance Measure	2015/16 Target Result	2015/16 Actual Result	Comments
Lost Time Injury Frequency Rate [^]	3.6	4.0	<i>The number of Lost Times Injuries was consistent with target. However, TasRail fell short of its LTIFR target due to forecast exposure hours being less than reported exposure hours worked.</i>
Recordable Injury Frequency Rate*	12.7	34.3	<i>Proactive reporting and early intervention strategies resulted in a higher number of recorded injuries, primarily related to repetitive and/or manual handling tasks.</i>
Freight Availability <i>General Intermodal</i>	98 per cent	98 per cent	<i>Demonstrates the sustained improvement in the reliability of freight rail services which are consistently meeting or exceeding customer requirements.</i>
Main Line Derailments	0	1	<i>Although the target of zero was not met for derailments, this performance result represents the lowest rate of derailments on the network in many decades.</i>
Below Rail Infrastructure Cost <i>Per track kilometre</i>	\$20.1 thousand	\$26.2 thousand	<i>Infrastructure maintenance costs were significantly higher than budget due to multiple extreme weather events including the June 2016 flood.</i>
Consolidated Revenue	\$40.5 million	\$31.5 million	<i>Revenue was impacted by the suspension of contracted bauxite haulage services early in the year and the consequential business interruption caused by the June 2016 flood.</i>
Capital Spend	\$48.9 million	\$33.0 million	<i>Spend was under target due primarily to the deferred commencement of the Infrastructure Investment Program works during the first six months of the year and delays to programmed works as a result of the severe flood event.</i>
EBITDA <i>Consolidated after Tas Govt Below Rail Infrastructure Contribution</i>	\$0.1 million	\$(7.3) million	<i>Reflects the impact of the June 2016 flood. Other factors include the suspension of bauxite haulage services; lower than forecast scrap sales revenue due to a substantial decline in the commodity price and residual derailment costs from the previous year.</i>
Above Rail Net Profit (Loss)	\$(4.1) million	\$(5.8) million	

[^] Lost Time Injury Frequency Rate is defined as the sum of Lost Time Injuries per million work hours. TasRail's Lost Time Injury Frequency Rate is around a third of the Tasmanian average and less than half the Australian average, as reported by Safe Work Australia, both of which are estimated to be understated (www.safeworkaustralia.gov.au/sites/SWA/about/Publications/Documents/941/cpm-17-edition.pdf)

* Recordable Injury Frequency Rate is defined as the sum of Lost Time Injuries, Medical Treatment Injuries and Suitable Duties per million person work hours.

Year in Review



July

- The Value of Rail Report is released by independent consultants pitt&sherry.
- TasRail employees name the RBL 'Logtainer' frames.
- The project to construct the new George Town Freight Terminal is announced a finalist at the Civil Contractors Federation (Tas) Earth Awards.



August

- The first formal Employee Opinion Survey is launched to the TasRail workforce.
- The Burnie Station is demolished to make way for the new rail terminal.
- A North bound freight train derails near Nala in the South.
- Negotiations commence for a new General Enterprise Agreement.



September

- Operations commence at the new George Town Freight Terminal.
- Ulverstone-based Company VEC Civil Engineering is awarded the IIP Quick Start works package for the re-railing and re-sleepering of priority sections of the South, Western and Melba Lines.
- TasRail partners with the Tasmanian Chamber of Commerce and Industry to host a Statewide Freight Forum in Launceston.



October

- Australian Bauxite Limited ramps up bulk volumes from its Bald Hill Mine after resolving initial screen and assay issues.
- TasRail appears before the Legislative Council Inquiry by Government Administration Committee A into the Financial Sustainability of TasRail.



November

- The results from the Employee Opinion Survey are reported back to all staff at statewide forums.
- The Burnie Port Optimisation Project is completed on time.
- VEC Civil Engineering is announced as the successful tenderer for a major IIP works package for the upgrade of the Melba and Western Lines.



December

- TasRail sets a new weekly record for container volumes on rail.
- TasRail successfully trials south bound log volumes using the Logtainers, with intermodal freight on the backhaul journey north.
- Seven TasRail employees are recognised for their long service at regional receptions hosted by the Premier.



January

- New container volumes hauled on rail between Burnie and Brighton.
- The IIP tender for a level crossing condition monitoring system is released to the market.
- Deluge rainfall in the North East of the State causes the temporary closure of the Fingal Line.



February

- Three milestones celebrated: the Railway marks 145 years of operation in Tasmania; TasRail honours major customer Norske Skog on the 75th anniversary of operations at the Boyer Mill; and congratulates MMG on 80 years of continuous mill operations at Rosebery.
- The annual audit of TasRail's operations is completed by the independent Office of the National Rail Safety Regulator.



SafetyCircle®

March

- The SafetyCircle program is launched right across the TasRail workforce.
- VEC Civil Engineering completes the IIP Quick Start works package ahead of schedule.
- A new IIP works package for the refurbishment of level crossings at Devonport and Leith is awarded to Gradco in partnership with McLeod Rail.



April

- TasRail launches National Rail R U OK Day?
- A new Fuel Conservation Program is launched.
- An IIP works package for the relining of 16 culverts is awarded to specialist company Interflow.



May

- TasRail trials a new technique for repair of poor formation using injected resin technology.
- First wheel change for TR locomotives



June

- A devastating flood event causes damage to the rail network at 65 locations, causing the suspension of all rail services. View the video at: www.tasrail.com.au/blog/2016/08/23/june-2016-flood-event/
- TasRail receives widespread praise for its initiative to keep customer freight flowing across the State through the establishment and operation of a temporary container transfer station at Conara.
- The new General Enterprise Agreement is approved by Fair Work Australia.

Chairman's Report

2015/16 was a milestone year for TasRail - a year of mixed fortunes with commendable results achieved across a number of areas while unforeseen events had a negative impact on the company's financial performance.

The most severe of those events was the devastating June flood which caused major damage across large sections of the state's rail network.

TasRail's response was as immediate as it was innovative. It was a response built on a determination to deliver solutions for the ongoing benefit of the Company's customers who largely rely on TasRail to provide their core, intrastate transport logistics.

Rather than falling back on the force majeure provisions of its contracts with customers and suspending all freight operations until repairs could be undertaken, the Board and management decided on a more positive approach. That was to provide a mix of alternative transport options to circumvent the worst of the track damage.

It was a bold decision but it enabled our customers to maintain the flow of essential goods across the state and obviate any prospect of an industrial slowdown that could have resulted from a prolonged delay in the movement of freight. In addition, there was an accompanying positive impact on TasRail's reputation as a capable, reliable and safe business partner.

The most critical consequence of the flood was the damage caused to the Kimberley Rail Bridge, which was estimated to take between six and eight weeks to repair. It presented a bleak outlook for industry and commerce reliant on the flow of goods in and out of the state through the ports of Burnie and Devonport.

TasRail's response was swift and effective. It quickly established a temporary container transfer station at Conara, in the Northern Midlands, and used road transport to move freight around the disabled bridge. Given TasRail was not covered by insurance for business interruption costs caused by flooding, the solution provided a continued source of revenue during the outage and helped minimise the overall negative impact on the year's financial performance.

The Board of Directors is immensely proud of the way all TasRail employees and contractors responded to the natural disaster. Like most, TasRail Directors were shocked at the extent of the damage and destruction caused to people's homes and business, to farms and livestock, and to essential infrastructure, including the rail network.

It is to their credit that TasRail employees and contractors were able to restore services so rapidly, yet maintain the highest standards of safety and professionalism. On behalf of the Board, I also want to acknowledge and thank those who selflessly volunteered to take annual leave in order to reduce overhead costs during the time train services were disrupted. It speaks well of the growing spirit of team work and improving business culture within TasRail.

Similarly, I must acknowledge the assistance of landowners who willingly provided TasRail and its contractors with access through their properties to complete emergency work, and to the residents of Conara for their understanding and cooperation during the period the temporary container transfer terminal was operating.

While the flood event negatively impacted the 2015/16 financial year by \$4 million, the cost of much of the repair work, as well as the provision of alternative freight solutions, will not be brought to account until next financial year. By that time, TasRail expects to finalise its insurance claim for flood related property damage.

Throughout the year, TasRail continued to secure new business which delivered consistent growth in the Company's net annual freight volumes, particularly in the general intermodal sector. This can be attributed to a growing market confidence in TasRail's capacity to move freight safely, reliably and competitively. The growth in intermodal traffic also provided greater diversity in freight movement at a time when bulk freight volumes declined, mostly because of the adverse market conditions confronting the mining industry.

The suspension in January 2016 of bauxite mining operations at the Bald Hill Mine, near Campbell Town, resulted in a further loss of \$1.8 million for the year. This stemmed from TasRail's essential investment in infrastructure, equipment and human resources in the lead-up to the anticipated start to mining, which was ultimately delayed because of the international downturn in the minerals market. The mine was placed under a care and maintenance regime in January 2016.

The circumstances surrounding the troubled mining venture serve to highlight the inevitable risk faced by TasRail in working with start-up enterprises. However, the Board believes such risk must be weighed against the overall economic significance to Tasmania of new ventures which prospectively offer economic benefit to the community, especially in regional areas of the state. The Board remains hopeful future world mineral prices will facilitate a resumption of mining operations at Bald Hill as well as other mining sites around the state.



Robert Annells PSM - Chairman

Throughout the year, TasRail continued to secure new business which delivered consistent growth in the Company's net annual freight volumes, particularly in the general intermodal sector.

This can be attributed to a growing market confidence in TasRail's capacity to move freight safely, reliably and competitively.

The net loss recorded by TasRail's Above Rail operations for the year was \$5.8 million compared to a forecast loss of \$4.1 million, allowing for \$6.2 million in depreciation predominantly from the Company's new rollingstock fleet. Significant productivity gains, cost cutting measures and a reduction of \$1.4 million in forecast depreciation helped reduce the overall loss. From an accounting perspective, TasRail does not currently generate sufficient revenue to cover the full amount of depreciation of its new assets and the high overhead costs associated with running such a highly regulated business.

The Board expects TasRail will return an Above Rail profit in 2018/19 through further revenue growth and productivity gains.

Conversely, TasRail's Above Rail result in terms of its earnings before interest, tax and amortisation (EBITA) - in other words, its cash profit - was a loss of \$1.1 million. Had it not been for the flood event and the subsequent disruption to rail services, the Above Rail cash operating result would have been positive despite the losses caused by the reduction in bulk mineral haulage.

The Board is confident the Above Rail business will return a cash positive EBITA next year. At the request of the Tasmanian Government, cash profit generated by the Above Rail business will in the future be used to offset a proposed reduction in the Below Rail Infrastructure Contribution funding (BRIC), which is designed to maintain the rail network in a fit-for-purpose condition.

Throughout the year, TasRail continued its program of upgrading the rail network and reducing single point failures as part of its rejuvenation strategy to deliver increased reliability, efficiency and safety. The Australian and Tasmanian Governments have committed \$119.6 million under the Tasmanian Freight Rail Revitalisation Program over a four-year period to 30 June 2019.

In summary, the future for TasRail is extremely positive.

The State's rail network is providing an increasingly critical link in the logistics of freight movement within Tasmania for those exporting goods through the state's northern ports as well as those importing product and equipment into the state. With the proposed introduction of new and bigger ships to the Bass Strait crossing over the next two to three years, along with improvements to the Tasmanian Freight Equalisation Scheme, the role of TasRail will become even more important as freight movements continue to grow.

In conclusion, I wish to thank TasRail CEO Damien White, his Executive Team and the entire workforce for their dedication and hard work throughout a very challenging year. Each and every one of them is to be commended for their professionalism and commitment to the success of the business.

I must also thank my fellow Directors for the individual and collective contribution to the Company and to me, as Chairman. I value their input, advice and wise counsel.

I would also like to acknowledge the significant contribution of Roger Gill. Roger served as TasRail's inaugural Chief Executive Officer and Executive Director from November 2009 to April 2010, after which time he continued as a Non-Executive Director until his retirement from the Board in September 2015.

Roger is credited with development of the Rail Recovery Plan that identified the Company's short to medium term operational and capital priorities and established the very strong foundation from which TasRail has continued to advance.

His contribution to the resurgence of freight rail in Tasmania cannot be overstated and I thank him most sincerely for his involvement.

Finally, I wish to extend my thanks, and that of the Board, to TasRail's Shareholder Members, The Hon Rene Hidding MP and the Hon Peter Gutwein MP, for their continued support and commitment to the future of rail in Tasmania.

A handwritten signature in black ink, appearing to read 'R Annells', is positioned above the typed name.

Robert Annells, PSM
Chairman



Damien White - Chief Executive Officer

TasRail continued its rejuvenation, achieved strong growth in intermodal freight volumes, commenced a major infrastructure renewals program and entered a new era in employee engagement through its 'People First' strategy.

CEO's Report

2015/16 has been a year of contrasting circumstance.

While the year ended with a devastating flood which affected the entire rail network and adversely impacted the Company's financial performance, TasRail continued its rejuvenation, achieved strong growth in intermodal freight volumes, commenced a major infrastructure renewals program and entered a new era in employee engagement through the development of its 'People First' strategy.

In a commercial context, the year was highlighted by TasRail's progressive transition from a mainly project-focused organisation to one intent on growing freight volumes by applying a positive, customer-focused approach to business.

The Company's service strategy is now focused on providing customers with a seamless and integrated approach to delivering supply chain solutions. To this end, TasRail is positioning itself to efficiently assist in managing the planning of a customer's overall freight requirements. This is a major change in approach and is central to achieving further growth.

TasRail is also intent on delivering greater efficiency, safety, reliability and price competitiveness into the Tasmanian Freight Market. An example is the introduction of the innovative Logtainers, developed by TasRail in conjunction with Tasmanian firm Elphinstone Engineering. By enabling logs to be transported in one direction and containers on the return journey, the Logtainers provide a level of cost efficiency that road transport is unable to match. The Logtainers are also able to reduce the commercial risk associated with what is mainly one-way traffic in the forestry sector.

While TasRail's diversified revenue base, combined with a downturn in the mining industry, caused some difficulties, general intermodal freight volumes grew by some 14 per cent.

The Burnie Port Optimisation Project, the commencement of operations at the George Town Freight Terminal and the achievement of consistently high levels of service reliability, also provided positive contributions to the Company's overall performance.

With four freight terminals now operating, TasRail has been able to substantially improve the way it meets customer needs.

The George Town Freight Terminal has greatly improved the freight options available to local industry including their capacity to make greater use of rail freight through to the ports of Burnie and Devonport.

The new Burnie Terminal has enhanced transit times for rail freight, the receipt and delivery of freight to customers and the more cost-effective utilisation of rail assets.

The Brighton Transport Hub continues to efficiently manage a growing volume of freight and TasRail is now exploring further intermodal rail freight options in Launceston.

This network of intermodal freight terminals means TasRail can better optimise services and utilise latent capacity to deliver improved margins, while at the same time offer a suite of integrated freight options for its customers.



Because TasRail now has a better understanding of the competitive advantages of rail freight movement, it is using that knowledge in discussions with prospective customers, most of whom recognise the social, economic and environmental benefits of reducing their presence on the State's road system.

TasRail's growth strategy for intermodal freight is to increase business from existing customers through improved service outcomes and supply chain efficiencies, while also attracting new customers. In terms of bulk haulage, TasRail's only immediate opportunity for growth is by securing a contract for the transport of coal from Fingal to Boyer. In the longer term, TasRail is hopeful that an eventual improvement in international markets will facilitate a revitalisation of the Tasmanian mining industry with a resultant lift in the bulk transport of minerals.



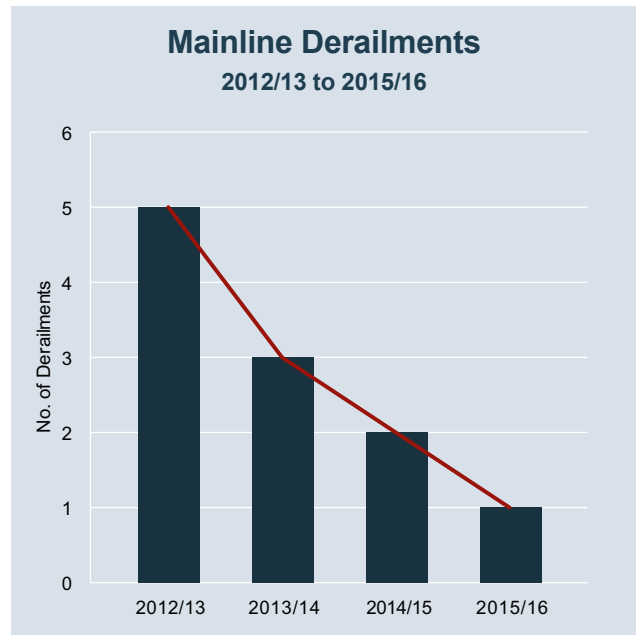
2015/16 also saw the start of a \$120 million, four-year Infrastructure Investment Project (IIP) funded equally by the Tasmanian and Australian Governments. While past investment programs have focused on critical repairs and replacements, the IIP aims to continue to improve the network's safety and reliability, coupled with strategies to reduce annual maintenance costs. Contracts for more than \$33 million of works were awarded over the financial year, with a majority of the nine tenders to date being awarded to either Tasmanian companies or those with a large proportion of Tasmanian employees.

One of TasRail's major investment challenges is the continued transition to a planned maintenance regime for track infrastructure while continuing to deal with many sub-optimal, obsolete assets. While investment to date has provided valuable improvement, we still have a large portion of rail and sleepers which are beyond their use-by date. However, TasRail's planned maintenance regime has reduced its call on Tasmania Government funding with the Below Rail Infrastructure Contribution dropping from \$16 million to \$12 million over the past two financial years. It is forecast to further reduce to \$8 million in 2017/18.

Getting maintenance cost structures right, and positioning TasRail to be able to generate sufficient Above Rail Profits to reinvest, has been a key focus over the past year.

Financial results for TasRail in 2015/16 have been mixed, with an operating loss in freight operations. While the fundamentals of TasRail's operations are sound, the suspension of the Australian Bauxite Limited mine near Campbell Town had a large negative impact on our result as did the June flood event which not only impacted revenue but imposed additional costs associated with business interruption and insurance claims. Accumulated costs associated with past derailments also adversely affected the result.

TasRail recorded one mainline derailment for 2015/16. While we continue to have many challenging sections of track, understanding the causes of derailments and implementing risk avoidance strategies continues to be a priority.



For employees, TasRail's first six years of operation has been a period of major adjustment and change across almost every aspect of the business from management and equipment to operating systems and our approach to customer service. Unfortunately, the extent and speed of that change had a negative impact on workforce morale.

Based on the findings of an employee engagement survey, TasRail has undertaken a range of initiatives to better engage with its employees, culminating with the recent completion of a "People First" strategy.

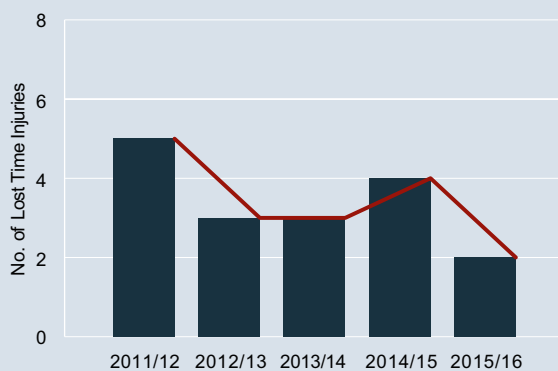


*John Duffy - Tamper Operator and
Second Year Apprentice - Mechanical Trade*

TasRail employees have good reason to be proud of their organisation. Despite a troubled past, we are now delivering significant value to our customers, local industries and the Tasmanian community. While investment funds are important in achieving a more efficient, safe and competitive operation, it is our people who will make TasRail the successful business it intends to be. While staff engagement remains a work-in-progress, I am committed to resolving this final, and vital, part of the TasRail revitalisation.

While investment funds are important in achieving a more efficient, safe and competitive operation, it is our people who will make TasRail the successful business it intends to be.

Lost Time Injuries 2011/12 to 2015/16



Employee safety has also seen big improvement. While there were two Lost Time Injuries reported for the year, this represents a 50 per cent improvement in safety performance.

When measured per million person hours worked, TasRail's Lost Time Injury Frequency Rate improved from 7.1 to 4.0. However, we still have some way to go before we can be called a truly 'Zero Harm' organisation. To this end, TasRail has embarked upon the 'SafetyCircle' program, which links the need for safety at work with the ability for staff to be able to pursue personal goals outside the workplace.

Looking ahead to next financial year, TasRail does not expect any immediate, sustainable change in mining activity as commodity prices remain subdued. However, continued expansion in agriculture, aquaculture and forestry should provide the opportunity to develop new supply-chain solutions for those sectors of the economy. Improved efficiencies will also result from optimising existing assets and services to further leverage rail's natural economies of scale.

Finally, the commitment, dedication and hard work of all TasRail employees throughout the year has been outstanding. Never was that more apparent than during the June flood. I want to thank each and every employee for their valued service to the Company throughout the year and especially during the flood crisis.

Damien White
Chief Executive Officer



Above Rail

The Above Rail business is the commercial arm of TasRail.

It provides safe, reliable and sustainable rail freight and logistics services to the market. Operations include freight terminals, bulk handling, storage and shiploading facilities and train services. The Above Rail business is also responsible to upgrade, maintain and operate the rollingstock fleet and to manage safe and authorised access to the network.

Through a combination of innovation, optimised performance and service excellence, TasRail is achieving an increased share of the Tasmanian freight market progressing towards business sustainability.

Total Freight Task ▲ 17 per cent

Year on Year

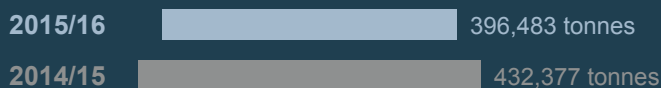
2009/10 to 2015/16

Year	Net Tonne Kilometres (NTK) Railed	Annual Growth
2009/10 Annualised	379,243,582	First Year
2010/11	391,002,351	▲ 3 per cent
2011/12	366,019,860	▼ 6 per cent
2012/13	415,591,123	▲ 14 per cent
2013/14	407,020,900	▼ 2 per cent
2014/15	419,332,840	▲ 3 per cent
2015/16	442,845,844	▲ 6 per cent

Total Freight Task ▲ 6 per cent
2015/16

Commodity Type	2015/16 Total Customer NTK's Hauled	2014/15 Total Customer NTK's Hauled	Percentage Change in Performance
Coal	28,001,167	30,185,320	▼ 7 per cent
Cement	25,743,097	26,396,545	▼ 2 per cent
Mineral Concentrates	22,434,584	27,066,805	▼ 17 per cent
Bauxite	5,205,395	150,333	
Logs	18,810,476	19,556,245	▼ 4 per cent
Intermodal – General	220,180,774	195,930,488	▲ 12 per cent
Intermodal – Paper	122,470,351	120,047,104	▲ 2 per cent
TOTAL HAULED	442,845,844	419,332,840	▲ 6 per cent

Shiploader Volumes ▼ 8 per cent



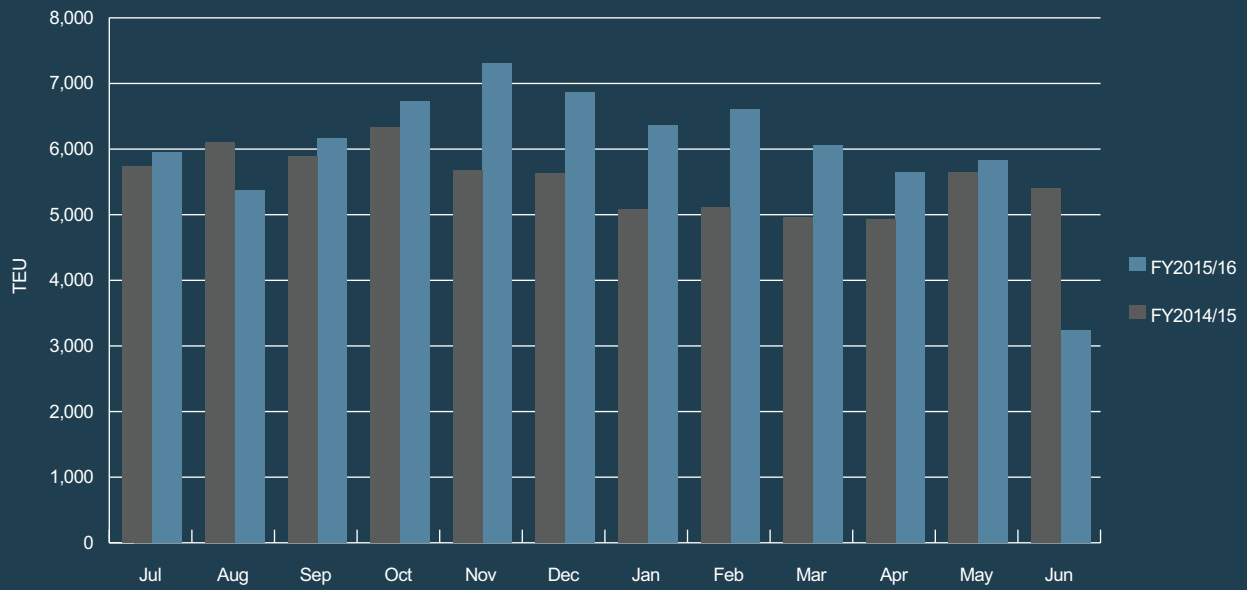
Total Freight Task By Line 2015/16

Commodity Type	Total Customer NTK's Hauled	Route	Line Segments
Coal	28,001,167	Fingal- Railton	Fingal Line South Line Western Line
		Fingal - Boyer	Fingal Line Western Line South Line Derwent Valley Line
Cement	25,743,097	Railton – Devonport	Western Line
Mineral Concentrates	22,434,584	Primrose – Burnie	Melba Line
Bauxite	5,205,395	Conara - Bell Bay	South Line Western Line Bell Bay Line
Logs	18,810,476	Brighton – George Town	South Line Western Line Bell Bay Line
Intermodal – General	220,180,774	Brighton – Devonport -Burnie	South Line Western Line
		George Town – Brighton	Western Line Bell Bay Line Derwent Valley Line
Intermodal – Paper	122,470,351	Boyer - Burnie	Derwent Valley Line South Line Western Line

Total Twenty Foot Equivalent Containers (TEU) Hauled

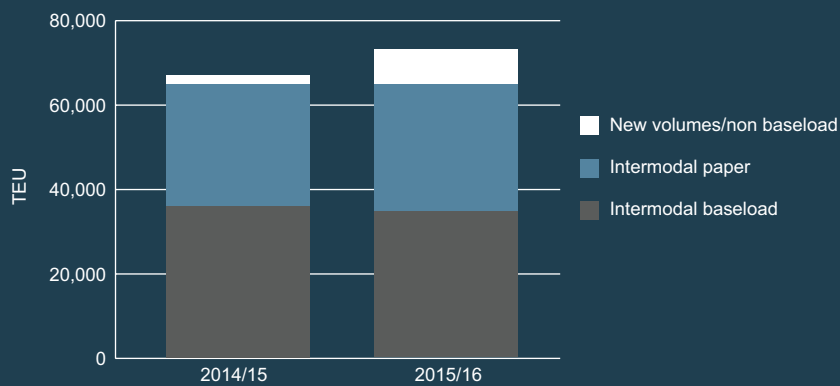
By Month

2015/16



TEU Growth

2015/16





Since its establishment in 2009, TasRail has worked to rebuild the reputation of rail in the market as a reliable and competitive alternative to road freight, particularly for non-time sensitive and bulk tasks.

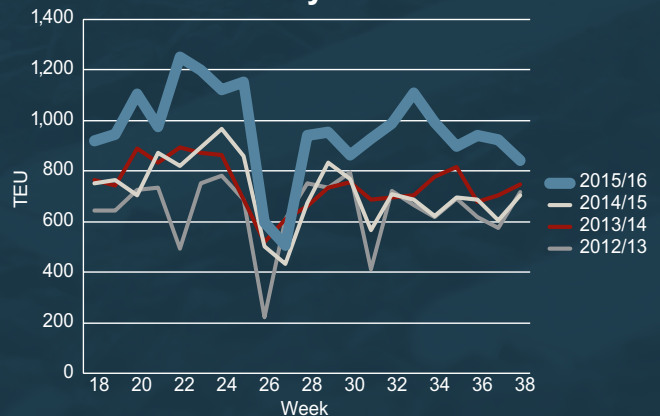
As can be seen from the tables on pages 20 through to 23 of this report, this approach has resulted in a modest but steady increase in annual freight volumes on rail. Importantly, TasRail is diversifying its freight task.

Through the combination of new assets and vastly improved asset utilisation performance, TasRail has been able to adopt a different approach to train planning and scheduling. For example the introduction of the innovative Logtainers is providing an efficiency that road transport cannot match, by enabling logs to be hauled in one direction, and using the same wagons, containers railed in the other direction. This improves the competitiveness and profitability of intermodal services.

Having four freight terminals has changed the way TasRail operates and markets its services. The new Burnie Rail terminal has improved freight availability times and utilisation of rail assets, which in turn is facilitating the receipt and delivery of freight with new customers. The new George Town Terminal opened in September 2015 and is providing industry from the surrounding major industrial precinct with the option to rail product to market via the ports at Devonport and Burnie. A growing volume of new rail freight through Brighton is being capably handled in conjunction with onsite customer activities.

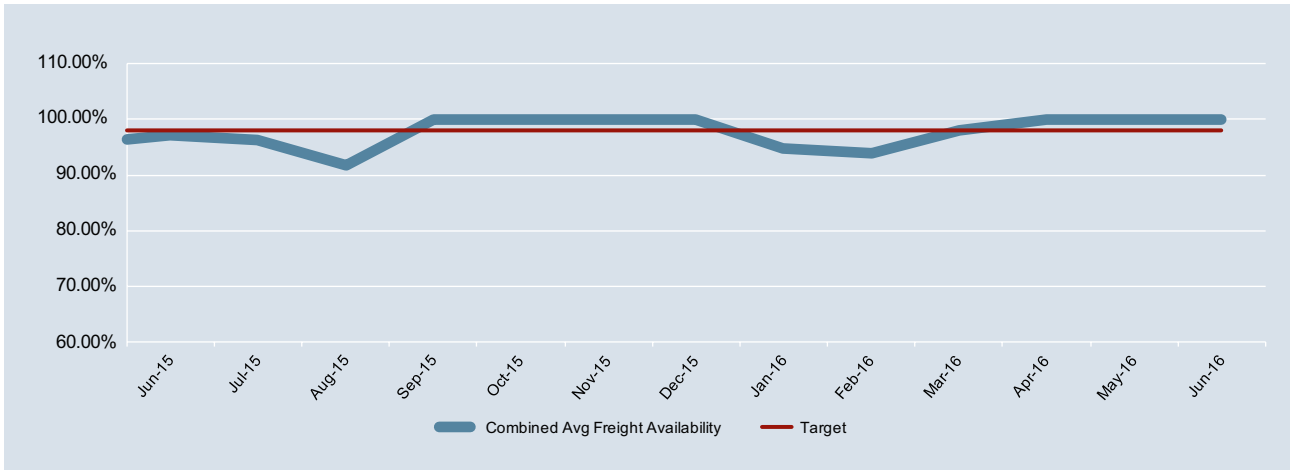
The re-opening of the Devonport Rail Terminal and a new approach to marketing that targets key freight flows, has enabled TasRail to achieve further increases in general intermodal freight volumes. This incremental growth is mainly from new and returning customers to rail.

TEU by Week



During the month of November 2015, TasRail set a new record for TEU volumes on rail, reporting the largest uplift of container freight in TasRail's history at 1,247 TEU railed in one week. The previous best was 1,104 TEU achieved in the same month. By way of comparison, TasRail reported an average of 750 TEU per week during the same peak period in 2014.

Freight Availability - General Intermodal



Rollingstock Asset Utilisation

2015/16 24 locomotives **18,451,910 NTK per locomotive** ▲ 32 per cent
2014/15 30 locomotives 13,977,761 NTK per locomotive

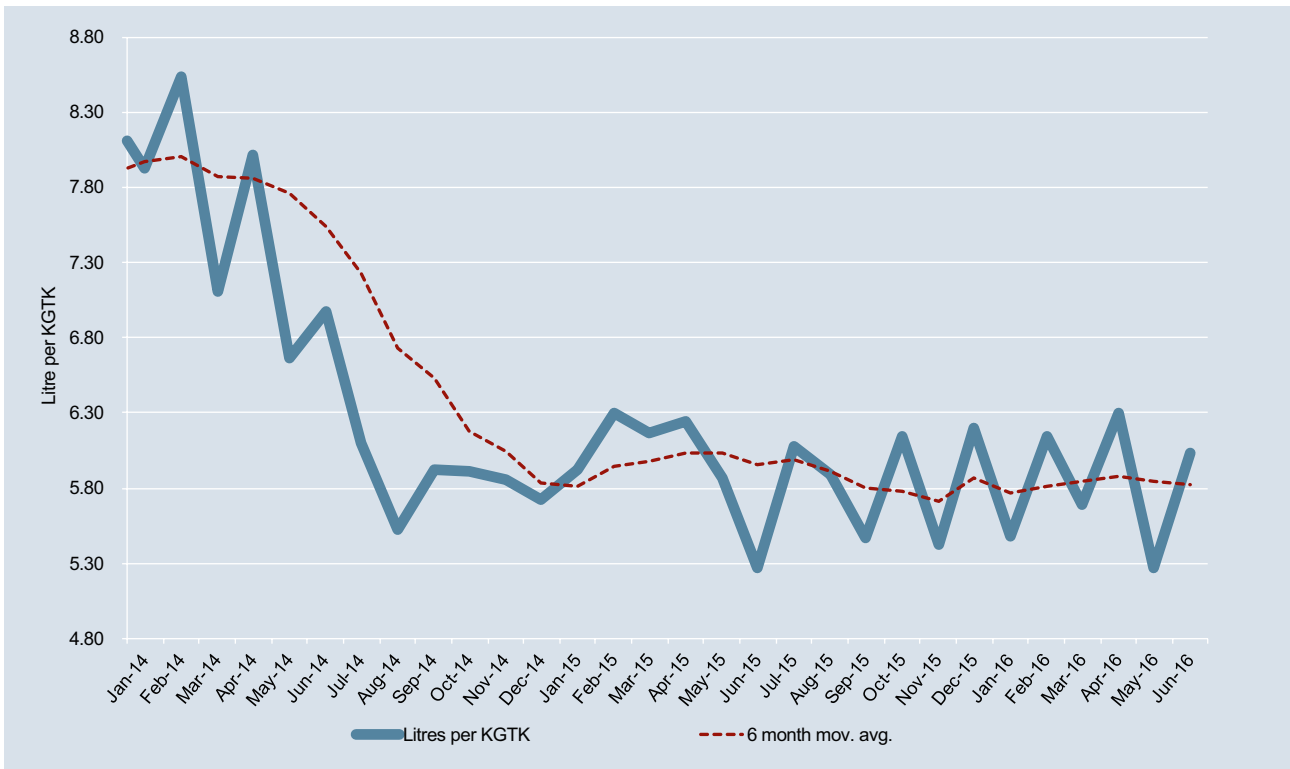
2015/16 267 wagons **1,658,599 NTK per wagon** ▲ 8 per cent
2014/15 272 wagons 1,541,665 NTK per wagon



Jason Terry - Operations Supervisor (South)



Fuel Litres Consumed Per 1,000 Gross Tonne Kilometres



TasRail's Fuel Conservation Program is continuing to achieve a steady reduction in consumption. The trend line provides a more accurate indicator of actual consumption. The monthly variation shown in the graph is mainly due to the timing of fuel readings at storage locations and held in locomotive tanks.

A close-up, low-angle shot of railway tracks. The tracks are made of metal rails on concrete sleepers, with a thick layer of dark grey gravel ballast underneath. The perspective is from a low angle, looking down the length of the tracks, which recede into the distance. The lighting is somewhat dim, creating a moody atmosphere.

Below Rail

This is the maintenance division of TasRail. It is responsible to upgrade, maintain and operate the rail network and the entire supporting infrastructure including bridges and culverts, tunnels, formation and level crossings.

By operating both the Below and Above Rail operating segments, TasRail is able to schedule its resources to deliver a fit for purpose network that meets the specific safety, reliability and transit requirements of the market segments that it operates in. This results in less duplication of resources and more efficient maintenance and investment outcomes.

Track Quality Index as at 30 June 2016

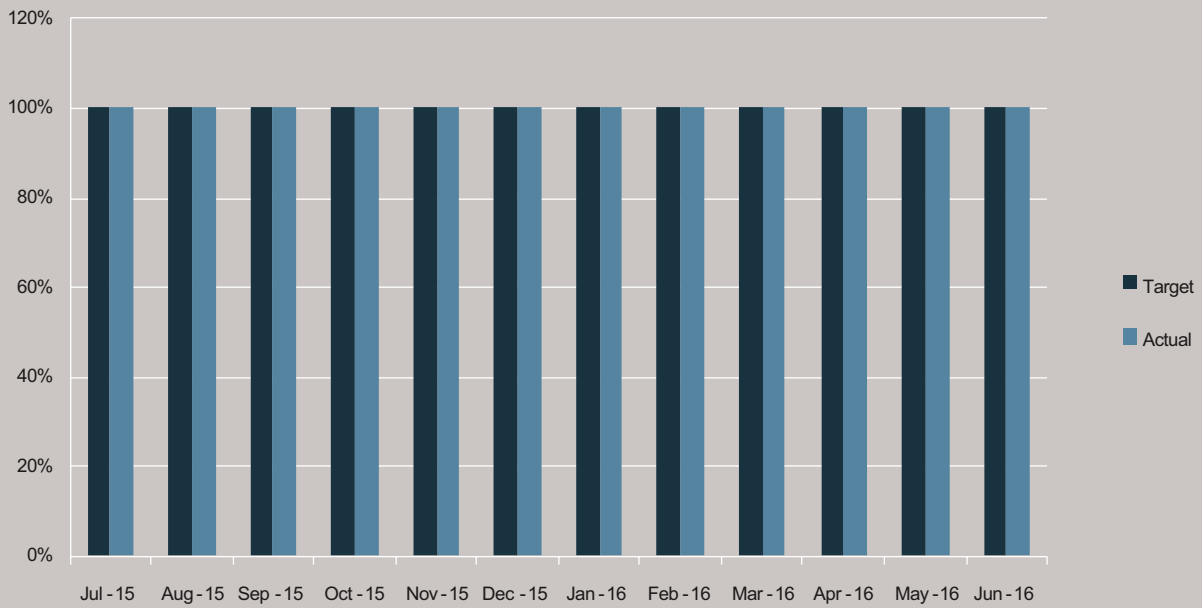
Line	Percentage of track rated GOOD		Percentage of track rated FAIR		Percentage of track rated POOR		Percentage of track rated VERY POOR	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Western <i>20 per cent concrete sleepers</i>	66.59	58.85	26.38	32.58	6.52	8.06	0.51	0.51
South <i>20 per cent concrete sleepers</i>	50.34	53.56	37.49	36.57	10.65	9.03	1.52	0.85
Melba	39.30	32.74	44.93	52.95	14.73	13.66	1.01	0.65
Bell Bay	40.81	50.92	47.61	40.26	10.29	8.27	1.29	0.55
Fingal	78.23	74.91	16.46	20.32	4.25	3.71	1.06	1.06
Derwent Valley <i>Bridgewater to Boyer</i>	46.62	49.25	34.59	34.33	18.05	15.67	0.75	0.75

The \$119.6 million tranche one of funding for the Tasmanian Freight Rail Revitalisation Program is being used to target the most critical sections of track on major freight rail corridors and to arrest the decline of other sections as much as is possible within the available funding. This is a four year Infrastructure Investment Program (to 30 June 2019) that is jointly funded by the Australian and Tasmanian Governments. Both governments have committed to a second tranche of \$119.6 million in the outer years that will enable TasRail to complete the remainder of this planned renewals program.



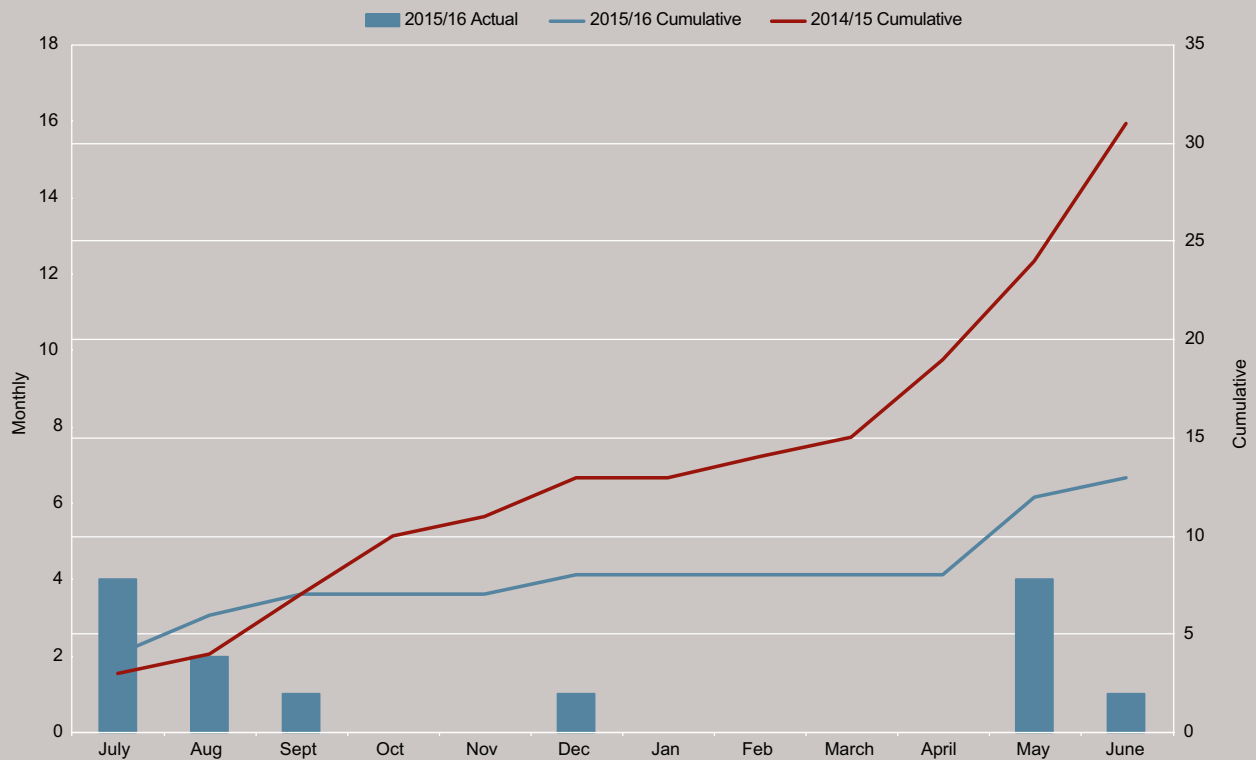
From left to right: John Duffy, Marko Stepanovic, Ian Hunter, Darren Hawkins. Absent: Sutee Channavy

Track Inspections Per 96 hours



TasRail maintains the operational network in accordance with Track Engineering Standards that are consistent with industry best practice. This includes physical inspection of the infrastructure every 96 hours to identify any non-compliance with the Standard and to detect and mitigate derailment risk. During 2015/16 TasRail purchased a number of digital track geometry trolleys that have enhanced the effectiveness of these inspections by providing more consistent and accurate information.

Broken Rail



Rail defects are detected using annual ultrasonic testing. The deployment of additional welding teams to repair identified rail defects helped to reduce the number of reported broken rails by more than 50 per cent for the year. Dramatic changes in temperature increases the potential for rail breaks. For example, colder temperatures cause the rail to contract and this places more stress on rail.

Delivering Value

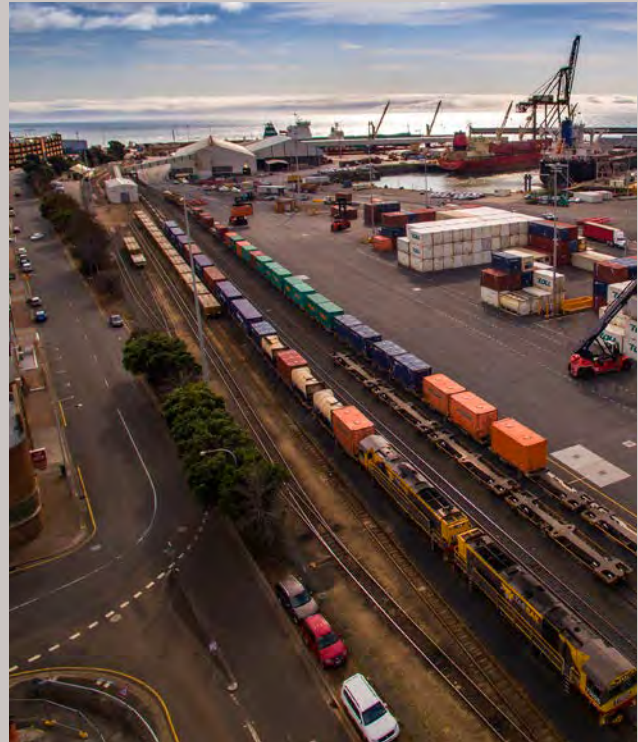
The Below Rail infrastructure will always require funding to assist with the cost of maintaining the network and associated infrastructure. This is no different to the road network.

As can be seen from the graph below, the amount of the annual Below Rail Infrastructure Contribution (BRIC) from the Tasmanian Government has reduced in recent years and is forecast to fall further in 2017/18.

The BRIC is essential to ensure that these strategic assets are maintained to an appropriate standard and to avoid a return to the problems of the past where the infrastructure was allowed to deteriorate to the point it was no longer of a condition capable of supporting safe or reliable freight operations. TasRail directly contributes to the cost of Below Rail maintenance through access fees paid by the Above Rail business for its use of the network. The access fee amount is paid in accordance with the Transitional Access Regime, as determined by the State Government.

TasRail asserts that rail is the most efficient freight mode on major freight corridors, as well as for heavy freight movements over short and medium distances.

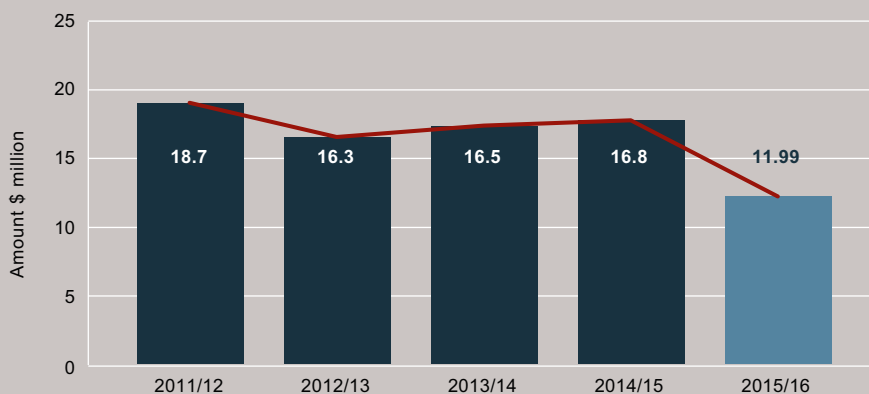
Using statistical data from the Bureau of Infrastructure, Transport and Regional Economics; the National Transport Commission; AustRoads publications; and road accident statistics and costs, independent consultants pitt&sherry found that by hauling TasRail's freight task on rail rather than road, approximately \$26 million of annual value is generated for the State.



The value is identified as avoided road maintenance and road accident costs, environmental savings and reduced operating costs for business and industry. Taking into account the cost of funding the BRIC, this equates to a net benefit to the State - or dividend - of nearly \$15 million per year.

pitt&sherry conclude that the value of rail to Tasmania is set to increase consistent with the expected growth in TasRail's share of the contestable freight market.

Tasmanian Government Below Rail Infrastructure Contribution 2011/12 to 2015/16



June Flood Event



Photograph courtesy of A. Emery, Tas. Fire Service



TasRail's customers and industry leaders have been most positive in their praise for the way TasRail approached the situation.



On 6 June 2016 Tasmania experienced a severe flood event that inundated critical rail infrastructure and forced the suspension of all services across the Tasmanian Rail Network. Rail infrastructure was damaged at 65 locations, including five rail bridges and landslips on the Melba Line as well as the Western and South Lines on which TasRail hauls 68 percent of all contestable freight.

The most significant damage was to the Kimberley Rail Bridge. One span and the western embankment washed away in surging flood waters, severing the critically important rail link between the major ports of Burnie and Devonport and the rest of the rail network for six weeks. Around 97 per cent of all container movements in and out of Tasmania are through these ports.

TasRail's response was immediate, proactive and prioritised in consultation with its customers. The impetus was to find interim freight solutions to keep the wheels of industry turning by maintaining delivery of supplies and getting their products to market on time. In parallel, the deployment of resources to assess and confirm infrastructure repairs was a constant challenge. The engineering work to inform urgent repair of the Kimberley Rail Bridge was a major undertaking.

Despite the enormity of the task confronting them, TasRail employees and contractors worked tirelessly to complete all of the repairs, often in difficult conditions. Remarkably, freight services between Devonport and Railton had resumed in full within 24 hours. As other rail corridors were progressively re-opened, TasRail was able to offer intermodal customers increased options and services by utilising rail operations from its George Town, Launceston and Western Junction Terminals.

A temporary container transfer terminal was quickly established at Conara, with the capacity to handle a majority of TasRail's intermodal freight task. With the co-operation of the road transport industry, normal freight flows were able to resume between the South and major ports within ten days. A total of 4,434 TEU was moved through the terminal during its 37 days of operation. Road contractors were also engaged to keep bulk freight moving for affected customers. The Kimberley Rail Bridge re-opened on 21 July, heralding the full resumption of freight rail services across the network.

The damage bill resulting from the flood event is expected to cost TasRail in the order of \$9 million, across two financial years. The Company is insured for the property damage that occurred to the operational network, but under the terms and conditions of its insurance arrangements TasRail is required to fund a \$2 million deductible. Flood damage that occurred on the non-operational lines is not covered by TasRail's insurance.

TasRail's decision to assume responsibility for providing alternate freight transport arrangements was bold, but from a financial perspective, it delivered a better financial outcome than would otherwise have been the case had the Company simply relied on force majeure provisions.

TasRail's customers and industry leaders have been most positive in their praise for the way TasRail approached the situation. The TasRail Board described the efforts of employees and contractors throughout the flood recovery effort as 'nothing short of inspiring'.

Tasmanian Freight Rail Revitalisation Program Infrastructure Investment Project (IIP) 1 July 2015 to 30 June 2019

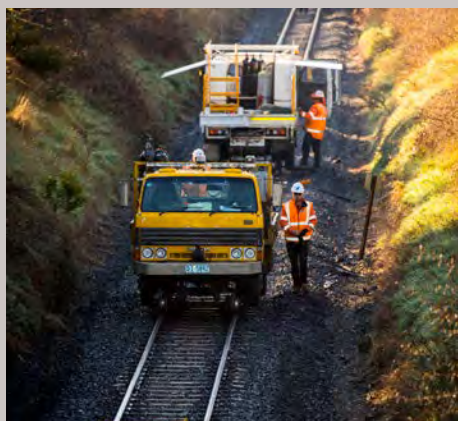
The Tasmanian and Australian Governments confirmed their support for the continued rejuvenation of the operational freight rail network, committing \$119.6 million of Infrastructure Investment Project (IIP) funding over four years to 30 June 2019.

The investment recognises rail as an integral part of Tasmania's Freight Transport System and its role in providing a more competitive freight market for Tasmanian industry and commerce. TasRail currently hauls more than 50 per cent of Tasmania's contestable freight hauled on corridors covered by the rail system.

A majority of the IIP 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-sleeping and re-railing on the Fingal Line and Bell Bay Lines, and priority sections of the operational Derwent Valley Line to Boyer.

In contrast to past upgrades, this first tranche of IIP funding will be largely directed to maintaining the safety and reliability of the network and strategic investments to reduce annual maintenance costs. While a step-change in asset condition has been achieved through past investment in the network, there remain significant portions of track and sleepers that are well beyond their design life and in need of replacement.

TasRail has a proven track record with the delivery of multiple and complex projects on time and on budget. Its dedicated IIP Project Team wasted little time in scoping the four year program of works and as at 30 June 2016, expenditure committed in the first year of the program was \$33 million. A total of nine tenders was awarded to predominantly Tasmanian Companies, with a number of early works packages already complete. The approach to progressively release work tenders is ensuring a more even distribution of work for the civil construction industry which in turn assists the sector with workforce planning, skills development and retention.



Activity	Four Year Program Scope by 30 June 2019	First Year Completion Total to 30 June 2016	Percentage Progress Total to 30 June 2016
New sleepers	68,500	21,602	31
New rail (metres)	99,000	19,807	20
Bridge repairs/upgrades	20	-	-
Reconstruction of level crossings	27	7	26
Rehabilitation of culverts	68	8	12
Landslip repairs	12	-	-
Track welds	10,368	2,578	25
New ballast (tonnes)	74,772	12,858	17
Tamping (metres)	103,391	19,810	19

Company Performance

Achieving synergy and operational excellence relies on everyone across the vertically integrated organisation working together to achieve common goals and performance outcomes, consistent with four key organisational objectives:

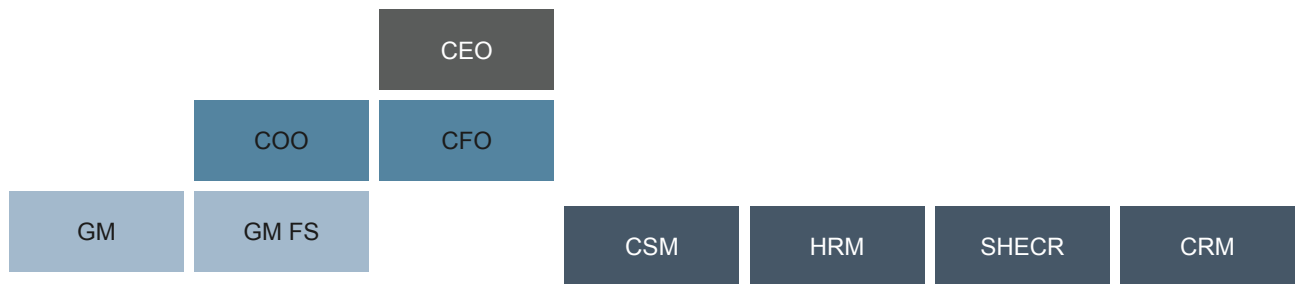
Zero harm to our people, contractors, the environment and the community.

Building capability through inclusion, collaboration, consultation and the development of high performance teams.

Meeting customer expectations through the provision of consistently high quality service.

Delivering business sustainability.

Executive Team



From left to right: Jennifer Jarvis - Corporate Relations Manager (CRM)
 Jim Burden - Human Resources Manager (HRM)
 Jon Drew - General Manager Asset Management (GMAM)
 Ian Chapman - Safety, Health, Environment and Corporate Risk Manager (SHECRM)
 Steven Dietrich - Chief Financial Officer (CFO) and Company Secretary
 Shannon Cox - Commercial and Strategy Manager (CSM)
 Damien White - Chief Executive Officer (CEO)
 Bob Parton - General Manager Freight Services (GMFS)
 Stephen Kerrison - Chief Operating Officer (COO)

Workforce Profile

Total Number of Full Time Equivalents (FTE) as at 30 June 2016

	2015/16	2014/15	Change in Performance
Permanent Full Time	202.2	214	▼ 11.8
Permanent Part Time	12.2	8.4	▲ 3.8
Casual	2.8	6.0	▼ 3.2
Fixed Term	13.8	7.2	▲ 6.6
TOTAL	231.0	235.6	▼ 4.6

Divisional Profile

Freight Services/Operations



Asset Management



Corporate Services



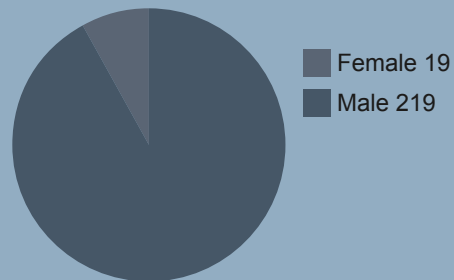
Service Years

by FTE

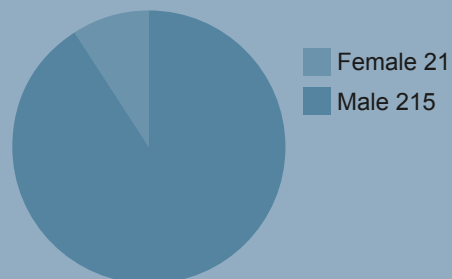


Gender

by head count
as at 30 June 2016



as at 30 June 2015



Building Better Leaders



TasRail is supporting its leaders to attain the competency and commitment required to deliver high performance teams and model behaviours aligned with TasRail's Values.

TasRail recognises the importance of supporting and equipping its leaders with the skills and capability to engage, motivate and develop their teams to meet departmental and corporate goals, and to develop and realise their potential.

The demands on employees with people management responsibilities have increased. They are not only required to meet the operational requirements of the organisation but also the way that change - large and small - is managed and communicated.

TasRail acknowledges that as the pressure to deliver complex projects simultaneous with operational results intensified in recent years, its leadership focus had unintentionally waned to a level where it was impacting staff morale. Although sobering, this learning provided a significant catalyst for change.

Over the past year, TasRail has prioritised and invested in a suite of leadership programmes. These include a series of development workshops, small group coaching, 360° feedback and mentoring and leadership exchange opportunities that are valued by those in the leadership population. But leadership development is not only happening at the top levels of the organisation. It is a distributed process that strongly supports all leaders to attain the competency and commitment required to deliver high performance teams and model behaviours that are aligned with TasRail's Values.

Engaging Our Workforce

A formal employee engagement survey was undertaken during August and September 2015.

TasRail engaged independent specialists to design and conduct the survey with employees able to submit their responses via a secure online server or via hard copy returned directly to the specialists.

The survey was well received, achieving an 80 per cent response rate.

While the survey highlighted positive results in several areas including safety, the overall findings revealed shortcomings in the working relationship between management and frontline staff, and comparatively low levels of employee engagement.

All of the survey results were presented 'warts and all' to employees, through a series of briefings conducted by the CEO and the Executive Team. The briefings provided opportunity for full and frank discussions with staff, enabling the leadership team to gain a more comprehensive understanding of concerns and shortcomings. The CEO gave his personal commitment to addressing the issues raised and to putting in place the appropriate structures, training and accountabilities for making employee engagement a priority for everyone from the top down.

A significant amount of work has since been progressed to resolve many of the issues identified through the survey. New initiatives have been introduced to improve the level of consultation, communication and direct engagement.

It is recognised that leaders from right across the organisation have a profound effect on employee engagement. Unlocking this potential through coaching and mentoring, empowering and holding them accountable is a fundamental change that is now reflected in performance and development planning processes.

TasRail recognises that employee engagement is integral to job satisfaction and the Company's capacity to achieve success. Through the honesty and candour demonstrated by employees, and the willingness of the CEO and the leadership team to genuinely turn things around, TasRail is well on the way to being a better, stronger organisation that puts people first.



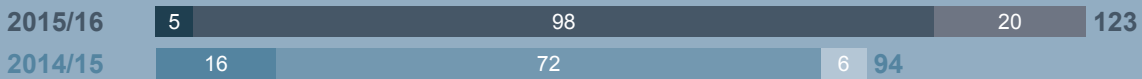
Chris Baric - Terminal Supervisor (North)



Adrian Hickman - Working Maintenance Supervisor (South)

Level Crossing Safety

Failure to Stop or Give Way Incidents - Vehicles and Pedestrians ▲ 31 per cent

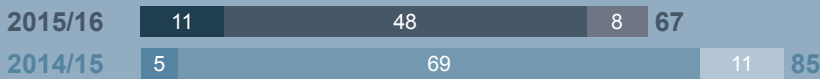


Collisions - Vehicle / Pedestrians



North	Conara to Western Junction; Western Junction to Bell Bay; Fingal to Conara
North West	Western Junction to Burnie; Burnie to Melba
South	Boyer to Brighton; Brighton to Conara
North	Conara to Western Junction; Western Junction to Bell Bay; Fingal to Conara
North West	Western Junction to Burnie; Burnie to Melba
South	Boyer to Brighton; Brighton to Conara

Trespass ▼ 21 per cent



Train Horn Complaints ▼ 60 per cent



The increase in train horn complaints recorded in 2013/14 followed the introduction of the new locomotive fleet in April 2014.



Rail R U OK Day

Rail R U Ok? Day is an important national event that was launched on 21 April, 2016. As an active participant in this annual, industry-wide initiative, TasRail is working to create an environment of support and encouragement for staff by promoting the need for colleagues to look out for one another by asking a simple question - R U OK? Such conversations have the power to transform a workplace into a strong and resilient community, and they help to remove the stigma surrounding emotional and mental trauma that might manifest as a result of exposure to incidents on the rail network.

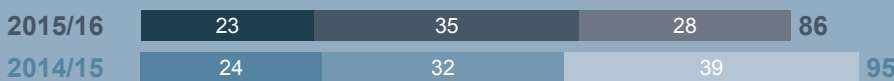
All too often, TasRail employees going about their daily job are exposed to unpredictable near miss incidents caused by rail trespass and vehicles ignoring level crossing signs and signals. In 2014/15 there were 123 such incidents – that’s about one every three days. Any one of these incidents had the potential to result in tragedy, but many of them impacted the health and wellbeing of the rail workers involved, particularly train drivers. Rail R U Ok? Day 2016 saw TasRail launch a number of initiatives to promote the importance of positive mental health in the workplace. These included the new RailRes app developed by the trackSAFE Foundation. The app is free to download and is a great resource to assist rail employees manage their immediate response to stress. It includes interactive tools for exercise and a place where workers can test their response to stress and adjust their physical, cognitive and behavioural reactions.

TasRail employees also have access to an Employee Assistance Program and an R U OK? portal via the Company intranet. The portal is a depository for a range of resources including information booklets, training materials and video stories of inspiration.

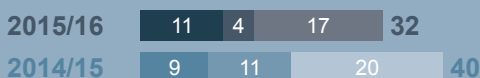


From left to right:
Adam Willis - Specialist Adviser Safety Risk Management
Peter Standaloft - Electrical Supervisor

Livestock in the Rail Corridor ▼ 9 per cent

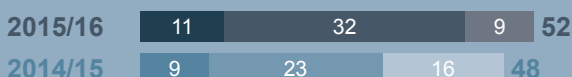


Animal Collisions ▼ 20 per cent



North	Conara to Western Junction; Western Junction to Bell Bay; Fingal to Conara
North West	Western Junction to Burnie; Burnie to Melba
South	Boyer to Brighton; Brighton to Conara
North	Conara to Western Junction; Western Junction to Bell Bay; Fingal to Conara
North West	Western Junction to Burnie; Burnie to Melba
South	Boyer to Brighton; Brighton to Conara

Vandalism & Theft ▲ 8 per cent



SafetyCircle

A key initiative in TasRail's journey to zero harm saw the introduction of the SafetyCircle program early in 2016.

SafetyCircle is a powerful tool that is transforming the workplace health and safety culture at TasRail. The program uses straight forward language and ideas to focus everyone on the goal of everyone 'Home Safe and Well Today'. It builds a positive safety culture by opening the eyes and minds of employees to the reality that staying safe is in their personal interest.

Each employee has the power to foster, uphold and follow safety rules; and importantly, to demand this of TasRail and their colleagues.

One hundred per cent of the TasRail workforce attended SafetyCircle training which predominantly involved facilitated group conversations to investigate the real core of workplace health and safety and the typical reasons why unsafe acts occur. By focussing on what it takes to stay safe and empowering all employees to take control over their own safety, they develop confidence to intervene whenever they identify unsafe acts or conditions.

The SafetyCircle program has been embraced by all employees and is considered a key enabler to TasRail achieving a step-change in workplace health and safety performance.



Rhys Prestidge - Rollingstock Asset Manager

Tourist and Heritage Rail

The work to investigate pathways with potential to grant access to sections of non-operational lines for tourist and heritage railways continued to be a complex area of work for TasRail during 2015/16.

Tourist and Heritage Railways have not operated on the Tasmanian Rail Network since their access was withdrawn by the then owners of the railway, Pacific National, more than ten years ago. Under the arrangements that prevailed at the time, Pacific National had identified that by taking on the accreditation risk for Tourist and Heritage operations, it was exposed to an unacceptable level of liability, hence the access was withdrawn. TasRail finds itself in a similar position.

Since that time, there have been changes to the legal and regulatory framework that governs rail activities on the Tasmanian Rail Network - most significantly, the advent of the *Rail Infrastructure Act 2007 (Tas)* and *National Rail Safety Law 2012 (Tas)*. Navigating this governance framework to identify options for third party access, and undertaking the appropriate due diligence by which to identify and confirm the risks and liabilities that arise for TasRail in these circumstances, has not been a simple task. As the work has progressed, a more complex set of issues was revealed.

In parallel with this work, TasRail was receiving requests for access to the non-operational lines from multiple parties with competing interests, and for both rail and non-rail activities. Having reached the conclusion that there is little likelihood of a freight task of the scale required to justify the investment required to recommission a non-operational line in the medium term, TasRail formed the view that decisions about the future use of these assets is beyond its remit and is appropriately a matter for government to determine.

Notwithstanding the issue of access, a third party seeking to operate a rail activity on the Tasmanian Rail Network still needs to resolve other threshold issues for which TasRail has no responsibility or influence over. These include the requirement for the operator to attain Rail Safety Accreditation in their own right from the independent Office of the National Rail Safety Regulator; the need to secure the necessary capital required to upgrade the infrastructure to the required standard; access to sufficient operating capital to sustain the activity; and the affordability of Public Liability Insurance.

In the meantime, TasRail maintains an open dialogue with Tourist and Heritage Railway organisations and it continues to provide support through the donation of surplus equipment and redundant assets.





Corporate Governance

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

Corporate Governance Framework

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

Principle 1 – Lay solid foundations for management and oversight:

The TasRail Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letters of appointment and the Board Charter.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Board Charter requires annual reviews of the Board, its Committees and Directors. The process for evaluations is in line with the Guidelines "Assessing Board Performance" issued by the Shareholder Members.

The Chairman and the CEO, along with the Portfolio Minister appear before and respond to Parliamentary Scrutiny Committee(s) as and when required.

Principle 2 – Structure the Board to add value:

All TasRail Directors are independent of management. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasRail. The Chairman is an Independent Director and is not an Executive of the Company.

Directors are selected and appointed on the basis of their skills and experiences and in consideration of diversity and independence, probity and background checks. The appointment involves the creation of a Director Selection Advisory Panel. An executive search firm is appointed to assist the panel to identify potential candidates. TasRail maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. An induction program is administered by the Chairman with the support of the Company Secretary and CEO.



*The TasRail Board of Directors
From left to right: Robert Neil, Sarah Merridew, Robert Annells (Chairman), Samantha Hogg and David George*

Corporate Governance Framework (continued)

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 reporting:

The Board operates a Finance, Audit and Compliance 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 Finance, Audit and Compliance Committee also meets with the external auditor without management present from time to time.

TasRail's Annual Reports are provided to Shareholders by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are subject to the scrutiny of all Members of the Parliament and the community.

Principle 5 – Make timely and balanced disclosure:

TasRail is required by its Constitution to communicate with its Shareholder Members and others, via regular and irregular reporting and other means of communication. In practice, there is a flow of information throughout the year on important matters to ensure 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 notice the Shareholder Members.

Details about disclosures made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out on page 46 of this document.

Principle 6 – Respect the rights of Shareholders:

TasRail's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware.

Consistent with the *Rail Company Act 2009*, Directors must comply with the lawful directions given in writing by the Shareholder Members.

Principle 7 – Recognise and manage risk:

Under its Charter, the Board commits to ensuring TasRail effectively manages its strategic, financial, operational, reputational and emergency risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system.

TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Strategy and Risk Management Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company.

TasRail provides its Shareholder Members with information about risk by including key financial and operational risks in the annual corporate plan and regularly discussing risks at Shareholder briefings.

Principle 8 – Remunerate fairly and responsibly

The Board has specifically retained responsibility for approving the Remuneration and Incentive Framework and Policies, Organisational Structure amendments and conditions of employment.

The Governance and Remuneration Committee comprises five independent Non-Executive Directors. Its Charter sets out the Committee's role as assisting the Board to meet its responsibilities by:

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

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

Public Interest Disclosures

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

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

TasRail has adopted Model Procedures to be followed by Public Bodies in relation to Public Interest Disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body. They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered.

The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under s 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:
Protected Disclosure Officer, TasRail, PO Box 335,
Kings Meadows, Tasmania 7249
- b) No disclosures were made to TasRail during the year and therefore TasRail has no Public Interest Disclosures to report.
- 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 as there were no disclosed matters.

i) The Ombudsman made no recommendations under the Act that relate to TasRail.

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 or email righttoinformation@tasrail.com.au

During 2015/16 TasRail received a total of four applications for Assessed Disclosure. In two of the determinations, the information was provided in full. In one determination the information applied for was provided in part with the balance claimed as exempt information. There was one application not accepted where the information applied for was not in the possession of TasRail.

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 and via its website and social media.

Personal Information Protection

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004 (Tas)* which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988 (Cwth)*. Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au

No reports were made under this regime for the 2015/16 reporting period.

Buy Local

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes.

A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers. TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being Tasmanian if the invoice payment and/or the Australian Business Number (ABN) is registered to an address within the State.

Purchases are defined to include operating expenses together with capital expenditure. The above excludes employment and finance expenses and depreciation.

Purchases from Tasmanian Businesses

Buy Local Performance	2015/16
Percentage of purchases from Tasmanian businesses	48
Value of purchases from Tasmanian businesses	\$30,034,295

Purchases in 2015/16 from non-Tasmanian businesses and not available in the State include \$6 million of rail and sleepers from South Australia; \$5 million for new wagons; \$500,000 for train control communications technology. Other purchases, such as ballast materials, were made in Tasmania from a local company, but with the invoice paid to a corporate office with an interstate address.

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.
- 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.

Payment of Accounts Performance Measures	2015/16
Creditor Days	22.8
Number of accounts due for payment	10,215
Number of accounts paid on time	10,212
Amount due for payment	\$63,512,090
Amount paid on time	\$63,492,450
Number of payments for interest on overdue accounts	3
Interest paid on overdue accounts (including late fees)	\$6



Contractors

One major contract valued at more than \$2 million (but less than \$5 million) was awarded during 2015/16. This works package was for the rehabilitation of 16 culverts and was subject to open tender, with responding contractors required to submit a Buy Local Plan with their respective proposals. The contract was awarded to Victorian based specialists, Interflow.

Four major contracts valued at \$5 million or over were awarded during 2015/16.

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Successful Tenderer	State
Quick Works Package South, Western and Melba Lines	Open Tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania
Track Upgrade Works Melba and Western Line	Open Tender	Yes	VEC Civil Engineering Pty Ltd	Tasmania
Supply of new rail and steel sleepers	Selective Tender	Yes	OneSteel Manufacturing	South Australia
Removal of rail defects	Open Tender	Yes	NuGroup	Victoria

Consultants

The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity. The following consultancies were valued at more than \$50,000 (excluding GST):

Name of consultant	Location	Description	Period of engagement	Amount
Pitt & Sherry	TAS	Engineering Advice	July 15 - June 16	238,729
IPM Safety	TAS	Safety Training Program and specialist SHE services and advice	Dec 15 - June 17*	228,506
GHD	TAS	Engineering Advice	Aug 15 - June 16	161,945
BD James Consulting	NSW	Industrial Relations and HR Services	July 15 - June 16	121,972
Alexandrides Engineering	SA	Engineering & Project Management Services	July 15 - June 16	88,540
Jacobs Group	TAS	Environmental Management Plan Services	July 15 - Mar 16	66,852
Big Fish Executive	TAS	Executive Recruitment Services	July 15 - Dec 15	62,041
Timmins Ray	TAS	Professional Services	Sept 15 - June 16	53,460
Excellent Outcomes	TAS	Business Improvement Program Services and Leadership Development services	Sept 15 - June 16	50,521
MOR Consulting	NSW	Project Management Services	July 15 - June 16	50,040
Total				1,122,606
There were 37 consultants engaged for \$50 000 or less totalling				533,054
Total Payment to Consultants for 2015/16				1,655,660

* Includes payment for the two year SafetyCircle program to August 2017.

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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 2015/16

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 2015 to 30 June 2016.

Signed in accordance with a resolution of Directors.

Yours sincerely



Bob Annells PSM
Chairman

15 October 2016



TASRAIL

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