

ANNUAL REPORT
2010/11



Tasmanian Railway Pty Limited
ACN 139 383 761
ABN 83 139 383 761

Head Office
35 Hoblers Bridge Road
Newstead 7250

Burnie Depot
Marine Terrace
Burnie 7320

Hobart Depot
1 Evans Street
Hobart 7000

Telephone: 1300 TASRAIL
Website: www.tasrail.com.au



www.facebook.com/Follow.TasRail



www.twitter.com/TasRail



01 Our Business

About Us	06
Year in Review	10
Chairman's Report	13
CEO Report	16
Corporate Priorities	18

02 Corporate Governance

Statement of Corporate Intent	22
Board of Directors	24
Corporate Structure	26
Executive Team	27

03 Commitment to Zero Harm

Safety	30
Greenhouse Emissions	38

04 Our People

40

05 Our Operations

48

06 Our Network

60

07 Our Community

70

08 Our Future

78

09 Performance Summary

83

Glossary	84
----------	----

TasRail is focussed on restoring rail as an integral component of an effective, efficient and sustainable transport system for Tasmania.



10 Our Business



ABOUT US

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

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

■ Employees	210
■ Annual Revenue	\$30 million
■ Freight Tonnes	2.5 million tonnes per annum

TasRail is part way through implementation of its Rail Recovery Plan and the delivery of a substantial capital investment programme. Over the past 12 months substantial progress has been made to restore both the credibility and performance of the rail freight business in Tasmania, and to establishing a commercially focussed and credible organisation.

A VERTICALLY INTEGRATED RAIL FREIGHT BUSINESS

TasRail is a vertically integrated, short haul, rail freight business, established on 1 December 2009 and 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 from the Rail Management Branch within the Department of Infrastructure, Energy and Resources to TasRail late in 2009. This completed the amalgamation of the whole operating rail network within Tasmania, together with responsibility for future upgrading of the Below and Above Rail elements of the business.

BELOW RAIL

- 632 route kilometres of operational track
- 211 kilometres of non-operational track
- 1.3+ million sleepers
- 355 bridges
- 3 tunnels
- 500+ level crossings

ABOVE RAIL

- 115 train services per week
- 6 port/freight terminals
- 2 bulk handling facilities
- 1 Shiploader
- 34 locomotives
- 374 wagons

The Below Rail business is responsible to upgrade, maintain and operate the railway network and supporting infrastructure. Similar to the State's road network, the rail network is a critical piece of infrastructure. Like our roads and highways, the railway network generates only limited revenue and it requires annual government funding to ensure it is maintained to an appropriately safe standard.

The Above Rail business operates around 115 train services per week in response to customer requirements and generates revenue of around \$30 million per year. It is also responsible to upgrade, maintain and operate the rollingstock fleet and to manage safe and authorised access to the network.

Safe
Reliable

Commercial focus

Capable

Responsive

Professional

Credible





YEAR IN REVIEW

JULY	<ul style="list-style-type: none"> ■ Completion of TasRail's first end of financial year accounts ■ Review of Organisation Structure and recruitment of key roles including General Manager Infrastructure ■ Melba Yard upgrade completed
AUGUST	<ul style="list-style-type: none"> ■ Three separate level crossing collisions at Hobart, Ulverstone and Burnie prompting TasRail to issue a plea to the community to respect level crossing signs and signals ■ National Rail Safety Week ■ Renewal works on the Bell Bay Line commence
SEPTEMBER	<ul style="list-style-type: none"> ■ Fatal level crossing collision at Spreyton when a young driver of a quad bike failed to give way to an oncoming train ■ Bell Bay Line ready to re-open ■ Call for tenders for the supply and delivery of concrete sleepers following a decision to use them on tight curves
OCTOBER	<ul style="list-style-type: none"> ■ Official launch of the TasRail brand and unveiling of the first locomotive in the TasRail livery ■ First roundtable forum established with tourist and heritage rail operators ■ Bell Bay rail services resume
NOVEMBER	<ul style="list-style-type: none"> ■ Negotiations for new Employee Enterprise Agreements commence ■ Mainline train derailment at Penguin with two bulk containers dislodged. No injuries, but quantities of potassium hydroxide and of a sodium hydroxide and potassium hydroxide mix were spilled into the ocean. The Environmental Protection Authority investigated the spill and reported it was unlikely to have caused environmental harm ■ The Company accounting system (Finance One) was upgraded ■ Long service milestones recognised for 118 TasRail employees ■ First tranche of bridge transom replacement works commences
DECEMBER	<ul style="list-style-type: none"> ■ TasRail appears before the Legislative Council Government Business Scrutiny Committee A ■ Mainline train derailment south of Colebrook ■ Second roundtable forum held with tourist and heritage rail operators ■ New crew vehicles start to arrive ■ Call for tenders for Contractor Services Panel
JANUARY	<ul style="list-style-type: none"> ■ TasRail crews work around the clock to repair damage caused by severe weather and flooding on the North West Coast ■ TasRail unveils a special new livery on locomotive 2012 to acknowledge and celebrate the 75th anniversary of one of its largest customers - the MMG Rosebery Mill ■ Australian Transport Risk Solutions engaged to conduct a series of independent safety compliance audits across the business ■ Business Development Manager appointed ■ Contractor Services Panel established

FEBRUARY	<ul style="list-style-type: none"> ■ An interstate tourist is charged with trespass after being caught on video illegally riding a freight train ■ TasRail launches a second public appeal to the community to respect level crossing signs and signals following an unprecedented number of near miss reports by train drivers ■ Tenders called for the Active Level Crossing Upgrade Project ■ Second tranche of bridge transom replacement works commences
MARCH	<ul style="list-style-type: none"> ■ A woman dies after being hit by a train at a level crossing in Hobart ■ An elderly male pedestrian has a lucky escape after being hit by a train at a level crossing in Devonport ■ TasRail commissions market research to better understand motorist behaviour at railway level crossings and holds inaugural meeting of a new Level Crossing Safety Committee ■ Peer Trauma Support Group established ■ Heavy rain and floods cut the Fingal Line in two places, with water over the track at different sections between Conara and Western Junction ■ The first of 17 new hi-rail trucks arrive
APRIL	<ul style="list-style-type: none"> ■ TasRail launches an Expressions of Interest process to identify and confirm available supply options for the purchase of a new locomotive fleet ■ Employee Consultative Committee formed to provide input on issues related to the technical design specification for new locomotives ■ Mainline train derailment at Penguin. Five wagons derailed ■ Project to upgrade all Active Level Crossings commences ■ An elderly male driver and his male passenger escaped serious injury after their car failed to observe level crossing warning signals and signs and collided with a train at Moonah
MAY	<ul style="list-style-type: none"> ■ Assurance visitation by representatives of the Australian Government to assess the capability and integrity of TasRail's project management systems ■ Major culvert replacement works at Longreach – local company Humes produces largest pipes ever made in this class in Tasmania ■ TasRail implements Dupont Safety Interaction training for all frontline leaders ■ First shipment of zinc oxide product loaded through the Burnie Shiploader for a new customer ■ Incident Cause and Analysis Method (ICAM) investigator/facilitator training delivered ■ Australian Transport Safety Bureau publish statistics comparing the rail safety performance of all Australian States and the Northern Territory
JUNE	<ul style="list-style-type: none"> ■ Severe weather and floods impact rail freight services after sections of the North South Line and the Fingal Line are inundated with water ■ TasRail's first employee safety survey completed ■ The Australian Government's Rail Rescue Package completed well ahead of schedule ■ Melba Track Gang take delivery of new hi-rail trucks ■ Saliva testing introduced to improve Drug and Alcohol screening ■ First training units for Certificate IV in Frontline Management and Diploma of Management commenced for 28 participants ■ Employees vote in support of new Enterprise Agreements

Our ref: TR-011011

Hon. David O'Byrne MP
Minister for Infrastructure and
Member, Tasmanian Railway Pty Ltd
Executive Building
15 Murray Street
HOBART TAS 7000

Hon. Lara Giddings MP
Premier, Treasurer and
Member, Tasmanian Railway Pty Ltd
Executive Building
15 Murray Street
HOBART TAS 7000

Dear Ministers

ANNUAL REPORT 2010-2011

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

In accordance with Section 22 (1) (b) of the *Rail Company Act 2009*, we hereby submit for your information and presentation to Parliament, the report of Tasmanian Railway Pty Ltd covering the period 1 July 2010 to 30 June 2011.

Signed in accordance with a resolution of Directors.

Yours sincerely,



Bob Annells
Executive Chairman

19 October 2011

CHAIRMAN'S REPORT



Robert Annells

On many levels, the TasRail Board is extremely pleased with the Company's performance for 2010-11, but particularly its financial performance and the overall positive result of the operation.

The Above Rail business, that is those areas of the Company's operations which relate to all of its activities excluding the maintenance and upgrading of the track and associated infrastructure, has in fact experienced both a pleasing growth in revenue and a commendable restraint on costs. This has enabled this element of the business to return a modest operating surplus. Since commencement of the Company in 2009, it has been the goal of the State Government and the TasRail Board to achieve this positive result as soon as possible, but to do so in the 2010-11 year is several years in advance of even the most optimistic prediction. While there will be considerable challenges to maintain and improve this position into the coming years, it is a very promising start.

The Below Rail business has never been expected to operate at anything but a deficit. This is due to the nature of the investment required in maintaining and upgrading these assets and the associated infrastructure, as well as the extremely limited income potential for the Below Rail business.

Nevertheless, when combining the results of the two business divisions to produce an overall Company outcome, TasRail was able to reduce by \$4.875 million, its call on the State Government for an operating subsidy against the anticipated \$19.465 million dollars that had been committed in the State Budget.

As indicated in last year's Annual Report, the Company is engaged in a very significant capital improvement programme for both the Below and Above Rail businesses. Considerable progress of this programme has been achieved with funding support from both the Australian and Tasmanian Governments. Securing the necessary human and other resources to undertake programmes of the scale and complexity that TasRail has embarked upon has proved challenging in a Tasmanian context and progress in some areas has been slower than the Company would have liked. However, the Board has adopted the approach that these problems have been a very long time in the making and the solutions that the Company is applying will need to stand the test for a very long time. Taking the time to ensure that the processes, engineering standards and construction outcomes are more than adequate is well worth it in the long term. In short, the Company will not be rushed into adopting standards or programming work until it is absolutely satisfied that the standards are appropriate for the unique Tasmanian circumstances confronting TasRail, and the priority of the work to be undertaken utilising the available funds is absolutely confirmed.

In relation to the replacement of obsolete rollingstock the Board has embarked upon a comprehensive tender process to replace its locomotive fleet. Whilst the project is in its early stages, at the time of writing this report there were pleasing signs that the international market for supply of narrow gauge locomotives is robust and TasRail will have a choice from a range of quality locomotive suppliers. This process will hopefully conclude early in the 2012 calendar year. Equally, extensive work has been undertaken to determine exactly what component of the wagon fleet needs to be replaced versus upgraded. In looking at these questions, clearly the future freight task is a critical determinant and the Board has been in active consultation with Tasmanian freight forwarders and other utilisers of the rail system in seeking to ensure that decisions it takes now in relation to its wagon fleet will stand the Company in good stead for many years to come. Again, an initial testing of the international market would suggest that competitive offerings of wagons, of the types suitable for Tasmanian conditions, are available. That process will be formalised through a tender arrangement early in 2012. Overall, there are very positive signs that TasRail will be able to meet its objectives for the replacement and upgrading of both its locomotive and wagon fleet within budget allocations.

The Company is very pleased with the clear indications of support it is receiving from many of its customers and very grateful for the confidence shown by them and potential new customers. It is clear that as TasRail's performance improves, in terms of reliability and on-time running, there is considerable potential for additional freight of both an intermodal and bulk nature. The challenge for TasRail is to ensure its infrastructure and other assets, including its human capital are of sufficient quantity and quality to meet this demand as nothing will diminish TasRail's future potential more than promising a standard of service that it simply cannot consistently deliver.

There are challenges in responding to uncertain shipping services at the Port of Bell Bay and TasRail is playing its part in seeking to support both the port itself and a range of shippers who utilise the port. It has done so by re-establishing a Bell Bay service when requested to do so by industry, but at some financial disadvantage to the Company. The Board has taken the view, however, that there are broader statewide considerations at play. It is clear that shipping services to Bell Bay remain problematic, and as a consequence, so does TasRail's service to that location as the Company is unable to run services where there is no demand.

Safety has and remains the foremost concern of the Board. Whilst pleasing that progress has been

made in some areas, there is much that remains to be done. Some safety issues relate to the age of the infrastructure, as well as procedures and processes, many of which have been in place for decades. On the one hand, many safety issues are created by a lack of concern or knowledge of potential dangers, together with at times complete ignorance and stupidity. Nowhere is this more evident than in the disturbing number of level crossing incidents that confront TasRail's train drivers on an almost daily basis. Whilst some of these incidents are clearly a result of inattention, the overwhelming majority are created by deliberate driver actions in contravention not only of the law but common sense as well. These drivers are literally "dicing with death" because they are simply ignorant as to the stopping time required by a fully loaded freight train. In response to TasRail's obligations in this matter, and in particular for concerns over the welfare of our drivers, we have been extremely active during this past year in seeking to improve public awareness and behaviour. There is still a very long way to go, and it is devastating that during the year there were two fatalities and a number of injuries at level crossings. Whilst our sympathy goes out to the families of those killed or injured, our principal sympathy must extend to our train drivers who have to deal with the reality of level crossing incidents on far too regular a basis.



The TasRail Board
from left: Robert Annells (Executive Chairman),
and Non-Executive Directors Robert Neil,
David George and Sarah Merridew

Absent: Roger Gill

On a more positive note, TasRail was appointed Operator of the Brighton Transport Interchange in June 2011. Commonly known as the 'Brighton Hub', this magnificent facility is being completed by DIER and will be passed to TasRail via a long term lease to manage on behalf of the Crown. The opportunity for TasRail to reduce transit times between the south of the State and Burnie is commercially very significant and there are many other opportunities emerging as the full potential of the State's considerable investment in this facility become clearer. To complement this investment in the south TasRail is working actively with TasPorts and Toll Tasmania to achieve a much improved terminal arrangement at the Burnie end of the line and to capitalise on the operational efficiencies that will flow from the 'Hub'.

Looking to the future there remains very significant challenges in relation to the physical infrastructure and the escalating cost of undertaking many of the major engineering projects facing the Company, in particular, replacing or repairing major bridges on the northwest coast and in

maintaining a very extensive upgrade programme for the track generally. The very poor state of much of the light weight rail that makes up well over 50% of the system remains a significant challenge as the cost to replace this rail is considerable and well beyond current funding provisions. It is absolutely necessary to find a way to replace this rail due to its highly degraded state in many places, and various alternatives are actively being pursued to find replacement rail at a more economic rate. Even if these attempts are successful, there still remains a significant funding shortfall to be addressed in the coming three to five years.

In conclusion, and on behalf of the Board, I must commend Damien White and all of his staff on their dedication, hard work and professionalism during a particularly challenging year. Many are new to TasRail and the Tasmanian system and that at times has been a challenge. All of them can be proud of the very significant strides that have been made towards achieving the very aspirational targets the Board has set for the organisation

and to meet the very significant challenges confronting the Company.

Finally I wish to pay a particular tribute to my fellow Board members Bob Neil, Sarah Merridew, Roger Gill, David George and John Fullerton (who retired during the year). The obligations placed upon the Directors of TasRail have been particularly onerous during 2010/2011 and without fail each of the Board members has been prepared to commit extraordinary amounts of time, effort and professional ability to securing the very best outcomes for the Company and Tasmania. I am very grateful for their wise counsel and unflinching support.

Bob Annells
Chairman

CEO REPORT



Damien White

Looking back over the past 12 months, it's been a period of consolidation and steady progress but with some notable achievements.

For the first time in many years, the rail business in Tasmania recorded growth in freight volumes and an incremental improvement in its overall financial result. The keystone of this turnaround was increased container volumes – our most competitive market segment - and a substantial increase in volumes through our bulk handling and shiploading facilities at Burnie. The latter is a good example of how TasRail is working to add real value by becoming more involved in the whole transport supply chain by offering customers total logistics solutions.

Government ownership of TasRail has enabled a more cohesive approach to strategic infrastructure investment and transport policy decisions. This was most evident in the way that rail responded to recent changes in the State's shipping services, and it is an example of how this collaborative approach is assisting business and industry.

Our proactive efforts to engage with new and existing customers are also starting to pay dividends. Our business development capability has broad coverage and continues to evolve. We've particularly worked to build stronger relationships with the minerals sector and are exploring a number of emerging opportunities, largely driven by the resources boom and strong commodity prices. We're also working closely with the forestry industry and as all players start to develop an improved understanding of the future landscape, TasRail's objective is to play a leading role in the logistics task for this industry segment.

Ensuring we have the resources and capability to respond to these opportunities, and to deliver our ambitious capital plan on time and on budget has continued to be a challenge, made all the more difficult by a tight labour market fuelled by demand in other States. Conversely TasRail is going through a once in a generation opportunity to replace and/or upgrade rail infrastructure, equipment and rollingstock and if we can earn a reputation as an innovative and sustainable business, a good employer with a sound safety record, I am confident we will attract and retain the skills we need.

I am passionate about eliminating all workplace injuries and genuinely believe that every employee and contractor working for TasRail should rightfully expect to go home at the end of each shift, free of injury and satisfied they have contributed to the success of our business. Creating a workplace safety culture where everyone is committed to the goal of zero and looks out for one another's health and wellbeing requires not only strong leadership but also high levels of employee input and effective communication. Developing this leadership capability and the systems to support these objectives has been of fundamental importance, and while there remains much to do, I am satisfied we are making progress.

After six months of negotiation, we gained overwhelming support from our employees who voted in support of four new Enterprise Agreements. TasRail is fortunate to have such an experienced and committed workforce and these new employment arrangements provide pay and conditions that are fair and better reflect industry conditions. Our employees now have a secure future with access to accredited training opportunities and established career pathways.

During the year we completed more than \$26 million of capital works across the network. We completed the remaining works under the Australian Government's Rail Rescue Package, ahead of schedule and on budget. The safety of the network and the reliability of our operations continued to improve and, while there is much to be done, I am satisfied that our approach to prioritise this expenditure in accordance with freight demand and available funds is the right approach.

We also made good progress with the task of procuring a new locomotive and wagon fleet, incorporating the learnings from recent derailments so that we can engineer out these risks as much as possible.

Buying and building the toys is the easy bit. The task of designing a network of services and facilities that add value to customers and return increased revenues to the business is more difficult. It requires a comprehensive understanding of the current and future transport market, sound relationships with new and potential customers and other stakeholders, and a compelling business case for scarce investment funds that must deliver social and economic benefits.

As Australia places an increased value on reducing carbon emissions, rail will become increasingly important as a sustainable transport solution for the future. Our challenge is to translate what is a substantial environmental benefit over road transport into increased freight volumes. This is likely to be difficult in the short term. Although rail has a carbon footprint many times lower than road transport it will be impacted by changes to fuel tax arrangements from 2012, while road transport benefits with a blanket exemption from carbon tax measures until 2014.

If TasRail is to be commercially viable in the long term it needs to be creative. Short haul railways are traditionally a challenge, but if we can continue to explore supply chain innovation, smarter work practices and technology and ultimately, the creation of seamless networks, I am confident the business has a bright future.

We have the right people, the right plans and the necessary funds, but our challenge remains to work safely, to spend effectively and to maximise operating efficiencies and revenue growth opportunities.



Damien White
Chief Executive Officer

CORPORATE PRIORITIES

In March 2011, TasRail's Corporate Plan was submitted to its Shareholder Members in compliance with Department of Treasury and Finance Reporting Guidelines for State-owned Companies.

TasRail's Corporate Plan is based on eight Key Result Areas (KRAs):

1. Freight Services
2. Rail Network Infrastructure
3. Terminals
4. Safety
5. Human Resources
6. Business Model
7. Customers
8. Stakeholder Relations

The details of each KRA are developed by the TasRail Board and Executive, and are reviewed annually as part of the Company's planning process. A suite of strategic activities and specific initiatives are developed for each KRA against which performance is monitored and measured throughout the reporting period.

KEY RESULT AREA 1: FREIGHT SERVICES

Major objective: To secure the consistent availability of the rollingstock fleet with suitable standardisation for effective inter-operability to improve reliability, efficiency and safety performance.

KEY RESULT AREA 2: RAIL NETWORK INFRASTRUCTURE

Major objective: Operational lines to be maintained and/or upgraded in accordance with engineering specifications and parameters to ensure the effective operation of the network and, in particular, to prevent mainline derailments and to improve operating times on key routes.

KEY RESULT AREA 3: TERMINALS

Major objective: To maximise business opportunities and commercial returns from terminal operations.

KEY RESULT AREA 4: SAFETY

Major objective: To achieve zero harm to our workforce, the community and the environment.

KEY RESULT AREA 5: HUMAN RESOURCES

Major objective: To build organisational capability and culture by establishing a reputation as an attractive organisation where people want to work, thereby ensuring the attraction and retention of the skills and capabilities required and fostering excellence in every aspect of our work.

KEY RESULT AREA 6: BUSINESS MODEL

Major objective: To develop and implement a sustainable, commercial business model that supports long-term viability and business growth.

KEY RESULT AREA 7: CUSTOMERS

Major objective: To build and maintain robust and viable relationships with customers and key stakeholders that lead to enhanced revenue and profitability, whilst facilitating opportunities for new and existing customers and to support economic growth.

KEY RESULT AREA 8: STAKEHOLDER MANAGEMENT

Major objective: To build and maintain support for our business.

TasRail operates to a Corporate Governance System that is consistent with the ASX eight principles of Good Corporate Governance and with the Guidelines for Tasmanian Government Businesses.

02 Corporate Governance



STATEMENT OF CORPORATE INTENT

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

The Company operates to a Corporate Governance System that is consistent with the eight principles of Good Corporate Governance, published by the ASX Corporate Governance Council as well as in accordance with the Guidelines for Tasmanian Government Businesses, as published by the Department of Treasury and Finance. The ASX Corporate Governance Council recommends the following eight corporate governance principles that have been adopted by TasRail:

Corporate Governance Principle	Adopted by TasRail's Corporate Governance System
1. Lay solid foundations for management and oversight	✓
2. Structure the Board to add value	✓
3. Promote ethical and responsible decision-making	✓
4. Safeguard integrity in financial reporting	✓
5. Make timely and balanced disclosures	✓
6. Respect the rights of Shareholders	✓
7. Recognise and manage risk	✓
8. Remunerate fairly and responsibly	✓

TasRail complies with its obligations pursuant to the following Key Governance Documents:

- *Corporations Act 2001*
- *Rail Company Act 2009*
- Shareholder Members Letter of Expectations
- Treasurer's Instructions
- Guidelines for Tasmanian Government Businesses
- Tasmanian Railway Pty Ltd Directors' Code of Conduct

TasRail has two Shareholder Members – the Tasmanian Minister for Infrastructure, the Hon. David O’Byrne MP (portfolio Minister) and the Tasmanian Treasurer, the Hon. Lara Giddings MP.

The Company is managed by a Shareholder-appointed Board that meets monthly. The Board consists of five Directors including an Executive Chairman. The role of Executive Chairman will end at the Company’s 2011 Annual General Meeting, at which time the role will revert to a Non-Executive Chairman position.

The Board is responsible for:

- Overseeing the Company, including its control and accountability systems
- Appointing the Chief Executive Officer (CEO), the Company Secretary and monitoring and reviewing performance of the incumbents
- Input into, and final approval of, the development and implementation of the Corporate Plan and monitoring and reviewing performance
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance
- Monitoring the performance of the Executive and ensuring that appropriate resources are available
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures
- Approving and monitoring financial and other reporting including Safety, Health and Environment (SHE)
- Communicating with the Shareholder Members about matters that may impact on TasRail’s ability to achieve delivery of objectives and targets as expressed in the Corporate Plan

The Board operates with five Committees that meet at appropriate intervals with membership comprising of at least two Directors and relevant representatives of the TasRail Executive:

- Strategy and Risk Management
- Operations and Safety
- Finance, Audit and Compliance
- Capital Projects
- Remuneration (meets as required)

Individual Directors are apprised of their responsibilities and the Company’s expectations of them by the Executive Chairman at the time of their appointment and at the time of their induction. A Directors’ Code of Conduct is in place. The Board conducts annual assessments of its performance through the completion of formal questionnaires. The performance of individual Directors is monitored by the Executive Chairman who is responsible for managing any identified issues.

The Board conducts an annual review of the performance of the CEO including formal performance review and feedback from relevant stakeholders. The Board has delegated to the CEO the evaluation of the performance of the Executive and receives a report on the outcomes of those annual performance assessments.

The Executive is responsible for implementing the Corporate Plan endorsed by the Board, and for providing timely advice to the Board to enable it to make sound decisions. Formal Role Descriptions are in place for all key positions including the CEO, CFO and the Executive.

During 2010-11 evaluations of the performance of the Board, the CEO and the Executive have taken place and were conducted in accordance with the processes set out above.

BOARD OF DIRECTORS



Robert Annells Executive Chairman
Appointed 23 November 2009

Robert Annells was Executive Chairman of Connex Melbourne, the operator of the Melbourne commuter rail system, from 2003 to 2009. During this time he was also Chairman of Veolia Australia and of two subsidiary companies, Connex Auckland and Mainco Melbourne. Veolia is the largest privately owned transport operator in Australia and Mainco Melbourne was the maintainer of all rollingstock and infrastructure involved in the Melbourne train system.

Robert is also a Director of the Tasmania Development Resources Board and the immediate past Chairman of the Tourism Tasmania Board. He previously held a number of senior positions in Tasmania including Director-General of the Lands Department and Secretary of the Department of Tourism, Sport and Recreation.



David George Director
Appointed 26 May 2011

David George has more than 30 years experience in the rail industry. Formerly Chief Executive ONTRACK (New Zealand rail network) between 2004 and 2007 David also managed Queensland Rail's coal and freight businesses between 1998 and 2003. Prior to this he was Director of European Business for British Rail in the run-up to the opening of the Channel Tunnel.

David is currently Chief Executive Officer of the Cooperative Research Centre (CRC) for Rail Innovation, a position he has held since 2007. He is also Deputy Chair of the International Rail Research Board and Chair of the organising committee for the World Congress on Rail Research (WCRR) to be jointly hosted by the CRC and Australasian Railway Association in Sydney in 2013.



Roger Gill Director
Appointed 4 November 2009

Roger Gill operates his own successful international renewable energy consulting business. Prior to that he enjoyed a long and successful career with Hydro Tasmania, spanning more than 30 years. During that time he held a number of senior positions including Executive General Manager from 2004 to 2007.

Roger is a current Non-Executive Director of Tasmanian Irrigation Pty Ltd and Pacific Hydro Pty Ltd. He is also a Vice President of the International Hydropower Association and a Member of the Tasmanian Renewable Energy Industry Development Board.



Sarah Merridew Director
Appointed 17 December 2009

Mrs Sarah Merridew is a Chartered Accountant and a Director of MyState Limited, the Tasmanian Water and Sewerage Corporations, and is Honorary Treasurer of the Royal Flying Doctor Service (Tasmanian Section) Inc. and actively involved with other community organisations.

She was formerly a Director of Tasmanian Public Finance Corporation and Tasmanian Perpetual Trustees and a Partner of Deloitte Touche Tohmatsu including a period as Managing Partner for Tasmania. She has extensive experience in providing audit, risk management and business advisory services to the public and private sectors.



Robert Neil Director
Appointed 4 November 2009

Bob Neil's principal career was in the oil and gas industry. He held a number of Senior Executive roles in engineering, gas marketing and strategic planning with Esso Australia. He was Director General of the New South Wales Department of Energy from 1996 to 2001 before accepting a four year appointment with the Tasmanian Government to manage the State's entry to the National Electricity Market.

Bob previously served as a Non-Executive Director of the Northern Territory Power and Water Corporation from 2005 to 2009. He is a Fellow of both the Institute of Engineers Australia and the Australian Institute of Company Directors.



John Fullerton Director
Appointed 17 December 2009
Resigned 31 January 2011

John Fullerton resigned from the Board to take up the role of Chief Executive Officer, Australian Rail Track Corporation.

Steven Dietrich Company Secretary
Appointed 1 September 2010

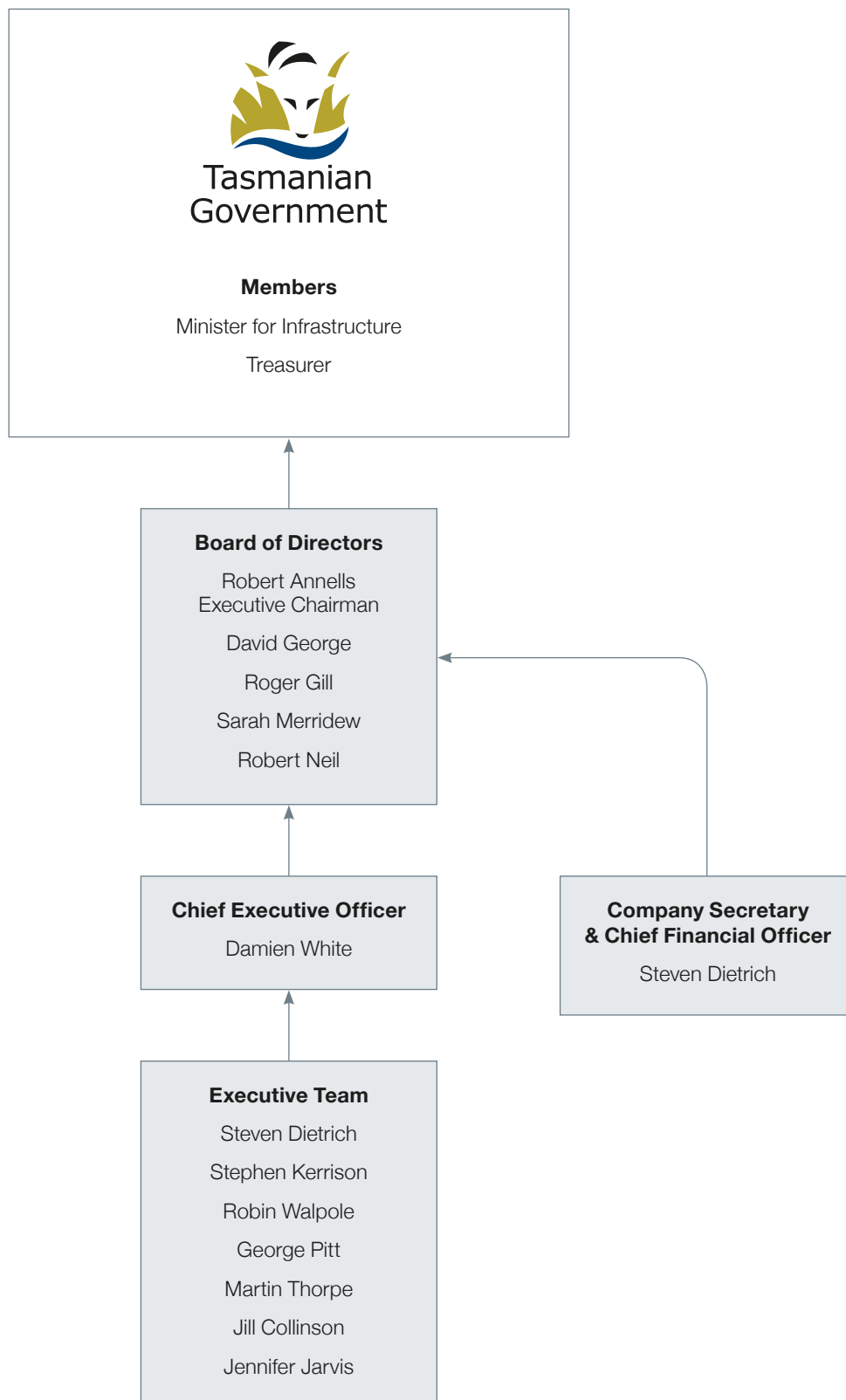
Reports to the Board



William Dewar Board Secretary



CORPORATE STRUCTURE



EXECUTIVE TEAM



Damien White

Chief Executive Officer



Steven Dietrich

Company Secretary and
Chief Financial Officer

- Finance and Compliance
- Procurement
- Information Technology
- Property Management



Stephen Kerrison

General Manager Freight Services

- Freight Services
- Train Control
- Network Access
- Workshops



Robin Walpole

General Manager Infrastructure

- Track Engineering Standards, Maintenance and Operation
- Level Crossings
- Land Management



George Pitt

General Manager Capital Projects

- Australian Government Funded Capital Programmes
- Tasmanian Government Funded Capital Programmes
- Project Systems



Martin Thorpe

Manager Business Development

- New Business
- Customer Relations
- Customer Contracts



Jill Collinson

Manager Human Resources
and Safety Systems

- Rail Safety and Occupational Health and Safety Compliance
- Safety Systems
- Recruitment and Training
- Industrial Relations



Jennifer Jarvis

Manager Corporate Affairs

- Community Liaison and Engagement
- Media and Communications
- Government Relations
- Right to Information

TasRail is committed to being a leader in safety, health and environmental performance for the rail transport industry. We are working to create a culture that does not compromise on safety and where the only way to do the job is the safe way.





3 COMMITMENT TO Zero Harm

SAFETY PERFORMANCE

Safety is a priority for TasRail.

Throughout the year, the Company has worked hard to further improve its safety performance and to advance its journey towards achieving zero workplace injuries.

The Company demonstrated that this goal is realistic, having worked 147 consecutive days (almost the last five months of the Financial Year) without a Lost Time Injury (LTI). This was a considerable achievement given the level of activity underway and the number of new employees and contractors introduced to the operation during that time.

Whilst it is disappointing that any employee sustains an injury during the course of their work, the total number of LTIs recorded for the 2010-11 Financial Year reduced by 50 per cent to a total of five. Four of these were back and neck sprain injuries and one was the result of a slip/fall (knee injury).

A number of TasRail's operating divisions continued to lead by example, setting new records for working safely. As at 30 June 2011, both the Network Access Department and the Administration Department had respectively achieved 4,976 consecutive days LTI free. The Operations Department also achieved an impressive record of finishing the Financial Year having worked 314 consecutive days without recording an LTI.



Robbie Box (Locomotive Maintainer)

The Lost Time Injury Frequency Rate (LTIFR) for the 2010-11 Financial year also halved, at 9.5 injuries per million hours worked.

The All Injury Frequency Rate (AIFR) for the same reporting period was 101.2 per million hours worked, representing a 29 per cent reduction compared to the annualised 2009-10 result. Converting the number of all recordable injuries into an AIFR enables TasRail to compare its performance with other industries. Whilst injury rates are higher than 'best practice' it is pleasing that they are trending in the right direction.

Although the number of Medical Treatment Injuries increased to eight for the year, the improvement in reporting by employees and contractors is encouraging. By ensuring all injuries are reported, regardless of how minor, we can identify the root cause and take steps to prevent reoccurrence. Importantly, we are better able to ensure appropriate and timely care for the injured person and potentially prevent their injury from becoming more serious.

	2010/2011	2009/2010 (7 months)
Number of Lost Time Injuries	5	6
Lost Time Injury Frequency Rate (LTIFR)	9.5	23.8*
Number of Medical Treatment (MTI)	8	2
All Injury Frequency Rate (AIFR)	101.2	142.6

* Denotes annualised data

$\frac{\text{LTIFR formula} = \text{Number of Lost Time Injuries in the period, multiplied by one million hours}}{\text{Number of man hours worked in the period}}$
$\frac{\text{AIFR formula} = \text{Number of All Injuries (MTI + LTI + First Aid) in the period, multiplied by one million hours}}{\text{Number of man hours worked in the period}}$



Contractors use a mobile scaffolding unit to carry out safe and rapid repairs on an open deck bridge.

TasRail enlisted the support of world renowned safety consultants DuPont to achieve a step change in our safety culture by introducing Safety Interactions into our daily activities (see page 31). This initiative was supported by the engagement of an experienced safety practitioner to mentor and coach frontline managers and supervisors to implement Safety Interactions and other behaviour based safety programmes.

The way we integrate and manage our contractor workforce was reviewed to ensure consistent standards of safety apply. When a contractor satisfies all prequalification requirements, including an assessment of their past safety performance, they are required to successfully complete on-line Track Safety Awareness Training and a National Rail Worker Health Assessment. A level two induction highlighting TasRail's specific safety requirements is delivered at the same time as general site induction training, and a worksite orientation is also completed prior to the contractor commencing work for TasRail. Our working relationships and sharing of safety learnings continue to improve as we better align our expectations and safety Standards.

In June 2011, we initiated our first Safety Survey of TasRail employees and contractors. The survey was developed in-house and designed to establish a baseline from which to monitor and measure the progress of our safety improvement journey.

Importantly, the responses confirm that the Company is heading in the right direction, and that behaviour and perceptions are changing. The survey will be repeated at regular intervals.

Highlights from the inaugural survey included the following results:

- 94 per cent of respondents are confident they have the right Personal Protective Equipment to keep them safe
- 92 per cent of respondents are confident they have the authority to stop any task they believe to be unsafe
- 87 per cent of respondents are confident that TasRail is committed to the elimination of all injuries
- 92 per cent of respondents are confident to raise safety concerns or to raise improvement suggestions
- 86 per cent of respondents are confident they will go home free from injury



TasRail recognises there is further work to improve safety performance but given our journey to zero is in its infancy, it was pleasing that already more than a third of survey respondents believe the goal is achievable.

CASE STUDY

CHANGING SAFETY CULTURE

The DuPont training programme conducted in May 2011 introduced TasRail's frontline leadership group to the theory behind successful behaviour based programmes, including the Safety Interaction initiative that is progressively being integrated into TasRail's daily activities.

Safety Interactions are about taking time to engage in safety discussions with individuals and/or teams and to discuss their safety habits and practices. Good safety practices are acknowledged and celebrated and any observed unsafe behaviours are highlighted and corrected. This one-one-one engagement also enables any safety concerns by the employee to be raised and actioned. Similarly, ideas for safety improvements can be discussed and considered.

Targets have been set for the number of interactions each supervisor and manager is required to conduct each month. The results of all Safety Interactions are entered into a database to ensure all safety actions are tracked, followed up and resolved.

Safety glasses are required to be worn in the workshop – however, this photo was taken at a function within a designated area and the PPE worn is correct for the occasion



From left: Craig Osborne (Training & Compliance Officer), Darrell Cooley (Locomotive Driver) and David Payne (Locomotive Driver), participate in a Safety Interaction with CEO Damien White.

REDUCING DERAILMENTS

The number and severity of mainline derailments reduced during the 2010-11 reporting period.

TasRail recorded a total of five mainline derailments in the past twelve months compared to four during the Company's first seven months of operation (1 December 2009 to 30 June 2011).

Date	Location	Details	Root Cause
16 November 2010	Penguin	1 wagon (two containers) dislodged	No single cause able to be identified. Probable causes include the condition of the track and design of existing rollingstock.
29 November 2010*	Deloraine*	Wheel set of the leading locomotive derailed and then re-railed in transit	No single cause able to be identified.
2 December 2010	Danby (near Colebrook)	6 wagons derailed	Likely loss of vertical wheel loading while traversing a track twist defect.
1 April 2011*	Burnie*	Lead locomotive derailed	Misaligned rail joint.
30 April 2011	Penguin	5 wagons derailed	Independent investigation found that track condition was not solely responsible. It identified a combination of factors including insufficient cant on approaching curves, adverse track twist in advance of the derailment point and the design and potential uneven loading of the wagons.

*Denotes minor derailment

The Deloraine and Burnie derailments were of a very minor nature. All train derailments were immediately reported to the Rail Safety Regulator and were subject to thorough investigation by TasRail. In the case of the second Penguin derailment, TasRail engaged an independent expert to conduct the investigation.

The TasRail Board and Executive Team review and discuss all investigation findings and ensure appropriate actions are implemented quickly to address recommendations and to minimise the potential for reoccurrence. Investigation reports and mitigation strategies are also referred to the Safety and Operations Committee of the TasRail Board.

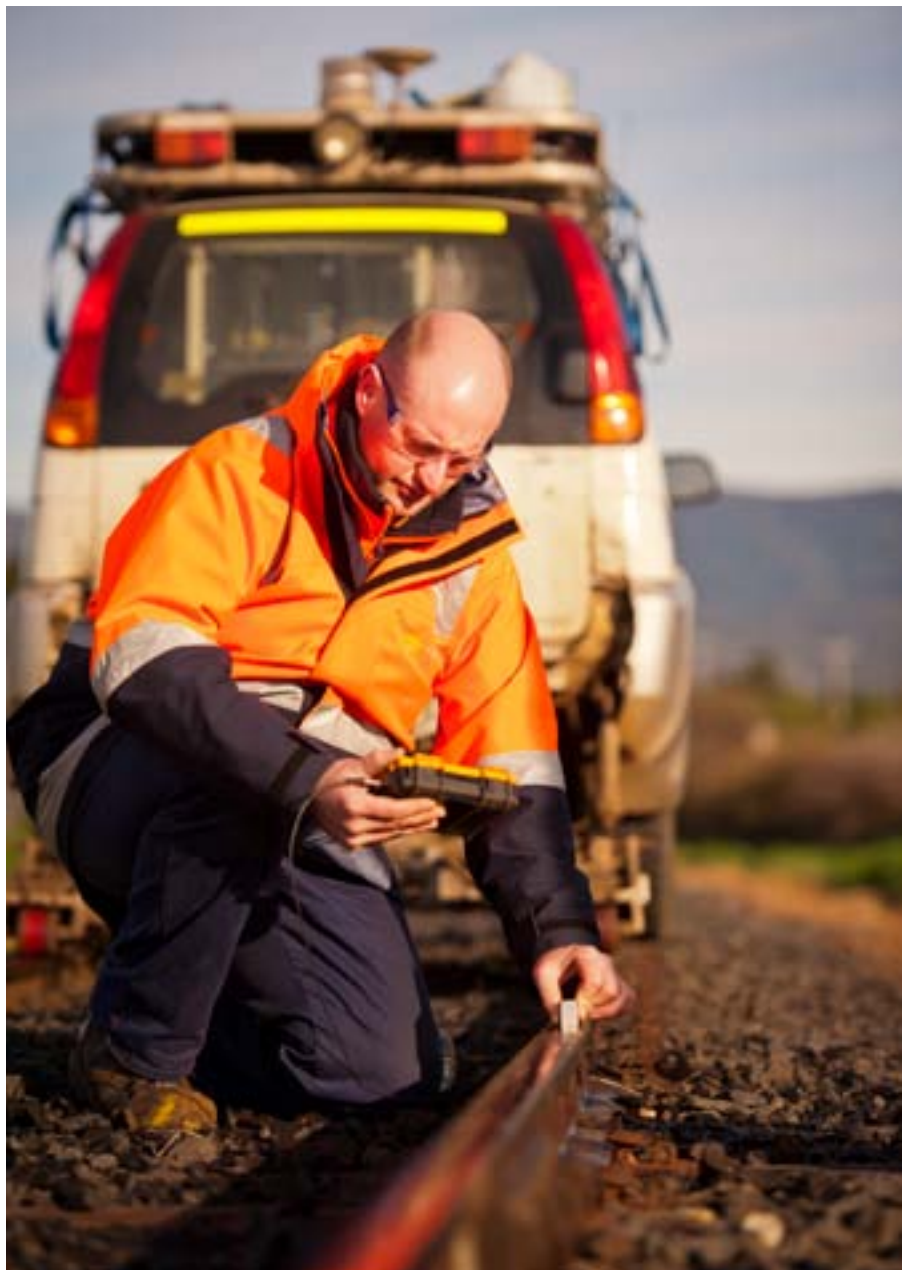
In the case of the two Penguin derailments that occurred in close proximity, Track Speed Restrictions were immediately imposed and specialised track geometry equipment commissioned as a matter of urgency to aid inspection of the derailment sites and elsewhere across the network. Other preventative measures included the procurement of additional tamping resources, an increase in man hours committed to track inspections and more regular inspections of wagon suspension springs.

TasRail acknowledges that derailments have the potential to undermine customer and employee confidence.

While every effort is made to prevent derailments it must be acknowledged that the condition of the track and infrastructure inherited by the Company when it was established in December 2009, combined with the age and design of the current fleet of locomotives and wagons, are consistently identified as contributing factors. These are conditions that will take considerable lead time to correct. However, with funding support from the Australian and Tasmanian Governments, TasRail is working to progressively improve the condition of the network and to replace the life-expired rollingstock fleet.

Yard derailments commonly occur at slow speed and cause little damage or disruption. Contributing factors are operator error and the condition of points and crossings in rail yards. Mitigating actions included the appointment of a dedicated 'points and crossings' work gang and a major refurbishment of rail yards.

	2010/2011	2009/2010 (7 months)
Number of Mainline derailments	5	4
Number of Yard derailments	12	2



*Nicholas Radosavchevic
is an expert Rail Flaw
Detection Inspector working
for TasRail under contract.*

REPLACING LIFE EXPIRED TRACK VEHICLES

Hi-rail trucks are used by Rail Maintenance workers when undertaking activities such as removing and laying sleepers, repairing rail joints, welding and replacing rail and/or removing rail defects, drainage activities and track inspections.

The hi-rail trucks inherited by TasRail at the time of its establishment were life expired and no longer fit for purpose. The average age profile of the vehicles was 19 years and average distances travelled exceeded 550,000 kilometres. In short, the vehicles no longer provided a safe or efficient work environment for Rail Maintainers, and the TasRail Board and Management requested they be replaced as a matter of priority.

The Tasmanian Rail Network has characteristics that differentiate it from other railway operations across Australia, so sourcing an 'off the shelf' vehicle from the market was not an appropriate option. A dedicated

TasRail Project Team was established, and following extensive consultation with employees, the team completed a best practice Hazard Identification, Risk Assessment and Control (HIRAC) process to identify the features required to effectively control and/or eliminate safety risks and hazards.

Since the new 'bespoke' vehicles were commissioned in March 2011, the following improvements have been achieved:

- No Lost Time Injury recorded for hi-rail activity
- Zero defect notices
- Zero derailments involving hi-rail vehicles

- Zero near-miss incidents involving hi-rail vehicles
- Training accreditation for each of the vehicle drivers
- Positive feedback from employees and an increase in morale

The new hi-rail trucks have resulted in safer operations, efficiency gains and a substantial improvement in the working environment. The vehicles provide a tangible demonstration of what can be achieved when employees are directly involved in identifying and solving workplace health and safety issues.



ZERO TOLERANCE



Roger Harris (Tippler Operator, Burnie Depot)

All employees, contractors and visitors are required to have a zero blood alcohol content when performing work for TasRail, presenting for on-call duties or accessing our work sites, in accordance with the Company's Drug and Alcohol Policy. This Policy ensures a safe and productive workplace and it complies with all applicable legal and legislative obligations.

Drug and alcohol testing is performed on both a random and an incident basis. It was typically managed through a combination of breath testing and the taking of urine samples. TasRail considered the process of urine analysis to be intrusive and uncomfortable for individuals, and in 2011 we made the change to adopt saliva testing in its place.

A highly respected and accredited external agency, Integrity Sampling has been contracted to provide drug and alcohol testing on our behalf. Qualified testers are available at various regional centres and travel statewide on a 24/7 basis, with callouts as required. Testing is carried out on NATA accredited equipment, and positive samples are sent for external analysis by NATA accredited laboratories.

Saliva testing has alleviated the stress of the drug and alcohol testing process for our workforce. The sample collection process is fast and non-invasive and results are provided to the individual on the spot.

GREENHOUSE EMISSIONS

According to the Bureau of Infrastructure, Transport and Regional Economics heavy vehicles produce 11,382g of carbon dioxide per tonne for every 100 kilometres travelled, compared with 1,661g* for rail.

Over the past twelve months, TasRail conservatively estimates that the freight it has transported by rail has effectively removed the equivalent of 100,000 B-double truck movements from Tasmanian roads. Even after taking into account the total of TasRail's reported carbon emissions (fuel and energy) for 2010-11 this equates to a net reduction in greenhouse gas emissions of some 45,812 tonnes.

Weekend Australian 27/8/2011

* *May not represent TasRail's actual performance*



TasRail reports its greenhouse gas emissions to the Australian Government Department of Climate Change and Energy Efficiency. Emissions are calculated in accordance with the On-line System for Comprehensive Activity Reporting (OSCAR) administered by the Department. OSCAR is used to collect energy and emissions data by a number of programmes administered by the Australian and State/Territory Governments. The latest emission and energy factors in OSCAR for the National Greenhouse and Energy Reporting (NGER) and Energy Efficiency Opportunities (EEO) programmes are based on the National Greenhouse and Energy Reporting (Measurement) Amendment Determination 2009.




CO²-e emissions

	2010/2011	2009/2010 (7 months)
Reported Scope 1* (FUEL) Tonnes of CO ² equivalent emissions	18,197	10,604
Reported Scope 2** (ENERGY) Tonnes of CO ² equivalent emissions	491	160
TOTAL Reported Tonnes of CO ² equivalent emissions	19,188	10,784
Number of environmental breaches	Zero	Zero

* Scope 1: Defined as the release of greenhouse gas into the atmosphere as a direct result of an activity or series of activities (including ancillary activities) that constitute the facility.

** Scope 2: Defined as the release of greenhouse gas as a result of one or more activities that generate electricity, heating, cooling or steam that is consumed by the facility but that do not form part of the facility.



TasRail's best asset is its dedicated and capable workforce – it is their vast knowledge, skills and experience, combined with an unwavering commitment to success that has enabled the business to achieve real progress over the past year.

Our challenge is to retain and attract our skills base in a highly competitive National market.

Our aim is to ensure our people matter by focussing on their wellbeing, offering fair pay and encouraging their development and job satisfaction.

04 Our People



OUR WORKFORCE

TasRail is a significant employer in Tasmania with a workforce of more than 200 direct employees, supplemented by specialist consultants and contractors.

We recognise that our people are at the heart of our business and we value the fact that more than half of the current TasRail workforce has been employed by the Tasmanian rail industry for more than 20 years. A third of all current TasRail employees have dedicated more than 30 years of service, and 14 have worked in the business for more than 40 years. Throughout the 2010-11 year, TasRail publicly recognised and celebrated the contribution of its long serving employees, with the Chief Executive Officer presenting each with a commemorative plaque to mark these significant milestones. TasRail represents a new era in the State's rail industry, and we must ensure that we utilise this extensive experience and sponsor the transfer of knowledge to the new generation of staff progressively coming into the business.

TasRail continued to create employment opportunities for a number of Tasmanians through apprenticeships and vacation work.

	2010/2011 (As at 30 June)	2009/2010 (As at 30 June)
Number of direct employees (Full Time Equivalent)	210	170
Number of Labour Hire employees	15	30
Number of contractors (Full Time Equivalent)*	120	-
Number of female employees	15	15
Number of apprentices	4	3

**Total includes 15 labour hire employees*

As at 30 June 2011, the Company employed three apprentice electricians and one apprentice metal fabricator. In December 2010, TasRail provided vacation employment for a third year Bachelor of Engineering Student, specialising in Mechanical Engineering, who was employed for eight weeks to complete a number of rollingstock projects, along the way gaining valuable industry experience. Subject to business needs and financial performance, a limited number of apprenticeships and vacation opportunities will be offered to Tasmanian students in future years, providing the opportunity for them to develop practical knowledge and skills in their chosen field of study.

We recognise there is work to be done to raise the profile and diversity of careers available in the rail industry, but we believe that an important consideration for any person looking to join or stay with TasRail will be our values as an organisation and the opportunity to contribute to the revitalisation of a sustainable industry.

Attracting and retaining experienced staff continues to be a challenge. The two speed economy is exacerbating what was already a shortage of principal skills including for example, Train Drivers, Engineers and Project Managers, making recruitment of some positions a challenge. Equally, it is an exciting time to join the organisation. TasRail is part way through implementation of its Rail Recovery Plan, and the delivery of what is a substantial capital investment programme, whilst simultaneously maintaining and growing rail services for our customers. The business offers a once in a generation opportunity to replace and/or upgrade rail infrastructure, equipment and rollingstock.



Scott Mills (Rail Operator, Hobart)

WORKPLACE AGREEMENTS

A major accomplishment in 2010-11 was the successful negotiation and finalisation of four new Enterprise Agreements for TasRail employees.

The achievement followed some six months of negotiation between the Company, employee representatives and the Rail, Tram and Bus Union (RTBU).

When put to a vote by secret ballot in June 2011, employees overwhelmingly supported the new Enterprise Agreements which were subsequently reviewed and approved by Fair Work Australia.

The new Agreements are delivering improved wage outcomes, terms and conditions as well as meaningful training and career progression opportunities.

As a result, TasRail is better placed to retain, attract and develop people to their full potential.



SKILLS DEVELOPMENT

TasRail falls under the umbrella of the Transport and Logistics Industry Skills Council (TLISC) in terms of the determination of qualifications, competencies and skills sets for its workforce.

The TLISC consults with industry to determine relevant training qualification streams and content. Rail Infrastructure entry level is a Certificate II in Rail Infrastructure which comprises 17 units of competency.

In October 2010, some 35 of TasRail's Infrastructure workers completed training in the track worker stream of a Certificate II in Rail Infrastructure, and a further three successfully completed Certificate III level. Although the group was already experienced, the training represented the first time that Rail Infrastructure workers had been provided the opportunity to be assessed for a National Accreditation Qualification. TasRail's compliance with the *Rail Safety Act 2009* requires each Rail Safety Worker to be competent to perform their work.

Between October 2010 and June 2011, a total of 28 different training courses delivered 393 Nationally recognised competencies and qualifications to participating employees.



Training courses delivered in 2010-11	Number of participants
Certificate II Rail Infrastructure	35
Certificate III Rail Infrastructure	3
Certificate IV Frontline Management	22
Certificate IV Electrical Rail Signalling	6
Certificate IV Training and Assessment Upgrade	6
Chief Fire Warden Training	1
Computer Training	25
Confined Space Training	1
Defensive Driving	28
Diploma of Management	7
Diploma of Project Management	1
Dogging Licence	20
Drug and Alcohol Awareness	35
DuPont (1 day intensive)	17
DuPont (2 day)	26
Forklift Licence	5
Heavy Combination Drivers Licence	9
ICAM refresher	7
ICAM (2 day)	11
Medium Rigid Truck Licence	33
Peer Trauma Support Training	7
Rail Thermit Welding	2
Safety Representative Training	3
Slewing Crane 20 Tonne	5
Ultrasonic Testing	1
White Card Construction Site Safety	2
Working Safely at Heights	19
Workplace Level 1 First Aid	56

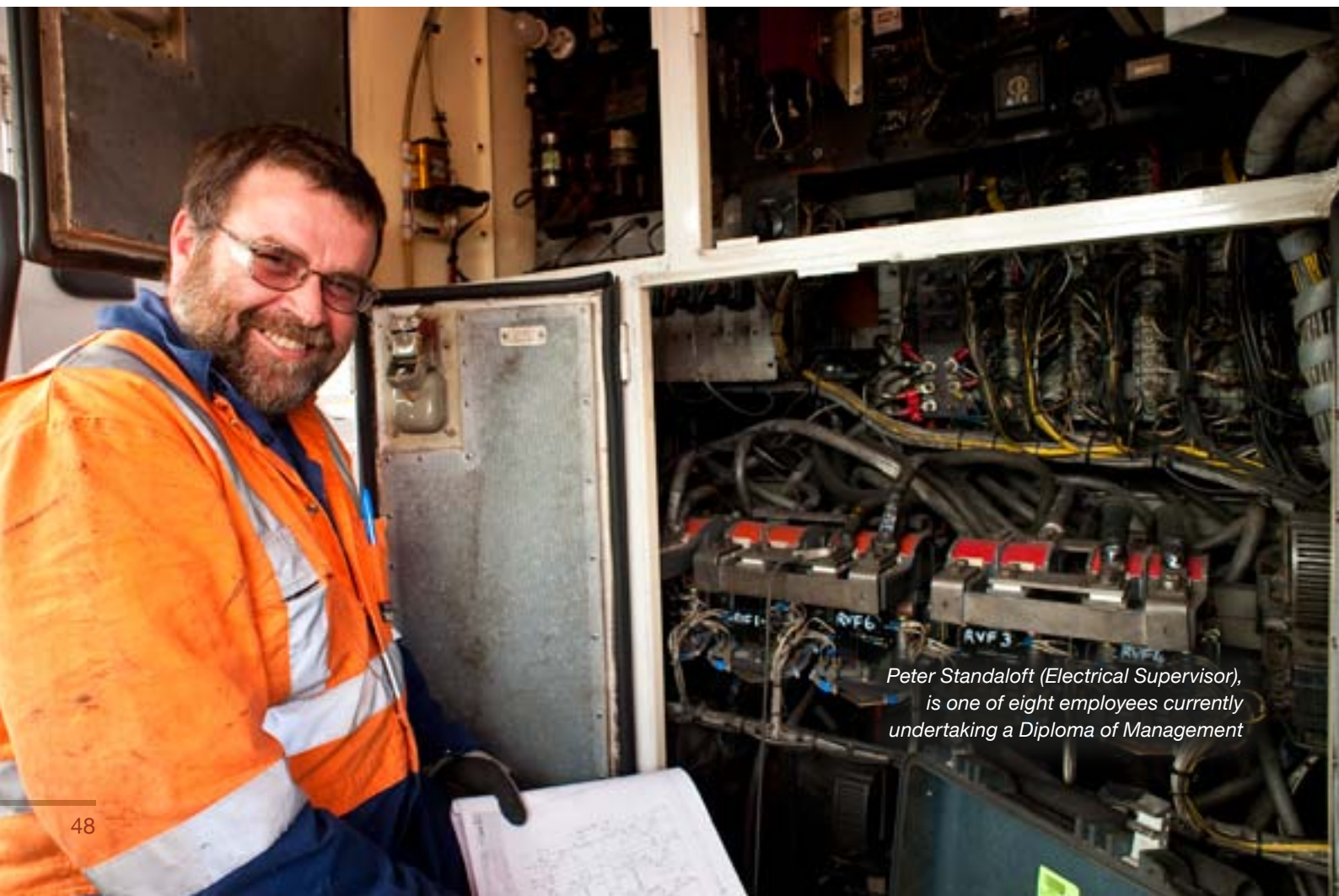
FRONTLINE LEADERSHIP

In 2010-11 TasRail focussed on delivering initiatives to attract, retain and develop talented employees with a particular emphasis on developing the capacity and capability of frontline supervisors and managers.

In May 2011, more than 20 supervisors commenced training in the Certificate IV in Frontline Management. A further eight supervisors and managers commenced studies for a Diploma of Management with the Tasmanian Skills Institute across the three campuses at Launceston, Burnie and Hobart.



The training launched the start of the learning process for all leaders. Ensuring that people in leadership positions have a clear understanding of their role and expectations of performance, is fundamental to TasRail's success in building the type of organisation it requires for success.



Peter Standaloft (Electrical Supervisor), is one of eight employees currently undertaking a Diploma of Management

EMPLOYEE WELLBEING



One of seven level crossing vehicle collisions that occurred in 2010-2011, and the second to occur at Ulverstone during August.

Level crossing collisions and near miss incidents cause significant trauma and anxiety to our train drivers and those involved in the aftermath. This type of trauma can severely affect health and wellbeing, quality of life, and in some cases, family relationships.

A Peer Trauma Support Group comprising of volunteer TasRail employees with a wide experience in the Tasmanian rail industry was established early in 2011. The group worked with professional counsellors Davidson & Trahaire to develop an improved understanding about trauma. The Peer Trauma Support Group was given training in a range of skills that have helped them to better recognise and respond to the symptoms of trauma.

We are committed to making our short haul railway commercially viable through innovative work practices, supply chain innovation and by working closely with our valued customers to create seamless networks.



05 Our Operations

Tasrail

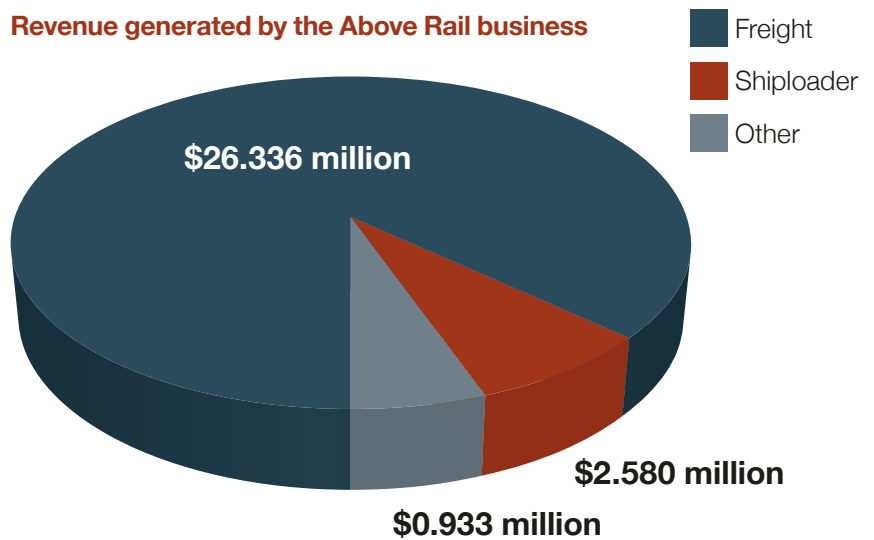
OPERATING RESULT

TasRail achieved improved performance with a modest growth in freight volumes and a demonstrable lift in customer confidence in rail.

The Company's overall financial result was achieved several years ahead of expectation and enabled the Company to reduce its drawdown of the 2010-11 budgeted operating grant of \$19.465 million provided by the State Government by some 25 per cent to \$14.590 million.

In addition to the operating grant, the State Government has committed \$100 million over five years to enable TasRail to address decades of underinvestment by a succession of previous owners.

Revenue generated by the Above Rail business



STATE GOVERNMENT FUNDED CAPEX PROJECTS

- Locomotive renewal – new fleet and maintenance, refurbishment/upgrade of existing fleet
- Wagon fleet renewal – new fleet, maintenance and upgrade of existing fleet
- IT systems
- Radio and communications – replacement/upgrade and improvements
- Modern train control system
- Operational vehicle fleet replacement
- Equipment renewal – tampers, in-line weighbridge, infrastructure various
- Shunt yard upgrades and lighting
- Upgrade of bulk handling and shiploading facilities
- Melba Shed and Burnie Maintenance Depot

CUSTOMER FOCUS

TasRail is actively exploring new and significant opportunities for bulk and intermodal rail freight. We aspire to be client focussed and are intent on providing reliable and sustainable services for customers.

In February 2011, TasRail appointed a Business Development Manager with extensive experience in the Tasmanian freight logistics industry. The priority has been to build and maintain long-term relationships with existing and potential new customers and to further increase TasRail's market share. Considerable work was done to identify and evaluate opportunities that lead to rail resuming its rightful place as a significant player within the freight logistics supply chain. This business strategy is generating numerous potential new business opportunities, particularly in the mining and forestry sectors.

Increasingly, TasRail is earning a reputation for its positive approach.

It was another turbulent year for rail freight services on the Bell Bay Line. Following extensive consultation and in response to promised industry demand, TasRail worked to mobilise previously inoperable equipment to resume the Bell Bay/Hobart service in October 2010. However this service was jeopardised when the AAA Consortium ended direct international shipping services from the Port of Bell Bay in April 2011. Despite this, TasRail continued to operate the service in accordance with demand, albeit at a reduced frequency. At about the same time, Agility Shipping announced its intention to introduce a shipping service between Bell Bay and Melbourne. TasRail worked tirelessly with Agility Shipping to respond to

the expected increase in volumes but at the time of writing this Annual Report, Agility Shipping had withdrawn from the Tasmanian market, and additional services between the north and south of the State were not required. However, through the development of strong and direct relationships with customers and other infrastructure stakeholders including TasPorts, the Department of Infrastructure, Energy and Resources and the Department of Economic Development, TasRail is well placed to proactively respond to current and emerging freight transport requirements. The Company remains confident that it can work with the two existing container shipping providers to find innovative freight transport solutions that meet the needs of business and industry in the State.

In February 2011, TasRail acknowledged the milestone achievement of one of our most valued customers - MMG. A special livery to mark the 75th anniversary of mill operations at Rosebery was commissioned and is proudly displayed on locomotive 2012. It was appropriate that TasRail publicly celebrate the longstanding relationship in this way.



FREIGHT DEMAND

The TasRail Board and Management Team are committed to offering flexible and responsive rail freight services to the market.

TasRail reported an 11 per cent increase in northbound container freight (Hobart/Burnie) and a 20 per cent increase in southbound container freight (Burnie/Hobart). This was offset by a reduction in container freight volumes on the Bell Bay Line (Hobart/Bell Bay), and the net result was an overall 3.77 per cent increase in intermodal tonnes compared to 2009-10 volumes, as per the table below.



Intermodal container loading

	2010/2011	2009/2010 (Annualised)	Change in Performance
Total Freight Tonnes	2,384,529	2,325,434	↑ 2.54 per cent
Total Intermodal Tonnes	872,667	841,001	↑ 3.77 per cent
Total Bulk Tonnes	1,511,862	1,484,433	↑ 1.85 per cent

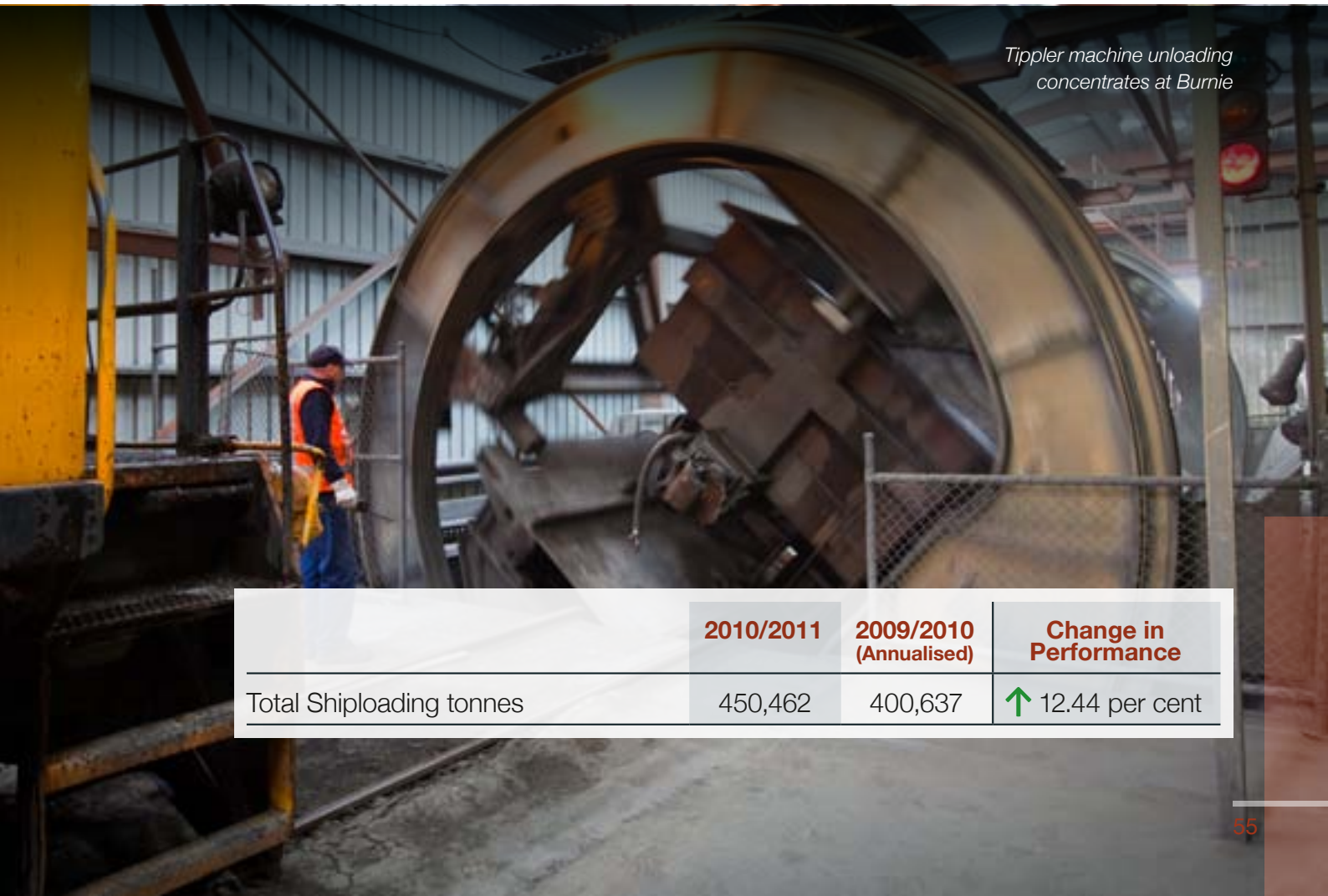
CASE STUDY

BURNIE SHIPLoader

TasRail owns and operates a bulk storage and shiploader facility at Burnie. It is a strategic asset that facilitates the export of mineral concentrates directly from the Port of Burnie. It is the only multi-user, undercover storage and shiploading facility in Tasmania, catering for mineral products that are transported by road and rail. The facility stores and shiploads up to 500,000 tonnes per annum of mineral concentrate, and enables TasRail to offer customers a complete and tailored transport solution.

Late in 2010 TasRail secured two new contracts for its shiploading and bulk storage facility. These contracts were the result of new west coast mining opportunities at Hellyer and Queenstown and both have the potential to see a further increase in volumes in coming years. These tonnes contributed to increased revenue and helped to achieve a 12.44 per cent increase in throughput. TasRail is optimistic that it can secure further volumes and a number of potential mining opportunities that are under active investigation.

A \$5.75 million project to upgrade the bulk handling and shiploading facility was commenced in 2010-11 and is due for completion mid 2012. The project involves sustaining maintenance and structural renovation including (but not limited to) a major electrical upgrade and painting. A number of safety, health and environmental upgrades have already been completed including the installation of new cladding, a wash-down station, and investment in a new sweeper with a vastly improved filtration system.



Tipler machine unloading concentrates at Burnie

	2010/2011	2009/2010 (Annualised)	Change in Performance
Total Shiploading tonnes	450,462	400,637	↑ 12.44 per cent

FREIGHT SERVICES

TasRail delivered a marked improvement in the safety and reliability of freight service operations in 2010-11 despite the challenges caused by the age, condition and inter-operability of the current locomotive and wagon (rollingstock) fleet. This result is a credit to the operations and maintenance staff and has been achieved through a combination of enhanced maintenance levels and a progressive upgrade and refurbishment of the fleet.

On Time Running Performance*		2010/2011	2009/2010 (7 months)	Change in Performance
Intermodal freight	Departure	84 per cent	81 per cent	↑ 3 per cent
	Arrival	77 per cent	75 per cent	↑ 2 per cent
Bulk commodities	Departure	85 per cent	84 per cent	↑ 1 per cent
	Arrival	83 per cent	86 per cent	↓ 3 per cent

* Trains operating within 30 minutes of scheduled times (excludes shunt trains)

Much of the existing rollingstock is not compatible, meaning that not all locomotives can operate in combination. This creates significant train scheduling issues and results in less fuel efficiency and an inability to handle increasing volumes of heavy container traffic. The life expired condition of the existing fleet also results in customer service issues, increased track wear and an escalating and substantive maintenance burden on the business.

TasRail operated a total of 5,998 train services in 2010-11, excluding maintenance trains (for example ballast trains). This consisted of 1,456 intermodal train services and 4,542 bulk train operations, as per the table below:

Intermodal Train Type	Services in 2010/2011
Paper	574
Container (Mainline)	678
Container (Bell Bay)	65
Intermodal (shunt trips)	139

Bulk Commodity Train Type	Services in 2010/2011
Coal	271
Mineral concentrates	983
Cement	3,288

ROLLINGSTOCK

LOCOMOTIVE FLEET PROFILE

30+ year old fleet that is:

- of an unsupported design
- unreliable
- not fuel efficient
- characterised by three compatibility types (not inter-operable), four engine types and five generator types

WAGON FLEET PROFILE

- characterised by seven different wagon classes and three different load carrying capacities
- mixed single and dual braking systems, contributing to derailments

The process of procuring and commissioning a new fleet of locomotives commenced during the reporting period. Following extensive research and analysis, the TasRail Board and Management Team determined that the optimum solution for its locomotive needs is to replace most, if not all, of the existing fleet with new locomotives. This was deemed to be the most cost effective solution (on a whole of life cost basis) compared to attempting to upgrade the existing fleet, assuming that is feasible given its age, lack of spare parts and the ongoing high maintenance cost. This decision was supported in the State Budget (Forward Estimates) with a funding commitment for this once in a generation investment.

Securing a contemporary and standardised locomotive fleet will substantially improve the reliability and efficiency of rail freight services and enable TasRail to offer customers reduced journey times and increased freight carrying capacity. It will also provide more flexibility in the way rail freight services are currently scheduled.

On 28th March 2011, TasRail went to the market to launch an Expressions of Interest (EOI) process designed to identify and confirm all of the options available in the current market, including the type of locomotives on offer and which suppliers are interested to work with TasRail. The EOI process closed on 5 May 2011 and a total of seven bids were received. All were from overseas manufacturers, predominantly China, the USA and Europe. Notably there was no offer from any bidder to manufacture in Australia.

TasRail subsequently completed a comprehensive evaluation of each of the proposals, and four short listed suppliers were later invited to participate in a Request for Tender process. At the time of writing this report, that process was continuing but the TasRail Board and Management Team remain confident that a decision will be made and an order placed early in 2012.

Procuring a narrow gauge locomotive fleet is not a simple task and there are significant factors to take into account. TasRail has sought expert advice and engaged an experienced consultant who understands the Tasmanian track geometry and track engineering. The new fleet will position TasRail well into the future, but undoubtedly it represents one of the most significant investments to be made by the Company. Appropriate due diligence and probity processes are in place.

LIVERY LAUNCH

October 5, 2010 marked the official launch of the TasRail livery and was seen as a tangible sign that TasRail was getting on with the job of rebuilding the rail freight business.

The new brand was proudly displayed on Locomotive 2001 - the first of the inherited locomotive fleet to be fully refurbished. Launched by the Premier of Tasmania, the Hon. Lara Giddings MP in her then capacity as Minister for Infrastructure, the livery was unveiled before a gathering of approximately 100 invited guests and TasRail employees.

Locomotive 2001 underwent a major overhaul, upgrade and refurbishment. The finished project took seven months to complete and it was developed as a prototype. Overhauls of Locomotives 2100 and 2010 as well as Driving Van 1 (DV1) were also completed during the year. Similarly, 11 of the 2000 Class Locomotives were upgraded, resulting in improved occupational health and safety, superior driver amenities, as well as enhanced levels of compatibility and service reliability. As at 30 June, the TasRail fleet boasted 5 locomotives in the TasRail livery.

Other modifications throughout the year have resulted in improved safety performance and operation including the fitting of handrails to 12 of the DQ Class Locomotives and the DV1 that has enhanced egress for crew safety. Two remote control units were also commissioned for cement train operation. This feature has enabled the service to be operated with a single man crew.

These upgrades have created employment for local contractors and stimulated economic activity through the purchase of various goods and services within the State.



Premier Lara Giddings (in her then capacity as Minister for Infrastructure) was pleased to experience the improved driver amenities inside refurbished Locomotive 2001.

MANAGING NETWORK ACCESS



TasRail provides full network access control through a Train Control Centre located at the East Tamar depot. The Train Control Centre is staffed 24 hours/7 days per week by highly skilled and experienced Train Controllers. Through the use of a Track Warrant Control System, the Train Control Centre is responsible for monitoring the network and ensuring Safe Working access for all authorised users across the entire rail network.

The current train control system is a non-automated type that requires considerable human interaction and compliance with rules. It uses paper-based procedures and work authorities that are transmitted to trains, track workers and equipment operators via a dedicated, open channel radio system.

The Train Controller portion of the TasRail Safe Working System is computer assisted, providing electronic generation of train control authority forms and Safe Working Rule monitoring, alerts and blocking of conflicts. Despite this and in common with other users of similar 'dark territory' Safe Working Systems, TasRail continues to experience an increased number of Safe Working Breaches due to human error, but exacerbated by a substantial increase in track maintenance and upgrade activities.

	2010/2011	2009/2010 (7 months)
Number of Safe Working breaches	36	17

Examples of Safe Working incidents vary from improper infrastructure worksite protection and premature or incorrect removal of worksite protection when personnel and equipment remain in the railway corridor. Other causes include Train Control yard limits not recorded correctly or not relayed to track users, and trains exceeding authority limits or passing signals at stop. To reduce such incidents, TasRail engaged the services of an experienced consultant specialising in Train Control and Railway National Codes of Practice. This consultant recommended a number of actions to address document control and worksite procedure deficiencies, for example, the practice of drawing or writing yard limit information on paper graphs was replaced with computer software. Other improvement initiatives implemented during the reporting period included the implementation of an on-line track safety awareness training course and the introduction of a computerised train control radio communications display and call database.

MODERN TRAIN CONTROL

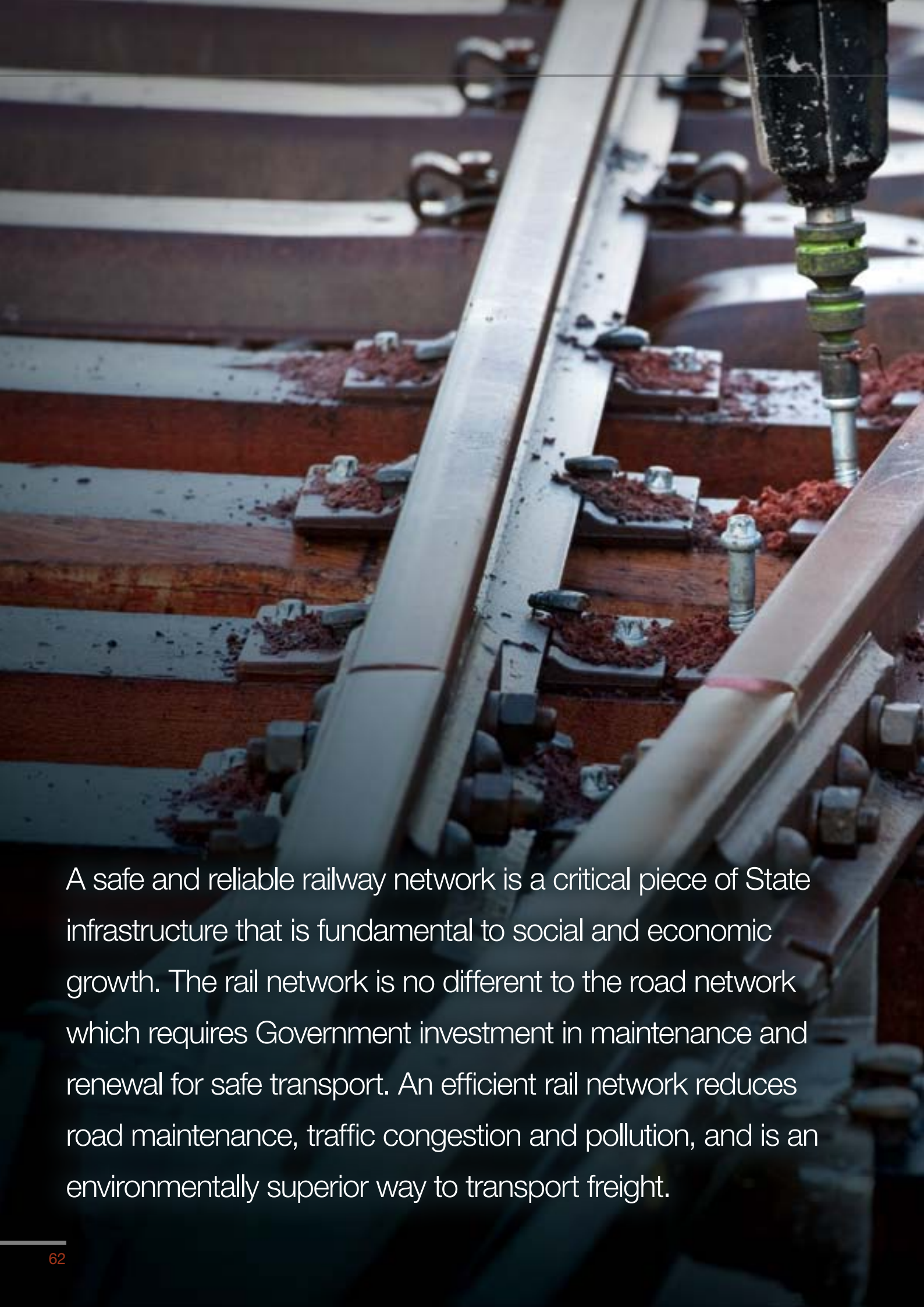
An estimated \$4.0 million has been allocated for the upgrade or replacement of TasRail's Train Control System over the next three years. A project has been established to precisely define the specifications of an appropriate modern train control system, and at a minimum it is likely to comprise:

- A core computer assisted vehicle authority system
- Augmentation of the core system using GPS technology
- Electronic delivery of authority and alarms to both train and track vehicles
- An integrated yard access authority



A new, modern train control system will reduce the reliance on the current administrative processes and reduce the likelihood of operator error. Other initiatives to reduce potential for Safe Working Breaches are also underway, including improved training and a campaign to increase awareness and understanding of Safe Working rules and procedures.





A safe and reliable railway network is a critical piece of State infrastructure that is fundamental to social and economic growth. The rail network is no different to the road network which requires Government investment in maintenance and renewal for safe transport. An efficient rail network reduces road maintenance, traffic congestion and pollution, and is an environmentally superior way to transport freight.

06 Our Network



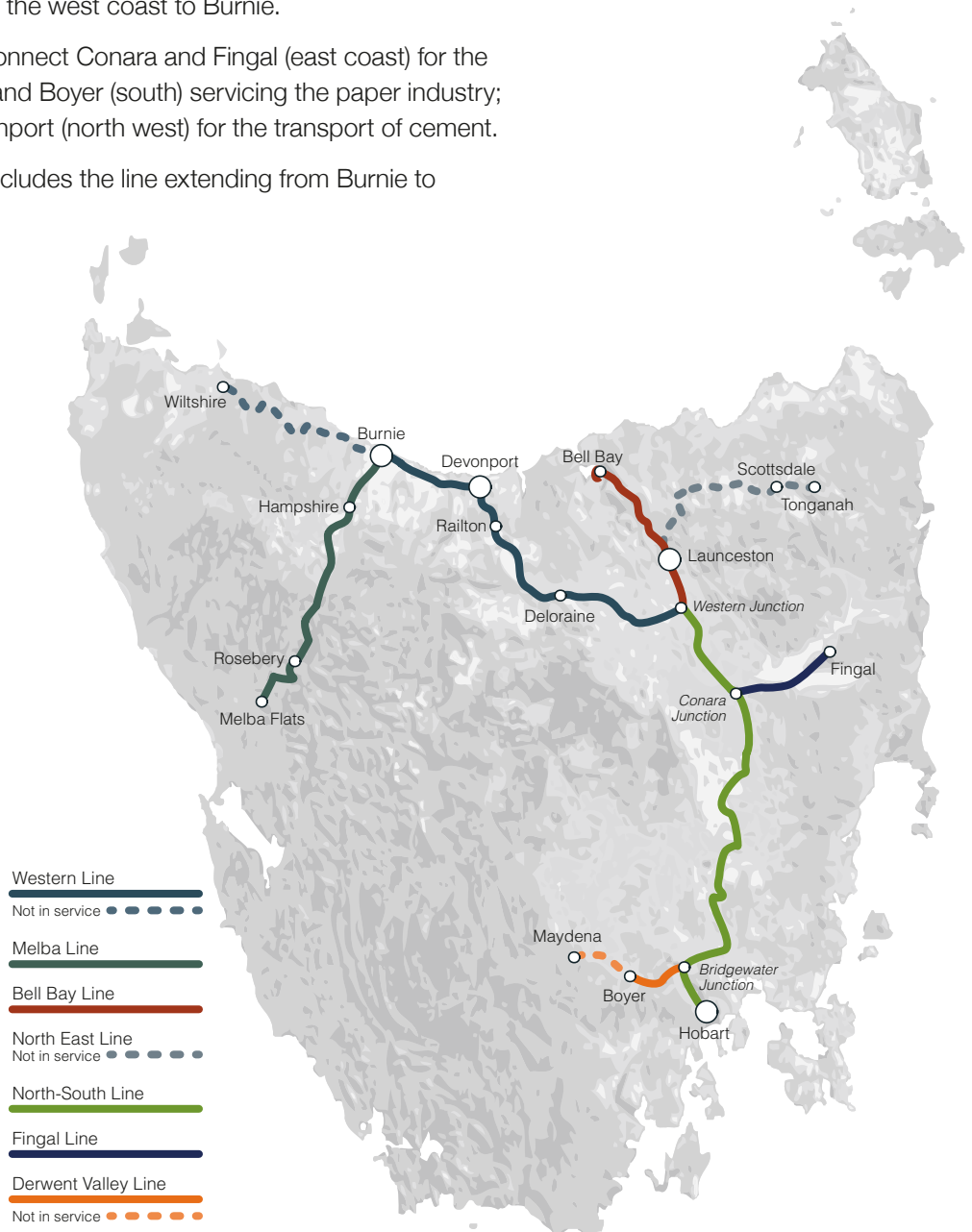
OUR NETWORK

Generally speaking, the Tasmanian Rail Network was built through some of the toughest terrain in the country. From the centre of Hobart to the startlingly deep gorges on the west coast, it presents a unique set of challenges.

The operational network extends from Hobart to Western Junction and then to the Port of Bell Bay in the north east and the Port of Burnie in the north west. The Melba Line connects the west coast to Burnie.

Operational railway lines also connect Conara and Fingal (east coast) for the transport of coal; Bridgewater and Boyer (south) servicing the paper industry; and between Railton and Devonport (north west) for the transport of cement.

The non-operational network includes the line extending from Burnie to Wiltshire, the line extending from Coldwater Creek Junction to Tonganah (the North East Line); the line extending from Boyer to Maydena; the Hellyer Spur Line which runs off the Melba Line and the line running from the Derwent Park Junction to the former siding at the Risdon Zinc Smelter (the Zinc Works Line).

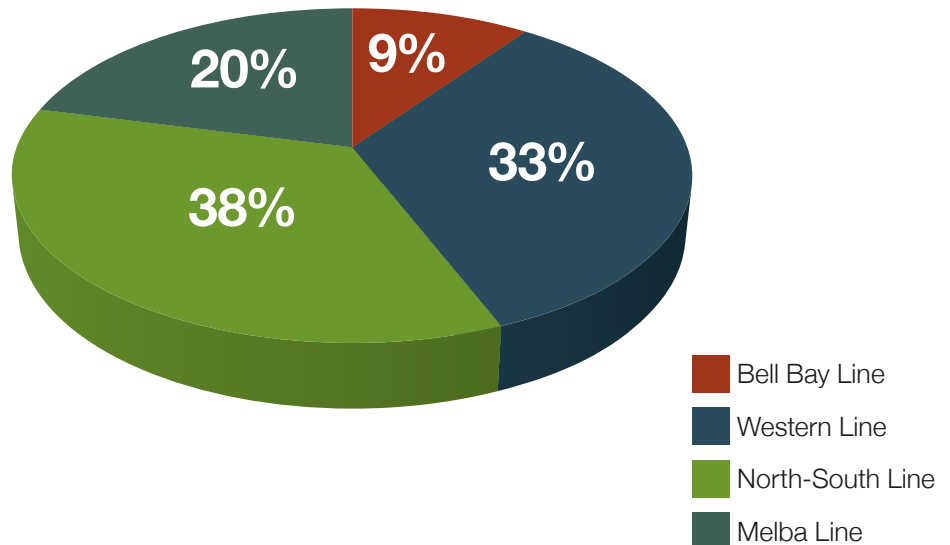


BELOW RAIL INVESTMENT

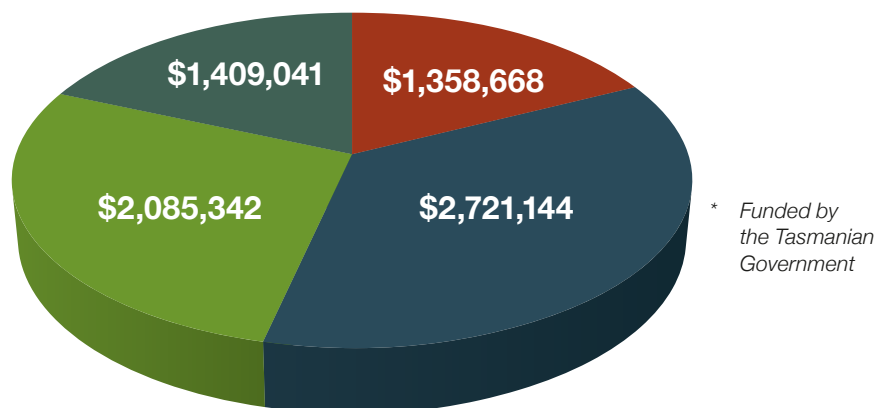
The railway network is characterised by tight radius curves down to 100 metre radius and steep, ruling gradients of up to 1 in 40. This, combined with a light track structure and poor access conditions make it difficult to maintain. The narrow gauge railway was built principally in the late 1800s, but the current railway line still uses much of the original formation and alignment. It runs on a narrow alignment that is prone to buckling. At the time of TasRail's establishment, much of the track was past its use-by date.

With funding support from the Australian and Tasmanian Governments, TasRail is progressively refurbishing the network and associated infrastructure after decades of neglect and underinvestment. This has required the prioritising of maintenance and renewal works to fit with available funding, but most importantly it has ensured that rail freight operations remain available in Tasmania.

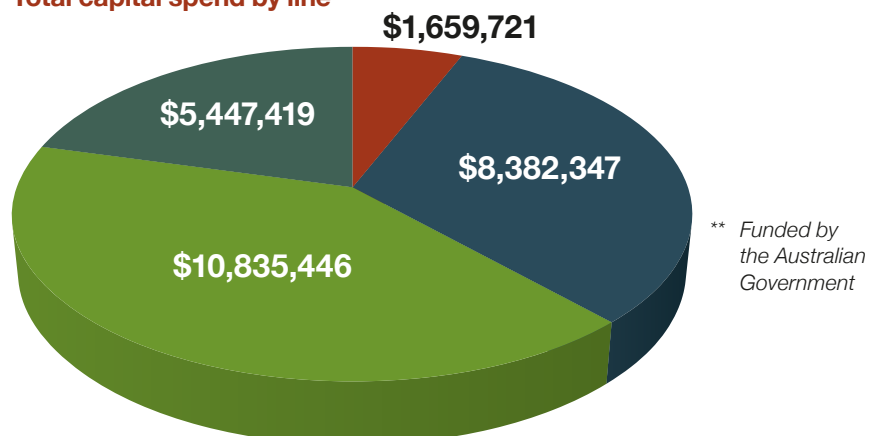
Total spend by line



Total maintenance spend by line*



Total capital spend by line**



NETWORK PERFORMANCE

In 2010-11 considerable progress was made to improve the operating condition, safety and integrity of the network and associated infrastructure.

Tamping machines are an essential tool for maintaining the track and reducing the requirement for Temporary Speed Restrictions (TSRs).

TasRail currently has two aged tamping machines, each of which has been in service for more than 20 years. In 2010-11 these machines were supplemented by a hired machine that is principally allocated to Capital Projects.

Replacement/augmentation of tamping capability is a priority for 2011-12.

Activity	2010/2011
Number of sleepers replaced	45,010
Metres of rail replaced	28,694
Number of bridge superstructures replaced	18
Number of bridge transoms replaced	2,653
Hours inspecting the track	6,987
Kilometres of track tamped	258.3
Metres of new drainage works	14,008
Tonnes of ballast replaced	36,238
Number of culverts repaired/replaced	45
Number of life-expired hi-rail vehicles replaced	17
Number of other life expired vehicles replaced	12



A Ballast Regulator at work at the Brighton Hub

The ability to repair and/or replace the underlying root cause of rail defects improved the reliability of train operations in 2010-11 and reduced the potential for mainline derailments. Although track condition was identified as a contributing factor in three of the five derailment investigation reports it was not the only root cause, as reported on page 34.

Importantly, in 2010-11 the number and severity of mainline train derailments reduced by 50 per cent compared to the seven months for 2009-10 and especially compared to performance in the years prior to TasRail's establishment.

In its first summer of operation in 2009-10 TasRail reported that the network was plagued by track buckles – a leading cause of service unreliability and derailments. Many of the heat buckles had occurred in areas where the track had been disturbed for sleeper replacement and re-railing work undertaken under the Rail Rescue Package. TasRail learned valuable lessons from this experience and in 2010-11, and with the assistance of a milder summer season, the total number of track buckles reduced to 31.



	2010/2011	2009/2010 (7 months)
Number of heat buckles	30	47
Number of broken rails*	35	14
Number of track welds	2,335	

* Note the 2009-10 result is for seven months only, commencing 1 December 2009. It does not include winter performance which is the peak season for broken rails to occur.

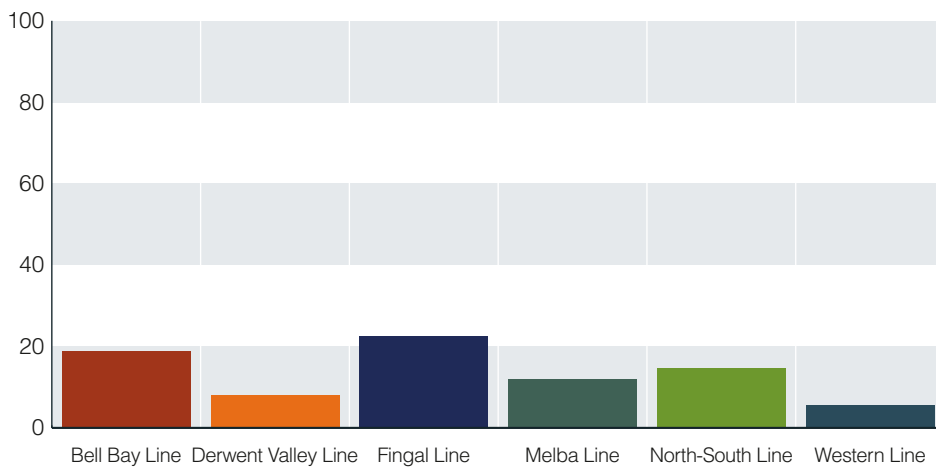
TSRs are a key performance indication and as such, their number and appropriateness is subject to regular review and audit. TSRs are primarily applied to minimise the risk of derailment due to track condition. As sections of the track are restored to comply with correct Engineering and Operating Standards, the TSRs are eased or removed.

The number of TSRs is trending downwards, but was impacted by severe weather events during the reporting period (see page 68). The capacity to respond has been constrained by the underlying poor formation, a legacy of the past, and by the availability of only limited tamping resources.

Maximum train speeds across the network are theoretically 70 kilometres per hour but are slowed down where required by the alignment and/or to mitigate condition induced safety risks. For example, a large number of TSRs were applied to the Fingal and North-South Line in June 2011 due to high rainfall events.

Throughout the year, TasRail worked to remove a lot of identified defective welds.

Percentage of the network with Temporary Speed Restrictions as at 30 June 2011



The re-training and re-accreditation of the Company's welding crews and the appointment of an Ultrasonic Weld Tester has largely eliminated the problem of new defective welds.

The number of broken rails reported in 2010-11 was within target, but higher than the number reported for the period of 1 December 2009 to 30 June 2010. The increase is explained by the fact that the previous reporting period of seven months did not include the winter, the season where typically, broken rails occur due to frost and ice and the sudden decrease in track temperatures.

Until recently, TasRail used a track geometry recording machine hired from Queensland Rail to annually record track geometry, curvature and cant. This is particularly useful for prioritising and programming maintenance and capital works and comparing overall condition of the track. TasRail is currently investigating the tender of a three monthly service that will enable TasRail to more accurately schedule tamping and other maintenance resources and to monitor improvements in track quality.



An Infrastructure gang worker completes electrical weld repairs to a V-Crossing at Devonport.

SEVERE WEATHER IMPACTS

During the 2010-11 Financial Year regions of the State experienced four separate flood events and periods of severe weather conditions. Overall, the track held up well, but not unscathed. Disruptions to train services were minimised, thanks to swift and responsive actions by TasRail's Infrastructure and Operations Divisions and the experience and dedication of track staff who worked tirelessly to repair damage and restore operations, often in difficult conditions.

In February 2011, severe weather and flooding caused damage to sections

of the railway network on the north west coast, delaying train services on the Western Line for nearly 48 hours. The most damage occurred in the Railton area where a large section of a rail bridge was washed away.

Early in June 2011, services on the North-South Line and the Fingal Line were disrupted as heavy rainfall inundated sections of the network. Several minor washaways occurred south of Tunbridge and a culvert collapsed with relatively minor damage south of Colebrook.

TSRs were imposed as a precaution and minor delays to rail freight services were unavoidable.

The financial impact of the infrastructure damage caused by these floods amounted to more than \$1 million of unbudgeted cost.



Heavy storms and flood waters during February intermittently damaged large sections of track over a 20 kilometre area to the east and west of Railton and between Deloraine and Devonport.

CASE STUDY

CULVERT REPLACEMENT



The replacement of a significant culvert on the Bell Bay Line was one of TasRail's single largest infrastructure operations during 2010-11.



In March 2011, a Track Superintendent identified an on-track anomaly in the formation of the Bell Bay Line during a routine 96 hour track inspection. Subsequent inspection by an engineering officer confirmed a partially collapsed 3200mm diameter culvert. The risk of the culvert's imminent failure presented a serious threat, and the emergency replacement of the culvert was arranged. The size and scale of the work represented a significant undertaking, with only a limited window for the track to be out of operation.

Culverts typically vary from 600mm to 3200mm in diameter, with some in excess of 20 metres long. They can range from depths of between one and 30 metres below track level. The existing culvert was made of corrugated steel 3200mm in diameter, 20 metres long and 20 metres below track level. TasRail replaced this with dual 2100 mm diameter Class 6 reinforced concrete pipe culverts, total length 24.4 metres. Each separate culvert weighed 7.5 tonnes. These were supplied by Launceston based Humes and were the largest of their type to be manufactured locally.

Site conditions required preliminary construction of an access road and extensive crane pad and the pipe size required the use of a 220 tonne mobile crane. In excess of 6,600 tonnes of material was imported to site.

Overall the job was completed safely and without incident. Total cost was \$800,000 and the track was re-opened after just six days.



Level Crossing Safety is an important issue that affects the whole community. The combination of inattention, poor decisions and reckless behaviour by some motorists make Level Crossing incidents TasRail's most significant risk exposure.

7 Our Community



LEVEL CROSSING SAFETY

Throughout the year, TasRail issued a number of public pleas calling on the community to be more alert for trains and more respectful of level crossing warning signs and signals. Despite this, train drivers continued to report an unprecedented number of Near Miss incidents whereby motorists ignored warning signs and signals and entered level crossings in the pathway of an oncoming train.

Tragically, two people lost their lives in separate level crossing collisions during 2010-11. The first fatality occurred in September 2010, when the young driver of a quad bike collided with a train at Spreyton, near Devonport. The second fatality occurred when a female pedestrian was struck by a train near Hobart in February 2011. In response to these distressing events, TasRail commissioned a statewide telephone survey to better understand motorist behaviour at railway level crossings. Some 600 Tasmanians were interviewed via telephone over two days in March, just a fortnight after the Hobart fatality. The survey was conducted by local independent market research company EMRS and administered using a structured questionnaire. This enabled the results to have quantitative significance and allows for behaviour tracking in subsequent surveys. The findings from the market research are being used to inform TasRail's level crossing safety strategy, and are available to view at www.tasrail.com.au

	2010/2011	2009/2010 (7 months)
Number of reported Near Miss incidents at railway level crossings	118	n/a
Number of level crossing vehicle collisions	7*	1
Number of level crossing pedestrian collisions	2*	Zero

* Includes fatality

“I want to level with you about level crossings.”

Stopping for a train may take a few minutes of your time, but consider what you could lose if you ignore warning signs, lights and signals?

Think about the devastating impact it could have on your life, your family and friends.

Think about the trauma suffered by the train driver.

Help us to provide a safe and responsible working environment for our employees and the community. Next time you approach a level crossing – **think twice about the risk, and always respect the warning signs, lights and signals.**

BE ALERT, STOP AND LIVE

TASRAIL
Our future on track

Trains cannot stop quickly. They weigh up to 1700 tonnes and can take more than a kilometre to stop. A collision with a moving train can cause death.

Lael Kilworth
Locomotive Driver

In August 2010, TasRail partnered with the Tasmanian Rail Safety Unit within the Department of Infrastructure, Energy and Resources for National Rail Safety Week. The partnership funded the statewide broadcast of radio and newspaper advertisements promoting level crossing safety. The campaign was supported by news media that reported on the trauma and anxiety that level crossing incidents caused to train drivers.

In March 2011 TasRail established a Level Crossing Safety Committee to focus on education and awareness, stronger enforcement and consideration of viable and innovative engineering solutions where they are available. Chaired by the TasRail CEO, Committee membership includes senior representatives of Tasmania Police, the Local Government Authority of Tasmania (LGAT), the Australasian Railway Association, the Department of Infrastructure, Energy and Resources and the Tasmanian Rail Safety Regulator. At its first meeting the Committee was privy to a presentation from the Chairman of Queensland Rail's Level Crossing Taskforce who shared some of the learnings and experiences from that State's efforts to improve level crossing safety through community participation and awareness. The presentation was insightful and it confirmed the work being undertaken by TasRail to develop a level crossing safety strategy was heading in the right direction.

TasRail had planned to launch a schools-based education programme during the reporting period but a shortage of train drivers resulted in the deferral of this initiative in the short to medium term. The campaign will be introduced as soon as resources allow, but feedback received from TasRail's participation in a Driver Awareness Week at Parklands High School demonstrates the value of involving our train drivers in such interactions.

Special thanks must be given to TasRail Train Driver, Grant Youd, for dedicating his time for this trial.

Parklands High School Student Feedback



"It was good to hear the other side of the story because when there is an accident you only hear about the car, not the train or the train driver."

"I found this really interesting. I didn't think trains could be so hard to drive, with all the things you have to look out for. I didn't realise how many accidents there were with trains, so it was really eye opening."

"The presentation was good and relevant. We were told things that we will need to know when we are on the road and could all take something away from the presentation."

"This was the best thing in the week because it was so good to know that there is so much going on about train safety. It was really good to know what people actually do at a train crossing."

Parklands High School Staff Feedback

"The opening line of the speaker was extremely powerful because... we knew immediately that we were going to hear about the reality and the aftermath of the effect on real people when accidents occur. A connection was formed between the speaker and the audience and this lasted for the entire talk."

LEVEL CROSSING ENHANCEMENTS

A project to upgrade warning lights and signals at each of the State's Active Level Crossings commenced in May 2011.

A project team, supported by UTS Rail, is progressively working its way around the State, replacing incandescent warning lights with industry standard LED lights to improve visibility. LED lights have 40 to 50 per cent better luminosity than the older, incandescent signalling lights in all operating conditions, providing a superior warning to motorists and pedestrians.

New electronic warning bells are being installed in compliance with Australian Standards to ensure clear, concise, audible warnings are consistent and maintenance requirements nullified. The electronic bells are more audible than the mechanical bells and use 30 per cent less current. Radio monitoring equipment is also being installed to ensure TasRail has a line of communication with each Active Level Crossing. This will improve TasRail's ability to monitor and respond to faults in a timely manner.

The total cost of the project is \$3.9 million, funded by the Australian Government's Nation Building Stimulus Plan. The works are expected to take up to six months to complete.

Prior to commencing the project TasRail consulted widely about the project, including contact with each of the relevant local Councils and community advertisements in regional newspapers.

The project represents a significant undertaking, particularly given the number and location of railway level crossings across the State, many of which are continuously accessed by the general community. The end result is expected to deliver significant improvements in the integrity of the level crossing protection, allowing for safer passage for road and rail traffic.

Activity	2010/2011
Number of Active Level Crossings upgraded	124
Number of Level Crossing road/rail surface upgrades	41
Number of Level Crossings upgraded from Passive to Active status	2



TRESPASS AND VANDALISM

The number and frequency of trespass and vandalism incidents reported in 2010-11 continues to be a concern. There appears to be a lack of understanding by many in the community that the railway corridor is private property and an incredibly dangerous place to be without appropriate authorisation and protection. Train drivers constantly report members of the public traversing the corridor and treating it as a public thoroughfare.

New signage is progressively being installed in high risk areas, warning that entry is prohibited without appropriate authorisation and controls, and a community education and awareness initiative is under development.

During 2010-11 TasRail pursued trespass charges against a number of people, including a male tourist caught riding a freight train on the North West Coast in February 2010.

	2010/2011	2009/2010 (7 months)
Number of reported incidents of vandalism	47	14
Number of reported trespass incidents	54	21



In January 2011, TasRail was alerted by Police that a ten year old autistic boy had gone missing in the Deloraine area. It was known that young Oscar had a love of trains and there were concerns that he had wandered off onto the railway tracks in search of trains. TasRail's Train Control promptly ceased all train movements in the region, and a number of TasRail employees joined in the search for Oscar.

The story had a happy ending, with Police finding him safe and well a short time later. Given his fascination with trains, TasRail was concerned that Oscar may again venture near the railway tracks and contacted his mother with an offer to let him pick out some of his favourite train photographs. It was hoped that having his own special train pictures to look at would satisfy Oscar's curiosity and encourage him to stay

away from the railway line. A specially framed print was later presented to Oscar in front of his teacher and classmates at the Giant Steps School by one of TasRail's Train Controllers, Dale Walker. Whilst at the school, Dale talked to the students about the dangers of entering the rail corridor and presented them with posters about railway safety.



*Dale Walker (Train Controller),
with Oscar Campbell*

TOURIST AND HERITAGE RAIL

TasRail acknowledges there is significant community interest and support for tourist and heritage rail.

Under TasRail's stewardship, a roundtable process for formal and regular consultation with tourist and heritage rail operators was established in October 2010. Participants include the Don River Railway, the Derwent Valley Railway, the Tasmanian Transport Museum; representatives from the Rail Safety Unit and the Tasmanian Department of Tourism. The initiative was well received and it demonstrated TasRail's commitment to developing open and co-operative relationships with the State's tourist and heritage rail operators. It was also the first time in many years that tourist and heritage rail operators had been given the opportunity to enter into a regular dialogue with the operator of the Tasmanian Railway Network.

A priority is to explore and determine the practical and legal implications of allowing tourist and heritage operations access to the network. This must be able to be achieved without compromise to the safety and integrity of TasRail's assets and commercial operations. At the second roundtable in December 2010, the forum confirmed three current barriers to mainline access:

- The cost of public liability insurance for the operators seeking to use the railway network
- The absence of a Network Access Agreement which would set out the technical, commercial and legal terms and conditions of access to be met by tourist and heritage operators
- The individual operators securing the appropriate Accreditation from the Rail Safety Regulator to operate on the network

With the agreement of roundtable participants, TasRail is leading a project to research the various public liability insurance models applied in other jurisdictions, and to work with tourist and heritage operators to identify which parts of the network are of interest to them in the short to medium term, as well as the type and frequency of services proposed.

It must be acknowledged that there are complex and substantive risks associated with passenger rail services, over and above the cost of public liability insurance. These include but are not limited to the current condition of the track, the disadvantages arising from single line access for all railway traffic, the absence of a modern train control system and issues of legal and commercial liability.

TasRail remains committed to an open and consultative process with tourist and heritage operators to progress these investigations, and the Company will continue to resource this project over the coming months.



**Derwent Valley Railway
Preservation Society**



Government ownership of rail provides a very real opportunity for TasRail to be an enabler for business and industry development, on a commercial and sustainable basis.

“Rail, as a leading and integral player in the logistics industry, is now increasing market share and is increasing capacity and network capability to deliver further substantial growth in volumes....”

*Quote from the Hon. David O'Byrne MP
Minister for Infrastructure, Energy and Resources
Regional Ports Conference - Launceston*



08 Our Future

OUR FUTURE

A safe, reliable and efficient rail freight network that integrates its operations with ports, road transport terminals and large industries is a prerequisite for the continued development and growth of the Tasmanian economy.

Tasmania's rail network already carries more than 2.5 million tonnes of freight. Even with its current constraints, some industries would have difficulties continuing without a functioning rail network. TasRail is progressively moving into a position to offer far improved levels of customer service and productivity and is actively pursuing business development opportunities.

During 2010-11 TasRail commenced the development of a marketing strategy that includes initiatives for growing market share and identifying opportunities for increased, consistent volumes across the network.

The Company is working closely with the Tasmanian minerals sector to determine how mining freight that is currently carried by road can be transferred by rail, and also to identify new and/or expanded opportunities for transporting bulk commodities as a result of potential expansion of mining activity. An example of the improved working relationship with this important industry sector is TasRail's involvement in the Western Tasmanian Industry Corridor Study - an initiative of the Tasmanian Minerals Council and the Tasmanian Government. It is administered by a steering committee and a working group that includes TasRail. Its purpose is to better understand the needs and requirements of mining and other industry in Western Tasmania for transport and related infrastructure over the next 20 years.

TasRail seeks to be innovative about the type services it offers and to step more broadly into total transport logistics by becoming more involved in loading and unloading and other activities of the supply chain where this would add value to our customers. During the reporting period, TasRail's engagement with the forest sector has identified a number of potential opportunities, and work to develop the trial transportation of logs from the north and south of the State is currently underway.

The Department of Infrastructure, Energy and Resources (DIER), in its paper "Objectives and Priorities for Action 2010-11 to 2013-14" forecasts Tasmania's land freight task to increase at a rate of 1.8 per cent per annum. This expected growth, combined with rising fuel prices and a greater focus on greenhouse gas abatement, positions TasRail to capitalise on the advantages that rail freight offers the transport sector.

CASE STUDY

BRIGHTON TRANSPORT HUB

Co-ordinated intermodal transport is fundamental to improving the efficiency of freight transport in Tasmania. The Tasmanian Government, through the Department of Infrastructure, Energy and Resources (DIER) is constructing an intermodal Transport Hub at Brighton, north of Hobart. The project has been under development since 2007. The physical construction is yet to be completed but many elements including the hardstand and associated rail tracks, together with locomotive servicing and refueling facilities were substantially completed by the end of the financial year.

Over the past 12 months TasRail has worked with DIER to identify, understand and assess the potential implications and opportunities afforded by the Hub to the freight rail business in Tasmania. TasRail operates in a very competitive environment, with most freight transport services highly contestable by the road transport industry. The development of the Brighton Transport Hub represents a substantial opportunity to change the way in which intermodal freight is moved between the north and south of the State and it is appropriate that TasRail play a leading role in that change.

TasRail was requested to assume ultimate management and operational responsibility for both the hardstand and the warehouse zones. In June 2011, the Minister for Infrastructure appointed TasRail as the Operator of the Brighton Transport Hub and appropriate lease documentation facilitating these roles is in place on terms and conditions acceptable to the TasRail Board. Detailed negotiations in relation to third party utilisation of both the hardstand and the adjacent warehouse land are ongoing.

The operation of the Hub is consistent with the Company's objective to be a leader in Tasmania's freight logistics industry. The design of the rail terminal will facilitate longer trains with reduced shunting, and a more efficient interface with customers and this is consistent with TasRail's objective to increase intermodal volumes and achieve a reliable 24 hour turnaround time. This will increase the utilisation of operating equipment and attract more freight to rail. The location of the Hub will reduce rail transit times between Hobart and the northern ports with the intention of making north bound rail freight available to service shipping schedules, particularly same day sailings across Bass Strait.

*The Brighton Transport Hub
is expected to open in the
second half of 2012*





PERFORMANCE SUMMARY

Activity/Measure	2010/2011
Number of direct employees (Full Time Equivalent)*	210
Percentage of direct workforce as labour hire employees*	4
Number of contractors (Full Time Equivalent)*	119
Number of Lost Time Injuries (LTI)	5
Number of Medical Treatments (MTI)	8
Lost Time Injury Frequency Rate (LTIFR)	9.5
All Injury Frequency Rate (AIFR)	101.2
Number of environmental breaches	Zero
Total tonnes of CO ² equivalent emissions (as reported to the National Office of Greenhouse and Energy)	19,188
Number of sleepers replaced	45,010
Metres of rail replaced	28,694
Number of bridge superstructures replaced	18
Number of bridge transoms replaced	2,653
Hours inspecting the track	6,987
Kilometres of track tamped	258.3
Metres of new drainage works	14,008
Number of heat buckles	31
Number of broken rails	35
Number of track welds	2,335
Number of Mainline derailments	5
Number of Yard derailments	12
Number of Active Level Crossings signals upgraded	124
Number of Level Crossings upgraded (road/rail surface)	41
Number of Level Crossings upgraded from Passive to Active status	2
Number of reported Level Crossing near miss incidents	118
Number of Level Crossing vehicle collisions	7
Number of Level Crossing pedestrian collisions	2
Number of culverts repaired/replaced	45
Tonnes of ballast replaced	36,238
Number of life expired hi-rail vehicles replaced	17
Number of other vehicles replaced	12
Tonnes of Intermodal freight transported	872,667
Tonnes of bulk commodities transported	1,511,862
Shiploading tonnes	450,462

* As at 30 June 2011

GLOSSARY

FTE	Full Time Equivalent
LTJ	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
AIFR	All Injury Frequency Rate
MTI	Medical Treatment Injury
TSR	Temporary Speed Restriction
Active Level Crossing	A railway level crossing protected by warning signals and signs
Passive Level Crossing	A railway crossing protected by signs
Advance Warning System	A technically advanced in-road warning system, synchronised with the railway level crossing to give motorists early warning that a train is approaching
Train Control	Staffed 24/7 by highly skilled and experienced Train Controllers, Train Control is responsible for monitoring the network and ensuring Safe Working access for all authorised users across the entire rail network. It is staffed on a 24/7 basis by highly skilled and experienced Train Controllers
ARTC	Australian Rail Track Corporation. A National body established in 1997 by Commonwealth and State Governments
Bulk Commodity	Non-containerised bulk products including coal and minerals
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CO ²	Carbon dioxide
CO ² -e	Carbon dioxide equivalent
GHG	Greenhouse Gas
EA	Enterprise Agreement

EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FEU	Intermodal container that is 12.2 metres long (forty foot equivalent unit)
Intermodal Containers	Standardised re-usable steel box used for the movement of materials and products. "Intermodal" implies that the container can be moved from one mode of transport to another without unloading and reloading. lengths, heights and types of containers may vary but are generally 6.1 metres long and commonly referred to as TEU
Intermodal Train	Wagons set-up with twist locks or pockets to haul a combination of TEU or FEU Intermodal containers
LGAT	Local Government Authority of Tasmania
MOU	Memorandum of Understanding
Network	Tasmania's rail system including all operational and non-operational railway lines, shunt yards, bulk storage and shiploading facilities and other infrastructure including level crossings, bridges and tunnels
Rollingstock	Locomotives and wagons
SOC	State-owned Company
TEU	Tonnes equivalent unit
Zero Harm	Aspirational goal to eliminate health, safety and environmental incidents and workplace injuries