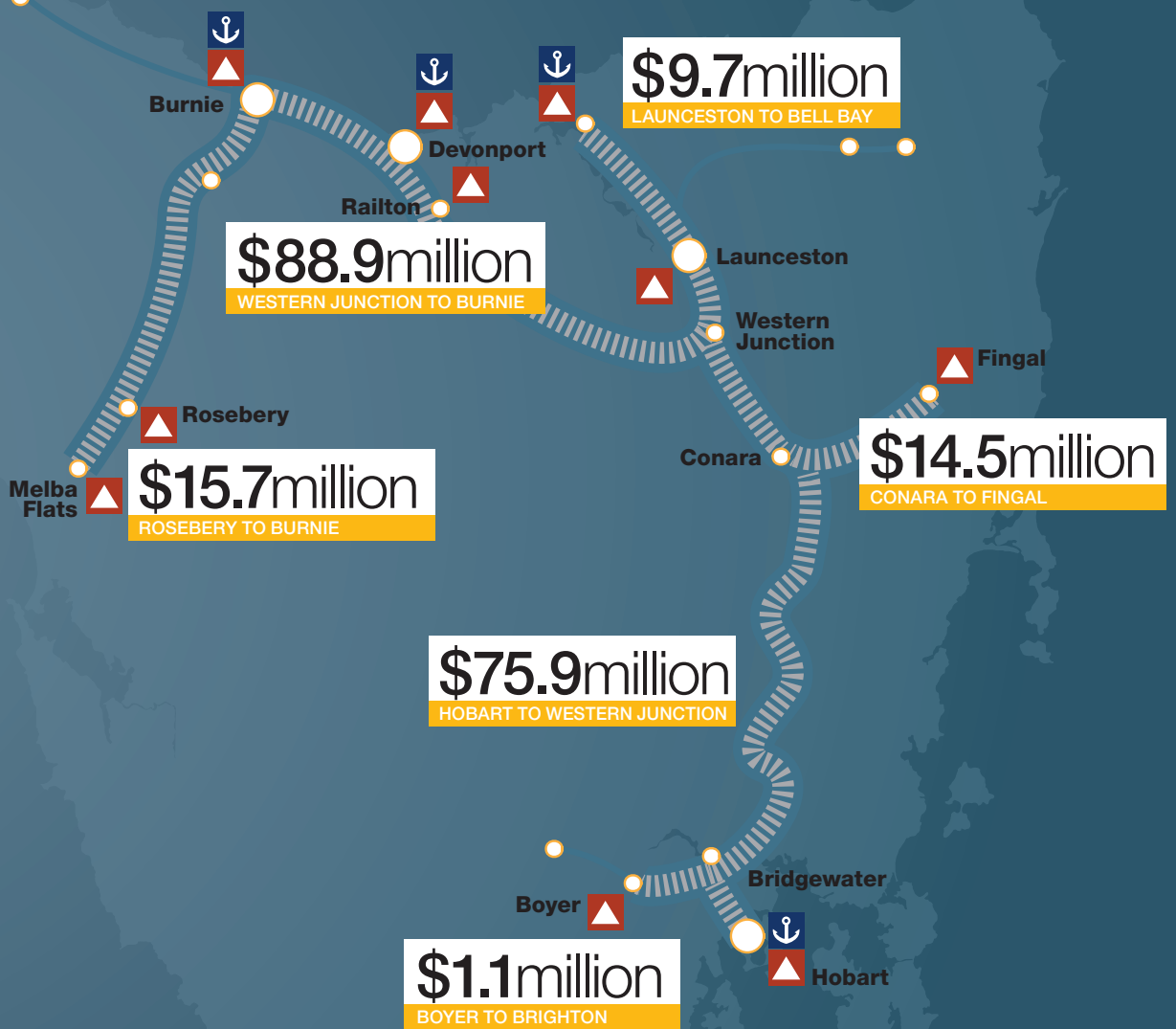


Revitalising Rail

- Building an effective, efficient and sustainable rail freight service for Tasmania
- Facilitating regional economic development
- Supporting Tasmanian business and industry
- Creating jobs, showcasing local skills
- A key component of Tasmania's integrated infrastructure strategy



LEGEND

- Rail Recovery expenditure to 30 June 2014
- Rail Loading Points
- Ports

Australian Government **Nation Building Program**

For over a century, Rail has consistently underpinned Tasmania's economic and industrial development. Think Tasmania's iconic industries – West Coast Minerals, East Coast Coal, Zinc and Paper from the South, Forest Logs and North West Cement. Each is a vital industry for the State, sustaining regional employment and prosperity. All are dependent on Rail as a critical transport link to connecting with local, national and global markets.



Under a succession of owners, the rail network had been allowed to badly deteriorate to the point where it was no longer able to provide a reliable, safe or competitive service. Consequently, many customers sought alternative transport where possible, and Rail suffered an exponential fall in its share of the Tasmanian freight task – from over 21 per cent in 2003 to just over 12 per cent by 2009.

Much has changed in just three years since TasRail was established. With funding commitments by the Tasmanian and Australian Governments, the most safety critical capital and maintenance needs have been addressed. TasRail has stopped the decline; achieving a strong turnaround in performance, restoring customer confidence and exploring a number of new business opportunities. But more needs to be done.

By completion of the current capital works program in June 2014, TasRail expects freight volumes to have increased significantly compared to 2009 levels. These results will be underpinned by improvements to track condition, the commissioning of new locomotives and wagons and the startup of operations at the Brighton Transport Hub. Sustaining these results is contingent on securing access to Commonwealth Funding beyond 2014 to enable TasRail to finish the job of bringing the track and network infrastructure back up to a modern day standard. In that way, Rail can take back its rightful place as a safe, efficient and sustainable freight solution. And it can continue to support Tasmania's keystone industries long into the future.



Milestones

Source of Funds	TasRail Total Capital Improvement Activity 1 December 2009 to 30 June 2012	Quantity
Australian Government 	Number of new sleepers replaced	293,481
	Metres of rail replaced	51,690
	Number of welds completed	5,006
	Tonnes of ballast replaced	61,991
	Number of bridges upgraded or replaced	38
	Number of bridge transoms replaced	5,069
	Number of level crossing equipment upgrades	124
	Number of creep monuments	2,032
Tasmanian Government 	Number of new locomotives ordered	17
	Number of new wagons ordered	191
	Number of new hi-rail vehicles in service	17
	Number of second-hand locomotives purchased	4
	Number of locomotives upgraded/refurbished	22

Annual Results

A review of TasRail's Annual results over the three years since it was established on 1 December 2009 shows steady improvement.

Loss from Continuous Operations (Before Tax):

2009/2010 (7 Months Only) Loss of \$10.1 million

2010/2011 Loss of \$4.6 million

2011/2012 Loss of \$4.3 million 6.5 per cent improvement over 2010/11

Impairment Losses

For 2011/2012 TasRail's Reported Comprehensive Loss was \$36.3 million after impairment expense of \$31.7 million. **Impairment Losses are not cash losses, but the direct result of the accounting treatment of Australian Government funding for the Below Rail business.** An Impairment Loss is recognised where the carrying amount of an asset exceeds its estimated recoverable amount. As these assets do not provide a return now or into the foreseeable future, and the assets are not able to be sold (have a notional residual value), the assets are subsequently impaired to Nil value. This creates an Impairment Charge to the Profit and Loss, generating a Loss which is then offset against equity. In other words, the more funding received for Below Rail Capital, the higher the Impairment Expense will be.

Market Share

TasRail's customer base can be grouped into two very discrete industry segments – Bulk and Intermodal. Each segment has very different service requirements.

The Bulk segment can best be described as 'haulage and storage services' but TasRail is seeking to change this by extending further into the supply chain wherever possible, with the aim of providing a full 'Pit to Port' logistics solution. TasRail already provides this type of fully integrated solution for a number of its existing customers and will further develop this approach for new business opportunities.

Bulk Commodity	Customer	Employment	TasRail Service Offering
West Coast Mineral Concentrates	MMG Rosebery currently rails approximately 200,000 tonnes annually	259 direct employees 232 contractors	Primrose to Burnie, Bulk Storage and Ship loading services
West Coast Mineral Concentrates	Copper Mines Tasmania currently rails approximately 100,00 tonnes annually	300 direct employees 100 contractors	Queenstown to Primrose by road, then rail to Burnie, Bulk Storage and Ship loading services
Cement	Cement Australia at Railton currently rails in excess of one million tonnes annually mainly for domestic markets	139 total workforce	Remote control loading of product, rail to Devonport and bulk discharge to silos
Coal	Cornwall Coal Fingal Valley (with an additional mine in Southern Tasmania) currently rails in excess of 140,000 tonnes of washed coal each year.	70 total workforce	Bulk haulage

FAST FACTS

115 Weekly Train Services
 2.34 million Annual Freight tonnes
 1,534,996 Annual Bulk tonnes
 812,109 Annual Intermodal tonnes
 574,251 Annual Ship Loader tonnes
 \$26.9 million Annual Freight Revenue

TasRail's strategy for the Intermodal business segment is to create close and value-adding relationships, designed to enable customers to benefit from TasRail's terminal and line-haul efficiencies. This will enable customers to exploit rail's natural advantages.

INTERMODAL FREIGHT	CUSTOMER	EMPLOYMENT
Paper	SMART Logistics for Norske Skog. Current production is 230,000 tonnes per annum equivalent to some 40 per cent of Australian consumption. Rail currently freights approximately 360,000 tonnes per year including raw materials and finished products.	355+ Total workforce
Zinc	TOLL for Nyrstar. Annual production is around 279,000 tonnes of zinc for export markets. Rail volumes vary.	600+ Total workforce
Various containerised freight	A range of freight forwarding companies including Toll, SeaRoad, ANL, Monsons and others.	

ABOVE
BELOW

1 ship loader
374 wagons
36 locomotives
6 freight terminals
2 bulk handling facilities
140+ train services every week

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



Customer Focus

There is a growing demand for rail freight transport within Tasmania, particularly as business and industry gain a better understanding of the role and opportunities that an efficient and customer responsive network of rail services can offer in a carbon constrained environment.

The early accomplishments of TasRail have already translated into a return of customer confidence and an increased capability to grow our share of the land transport market.

With enhanced business development experience, proactive engagement and a commitment to continuous improvement, TasRail is confident that with the impending arrival of new rollingstock and an improving track condition, the business can deliver further reliability, efficiency and capacity gains in line with growing customer expectations. Add to this TasRail's relocation to the Brighton Transport Hub, the redevelopment of the Burnie Rail yard, the start-up of new services between Launceston and Hobart and Launceston and Burnie, and a number of potential new business opportunities – and everything is pointing to a rail resurgence. Rail has a very bright future in Tasmania.

The value of Rail = a road less travelled

Based on a medium outlook for State Freight Demand and the economy, a fit-for-purpose rail system in Tasmania will generate direct and indirect economic benefits. These can be defined as:

- Direct freight cost savings (which will flow through both businesses and consumers in Tasmania and its Australian and overseas markets)
- Safer roads and avoided road trauma costs associated with increased road congestion and accidents involving heavy road vehicles
- Reduced road maintenance and upgrade costs
- Reduced environmental costs including avoided greenhouse gas emissions, greater fuel efficiencies, lower pollution costs and inherent health impacts

At present, road operating costs are around 40 per cent higher than rail. Conversely, rail fuel and carbon costs are around 58 per cent of those for road, even though road is currently exempt from carbon pricing. With fuel and carbon costs both expected to rise through time, the relative cost advantage of rail improves even further. In short, rail freight is less vulnerable to expected increases in fuel and carbon prices, meaning that rail users will be more sheltered from these cost increases than road freight users.

Conversely, the State would suffer an economic loss if the rail system were to close. The strategic and economic value of rail in Tasmania is also illustrated by the additional freight costs that would be faced by major new customers if the rail option were not available to them. This is particularly the case for a number of new business opportunities currently awaiting environmental approvals. It is not clear whether these projects would be viable without the competitive advantage offered by rail.



FAST FACTS

260 Total Direct Employees

900+ Tasmanian Suppliers

\$900+ million Purchasing local goods and services



A Sustainable Transport Solution

According to the Bureau of Infrastructure, Transport and Regional Economics, heavy road vehicles produce 11,382g of carbon dioxide per tonne for every one hundred kilometres travelled. This compares to 1,661g for rail.

TasRail conservatively estimates that in the past two years, the freight it transported by rail resulted in a net environmental saving of more than 90,000 tonnes of CO2 equivalent emissions, compared to the emissions that would have resulted had this freight been carried by road. This freight task has effectively removed the equivalent of 100,000 B-Double truck movements from State roads each year.

As Australia places greater value on reducing carbon emissions, rail will become increasingly relevant as a sustainable transport solution for the future. Tasmania has already committed to reducing greenhouse gas emissions to at least 60 per cent below 1990 levels by 2050. It has identified the Transport sector as one of the eight priority action areas for Climate Change action.

TasRail stands ready to take up this challenge and expects that the considerable environmental benefits of rail will ultimately translate into a modal shift from road, assuming appropriate levels of service and reliability are maintained.





Future Funding

The Vision: To be a world class, vertically integrated, short haul freight railway.

The Strategy: To bring together all of the elements of TasRail's new assets, operational performance and change programs to ensure that the business, its customers and the State realise the full value and benefits from investment in Rail Recovery.

The Challenge: Is to become the freight transport supplier of choice for Intermodal and Bulk Freight transport markets in Tasmania, and to be considered as a highly valued partner in customer supply chains.

The Outcome: Is to grow freight volumes by providing superior levels of services and competitive freight rates for customers, whilst improving efficiencies, results and returns.

The Australian and Tasmanian Governments recognise the critical, strategic importance of providing continued and high quality rail operations in Tasmania. Both Governments also recognise that much like the road network, the Below Rail business has only limited revenue and therefore requires ongoing funding to sustain appropriate maintenance standards.

Since 2005, the Australian Government has committed Nation Building Funding totalling \$205 million for the Below Rail business. This has enabled TasRail to address the most urgent and safety critical defects, and to achieve considerable improvement in network condition, safety and reliability. By 30 June 2014, TasRail will have completed the replacement and/or refurbishment of the Blythe, Leven, Don and Forth River Rail Bridges and the insertion of some 100,000 concrete sleepers on the tightest curves across the South and Western Rail Lines.

Equally, the Tasmanian Government has committed \$140 million over seven years for ongoing maintenance of the Below Rail business as well as much needed capital investment for the replacement of life expired and obsolete Above Rail assets.

The combination of this investment has contributed to a strong turnaround in performance but with all of this funding now either invested or allocated, it is imperative that TasRail looks beyond the term of the existing funding arrangements to ensure that there is not a return to the problems created by past years of under investment.

TasRail is seeking \$240 million of Nation Building II funding over five years to complete the Tasmanian Rail Revitalisation Program. This will enable TasRail to secure both the safety and reliability of the network for the long term and to realise in full, the efficiency and competitiveness of rail freight operations. It will see concrete sleepers installed across some 70 per cent of the North-South line, the re-railing of a majority of the network using second hand rail (at a considerable discount compared to the cost of new rail), bridge strengthening and rectification of major formation and drainage issues across the network. Should TasRail be successful in its funding submission, Rail can look forward to reduced annual track maintenance costs and a performance on par with its comparable interstate counterparts. Critically, rail will continue to support the largest employers in Tasmania and be an enabler of new major projects in the state. Importantly, this would prevent Tasmania's rail system from returning to the problems of the past.

"The whole approach tells me the lights have come on in Tasmania. It is exciting to see the approach you have brought to bear."

Michael Deegan - National Infrastructure Coordinator, Infrastructure Australia to Philip Clark, AM - Chairman, Tasmanian Infrastructure Advisory Council on receiving Tasmania's funding submission.