

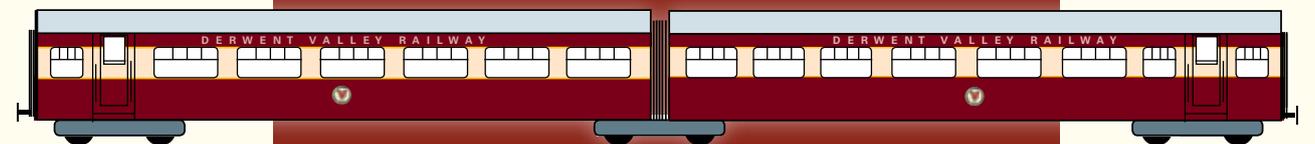


DERWENT VALLEY RAILWAY INC

Getting back on track

BUSINESS PLAN

Prepared By:
The Board of the
Derwent Valley Railway Inc.
Station Street, New Norfolk



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28 MAY 2015



DERWENT VALLEY RAILWAY

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1.0 Executive Summary

The Derwent Valley Railway Inc. (DVR) was established in 1990 with the aim of preserving the Derwent Valley railway line and creating heritage tourist rail excursions on that line.

The railway line, from Boyer to National Park, links many existing tourism operators in the Derwent Valley.

The re-establishment of the railway will enable larger numbers of visitors to be transported through the valley to experience these activities.

The Derwent Valley is currently one of the more economically disadvantaged regions in Tasmania. The increase in business activity generated by the DVR during re-establishment of rail services, and the subsequent increase in visitor numbers, will provide a significant boost to the amount of money spent in the area. The railway operations will also provide opportunities for increased employment in the region, both by the DVR and flow-on jobs in other aspects of tourism.

The DVR has adopted a staged approach to re-establishing itself as a prime tourist rail operator in Tasmania. The plan is structured so that each stage builds on the successful completion and operation of the previous phase.

There are five main stages to the plan:

Stage 1: New Norfolk to Hayes

Stage 2: Hayes to Plenty

Stage 3: Plenty to Westerway

Stage 4: Westerway to National Park

Stage 5: New Norfolk to Boyer

The railway track is generally intact, but requires upgrading to meet the required accredited standard for passenger rail operations.

The locomotives and carriages owned by the DVR also require varying degrees of maintenance, refurbishment and modernisation to ensure the tourist experience is safe and comfortable as well as authentic.

The expected total cost to re-instate the railway line and rolling stock over a ten year period is \$1,632,000. Of this amount, it is anticipated that a capital injection will be required of \$1,178,450 from sources external to the DVR.

To reduce the time frame from the 10 year plan to four years would require the employment of five track workers at an estimated cost of \$290,000 per annum. (ie, total cost of \$2,792,450, with \$2,338,450 from external sources.)

Approximately half this amount will be required in the first year to enable sufficient rebuilt railway line and rolling stock to be available for Stage One operations to commence and for the up-front cost of public liability insurance.

The balance of funding throughout the project will be generated by the carriage of visitors on the earlier stages of the plan.

We have ten nationally accredited Rail Infrastructure personnel, however we would require steel sleepers via Tasrail and stone ballast from local sources to be secured in the short term and a lease or licence to operate.

*“With a licence to operate,
DVR can commence
track restoration immediately.
This is a shovel ready project”*

1. Business Summary

1.1 Business Overview

Derwent Valley Railway (DVR) has been in operation since 1990 and has previously run very successful rail tourism journeys in the Derwent Valley, to Ross and further afield on the Main Line.

In 2006, DVR was forced to cease these operations due to Pacific National withdrawing access to the track for all but its own rail freight service.

The DVR has adopted a staged approach to re-establishing itself as a prime tourist rail operator in Tasmania. Each phase of this plan builds on the successful completion and operation of the previous phase.

During its period of hiatus, the DVR has concentrated on:

- ◆ Rebuilding and restoring its locomotives and passenger carriages
- ◆ Increasing, rebuilding and maintaining its track maintenance rolling stock
- ◆ Expanding its training capacity
- ◆ Ensuring its financial viability
- ◆ Undertaking discussions with TasRail, the Office of the National Rail Safety Regulator and other parties to ensure that DVR is well placed to return to the line
- ◆ Reorganising its internal structure to ensure that it has the capability to run a successful tourist rail operation
- ◆ Re-invigorating the board to present a modern outcomes-driven and skill-based board of management

- ◆ Creating partnerships within the community and business in the area, and
- ◆ Planning and developing an exceptional tourist railway that will cater for day trippers, disabled passengers and those wishing to travel with canoes, fishing equipment and bicycles to a point of relevant access.

DVR has spent considerable resources transforming the organisation to have a safety conscious customer focus in readiness for return to the line. This includes re-establishing a new skills-based board and working on compliance and workplace safety issues to ensure that the organisation is best placed to deliver a premium service.

1.2 Product and Service Overview

Derwent Valley Railway will offer a premium rail tourism experience, working in cooperation with other premium offerings in the Derwent Valley such as Redlands Estate, The Salmon Ponds, the Water Taxi Service from Hobart, and the Cartela (when it returns to duty, with its original steam engine). The experience will include possibilities such as jazz trips with Conservatorium of Music students and whisky and cheese evening tours and working with Nekon Pty Ltd and Inland Fisheries Service (IFS) to increase visitor numbers to the Salmon Ponds. The ability to carry disabled passengers with their carers in a carriage fitted with wide doors and wheelchair locks will be a first class experience.

It is envisaged that the secondary stage would create an experience between New Norfolk (either as a start point or working with river transport to provide a further experience) to Plenty, where guests would be transported to Redlands and the Salmon Ponds.

This would create an ideal 'heritage travel' experience allowing older people to relive their memories of years gone by and younger people to access the joy of a form of travel that is now rarely available in this state.

1.3 Market Analysis

Derwent Valley Railway hopes to increase the tourism market in the Derwent Valley and surrounding areas by offering a unique rail tourism experience linking in with existing and new tourism businesses in the area.

A recent (2012) report assessing the feasibility of operation of tourism rail in Tasmania was prepared for the Tasmanian Association of Tourist Railways Inc, (TATRail), of which DVR is a member. This report focused on the operations of not-for-profit tourism railways which excluded the West Coast Wilderness Railway.

This found that:

In 2010/11 data from the Tasmanian Association of Tourist Railways Inc (TATRail) estimates that tourist railways in Tasmania provides services to

just over 73,000 patrons. During the same period, in the vicinity of 40,000 patrons visited the West Coast Wilderness Railway with the remaining 33,000 patrons visiting NFP tourist railways in Tasmania.

With a 15% increase in overall visitor numbers for the State to 1,007,000, as indicated by the Tasmanian Visitor Survey 2013 and a commensurate increase in tourist numbers for not-for-profit rail services in Tasmania, there is significant scope for the development of further tourist rail in the State, particularly if joint marketing initiatives are undertaken and there is some cooperation between operators, as suggested in the recommendations of that report.

This same report also indicates that an expenditure multiplier of 1.89 should be applied to tourism rail in Tasmania.

Further to this, the same report indicates: Also using data from TATrail, the Tasmanian tourist rail industry directly employs an estimated 10.5 people on a full time basis. Using an employment multiplier of 1.63, Tasmanian tourist railways generate an additional 6.6 jobs on a full time basis resulting in total direct and indirect positions of 17.

Furthermore, the economic benefits of tourist railways are of additional benefit due to the location of most tourist railways in rural and remote areas of Tasmania delivering economic benefits to

these areas contrary to the majority of other tourist products and services being delivered in metropolitan areas.

This information is based on the running capability and modelling of existing not-for-profit tourist rail in Tasmania.

The plan that is being proposed by DVR has some significant differences, including the ability to provide paid employment for a number of track/workshop staff, serving staff and possible training benefits, thereby increasing the employment multiplier, and giving additional benefit to the local community.

The Derwent Valley community currently has above State average unemployment, (8.7% - ABS Statistics 2011 Census) and is the fifth most disadvantaged community in the State according to the Index of Relative Socio Economic Disadvantage.

With recent changes in the economy of the Derwent Valley, including the changes in the forestry industry, there has been a renewed realisation of the importance of tourism to the future economy of the area. This is highlighted in Derwent Valley Council's soon to be completed STEPS plan, a strategic document that will be used as a 'road map' to assist in planning for the future of the valley; this document highlights the potential of DVR to work with other tourism and local businesses and increase economic activity in the area. The plan also highlights the importance of stra-

tegic attractors to the area, particularly those that seek to incorporate a high quality experience that will augment existing tourism experiences.

1.4 Market Strategy

Derwent Valley Railway's marketing strategy seeks to optimise its prime advantage of location, historical importance of rail to the area and the romance of rail, as well offering the unique opportunity to link several different types of travel (water, rail and vintage transport) to 'high end' tourist attractions in the area, while showcasing the products of the valley. Additionally, the Derwent Valley Railway will provide links to other tourism experiences in the area, and plans to provide high quality transport for disabled passengers.

Research and past experience of the DVR has shown that a profitable tourist rail is viable in the area. The point of difference that DVR will exploit (as compared to other tourist rail in Tasmania) is that DVR has already started to create links with other businesses in the area and will offer a complete experience, rather than just a 'train ride'. *(See appendix 1, page 24)*

As part of TATRail, DVR is well positioned to work with other tourist rail in Tasmania to capitalise on more traditional rail enthusiasts, as well as capturing a new market.

1.5 Key Financial Objectives

The key financial objective is to run an economically viable tourist rail that provides employment and economic stimulus to the tourism industry in the Derwent Valley. Included in this objective is the opportunity to work cooperatively with other tourism businesses in the area and to provide opportunities for skills based training.

2. Detailed Plan

2.1 Business Structure

The Derwent Valley Railway was created in 1990 as the result of the closure of Tas Loco Co., a private organisation based in Claremont. Initially the prime focus of the Derwent Valley Railway was to ensure that rolling stock was not sold to the mainland, resulting in the loss of important Tasmanian heritage. At the same time, lines that were not deemed to be viable were being closed and the Derwent Valley line provided the ideal situation for the creation of a preservation society that later developed into a heritage and tourism venture. Derwent Valley Railway has DGR status for taxation purposes.

Derwent Valley Railway operates as a not-for-profit membership based organisation for the following reasons:

- ◆ Members, many of whom are rail enthusiasts, are able to make a valuable contribution to the continued development of the organisation and remain in contact with the organisation they have built.
- ◆ To preserve the entirety of the Derwent Valley Line and to ensure that rolling stock is not lost.
- ◆ Community links are essential to the ongoing operation and support of the organisation.
- ◆ Any funds made can be returned to the organisation for improvement and growth into the future, there is no pressure to provide a return to investors.
- ◆ This structure allows DVR to employ people as required, and provide training through grant and other income, employees will be covered by appropriate employment instruments, superannuation (where applicable) and workplace health and safety legislation.
- ◆ The organisation and its objectives remain central to the project, without the need to provide dividends to shareholders.
- ◆ This structure allows for a staged approach to the development of continued tourism experiences.

- ◆ There may be future consideration of developing this structure into a social enterprise once well established, thus bringing additional benefits to a somewhat disadvantaged community.
- ◆ The structure fits with the collective 'conscience' of the board and members, allowing them to give back to the community.

Derwent Valley Railway has a strong reputation built over twenty four years of successful operation, despite its enforced hibernation for some time, the brand remains popular and recognisable in the marketplace.

This strategy also allows for an exit strategy and return to an enthusiasts group should all avenues for growth prove unachievable.

2.2 Management and Ownership

Derwent Valley Railway is a membership-based organisation, overseen by a skills-based board elected from membership at the Annual General Meeting. The board also has the ability to appoint members from time to time to fill vacancies.

The current board is made up of nine members with various skills essential to the smooth running of the organisation.

Chairman – Derek Jones

Derek has extensive experience in marketing and promotions having owned, in partnership, a successful Brisbane-

based advertising agency for many years. During this time Derek had a senior role in the marketing development of a number of tourist ventures, giving him a broad understanding of the tourist industry. Derek is involved with a number of local tourism organisations, and has been involved in several boards. As such he has a strong governance ethic and understands the operation of boards.

Engineering Manager and Deputy Chairman – Lyndon Hewitt

Lyndon has been involved with the Derwent Valley Railway since its inception and has a vast knowledge of the history of the organisation. Additionally, Lyndon is a Fitter and Turner by trade, and is able to construct and produce many of the components necessary for the safe and efficient running of rolling stock. Through his association with the organisation, Lyndon has compiled a broad knowledge of the running and operations of rail in general and specific pieces of rolling stock in particular.

Lyndon also has a large network of contacts that can be called upon to assist in many technical matters.

Treasurer – Charles Court

Charles has specialist knowledge in the Taxation area, particularly as it pertains to businesses and not-for-profit organisations. He is a Certified Practising Accountant (CPA). Charles is also involved in a number of other community organisations.

Secretary – Dennis Hewitt

As a DVR foundation member and longest serving Board member, Dennis brings an intimate knowledge of the organisation to the Board table. A retired public servant, Dennis now dedicates his time to active community service. He is an impeccable railway historian, with a special knowledge of the Derwent Valley Line and a presenter on New Norfolk's community radio station TYGA-FM 98.9.

Civil Manager – Damien Jarvis

Damien is a controls technician responsible, not only for maintaining our structures and track, but also for maintaining optimal performance from the electrical side of our locomotives, carriages and workshop equipment.

Safety and Accreditation Manager – Steve Zvillis

Steve works for Norske Skog as a senior boiler operator and mill services coordinator. He is also a member of the Boyer Mill Improvement Council and an employee representative, having considerable experience in negotiating employee agreements and dealing with employee issues. He has been involved with safety and compliance management and represented DVR in dealings with the State (now National) Rail Safety Regulator since DVR first attained rail safety accreditation.

Carriage and Wagon Manager – James McCulloch

James is passionate about returning the Derwent Valley Railway to the line and the long term possibilities for the future of the organisation.

James is an Engineering draughtsman and is in charge of the carriage and wagon team, looking after the maintenance and restoration of passenger rolling stock.

Board Member – Paul Jones

Paul studied Economics and Accounting at the University of Tasmania before joining a well known multinational company, then spending thirty-three years as a public servant.

On retirement, ten years ago, he commenced spending one or two days a week at the Derwent Valley Railway participating in many restoration/renovation projects. Since retirement he has purchased and successfully operated a small retail business.

He has spent in excess of forty years as a voluntary sports administrator in various capacities and in a number of Soccer and Athletics organisations.

Board Member – Craig Farrell

Craig has been involved in the organisation for many years and is the immediate past Chairman. Craig is the MLC for Derwent, and as such has scaled back his involvement to some extent,

although still actively interested. Having lived in the area for many years, Craig knows many people and has proved invaluable in providing introductions to many organisations and people.

Board Member –

Anthony (Tony) Wright

Tony is currently the Deputy Director of Inland Fisheries and has vast experience and qualifications in business management and finance including Certified Practising Accountant (CPA). He has proved to be invaluable to the organisation; supporting and strengthening the board in various ways and helping to set direction.

General Membership

The Derwent Valley Railway has a general membership of over 110, with many members bringing valuable skills to the table. Within the membership there are volunteers with skills in event management, hospitality, project management, report writing and grant applications. When required many members volunteer their time in their fields of expertise to provide ongoing benefit to the organisation.

A crew of up to 20 people meet once to twice a week to work on the rolling stock, locomotives and track, plan for the future and ensure that once 'back on track' the Derwent Valley Railway will be a successful tourism operation.

All board members and a number of general members have qualifications and experience in track maintenance and safety. The Derwent Valley Railway has a significant store of equipment that will allow for track maintenance and upgrade, including sleeper laying machinery, ballast hoppers, flat wagons, weed spraying equipment and other machinery and equipment essential for the safe and efficient running of the railway.

The organisation has recently purchased a 100 ton press for sleeper maintenance and profiling.

2.3 Key Objectives

The key objectives for the Derwent Valley Railway, in getting back on track are:

- ◆ To provide a premium tourism experience,
- ◆ To assist in the economic renewal and diversification of the Derwent Valley and surrounds through providing additional tourism experiences to the area
- ◆ To develop a risk mitigation strategy that will ensure safe running at all times
- ◆ To further enhance the Derwent Valley Railway's workshop and machine shop capabilities and provide training and employment
- ◆ To remain a debt free organisation and to continue to be self-funding into the future

- ◆ Support the growth of the Derwent Valley as an exceptional tourism destination, leveraging off and complementing existing attractions to provide a diverse base of experiences.

2.4 The Competitor

There is no competitor as such; rail enthusiasts are known to travel around the State and across the country and internationally to experience a new and exciting tourist rail service. As previously indicated, the expenditure multiplier for rail tourism is 1.89, above the usual tourism multiplier, indicating that those wanting a rail experience have a high disposable income and are 'life-long learners'; the group recently identified by Tourism Tasmania as those being most interested in visiting Tasmania.

Derwent Valley Railway will provide a satisfying experience that exceeds the expectations of those buying the product.

Rail tourism operators in Tasmania take a cooperative approach to tourism, rather than a competitive approach.

However, the points of difference between DVR and other operators (ie The end trip and links with other tourism operators and experiences offered in the Derwent Valley) are strong enough to ensure a market share for DVR.

In recent times there have been enquiries made regarding 'pulling up the line' to al-

low for a bike track to be installed on the current rail corridor. DVR is currently in discussions with these groups around a more cooperative approach that could see a combination of rail and cycling catered for. These discussions are in the initial stages, however they appear positive. The cycling groups involved to this point have not developed a strategy for their venture.

2.5 Products and Services

The Derwent Valley Railway has undertaken extensive discussions with many local tourism operators, experience providers and businesses to ensure that the mix of product and service that it provides will work in cooperation with future plans for development of the area.

A number of products are being developed; either as stand-alone experiences or to complement existing and planned developments and experiences.

Using a staged approach the ultimate aim of the Derwent Valley Railway is to run regular tourist rail experiences between New Norfolk and Mt Field (to the entrance of the Mt Field National Park).

A staged approach is necessary as the track has been disused for a number of years, and requires significant maintenance. As each stage is established and becomes a recognised tourism experience, funds from that stage will be used to ensure a secure funding base for future expansions.

In addition to tourist rail services (to be detailed later in this document) there are a number of other products which will be used to assist in funding the operations.

These include but are not limited to:

1. Calendars and other merchandise-

With the board having access to an experienced graphic artist and a large archive and library of historical and contemporary photographs of trains in the Derwent Valley, the production cost of a quality calendar would be minimal.

If sold for \$20 each, the sale of 200 of such calendars would provide a gross income of \$4000. This would pay for the entire power bill of the operation for one year. Other merchandise would be made available as interest grows. There is already some limited merchandise available which has proven very popular in the past.

2. Open Days -

A recent open day, which was only advertised locally saw between 500 – 600 people in attendance. Gold coin donations provided over \$1,200 for the day with total earnings for the day exceeded \$3,000.

If this event was held say 2 times per year, with a donation of \$5 – 10 requested based on 400 people attending each open day with a charge of \$5 per person it would raise \$4,000 for the organisa-

tion. These estimates are not unrealistic when one looks at the response to similar open days across the country.

3. Co-operative marketing experiences -

There are a number of new avenues opening for co-operative marketing experiences in the Derwent Valley. Some of these have been discussed in some detail, some are still in the planning stage, they include:

▪ Working in partnership with Redlands Estate

Bringing to life the rail journey of the past. Embarking the train at New Norfolk guests would be treated to a luxurious journey along the beautiful lower Derwent River, disembarking at Plenty to then be taken to Redlands Estate.

During the journey they would be given a sample of fine music from members of the Conservatorium of Music, who would travel with them to Redlands, where they would re-join the full concert party

▪ River and Rail journeys in the Derwent Valley -

The Hobart Ferry Service is now operating a regular trip between Hobart and New Norfolk, and in coming years it is hopeful that the Cartella will be gracing the Derwent Valley again. This builds on the potential for a short train journey to compliment either of

these river craft, providing a memorable experience and the opportunity to view the Derwent Valley from both the river and the train.

The rail corridor provides many places with close and easy access to the river bank (often closer than the road). This will enable dedicated angling spots, as well as launching sites for kayaks and drift boats, to be incorporated into rail trips, in conjunction with the Inland Fisheries Service.

▪ **Wine and Cheese or Local Produce special event tours -**

With the Derwent Valley gaining a reputation for the production of high quality value added produce and superb agricultural produce such as Elderflower, quail, whiskey, cider, cherries and more. There is an opportunity to capitalise on this and present an opportunity for an evening train tour complimented by specially selected and served local produce, wine and cheese.

▪ **The Hobart Conservatorium of Music -**

The HCM has made the offer to place jazz and blues groups on boats and trains to perform on those days that they are doing performances at Redlands. There may be other artists who would also like to take up this opportunity

▪ **Kayaking, cycling and fishing -**

All these are popular pursuits in the Derwent Valley. What could be better than

being taken to your destination (Plenty for kayaking, Mt Field for cyclists and West-erway at the Anglers Access Trail for fish-ers), with your gear stowed in a specially designed carriage, then disembarking and heading off on your chosen way.

Tourist Rail Service Options:

As previously stated, the Derwent Valley Railway will undertake a staged re-entry to the Derwent Valley line. As the organisation is aware, the task ahead has many challenges, and it is essential that they do not 'bite off more than they can chew' in initial stages. Each stage listed below will build on the success of the previous stage, and is able to be altered to some extent as circumstances dictate. Each stage will provide the funding for the following stage giving the organisation an opportunity to ensure that maintenance is done prior to the opening of the next stage.

Current - The New Norfolk Yard and Refurbishment of Rolling Stock:

In order to run a professional and safe operation there is work to be done on the New Norfolk yard area, this includes the upgrading of line and sleepers and ensuring that the station meets required amenities standards and WH&S requirements. This work is currently being undertaken including the reinstatement of the 'wye' for the turning of locomotives and rolling stock.

TasRail has agreed to sell Derwent Valley Rail 10,000 'fit for purpose' steel sleepers, this will provide the means to ensure that the track is in safe working condition.

Appropriately qualified members from Derwent Valley Railway have assessed the line, with sleeper replacement to follow. Members of Derwent Valley Railway have recently undertaking training for Level II Rail Infrastructure to ensure that they are able to do this work safely, within current WH&S standards and in compliance with the Office of the National Rail Safety Regulator.

Derwent Valley Railway has the required machinery for sleeper replacement and other line maintenance work. Derwent Valley Railway has recently bought a 100 ton sleeper press to ensure that all sleepers are correctly profiled. The organisation may also tender with TasRail to profile their sleepers in the future.

Derwent Valley Railway is currently working with TasRail to ensure that all volunteers who undertake work on the line are suitably accredited and trained.

As part of the preservation of rail heritage, the group is currently focusing on the complete refurbishment of a 1950's vintage "Tasman Limited" 76 passenger articulated ACS carriage. The internal fit out includes new paintwork, blinds, upholstery, carpets, heating and air-conditioning. New, single pane, laminated

glass windows will be fitted to comply with current standards and enhance passenger experience. This work is being carried out by volunteers. All carriages and locomotives are undergoing complete mechanical overhaul, including using original plans of the equipment, to ensure that correct workshop settings are maintained.

Stage 1 - New Norfolk to Hayes

This is the starting point for the re-introduction of tourist rail in the Derwent Valley, and has been chosen as it has a number of strategic benefits:

This is a highly visible journey, running along the Lyell Highway, and visible from vantage points in New Norfolk and the Western approaches to the town on the other side of the river

Work on this section will provide an opportunity for consolidation and training prior to commencing longer journeys and the refurbishment of the track will give TasRail confidence that the decision to allow access the line was a sound one.

Minimal work is required on this 5.5 km of line and associated infrastructure to bring it back to safe working condition

This journey will commence at the New Norfolk Station, and run to the old Hayes Station along the scenic riverside line.

Light refreshments will be provided at the end point, with visitors being given historical information during the journey. This journey will provide a positive cash stream to allow for works to commence on stage 2 plans.

Journeys will initially take place on Saturdays with expected demand requiring additional scheduled running in the future. This may mean additional Saturday, Sunday and Public Holiday running schedules. The cost will be \$11 per adult and \$5.50 for children.

Whilst the line to Hayes is being upgraded and prepared for rail traffic, a shorter rail experience will be offered within the New Norfolk station yard. This will be short shuttle trips and will contribute to increasing public exposure of DVR and the railway, and also provide an opportunity for training staff and crew.

There are 4 level crossings on the New Norfolk to Hayes section, lights and/or boom-gates will be required for safety purposes. These will be considered in consultation with the Department of State Growth (formerly DIER).

All warning systems will meet Australian Standards.

Stage 2 - New Norfolk to Plenty:

The ongoing success of Stage 1 will ensure that Stage 2 is achievable. Stage two seeks to establish a tourist

circuit from Hobart to Redlands Estate and Salmon Ponds using a mix of historic and contemporary road, rail and water transport.

This involves cooperative business relationships with a number of other operators. As previously mentioned, these discussions are advanced.

The trip offers a circuit including a boat trip on the beautiful and sheltered section of the Derwent River from Hobart and MONA. Passengers will disembark either at the Council wharf on the northern side of the river, where they will be escorted the 200m to the station by trained staff, or on the southern side of the river and will be transported to the station by shuttle bus. Passengers will then travel by train to Plenty, a distance of 11 km. Once at Plenty they will be met by a shuttle bus and taken the short distance to Redlands Estate's entry point. Some passengers may choose to enjoy the short and beautiful walk to the Salmon Ponds.

It is anticipated that this experience will initially run several trips on Saturday and Sunday during Daylight Saving with fewer runs during the shoulder and non-peak period.

"Special event" bookings for weddings, birthdays will be available in addition to the regular service.

Popular railway attractions such as Bridge, Poker and Monopoly nights,

quiz nights and “Murder Mystery” nights will maximise earnings outside of daytime tourist schedules.

Other ‘specials’ such as wine and cheese tours, local beer (2 Metre Tall) tours and other event packages will be developed.

The train trip will cost \$30 return (New Norfolk – Plenty – New Norfolk) with other transport at an additional charge and package deals available.

This also offers the opportunity for tourists to come to New Norfolk via boat, stay overnight and return the next day (again by boat or other form of public transport) creating the ideal opportunity for other tourism ventures and local producers to capitalise on the additional interest in the area.

Bridges – New Norfolk to Plenty:

There are 3 significant bridges on this section of line that need to be inspected. Although this process is the responsibility of the Crown, DVR has informally contacted the engineering firm, Pitt & Sherry, contracted to carry out this work on all Tasmanian rail system bridges, and has discussed the matter. The bridges were last inspected in 2007 and, subject to a new inspection, we are informed that trains of equal weight and consist to the last to run by the Derwent Valley Railway are expected to be cleared to use these three bridges. The costs of these bridge inspections have been determined and are affordable.

Bridge No. 307 - No1 Derwent (Hayes) – iron/steel and stone bridge and Bridge No 309 - Plenty River Crossing – steel bridge, would require a level two inspection and Bridge No 308 - Plenty Flood Opening – timber bridge, would require a level three inspection. Derwent Valley Railway is in a position to pay for these inspections should it be necessary and will utilise existing funds, funds from Stage 1 and other funds to do necessary works on the bridges.

The condition of the track between New Norfolk and Plenty has had careful inspection with permission from Tasrail by duly qualified members of Derwent Valley Railway. Indications are that there is need for repair of culverts and replacement of around 25% of sleepers. Maintenance and repairs will be carried out to the required standard by qualified Derwent Valley Railway members and contractors.

Stage 3 – New Norfolk to Westerway:

The ongoing success of Stage 2 will ensure that Stage 3 is achievable.

Stage three seeks to extend the range of rail operations to include the township of Westerway, on the bank of the Tyenna River, and the various tourist attractions located there. The heritage Westerway railway station building has already been externally restored and refurbished by DVR. Some further restoration is required internally.

Completion of this stage will also provide a strong base for the final part of the plan to re-open the line to National Park.

Stage 4 – The National Park Project:

Following the consolidation of stages 2 and 3 the next major project will be the restoration of the track from Westerway to National Park, allowing rail transport from New Norfolk to National Park.

At National Park the Derwent Valley Railway will interface with the current lease holders, Maydena's Rail Track Riders. The Rail Track Riders will lease the line from Florentine to National Park where another rail attraction, unique in Australia, can be experienced.

This stage will require some major track works. These will be funded through the success of stages 2 and 3 and will require some in-depth planning prior to final decisions being made.

The journey is approximately 42km each way from New Norfolk.

Mt Field National Park is the second oldest National Park in Australia after the Royal National Park, south of Sydney and is one of the oldest National Parks in the world. In 2016 Mt Field National Park will celebrate its 100th anniversary, although dependent on other factors, the goal of the Derwent Valley Railway is to participate in the celebrations of this important milestone in some capacity.

Early last century, residents of the capital travelled from Hobart to New Norfolk by boat or train and continued their journey to the National Park by train. They were met at National Park Station by Mr Belcher and his horse Runic and carried by dray on the short trip to the walking track to Russell Falls.

Completion of this stage will enable the DVR to re-create this nostalgic journey through a combination of heritage transport and other experiences to bring to life the history of the area.

Stage 5 – The Boyer Connection:

When funds and personnel are available, work will commence on the New Norfolk to Boyer line to preserve the rail connection to the wider Tasmanian rail network.

It is anticipated that by this stage of redevelopment it will be possible to run rail tours Statewide. This stage should be able to be funded entirely from operating profits generated during stages 1 to 4. This stage may be completed concurrently with the earlier stages of the plan if funds and resources are available.

2.6 Product and Service Production:

Since ceasing financially viable operations some 9 years ago, Derwent Valley Railway has continued to grow and has

built a strong financial base on which to base its operations.

Derwent Valley Railway has looked at the recovery and reuse of resources that are surplus to requirements and by adopting this practice has generated an income that has grown during the period of hibernation. Some of these funds have been invested to provide an ongoing income.

In addition, there has been some diversification within the organisation to ensure that when 'back on track' the Derwent Valley Railway will be in a position to augment its primary income with secondary streams of income.

The primary income will be generated (initially) through short rail journeys, with secondary income providing the necessary basis to build into longer journeys as the railway re-establishes its reputation. Once this has occurred, regular tourist rail journeys will provide the ongoing funding needed to ensure a safe, efficient, regular and high quality tourist experience is offered to passengers.

2.7 SWOT Analysis:

Strengths

- ◆ Strong and growing membership
- ◆ High level, and variety of skills amongst members
- ◆ Strong skill based Board of Management
- ◆ Little or no competition
- ◆ Strong knowledge base and

experience operating passenger rail excursions

- ◆ Strong working relationships with TasRail, Derwent Valley Council and other key stakeholders
- ◆ Strong public support

Weaknesses

- ◆ Reliance on volunteers, as a volunteer based organisation
- ◆ Removal of infrastructure making replacement difficult and expensive
- ◆ Lack of initial funds to upgrade track and rolling stock

Opportunities

- ◆ Co-operative business opportunities with other rail and tourism business
- ◆ Provides a unique tourism experience
- ◆ Can offer varied one off and special event tours
- ◆ Maximisation use of the rail corridor by a diverse range of people, ensuring full utilisation of a State asset

Threats

- ◆ Inability to access the track in a timely manner due to delays in lease agreements
- ◆ Removal of infrastructure making replacement difficult and expensive
- ◆ Conversion of rail corridor to gravel cycle path
- ◆ Slow erosion/lack of availability of the 2nd hand sleeper stockpile from TasRail

3. Financial Plan

3.1 Key Objectives and Financial Review

The key financial objective is that the DVR be financially self-supporting and sustainable in the medium to long term. To achieve this, there will need to be an injection of funds in earlier periods to enable the track to be repaired and rolling stock restored to a sufficiently high standard for safe operating.

The DVR has adopted a staged approach to the expansion of operations along the Derwent Valley Line so that revenue generated from each completed stage can partially fund the upgrade of the next. This reduces the amount of funding required from external sources at each stage of the plan.

3.2 Establishment Costs

The additional funding required from sources external to Derwent Valley Railway is as follows:

Period	Amount (\$)
Year 1	631,231
Year 2	134,776
Year 3	124,669
Year 4	287,778
Min. funds required	1,178,454

These funds will enable the railway track to be upgraded to passenger operational standard between Hayes and, ultimately, National Park, as well as restore passenger carriages and locomotives necessary to implement the business model. Funds will also ensure the DVR has suitable passenger amenities such as weather protection at stations, toilets and retail outlets. To reduce the time frame from the 10 year plan to four years would require the employment of 5 track workers at an estimated cost of \$290,000 per annum. Funding at the table below would maximise employment and decreases the period of the project.

Period	Amount (\$)
Year 1	1,031,190
Year 2	700,170
Year 3	364,670
Year 4	242,424
Total funds required	2,338,454

3.3 Profit and Loss

Profits generated from operations at each stage of the re-opening of the Derwent Valley line will initially be re-invested in the development of the next stage of the plan. The business model demonstrates that DVR will be self-funding after year 6 of the plan and will

be in a position to maintain the railway infrastructure and rolling stock into the future.

Whilst the DVR is a volunteer based organisation, the plan also recognises that, once operational, there will be a need to employ additional personnel to ensure the frequency of rail services and maintenance activities is maintained.

3.4 Balance Sheet

A balance sheet covering the four stages of this business plan (10 years) is attached.

4. Action Plan

The business plan is predicated on each stage being completed prior to commencement of the next.

The initial stage of the plan will require the following actions:

Key objective	Individual task	By whom	By when
Track	Access to the railway track	Chairman and Board	30 June 2015
	Access to second hand sleepers	Chairman and Board	30 June 2015
Rolling Stock	Locomotive maintenance	Engineering Manager and volunteer members	30 September 2015
	Carriage restoration	Carriage Manager and volunteer members	30 September 2015
Operational staff	Training	Safety Manager	30 June 2015
Passenger infrastructure	Station upgrade	Civil Manager and volunteer members	30 November 2015

5. Supporting Information

The following documents are attached by way of support for the plan:

- ◆ Statement of financial activity (profit and loss) for the first 10 years;
- ◆ Statement of Financial Position (balance sheet) for the first 10 years;
- ◆ Proposed timetable for each stage
- ◆ Analysis of railway visitors and tourist numbers to Derwent Valley

OPERATING BUDGET - BUSINESS PLAN - BOYER TO NATIONAL PARK - 5 YEAR PLAN

	Stage 1 Hayes Year 1	Stage 2 Plenty Year 2	Stage 3 Westerway Year 3	Stage 4 National Park Year 4	Stage 5 Boyer Year 5
Patrons	11,627	15,408	19,190	22,971	26,752
Total patrons	11,627	15,408	19,190	22,971	26,752

Income

Ticket Sales (Hayes/Plenty)	127,897	169,491	287,843	344,561	401,280
Ticket Sales (Westerway/National Park)			132,344	170,156	170,156
Souvenir Sales (nett)	1,163	1,541	1,919	2,297	2,675
Food & Beverage (nett)	1,163	1,541	1,919	2,297	2,675
Gross Income	130,222	172,572	424,024	519,312	576,787

Expenses

Accreditation & Inspection fees	8,000	8,400	8,820	9,261	9,724
Fuel	13,773	13,773	85,293	85,293	85,293
Insurance - Public Liability	45,000	47,250	49,613	52,093	54,698
Maintenance & repairs - rolling stock	15,000	15,750	16,538	17,364	18,233
Maintenance & repairs - track	15,000	15,750	16,538	17,364	18,233
Marketing / Advertising	8,000	8,400	8,820	9,261	9,724
Safety Equipment / Maintenance	5,000	5,250	5,513	5,788	6,078
Telephone	3,000	3,150	3,308	3,473	3,647
Training	18,000	6,000	6,000	6,000	6,000
Power	4,000	4,200	4,410	4,631	4,862
Wages - operations	0	45,000	49,500	54,450	92,000
Wages - Infrastructure	290,000	290,000	290,000	290,000	290,000
Total expenses	424,773	462,923	544,350	554,978	308,490
Surplus/Deficit	-294,551	-290,351	-120,326	-35,666	268,297

BALANCE SHEET - BUSINESS PLAN - BOYER TO NATIONAL PARK - 5 YEAR PLAN
as at end of year

	Stage 1 Hayes Year 1	Stage 2 Plenty Year 2	Stage 3 Westerway Year 3	Stage 4 National Park Year 4	Stage 5 Boyer Year 5
ACCUMULATED FUNDS					
Net Assets Carried Forward	258,260	949,899	1,359,718	1,604,062	1,810,820
Net Surplus for Year	-19,501	-290,351	-120,326	-35,666	268,297
External Funding for Infrastructure	986,190	700,170	364,670	242,424	
TOTAL ACCUMULATED FUNDS	258,260	949,899	1,604,062	1,810,820	2,079,117
Represented by :					
ASSETS :					
Current					
Cash at Bank	17,850	32,199	31,161	219,863	550,214
Cash on Hand	100	500	500	500	500
Stock on Hand - Souvenirs	380	1,000	1,500	1,500	1,500
Debtors	1,053	1,000	1,000	1,000	1,000
Total Current Assets	19,383	33,699	33,161	221,863	552,214
Fixed					
Rolling Stock	235,404	576,354	709,504	775,704	823,704
Track and Infrastructure	105,638	803,324	1,015,624	1,075,134	1,075,134
Passenger amenities	0	191,000	191,800	191,800	191,800
Tools and Equipment	110,434	110,434	110,434	110,434	110,434
less: Accumulated Dep'n	212,342	354,093	455,461	563,115	673,168
Total Fixed Assets	239,134	1,327,019	1,571,901	1,589,957	1,527,904
TOTAL ASSETS	258,517	1,360,718	1,605,062	1,811,820	2,080,117
less LIABILITIES					
Current					
Creditors	257	1,000	1,000	1,000	1,000
TOTAL LIABILITIES	257	1,000	1,000	1,000	1,000
TOTAL NET ASSETS	258,260	949,899	1,604,062	1,810,820	2,079,117

OPERATING BUDGET - BUSINESS PLAN - BOYER TO NATIONAL PARK - 10 YEAR PLAN

	Stage 1 Hayes		Stage 2 Plenty		Stage 3 Westerway		Stage 4 National Park			
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Patrons	11,627	15,408	19,190	22,971	26,752	28,941	28,941	28,941	32,426	32,426
Total patrons	11,627	15,408	19,190	22,971	26,752	28,941	28,941	28,941	32,426	32,426

Income

Ticket Sales (Hayes/Plenty)	127,897	169,491	287,843	344,561	401,280	401,280	434,112	401,280	401,280	401,280
Ticket Sales (Westerway/National Park)						76,608	76,608	76,608	255,312	255,312
Souvenir Sales (nett)	1,163	1,541	1,919	2,297	2,675	2,894	2,894	2,894	3,243	3,243
Food & Beverage (nett)	1,163	1,541	1,919	2,297	2,675	2,894	2,894	2,894	3,243	3,243
Gross Income	130,222	172,572	291,680	349,155	406,630	483,676	516,508	483,676	663,077	663,077

Expenses

Accreditation & Inspection fees	8,000	8,400	8,820	9,261	9,724	10,210	10,721	11,257	11,820	11,820
Fuel	13,773	13,773	85,293	85,293	85,293	108,065	108,065	108,065	113,207	113,207
Insurance - Public Liability	45,000	47,250	49,613	52,093	54,698	57,433	60,304	63,320	66,320	66,485
Maintenance & repairs - rolling stock	15,000	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270
Maintenance & repairs - track	15,000	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270
Marketing / Advertising	8,000	8,400	8,820	9,261	9,724	10,210	10,721	11,257	11,820	12,411
Safety Equipment / Maintenance	5,000	5,250	5,513	5,788	6,078	6,381	6,700	7,036	7,387	7,757
Telephone	3,000	3,150	3,308	3,473	3,647	3,829	4,020	4,221	4,432	4,654
Training	18,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Power	4,000	4,200	4,410	4,631	4,862	5,105	5,360	5,628	5,910	6,205
Wages - operations	0	45,000	49,500	54,450	92,000	101,200	111,320	135,000	135,000	135,000
Total expenses	134,773	172,923	254,350	264,978	308,490	346,722	363,414	393,996	403,219	410,078
Surplus/Deficit	-4,551	-351	37,330	84,177	98,141	136,955	153,094	89,680	259,859	252,999

BALANCE SHEET - BUSINESS PLAN - BOYER TO NATIONAL PARK - 10 YEAR PLAN
as at end of year

	Stage 1 Hayes		Stage 2 Plenty			Stage 3 Westerway			Stage 4 National Park		Stage 5
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
ACCUMULATED FUNDS											
Net Assets Carried Forward	258,260	839,940	974,365	1,136,364	1,508,320	1,606,460	1,743,415	1,967,957	2,113,625	2,256,923	2,400,221
Net Surplus for Year	-4,551	-351	37,330	84,177	98,141	136,955	153,094	89,680	259,859	252,999	252,999
External Funding for Infrastructure	586,231	134,776	124,669	287,778							0
TOTAL ACCUMULATED FUNDS	258,260	839,940	974,365	1,136,364	1,508,320	1,606,460	1,743,415	1,967,957	2,113,625	2,256,923	2,400,221
Represented by :											
ASSETS :											
Current											
Cash at Bank	17,850	12,949	50,279	307,808	301,265	418,483	541,174	621,825	874,439	1,125,183	1,319,393
Cash on Hand	100	500	500	500	500	500	500	500	500	500	500
Stock on Hand - Souvenirs	380	1,000	1,500	1,500	1,500	2,000	2,000	2,000	2,500	2,500	2,500
Debtors	1,053	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Current Assets	19,383	14,449	52,279	309,808	303,265	420,983	543,674	624,325	877,439	1,128,183	1,322,393
Fixed											
Rolling Stock	235,404	444,454	554,037	598,671	643,304	687,437	731,571	775,704	775,704	775,704	775,704
Track and Infrastructure	105,638	430,502	687,803	816,107	944,625	1,019,916	1,095,443	1,171,222	1,176,498	1,182,051	1,247,406
Passenger amenities	0	107,750	139,000	165,000	191,000	191,267	191,533	191,800	191,800	191,800	191,800
Tools and Equipment	110,434	110,434	110,434	110,434	110,434	110,434	110,434	110,434	110,434	110,434	110,434
less: Accumulated Deph	212,342	266,999	406,190	490,700	585,169	685,621	792,070	904,528	1,017,250	1,130,250	1,246,517
Total Fixed Assets	239,134	826,141	1,085,084	1,199,512	1,304,194	1,323,432	1,336,911	1,344,632	1,237,186	1,129,739	1,078,827
TOTAL ASSETS	258,517	840,940	975,365	1,509,319	1,607,460	1,744,415	1,880,585	1,968,957	2,114,625	2,257,923	2,401,221
less LIABILITIES											
Current											
Creditors	257	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL LIABILITIES	257	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL NET ASSETS	258,260	839,940	974,365	1,136,364	1,508,319	1,606,460	1,743,415	1,879,585	2,113,625	2,256,923	2,400,221

TIMETABLE - BUSINESS PLAN STAGE 1 - NEW NORFOLK to HAYES

Eastbound Trains

New Norfolk (Departure time)	Hayes (arrival time)
10:00 AM	10:15 AM
11:00 AM	11:15 AM
12:00 PM	12:15 PM
1:00 PM	1:15 PM
2:00 PM	2:15 PM
3:00 PM	3:15 PM

Operating Days

Saturday and Sunday Daylight savings
 Sunday Other times during year
 Total

Westbound Trains

Hayes (Departure time)	New Norfolk (arrival time)
10:30 AM	10:45 AM
11:30 AM	11:45 AM
12:30 PM	12:45 PM
1:30 PM	1:45 PM
2:30 PM	2:45 PM
3:30 PM	3:45 PM

Number of days

52
 26

 78

TIMETABLE - BUSINESS PLAN STAGE 2 - NEW NORFOLK to PLENTY

Westbound Trains

New Norfolk (Departure time)	Plenty (arrival time)
10:00 AM	10:25 AM
11:15 AM	11:40 AM
12:30 PM	12:55 PM
1:45 PM	2:10 PM
3:00 PM	3:25 PM

Operating Days

Saturday and Sunday Daylight savings
 Sunday Other times during year
 Special Events/Charters
 Total

Eastbound Trains

Plenty (Departure time)	New Norfolk (arrival time)
10:35 AM	11:00 AM
11:50 AM	12:15 PM
1:05 PM	1:30 PM
2:20 PM	2:45 PM
3:35 PM	4:00 PM

Number of days

52
 26
 10

 88

TIMETABLE - BUSINESS PLAN STAGE 3 - NEW NORFOLK to WESTERWAY

Westbound Trains

New Norfolk (Departure time)	Westerway (arrival time)
10:30 AM	11:45 AM

Operating Days

Sunday Daylight savings
 Special Events/Charters
 Total

Eastbound Trains

Westerway (Departure time)	New Norfolk (arrival time)
2:00 PM	3:45 PM

Number of days

26
 10

 36

TIMETABLE - BUSINESS PLAN STAGE 4 - NEW NORFOLK to NATIONAL PARK

Westbound Trains

New Norfolk (Departure time)	National Park (arrival time)
9:30 AM	11:35 AM

Operating Days

Sunday Daylight savings
 Special Events/Charters
 Total

Eastbound Trains

National Park (Departure time)	New Norfolk (arrival time)
3:00 PM	5:05 PM

Number of days

26
 10

 36

Derwent Valley Railway Business Plan

Market Segments

Year 1

Year 5

Segment	Total	Capture Rate	Numbers	Capture Rate	Numbers
Tasmanians	480000				
South of Oatlands	187000	1%	1870	5%	9350
VFR	219200	2%	4384	5%	10960
Leisure					
International	114000	1%	1140	3%	3420
Interstate	243900	1%	2439	4%	9756
Coach Tours	24000	0.50%	120	2%	480
Corporate , Meetings and Events					
Tasmanian	50000	2%	1000	2%	1000
Interstate	26800	0.50%	134	3%	804
Cruise Ships	27000	2%	540	20%	5400
Total	1371900	2%	11627	20%	41170

Figures from ABS and
TVS March 2007 Yr Ending

Month	Visitor Seasonality Percentage	Railway Seasonality Percentage	Railway Patronage
July	5	5	581
Aug	5	5	581
Sep	7.383	7.383	858
Oct	8.557	8.557	995
Nov	7.724	7.724	898
Dec	9.428	9.428	1096
Jan	10.409	10.409	1210
Feb	10.409	10.409	1210
Mar	11.08	11.08	1288
Apr	9.428	9.428	1096
May	7.957	7.957	925
Jun	7.625	7.625	887
Totals	100	100	11627

Average per day 149.06
No of operating days 78

Timetable				
Running Days per month	Public Holidays	Additional Operating Days	Total Operating Days	Passengers Per day
4		0	4	145
4		0	4	145
4		0	4	215
8	1	0	9	111
9		0	9	100
9	1	0	10	110
9	1	0	10	121
9		0	9	134
9	1	0	10	129
5	1	0	6	183
4		0	4	231
4	1	0	5	177
78	6	0	84	

APPENDIX 1

Derwent Valley Railway's relationship with other tourist operators

Throughout its history, Derwent Valley Railway has worked with many other tourism operators including the well known Derwent Valley attraction, the Salmon Ponds.

In the last two years that bond has strengthened as DVR moves toward returning to service.

The adjoining property, Redlands Estate, has become a major tourist attraction in its own right. In Stage 2 of this plan, DVR is planning to carry passengers to Plenty Station. From there a shuttle bus will carry patrons to Redlands from where they can enjoy the short walk to the Salmon Ponds.

The Inland Fisheries Service (IFS) owns the Salmon Ponds and the long term leasee has given great support and assistance to DVR over many years.

Deputy of IFS, Tony Wright is also a DVR Board member, and with other board members is researching the possibility of introducing drift boating to Tasmania.

This will add another attraction to the Derwent Valley and enhance IFS and DVR's business base by broadening recreational fishing and carrying these fishers to parts of the river only accessible from the Derwent Valley Line.

Canoeists, kayakers, anglers and bike riders can all gain from this type of cooperative access and mutual benefit.

