



## Toll Royal Railway – media kit

Launching the Cambodian Railway  
October 2010

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## Project Outline

The Cambodian rail network and associated rolling stock and infrastructure were in need of rehabilitation to effectively compete with road freight. Low and ever decreasing levels of freight have moved on the railway in recent years.

In this context, the Asian Development Bank (ADB) identified rehabilitation of the railway network as a strategic priority for Cambodia's economic development. The ADB initially proposed to commit around US\$75m of loan funds to this project once a concession was signed and various other conditions satisfied. Based upon submissions made by Toll during concession negotiations, the ADB and other bodies subsequently committed to further funds of around US\$75m for additional works to accelerate development of inter-modal rail operations.

The entire rehabilitation project covers the South Line from Phnom Penh to the Port of Sihanoukville, the North Line from Phnom Penh to Poipet and rebuilding the 'Missing Link'. The rehabilitation project will be completed by 2012 by TSO (a specialist rail infrastructure maintenance and construction company) together with an independent engineering firm (Nippon Koei). Toll has negotiated for these rehabilitation works and key milestones to be prioritised and broadly aligned with Toll's business plan.

In summary, this opportunity is in line with Toll's strategy to secure unique market leadership positions in Asia and over time this opportunity should achieve returns in line with Toll Group targets and contribute strongly towards strengthening our reputation and support in the region.

## Introducing Toll Royal Railway

When the Cambodian government announced its intention to outsource the operation of its railway, the Toll Group and the Royal Group formed a joint venture to bid. A strong alliance was created combining Toll's global knowledge and expertise in the transport and logistics industry, with the Royal Group's thorough understanding of the local market.

The partnership is proving to be very successful. In the lead up to the beginning of the 30 year exclusive concession for Toll Royal Railway to operate the Cambodian Railway Network, we have been working hard to ensure safe and efficient operations are ready to commence. With the first trains now running on a limited basis and on a short section of track, the benefits of the project for the people and businesses of Cambodia are starting to become apparent.

Toll Royal Railway is working with the track rehabilitation and engineering contractors to ensure the existing section of track we are using is further developed and that more sections of track can be opened up in sections leading to completion of the works by the middle of 2012.

Toll is committed to operating a safe and reliable train network, providing jobs and prosperity to the Cambodian people by opening up the country domestically and to neighbouring economies and trade lanes. By recruiting and training local workers directly into the operations we are creating sustainable futures for their families.

In addition to direct employment, the railway will open up opportunities for businesses throughout the country and lead to more and better jobs across the economy.

We are determined to have a significant positive impact on the local communities with which we operate. Supporting staff with training, increased awareness of health and safety, and transparent payment processes we are an employer of choice in the region, offering our staff excellent employment opportunities in return for their loyalty and commitment.

Working with non-governmental organisations (NGOs) in the region, we are also supporting the appropriate re-allocation of people living along the railway lines, and increasing awareness of safety through mass communications on TV and flyer drops. Additionally, we are training staff in health and safety, as well as supporting their general work related training.

For the Toll Group, this project is a very exciting opportunity to not only develop and restore an integral part of the country's infrastructure, but also to support the country's key domestic import and export industries. As Cambodia is one of Asia's fastest growing economies and significant reforms are currently underway to promote its development, the Toll Group is delighted to be a part of the transformation. We are excited about the vast array of manufacturing, agricultural and resources based industries in the country and the many opportunities these could provide over the coming years.

## Toll Royal Railway - Roles and responsibilities

As part of the concession agreement, Toll Royal Railway **is responsible** for:

- Managing the below rail track and infrastructure after it is completed to the agreed standard
- Operating all above rail track activity after the track is handed over
- Providing functional trains and wagons to operate on the track
- Management of an inter-modal freight terminal to be constructed at Samrong and financed by ADB and AusAID supplementary loan
- Maintaining infrastructure once its rehabilitation is complete and accepted in line with pre-agreed standards
- Constructing and managing inland container terminal
- Operating depots in Sihanoukville, Kampot, Touk Meas, Samrong, Phnom Penh, Pursat, Battambang, Sisophon and Poipet.

Toll is **not responsible** for:

- The rehabilitation of the existing railway line to a safe standard
- The engineering work and certification of that work (including warranties)
- The construction and certification of the missing link railway to Thailand
- Ensuring construction work is undertaken to standard, on budget and on time
- The hand over to TRR of all parcels of land as agreed with the Government.

## Toll's roles and responsibilities explained

### Locomotive and wagon restoration

To date, Toll Royal Railway has rehabilitated five French Alstrom locomotives and two Czech locomotives, with a further two Chinese locomotives currently available to meet operating requirements. All locomotives have been painted bright yellow and fitted with rotating orange flashing lights on the front, GPS tracking systems, GPS speedometers, vigilance control systems, and reflective strips have been adhered to the sides of the trains in order to provide high visibility for road users and persons along the railway lines. New headlights and warning sirens have also been installed to further heighten awareness.

As for wagons, we have now rehabilitated 12 ballast wagons, 20 high sided wagons and are in the process of rehabilitating 60 flat top container wagons adding significant freight capacity to the network. Again the wagons have been painted bright yellow with reflective strips running along the side. Work has been done to repair broken or worn components and new bright yellow tarpaulins have been purchased.

This work has been carried out by our 150 employees who have been employed by the Toll Royal Group.

### Office and warehouse upgrades

Toll Royal Railway has undertaken work to rehabilitate the former Phnom Penh Railway Station, Administration Offices and the former Canarail offices. These substantial upgrades have included pest control, repairs to internal and external fabric of the buildings, the installation of improved sanitary system including western toilets and full re-wiring to comply with legal and safety standards and repaired or replaced the roof and drainage systems. In addition, new office equipment, computers, wi-fi and a server network have been installed, together with GPS tracking technology supporting TRR's safe working system.

The former Cambodian Railway warehouses have also been overhauled to meet our strict safety standards. Similar internal and external structural repairs have been carried out, alongside improved security measures, including lights and alarms, being installed. We are also working with MPA Security Services and the Military Police to ensure the sites are well guarded and security is tight across the operation.

Additionally, all work sites now contain international standard fire extinguishers and international standard safety signage, as well as fully equipped first aid kits. The safety and well-being of our employees is of paramount importance to Toll Royal Railway.

A fully integrated safety management system has been developed in accordance with world's best practice, and underpins every area of the business. The safety management system is currently available in English and is being converted to Khmer which is available on our web site [www.tollroyalrailway.com](http://www.tollroyalrailway.com).

We have made great efforts to bring health and safety in the workplace to the forefront with our staff, contractors and suppliers. For staff, this has meant the development and communication of workplace health and safety policy, the introduction and enforcement of correct safety clothing and personal protective equipment in the workplace and an ongoing training initiative to improve knowledge of safety in the workplace. For contractors and suppliers, we wish to work with likeminded organisations who share our commitment to safety.

### On-going training for employees

Toll Royal Railway employees have been trained in the following areas (as applicable to their role):

- First aid
- Fire fighting and safe use of fire extinguishers
- Train control
- Risk assessments
- Rail safety inductions, and
- Working safely.

All training has been carried out by international training organisation, The Instruction Company, who have trained staff and managers to international best practice standards.

As part of our commitment to Cambodia and the wider society, we have also given all staff training on HIV and Aids awareness and how to prevent further spread of the disease.

### Providing jobs and prosperity to local Cambodians

So far we have employed over 150 local staff, many of whom were previously employed by the former Government railway. Our Cambodian staff occupy a number of key roles in the business including human resource management, financial controller, chief infrastructure and project manager, translators, locomotive drivers, workshop supervisors and employees, track maintenance workers, and administration staff.

Recently we have also started to work with the local Future Light Orphanage to offer traineeships to young adults who live there. We have selected three candidates who we are currently training to be operations support officers and train controllers. Our ongoing intention is to continue the program to offer opportunities to young people from the orphanage.

As the operation of the railway progresses and grows, we envisage that our recruitment needs and those of our customers will also develop. Again, we will be looking at employing local people with the relevant skills for these positions. We are committed to ongoing training and development, and in addition to health and safety training, we will also be offering our staff skills-based training programs where applicable.

### Implementing transparent business processes

Toll Royal Railway is making huge efforts to be transparent in reporting all transactions and communications. Financial transactions, including the payment of salaries and suppliers, is conducted electronically using the ANZ Royal Bank. This will ensure all contractors, casual and full-time staff are paid the correct amounts on time, in a transparent way.

In addition, we have implemented Conical Hat as the Human Resource and Finance platform for the business, and will continue to develop business processes in accordance with best practices.

### Community safety on the railway

Safety of our community as well as employees is something we are acutely aware of and have taken great measures to address and educate the local communities along the line. In addition to TV advertisements and flyers explaining how to live safely alongside an operational railway, we are also talking to community leaders and schools about the dangers of playing on the railway lines and being around fast moving trains.

Following on from the education program, we have made further steps to make our trains visible. The trains are painted yellow and are fitted with flashing orange lights so that they are noticeable from a long distance. Additionally we have run a number of tests at very slow speeds to once again introduce the communities to the activity of the line.

### Corporate social responsibility

Toll Royal Railway understands the impact of our business on the communities in which we work. We want to make a positive difference to the lives of the people of Cambodia, not only by providing them with a rehabilitated, functional railway that supports and promotes economic development, but also by supporting them in other areas of their lives.

In addition to working with local orphanage, Future Light, to provide employment and training opportunities to young adults, we have also demonstrated our commitment to the community by registering our interest in becoming a sponsor of the Child Safe program in Cambodia.

## Our plans for the future

The work undertaken so far is only the start of what we hope will be a long and successful working relationship in Cambodia.

A segment of track heading south from Phnom Penh to Touk Meas was recently made available for limited operation and we anticipate a ceremony to mark this effort shortly. Work on this initial section of track will continue until around May 2011 to bring it up to the agreed standard acceptance and for handover to the operator. Further updates will be provided to the public and media as appropriate.

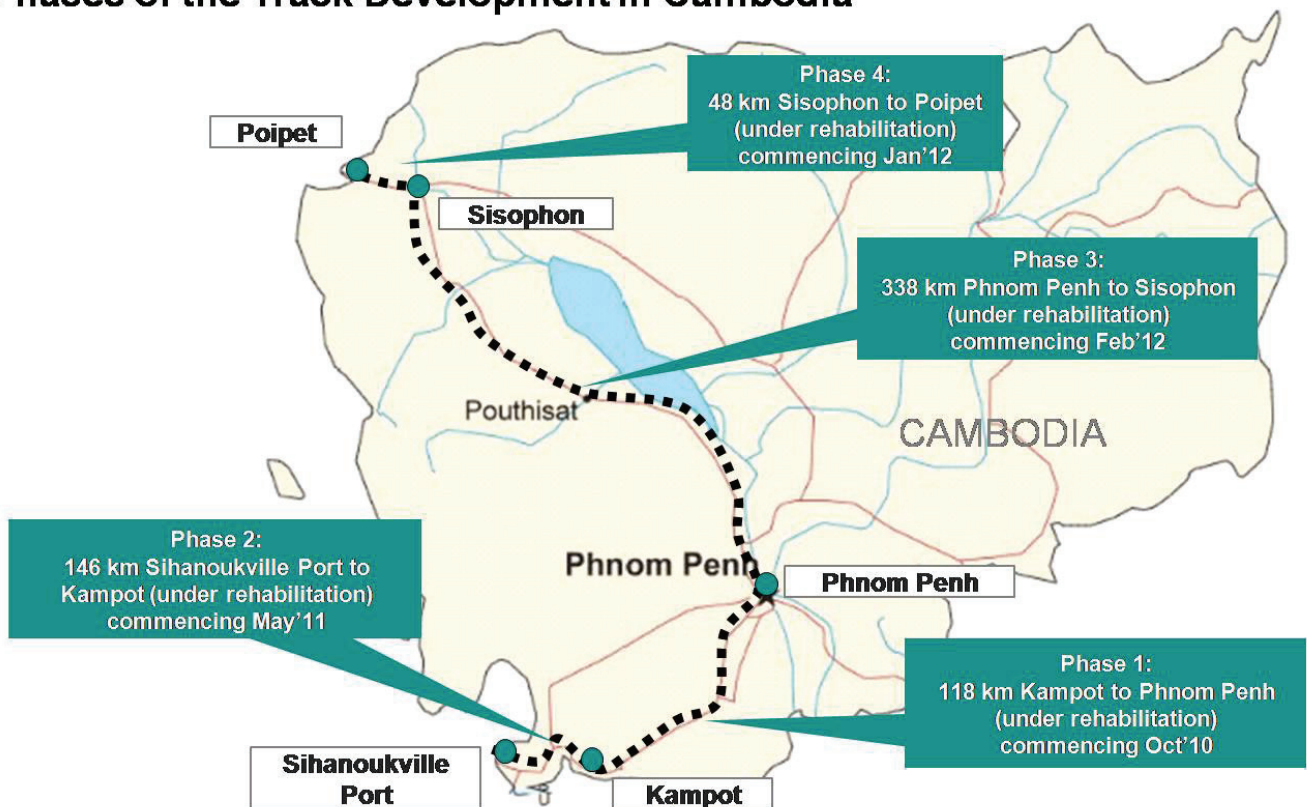
We then plan to gradually take over the operation of the remaining parts of the track over the following months as the rest of the track is restored and renewed. In line with the completion of Phase Two, we hope to commence the Sihanoukville container and fuel services from May 2011, although final acceptance of the track may not occur until a later date.

Following on from that, the sections between Phnom Penh and Poipet are scheduled to be completed by February 2012. We aim to have operational trains running on the Northern Line from May 2012. All of these dates and timescales are subject to the engineering works being completed to our safety standards by the engineering and rehabilitation contractors. Handover and operational commencement are dependent on the completion of successful testing.

Toll Royal Railway also hopes to see the handover of Phnom Penh and Samrong land take place in December 2010.

The map below illustrates the phases of the track development:

## Toll Royal Railway Phases of the Track Development in Cambodia



Cambodia map not drawn to scale.

The steady development of the railway will allow time for locals living alongside the lines to become familiar with the trains operating again. Our safety communications activity with these communities is designed to improve their understanding of the railway and its commercial uses.

#### **Greater Mekong opportunity: Singapore to Kunming railway line**

The projects we have underway now will put Cambodia in a better position when the time comes to link the country up to the Greater Mekong Region, and will ensure that Cambodia can compete with its neighbouring countries.

It is anticipated that by 2012, Cambodia will be ready to join this network, linking up with Thailand and by 2015 with Vietnam, offering cross boarder services throughout South East Asia. The map overleaf illustrates the railway provision in South East currently.



## Toll Group company profile

Toll Group, the Asian region's leading provider of integrated logistics, owns a 55% share in the Toll Royal Railway. Operating in 55 countries with around 40,000 staff, Toll has grown its business out of the Asian market, and thoroughly understands the needs of its customers in this part of the world.

Toll's involvement in the railway concession, is not only to develop a much needed in-country logistics resource and support the Cambodian government's commitment to promoting road to rail freight transfer, but also to open up Cambodia to trade with neighbouring countries through the SKRL project and the Greater Mekong Region bringing trade and jobs into Cambodia, and build strong relations with key regional stakeholders both with governments and NGOs.

### Toll Group key facts

<b>Company</b>	Toll Holdings Limited
<b>Website</b>	<a href="http://www.tollgroup.com">www.tollgroup.com</a>
<b>Revenue</b>	\$6.9 billion
<b>Employees</b>	40,000
<b>Industry Focus</b>	Automotive, defence and government, manufacturing, mining and resources, retail and FMCG, and steel and industrial
<b>Services</b>	<p><b>Transport</b> – Road, rail, sea and air</p> <p><b>Logistics</b> – Warehousing and distribution, automotive logistics, bulk transport, relocations and mail rooms</p> <p><b>Forwarding</b> – cross border movement of goods by sea or air</p> <p><b>Resources</b> – specialist logistics services for the resources sector</p> <p><b>Solutions Design</b> – Technology, equipment, operations, recruitment and other services</p>
<b>Coverage</b>	<p><b>55 Countries / Economies – 1,100 Locations</b></p> <p>Predominantly Asian Region including Australia, Asia and New Zealand with global coverage and networks in America and Europe</p>

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