

BUSINESS 2009-10

Freight carried (NTK)	3,919,000,000
Urban passengers	11,134,000
Long distance passengers	518,000
Ferry passengers	845,411

ASSETS

Track (km)	4,000
Bridges	1,656
Land managed (ha)	18,000
Weekly freight services	800
Mainline locomotives	180
Freight wagons	4,276
Ferries	1 owned, 2 leased
Staff	approx 4,000

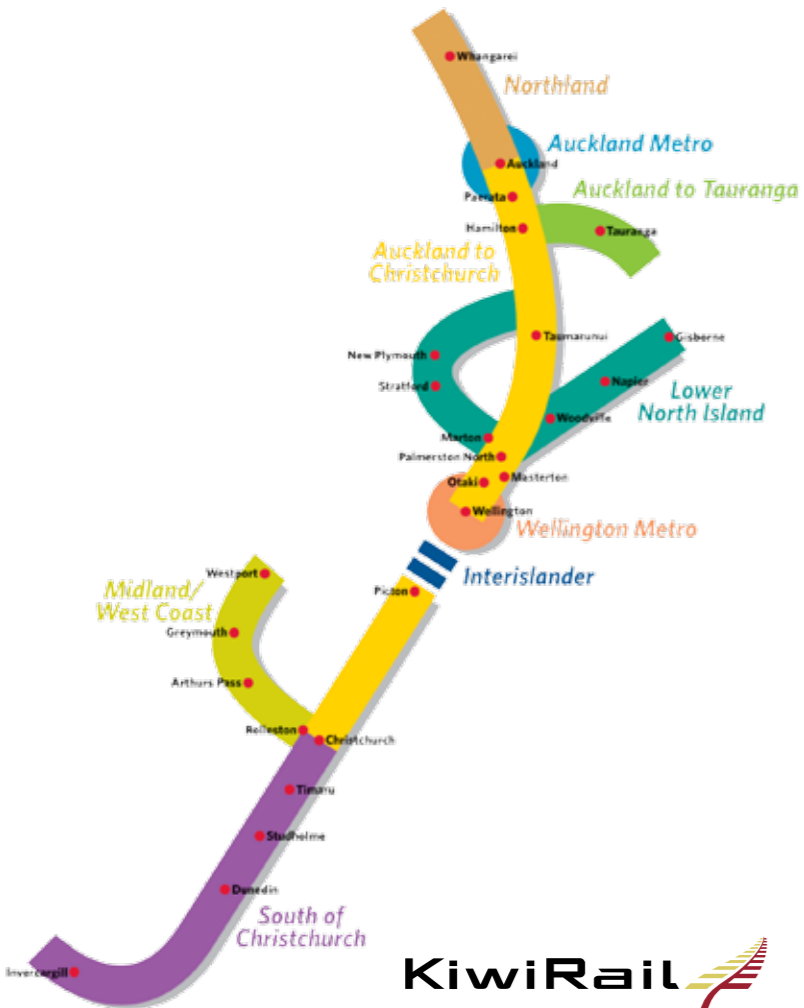
OPERATIONS

Weekly, train control operations manage the movement of:

- up to 900 freight trains
- 52 inter-city passenger trains
- approx 2,200 suburban passenger services in Wellington
- approx 1,490 suburban passenger services in Auckland

In a year, the Interislander manages 5,500 sailings carrying:

- approx 845,000 passengers
- approx 59,000 rail wagons
- approx 56,000 trucks
- approx 223,000 cars



The KiwiRail Turnaround Plan

KIWI RAIL'S 10-YEAR PROGRAMME TO CREATE A SUSTAINABLE RAIL BUSINESS



INVESTMENT

Investment in KiwiRail announced by the Government earlier this year marks the beginning of a long term plan to create a business capable of standing on its own feet financially. The investment, subject to business cases, follows the Government's consideration of a 10-year plan prepared by KiwiRail for turning around the rail industry. It calls for investment in the business's assets rather than an operating subsidy.

The plan reflects the need to create a viable and efficient rail industry.

The plan aims to increase rail traffic volumes and revenue, increase productivity, modernise assets and separate out the commercial elements of the business.

It takes into account the following:

- » The views of our customers who say they need an efficient and reliable rail network to serve their businesses and meet future freight growth.
- » The need to develop partnerships and alliances with our customers, stakeholders and suppliers.
- » The need to restore rail's relevance – eroded over the past 15 years in many areas through lack of maintenance investment that has resulted in poor transit times and unreliable services.

I. The business needs a connected network

- Growing the business depends on KiwiRail maintaining a connected national network. However, minor lines that carry little or no traffic will only survive if they have proven future potential and/or an imminent anchor customer. Focussing our scarce capital on productive revenue is a key issue.

II. Growth in volume and revenue quality is essential

- Freight is critical to the financial success of KiwiRail. It currently generates more than 75 percent of KiwiRail's revenue from carrying bulk commodities, import-export goods and domestic freight. The predicted near doubling of the freight task over the next 30 years and the opportunity to increase rail's market share on some routes underpins its importance to the business.

III. Auckland-Christchurch is the key route on the network

- Increasing the amount of domestic freight carried on the Auckland-Christchurch route is critical to the growth and sustainability of the freight business. Other routes are busy and important. But in most cases, rail is already relevant and growth depends on some other factor – like natural growth in the economy.

IV. Investment in infrastructure is critical to improving transit times and reliability

- Targeted investment in key routes – particularly Auckland-Christchurch - will restore relevance and reliability and give the freight business the opportunity to protect the business we have today, reclaim business from the past and grow with the forecast freight growth. Critical elements are easing curves, laying new sleepers and strengthening bridges to decrease transit times as well as improving exit and entry in Auckland and Wellington and building or extending passing loops.

V. Greater ferry capacity is needed for the Auckland-Christchurch route to be competitive

- Greater rail capacity will be needed for Interislander to support freight business growth. The Aratere will be extended through 2011 to provide increased rail deck capacity and commercial vehicle and passenger space.

VI. Wagon and locomotive fleets need to be upgraded

- Currently the youngest diesel locomotives in the fleet are 30 years old and the average age of wagons between 25 and 30 years. Adding new locomotives and wagons to the fleet is critical to improving transit times and reliability and enhancing our natural advantage from a sustainability perspective through lower fuel use. New locomotives are already on order; further work is required for additions to the wagon fleet.

VII. Improvement in productivity

- Productivity can always be improved and we must always challenge ourselves to review and make necessary changes to achieve the necessary gains. Targeted investment in technology, processes and equipment will enable us to unlock a wide range of productivity improvements.

VIII. Long-distance passenger business growth will come from creating rail experiences

- Few tourists or New Zealanders use long-distance trains as a means of travel from place to place. Future growth in long-distance passenger travel depends on improving the quality of the experience. New passenger carriages for the South Island will help but KiwiRail will need better infrastructure and possibly greater expertise in customer service.

IX. The metro business depends on true costs being recovered

- The metro business, funded by a mixture of fare box, council rates, New Zealand Transport Agency and Government, is essentially non-commercial relative to our other trading businesses. These areas of business will be accounted for separately so that the total costs are fully understood by the stakeholders and there is wider appreciation of the impact of decisions made. Our job is to partner with the regions and the operators to ensure that the metro rail systems are a vibrant part of the integrated public transport system in each region.

IMPLEMENTING THE PLAN

I. Step change in the Auckland–Christchurch route

- Reduce transit time and improve reliability along the route - easing curves, removing speed restrictions, greater renewals investment in bridges and sleepers and passing loops.
- Improve exit and entry from Auckland and Wellington - improvements at terminals and on mainlines to reduce transit times and conflicts with commuter services.
- Increase ferry capacity for rail freight - extend length of Aratere and make Kaitaki rail-capable.

II. Other key routes

- Improve reliability and capacity with increased renewals investment in replacement of sleepers, strengthening of bridges, refurbishment of track formation.

III. Enabling investment

- Improve IT systems and processes, equipment and facilities at terminals.
- New locomotives, wagons.
- Improve track infrastructure.

IV. The minor lines

- Review business on North Auckland, Stratford-Okahukura, Napier-Gisborne and North Wairarapa lines.
- Consultation with communities, customers and staff.
- Close or mothball if viable alternatives do not emerge.

V. Auckland and Wellington metro services

- Clarify and assign accountability for costs associated with operating metro networks.



Currently, an express freight train journey between Auckland and Wellington typically takes thirteen and a half hours.

To be relevant to customers the rail journey for express freight trains needs to be no more than 11 hours and it must be reliable.

KEY ROUTES

Route	Key traffic
Auckland-Hamilton-Tauranga	Containerised export and bulk products
Auckland metro network	Commuters
Auckland-Christchurch	Containerised domestic goods Overseas and local passengers (Overlander and TranzCoastal)
Waikato-BOP forestry lines	Wood and wood products
Oringi-Palmerston North-Whareroa	Bulk milk
Wellington metro network	Commuters
Cook Strait	Containerised domestic goods Passengers and cars
Westport-Greymouth-Lyttelton	Bulk coal International visitors (TranzAlpine)
Edendale-Port Chalmers/Timaru-Lyttelton	Containerised dairy products and coal