

30 November 2023

Hon Nicola Willis, Minister of Finance

Hon Simeon Brown, Minister of Transport

Hon Dr Paul Goldsmith, Minister for State Owned Enterprises

WELLINGTON

By email: **9(2)(a) - Privacy**

Dear Ministers

## WELCOME TO KIWIRAIL

Congratulations on your recent election and appointment to Cabinet. We look forward to working closely together over the course of the next parliamentary term.

KiwiRail is a transport services and infrastructure business moving people and freight by rail and sea, and we are the steward of the national rail network. We have a long history and close connection to the people, land, and economy of New Zealand. Much of our country's export success relies on our ability to operate effectively, getting goods to market efficiently and safely.

For us to continue to offer New Zealand billions of dollars in value, we need to work closely with the government as our shareholder. Our commercial business contributes to New Zealand's productivity, keeping supply chains moving, and providing a low-emissions choice to customers. As a rail network and ferry provider and ferry, we are a vital national asset.

Our attached full briefing covers our business in detail – who we are, what we do, and how we intend to move forward. There are some immediate decisions we will need to engage you on in your first 100 days, and our key requests of how we can continue to grow our business and the New Zealand economy are outlined below:

**This information relates to Project iReX and will be included in a proactive release of wider Project iReX documentation. It is intended that this Project iReX proactive release will occur in the coming weeks.**



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Private Bag 92138, Victoria St West, Auckland 1142, New Zealand

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## **2. Infrastructure certainty for the Rail Network (Pages 16-17)**

The rail network is critical long-life infrastructure and certainty of funding on an ongoing basis is needed. This is what occurs for roads, schools, and hospitals. It allows better informed decisions, efficiency of spending, lower whole of life costs, and provides certainty for people and businesses. Renewal and upgrade of the network is critical to delivering reliability to our transport system for importers and exporters. As stewards of the rail network, we have outlined the investment needed to ensure its long-term resilience and avoid a return to managed decline and line closures.

This is foundational investment, supporting core exports and primary industries. Without baseline funding, which occurs for all other major infrastructure, prudent and efficient infrastructure planning is stymied.

We will be seeking funding from the budget allowance to fund the Rail Network Investment Programme on an ongoing basis, and at a sufficient level to provide certainty that the core maintenance and renewals of the national network will be met. If this cannot be achieved, we will present scaling options.

## **3. Metropolitan Growth and Rapid Transit (Pages 18-21)**

New Zealand is beginning to yield the benefits of previous investments in metropolitan rail. The City Rail Link and electrification of the Auckland network started in the 2010s, and patronage has responded accordingly. The Wellington network is benefitting from an upgrade programme. There is strong growth forecast in our Auckland and Wellington metro areas – Auckland will triple to 60 million passengers per year by the 2050s and Wellington will double to 20 million by the same time. The network is funded by regional councils and the NLTF, but this is insufficient to unlock the immense benefits of transport choice by individuals and businesses. We are open to exploring alternative funding and financing options, together with other investment partners. We will be coming back to you with a plan for these metropolitan centres across the coming decades, in tandem with Waka Kotahi, the Ministry of Transport, Auckland Transport, and Greater Wellington Regional Council.



#### 4. Other workstreams

We also have a number of other workstreams that our wider briefing covers including:

- Lifting our safety performance (Page 12)
- Cyclone Recovery Works (Pages 22-23)
- Execution and delivery procurement and renewal of Rolling Stock (Page 24)
- Emissions Reductions and Health Improvements (Page 25)
- Finalising the extension of the core lease of railway land (Page 26)

Ahead of our first meeting together, our attached fulsome briefing will be able to offer some further insight into our business, including key facts and figures. We look forward to continuing to work hard for our customers and to grow New Zealand's economy together.

Yours sincerely

9(2)(a) - Privacy

David McLean

**Chair**

9(2)(a) - Privacy

Peter Reidy

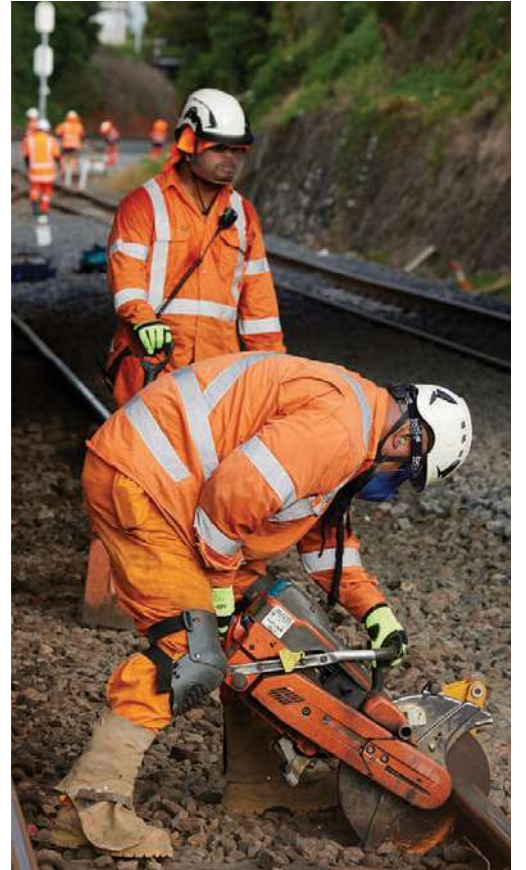
**Chief Executive**





# BRIEFING TO INCOMING MINISTERS

2023



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SECTION 1

**TO THE POINT**

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## WELCOME

**We are a transport services and infrastructure business moving people and freight by rail and sea, and we are the steward of the national rail network.**

We are a State-Owned Enterprise charged with running a successful business, being a good employer, and exhibiting social responsibility.

- We generated **\$991 million** in operating revenue last year, and a surplus of **\$156 million**.
- Rail generates up to **\$2.1 billion** in economic value each year.
- Rail moved more than **20 million passengers** last year, and this will grow significantly.
- We serve **major ports and primary industries** and are essential for economic productivity.
- In a recent survey, **79% of the public agreed** that all New Zealanders benefit from having a modern, efficient rail and ferry network.

We're a national employer of 4900 people, a presence in communities throughout New Zealand, and a proud service provider to many companies.

## OUR PURPOSE

**Hononga Whaikaha. Stronger Connections.  
Oranga mō Aotearoa. Better New Zealand.**

Connected to our customers and the future needs of their businesses.

Connected to the communities we serve and operate in.

Connected to each other, for the good of the country.

## CONTACTS

### David McLean

Chair of KiwiRail and  
the New Zealand Railways Corporation  
*Primary contact for shareholding Ministers.*

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### Peter Reidy

Chief Executive of KiwiRail  
*Primary contact for the Minister of Transport.*

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KiwiRail provides briefings and other updates to your offices.

Your team members primarily work with Angus Hodgson 9(2)(a) - Privacy  
and Britton Broun 9(2)(a) - Privacy

# KiwiRail at a glance



## Freight

Moves around 18 million tonnes of freight each year

## Freight customers

Connecting more than 300 customers' freight supply chains



## Sustainability

Reduces heavy vehicle impact by more than 1 million truck journeys per year.

Every tonne of freight carried by rail delivers a 70% emissions saving over road



## Great Journeys New Zealand

Offers tourism experiences connecting Auckland, Wellington and Christchurch with regional New Zealand



## Freight services

Operates 40,400 mainline freight departures each year  
240 locomotives and shunts

## Track



Operates and maintains 3700km of track, including 6 million sleepers, of which 56% are concrete

## Freight task



Carries 13% of New Zealand freight volumes multiplied by distance (the standard measurement of freight)



## Our team

4900 employees  
19% women  
18% under 30 years old  
More than 80% unionised



## Commuters

Operates Te Huia and Capital Connection, and manages the metro networks supporting more than 22 million metro commuter trips each year



## Property

Manages a portfolio worth \$4.3 billion with more than 18,000 hectares of land leased from New Zealand Railways Corporation  
Owns more than 900 buildings  
Manages 10,000+ leases, licences and grants



## Interislander

Operates three ships making 3300 sailings per year, providing around 600,000 passenger trips



## Community

Strong public support for a modern, efficient rail and ferry network.

Public recognition of rail and ferries as critical infrastructure.

Efficient movement of people and goods underpins the economy.



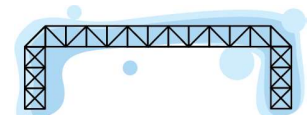
## Exports and imports

Transports around 19% of New Zealand exports and imports



## Value

The total value of rail to New Zealand's economy is approximately \$1.7-\$2.1 billion every year<sup>1</sup>



## Infrastructure

3106 signals  
1447 public level crossings  
106 tunnels  
1367 bridges

1- The Value of Rail in New Zealand - EY 2021 New Zealand – EY 2021



# TOP ISSUES

This information relates to Project iReX and will be included in a proactive release of wider Project iReX documentation. It is intended that this Project iReX proactive release will occur in the coming weeks.

## METROPOLITAN GROWTH FOR AUCKLAND AND WELLINGTON

Auckland rail patronage and freight carried are projected to triple to more than 60 million passengers per year by the 2050s and double to more than 17 million tonnes of freight – essential for a low-emissions future and to give New Zealanders and their businesses transport choice.

- Basic maintenance and renewals are needed every year throughout the Auckland and Wellington metro networks, to keep trains moving and make public transport and freight services reliable.
- Councils project shortfalls in funding their share of costs under the current model and strongly dispute their obligations to find any costs of renewing of assets deemed to be in a 'catch-up' category. They argue the current model places that obligation on the Government.

### 9(2)(f)(iv) - Active consideration

- Longer term, the Auckland rail programme is a huge opportunity to unlock growth through immediate investments in the hundreds of millions – such as upgrading power and signalling including European Train Control Systems on metro and freight trains to optimise capacity.
- We need to take decisions so that later this decade we can start the third and fourth main lines in Auckland. This will lift capacity to boost services and give Aucklanders transport choice, while preserving critical economic connections from port to our largest market. In the next decade, building the Avondale to Onehunga Link will take freight out of the city centre and free the network for dedicated metro. It will also allow more efficient and sustainable supply chains as goods travel through Auckland on rail instead of heavy trucks – connecting the Golden Triangle from Northland to Auckland to Tauranga.

**Metros**  
Transport choice for people and their goods

## NETWORK RESILIENCE FOR CUSTOMERS

The Rail Network Investment Programme delivers resilience through core maintenance and renewals of the network. This infrastructure investment typically has ongoing funding certainty, allowing for long-term planning and efficiency of scale. Unfortunately, while rail has been integrated into the Land Transport Management System, decisions to commit to ongoing funding have not occurred.

- KiwiRail’s role in the freight system is essential to the economy. Rail is the clearing house for ports – trucks cannot clear a port yard like rail. Without rail, ports congest. When ports congest, supply chains constrain. When supply chains constrain, the economy slows.
- The Rail Network Investment Programme is needed to deliver resilience and reliability but needs funding certainty. The Government has an unfunded commitment to a 10-year programme of work, upon which companies like Fonterra and Port of Tauranga rely. These companies know the value of rail to their bottom line, and New Zealand knows the value of these companies to the economy.

9(2)(f)(iv) - Active consideration

- The RNIP is foundational investment upon which all rail benefits rely.

**RNIP**  
the network backs primary industries and exports

## INNOVATIVE FUNDING

KiwiRail is open to innovative funding to deliver major projects. Some large-scale Auckland investments are economic enablers, and may be well suited to cost sharing arrangements to boost New Zealand’s ability to achieve long-term economic gains.

- We look forward to working with the new National Infrastructure Agency, the Infrastructure Commission, and other agencies on these opportunities.
- These long-term benefits from the 30 Year Auckland Strategic Rail Programme could gain from innovative funding partnerships. For instance, the third and fourth main line and level crossing programmes are similar to commercial infrastructure arrangements in Australia.
- We have already funded the Project iReX ship procurement through a \$350 million commercial Green Loan and use joint ventures to develop railway land for multi-modal freight purposes.

**Financing**  
KiwiRail is open to commercial partnerships to deliver infrastructure



## TRANSPORT THEMES

22.7 million passengers caught trains in Auckland and Wellington in 2022/23 and 13% of freight was hauled by rail in net tonne-kilometre terms. Rail provides transport choice, means lower emissions, less road maintenance, and makes efficient use of New Zealand's total transport infrastructure.

These contributions are set to grow. By the 2050s, Auckland patronage will triple to 60 million passengers per year, Wellington will lift to 20 million passengers, with rail freight volumes reaching 23% of market share (effectively doubling in volumes to 17 billion net tonne-kilometres). With this growth comes transport choice for New Zealanders and their businesses, a low-emissions future, and the efficient use of all transport infrastructure.

## FUNDING AND FINANCING

- The National Land Transport Fund has operated effectively in the past. It is now oversubscribed, requiring additional solutions to achieve outcomes. Funds come in from multiple sources – Road and Track User Charges, petrol excise duties, motor vehicle registration fees, debt, and from Government top-up charges against budget allowances. Funds are distributed to deliver road, rail, and other land transport outcomes. Integrating rail network and public transport infrastructure into this system is right, as it helps Waka Kotahi minimise risk on the road network through efficient use of all parts of the transport system.
- The National Land Transport Fund appears unsustainable in the medium term as Vehicle Kilometres Travelled declines and motorists transition to electric vehicles, which currently sit outside the Fuel Excise Duty and Road User Charge funding regime. We understand electric vehicles will pay Road User Charges and Fuel Excise Duty will be phased out.
- Pricing is an effective tool to inform market choices. A wide range of options for the future land transport funding systems are currently being considered, including embracing technological solutions and new pricing methodologies. These have far reaching implications, including for how we manage congestion, the efficiency of the freight system, private sector investment incentives and the mode-neutrality of the transport system.
- As new pricing tools are introduced, it is essential the benefits and disbenefits across all transport modes are considered. For instance, time-of-use charging on road freight would take price-sensitive vehicles off roads when they are busiest and make better use of rail capacity. Road User Charges have been held flat since 2020, during which time a Track User Charge on rail freight volumes has been introduced. As rail volumes grow, Track User Charge revenue into the Fund will increase. This objective is negatively impacted if heavy weight classes are not paying appropriate Road User Charges. Pricing allows for the most efficient use of all transport options.

## EMISSIONS REDUCTION

Every tonne of freight  
by rail emits

**70% less**

carbon than road

- National emissions reduction targets require substantial reductions in transport emissions. These are unlikely to be met through asset transition to electric vehicles in the light vehicle fleet alone. For targets to be met, active Vehicle Kilometres Travelled suppression measures, mode shift to public transport, increased utilisation of rail freight, and heavy fleet transition are required.
- These are more difficult interventions and require public partnership with others, including local government and the freight industry, and place additional pressure on the National Land Transport Fund.
- The existing freight emissions reduction target is 35% by 2035, which can't be achieved by decarbonising truck technology alone. Every tonne of freight shifted by rail emits 70% less carbon than by road, so effective competition can see rail play a key role in achieving the overall emissions reduction target.
- This is why market wide pricing and mode-neutral infrastructure funding is a viable economic plan.
- As the carbon price rises over time, the economics of mode choices and the freight sector will shift. The Government needs to factor this eventuality into planning and investment decisions, and ensuring rail is positioned to contribute.

## INFRASTRUCTURE SYSTEM CAPACITY

- Like other sectors, the civil infrastructure sector is facing cost escalation, supply and labour force constraints, consenting uncertainty and capability/expertise gaps. These are making projects harder to deliver in the short term and limiting the industry's ability to plan with confidence for the long term.
- Infrastructure, training, immigration and environmental policy all play a part in system capacity constraints.
- New Zealand has built pipelines for infrastructure classes to help provide certainty for planning and investment. The next step is to ensure the industry, government and councils understand how these classes inform each other, so that housing, transport, and social infrastructure are mutually reinforcing and intersecting infrastructure is delivered in a timely and efficient fashion.
- Like Waka Kotahi, KiwiRail faces challenges acquiring land for corridors well ahead of development. This is particularly acute in urban areas. The same constraints exist across all infrastructure providers, where buying land early could save significant costs in the long-term. There is a case for a Land Infrastructure Fund being established.

## FINISH THE JOB YOU STARTED

- Following the buy-back and establishment of KiwiRail, the pathway to sustainable rail was not clear when the Government began to revive rail in 2009. National made a number of critical metro and freight investments in the face of that uncertainty. The \$4.4 billion invested up to 2017 electrified the Auckland network during the 2010s, initiated the City Rail Link, renewed Wellington network infrastructure, and the Government took other key decisions like rebuilding the Main North Line after the Kaikōura earthquake.
- Under the 2017-2020 Coalition Government, the Rail Network Investment Programme was legislated and rail integrated into the land transport system – meaning longer-term investment decisions are possible and transport decisions consider all modes. Critical asset renewals of locomotives, wagons, depots, ferries, and terminals were funded.
- Decisions to fund the Rail Network Investment Programme on an ongoing basis fell to the Labour Government in Budgets 2021, 2022 and 2023. This would have given the funding certainty needed to plan infrastructure decisions – funding rail like roads, schools, and hospitals. While three-year funding was provided, ongoing funding has not yet been secured.
- The Rail Network Investment Programme means the finish line is in sight: services that operate commercially and create value, alongside resilient and reliable infrastructure funded from the National Land Transport Fund. The prize is a resilient, productive, self-sustaining rail system generating more than \$2 billion in economic benefit to New Zealand each year.



## About KiwiRail

**We are a transport services and infrastructure business, moving people and freight by rail and sea. We are the steward of the national rail network.**

KiwiRail plays a critical role among New Zealand's transport network and as a core component of the supply chain. Rail adds capacity for passenger and freight movements, affording choice to individuals and capacity for businesses. We help businesses get their goods to market and deliveries to their destination.

KiwiRail is relied upon by customers that together form a large part of New Zealand's primary industries and import/exports. Our largest customers include Fonterra, Port of Tauranga, Team Global Express (formerly Toll), Bathurst, Mainfreight, Kaingaroa Timberlands, NZ Steel, CentrePort, Winstone Pulp, the Alliance Group and Bascik Transport. Fonterra flows across New Zealand on rail. New Zealand exports get to port by rail. Heavy industries like logs, coal and gas are well suited to the single-handling transport we offer between manufacturer and port.

We are accountable to shareholding Ministers for our commercial performance, to the Minister of Transport for infrastructure delivery and transport outcomes, and to the New Zealand public as our ultimate owner.

We're a national employer of 4900-plus. More than 80% of our workforce is unionised and KiwiRail uses the High-Performance High-Engagement process with staff to find solutions to problems together.

### SERVICES BUSINESS

- **Rail Freight** – rail logistics services to freight markets.
- **Interislander** – ferry services to rail and road freight markets, and for tourist and domestic passengers and their vehicles.
- **Great Journeys and Commuter** – passenger services for public transport and tourism markets.
- **Property** – management and development of rail operations and third party land use.

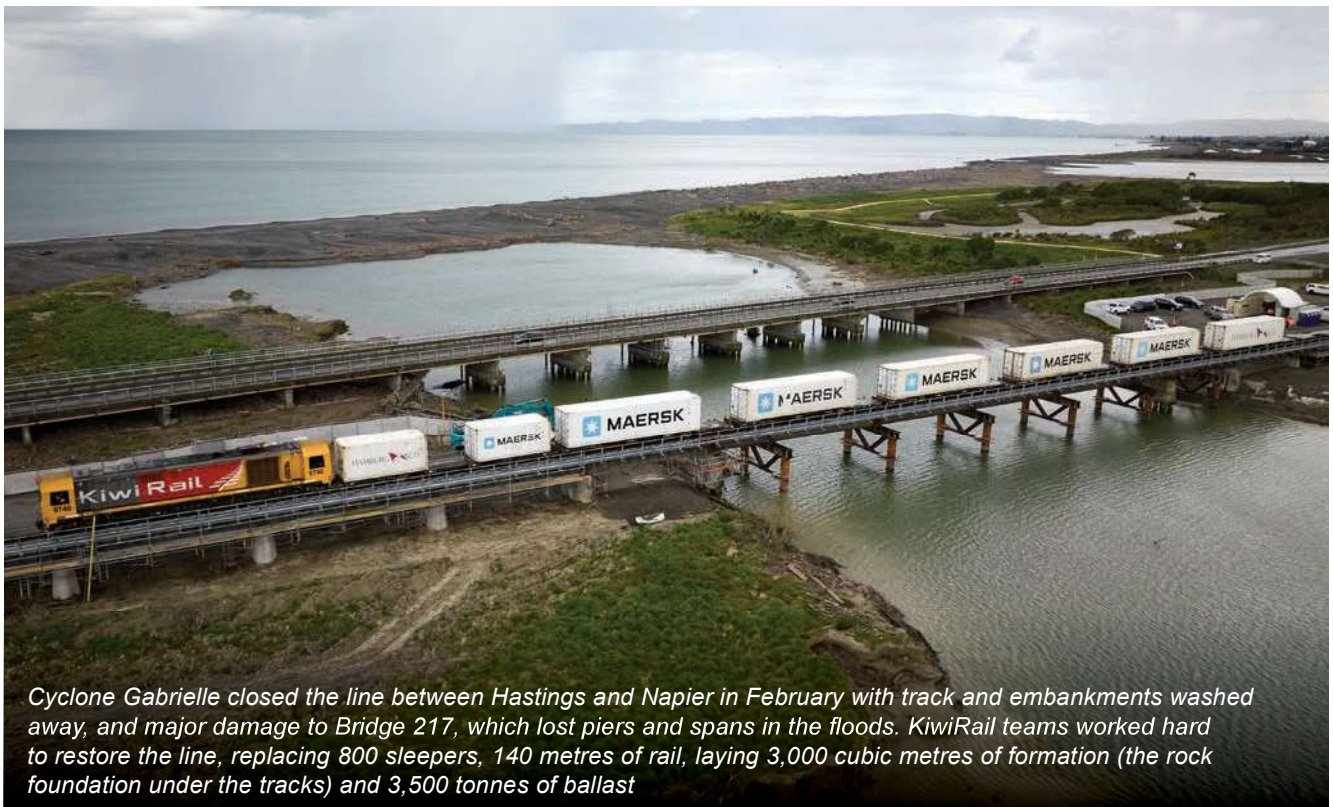
### INFRASTRUCTURE BUSINESS

- **Networks** – Delivering asset management, infrastructure renewals/upgrades, signalling, metro and national train control operations and improvements to the rail network for all users.

### PROGRAMME DELIVERY

- **Capital Planning and Asset Development** – Delivering major services, infrastructure developments and asset procurement.

Our Services, Infrastructure, and Programme Delivery divisions are all supported by shared corporate services, including a specialist Zero Harm team, finance, legal, human resources, ICT, policy and funding, communications and strategy teams.



*Cyclone Gabrielle closed the line between Hastings and Napier in February with track and embankments washed away, and major damage to Bridge 217, which lost piers and spans in the floods. KiwiRail teams worked hard to restore the line, replacing 800 sleepers, 140 metres of rail, laying 3,000 cubic metres of formation (the rock foundation under the tracks) and 3,500 tonnes of ballast*

SECTION 2

**MAJOR TOPICS  
IN DETAIL**

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## SAFETY CULTURE

**KiwiRail is committed to lifting its safety performance and culture. Better systems. Fewer incidents.**

Safety is our first priority. Our safety performance is not good enough.

Companies with strong safety performance have better overall performance. Companies have higher engagement

where staff know their leadership care about them and their organisational systems will keep them safe.

KiwiRail has a Safety Culture Transformation Roadmap with four interdependent workstreams underway, with executive and senior leader accountabilities to deliver them.

Workstream	Year 1 outcome	Year 1 activities
<b>Shift safety mindsets</b>	Establish Care and Protect as our core value	Share safety culture assessment findings with KiwiRail stakeholders (Health and Safety Action Team, Unions, Regulators).
		Develop a safety culture communication strategy.
		Support implementation of the safety culture communication strategy and tools (for all workers).
<b>Develop Care and Protect skill sets</b>	Develop line management safety leadership skills	Design safety leadership and risk containment workshop modules.
		Develop safety leadership coaching programmes.
		Support implementation of workshops and coaching for line managers.
<b>Reduce critical safety risks</b>	Drive rapid risk reductions at the front-line	Develop a rapid risk reduction process and toolkit.
		Support implementation of the rapid risk reduction process across all KiwiRail sites.
		Share risk reduction actions for applied learnings across all sites and teams.
<b>Establish safety support structures</b>	Establish line management’s ownership and accountability for safety performance	Refine safety performance dashboards.
		Establish Zero Harm and People & Culture teams as trusted advisors (versus primary drivers of safety).
		Develop and implement a safety culture recognition programme.

This programme is integrated into KiwiRail’s Statement of Corporate Intent. This includes a vision where ‘our people return home safely and healthy every day’ with the following aims:

- Building a culture where everyone believes all injuries are preventable and delivers on our Care and Protect value, to show trust and care for our people.
- A focus on visible leadership, critical risks/controls, front-line engagement and standard ways of working.
- A sustainable healthy workplace with a genuine wellbeing focus for our people and contractors.

- Reducing environmental exposure and enhancing the Zero Harm environment.

KiwiRail has public accountability performance measures relating to safety, including:

- Total Recordable Injury Frequency rate reducing by 15% each year from 23 in 2022/23 to 14 in 2025/26.
- High Potential Near Misses reducing by 27% from 44 in 2023/24 to 32 in 2025/26.

### Next steps

- KiwiRail will report regularly to you on progress as we lift our safety performance and culture.

Next three pages relate to Project iReX and will be included in a proactive release of wider Project iReX documentation. It is intended that this Project iReX proactive release will occur in the coming weeks.



## RAIL NETWORK INVESTMENT PROGRAMME

**This is an ongoing maintenance and renewal programme, which needs to be funded beyond 2025/26. This is foundational investment upon which all rail benefits rely.**

Our customers include core primary industries and ports, and they support sustainable transport funding. That’s what this programme delivers, if funded. The programme is a statutory requirement under the Land Transport Management Act 2003. Three-yearly approvals of a comprehensive work programme enables integrated planning between the Government’s broad transport objectives for land transport, the work KiwiRail intends to do to on the network, and input from regions where rail is of strategic importance. It also enables coherent monitoring and reporting for the Minister of Transport across all transport spending and outcomes. We intend to work closely with the new National Infrastructure Agency, Infrastructure Commission, and other partners on the value the programme provides.

Road users do not pay for the programme in full. The National Land Transport Fund contributes \$120 million per annum to the programme, with the balance paid from a Budget top-up. KiwiRail’s freight customers pay around \$20 million per annum in a Track User Charge into the Fund for the wear-and-tear of using the network. Road users benefit from rail through avoided maintenance from fewer trucks, meaning less congestion and potholes on the road.

The programme is prepared by the KiwiRail Board and approved by the Minister of Transport directly, subject to considering advice from Waka Kotahi and consulting KiwiRail’s shareholding Ministers. The programme for 2024/25-2026/27 will be presented to the Minister by May 2024 for approval prior to 1 July 2024.

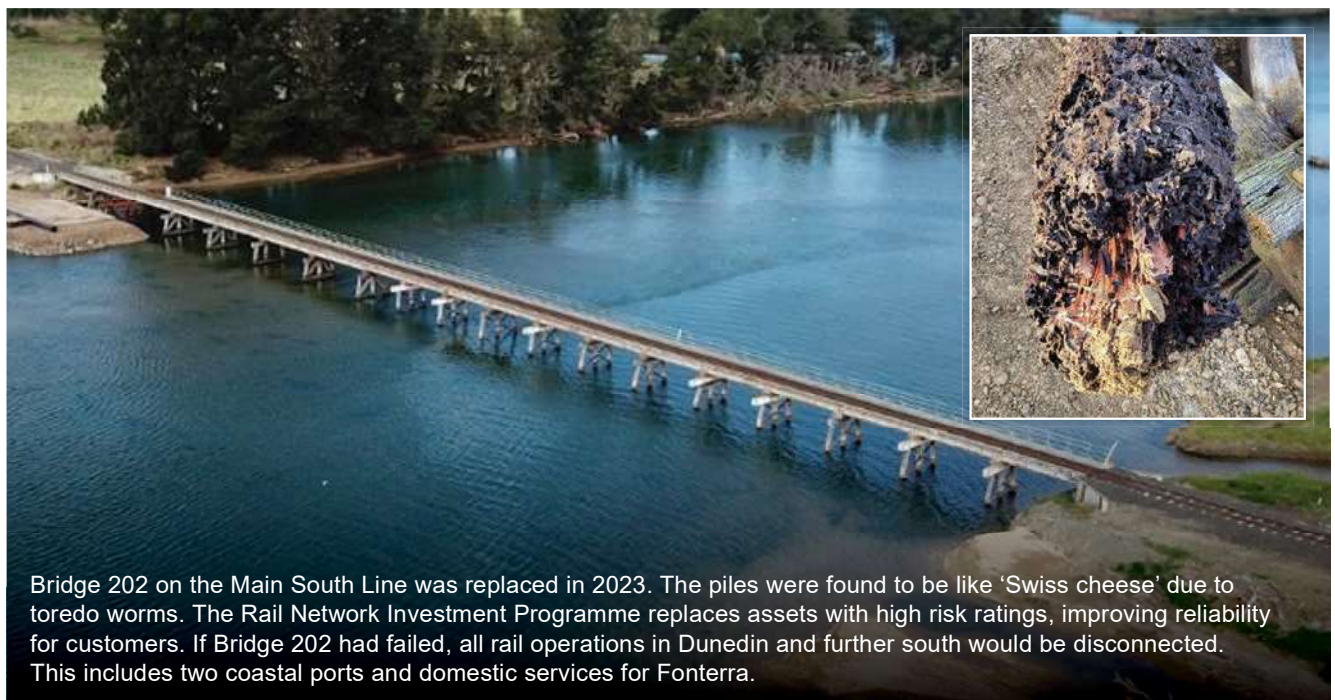
9(2)(f)(iv) - Active consideration

The programme provides a multitude of benefits as it is foundational to all rail investments. Economic productivity increases as people have transport choice in congested cities and businesses have capacity and choice to get goods to market and exports to ports. Safety improves as fewer trucks are needed on the road, and road maintenance costs are reduced for the same reason. Emissions reduce significantly, as for every tonne moved by rail emissions are 70% less than by road freight. The air quality and health outcomes also improve from reduced particulate matter and nitrous oxide emissions.

9(2)(f)(iv) - Active consideration

9(2)(f)(iv) - Active consideration

Providing ongoing funding for the maintenance of the national rail network is our highest priority. Rail infrastructure would then be funded like roads, schools and hospitals.



Bridge 202 on the Main South Line was replaced in 2023. The piles were found to be like ‘Swiss cheese’ due to toredo worms. The Rail Network Investment Programme replaces assets with high risk ratings, improving reliability for customers. If Bridge 202 had failed, all rail operations in Dunedin and further south would be disconnected. This includes two coastal ports and domestic services for Fonterra.





## 30-Year Network Plan

As part of the first Rail Network Investment Programme, KiwiRail is preparing a 30-Year Network Plan for consultation alongside the second Rail Network Investment Programme. This takes into account the forecast demand in use (both metropolitan and freight) and the major strategic opportunities (including those to achieve forecast passenger and freight volumes in the Auckland Strategic Rail Programme developed for the Auckland Transport Integrated Plan between the Government and Auckland Council).

The programme is funded through two separate activity classes from the National Land Transport Fund:

### Rail Network activity class

**Network maintenance, operations and management** to enable services to run on time, reliably and safely, and to improve asset management maturity.

- Network operations
- Maintenance
- Track inspections
- Asset management.

**Network renewals** to reduce outages, reduce heat and speed restrictions, reduce derailments, improve safety, lift rail reliability and volumes, and expand capability.

- Replacing end-of-life rail, sleepers and ballast
- Replacing end-of-life bridges, signalling systems and structures
- Managing drainage, strengthening slopes and mitigating coastal erosion
- Procuring plant for more efficiency and productivity
- Lifting capability through apprenticeships and trainees.

**Network improvements** to improve safety and services to customers

- Resilience projects
- Level crossings
- Yard improvements
- Develop a 30-year network plan.

**Weather events recovery** to reinstate and strengthen lines damaged by the North Island weather events

- Reinstating damaged lines, primarily in Hawke's Bay and Northland
- Replacing aged assets – making best use of the line closures.

### Public Transport Infrastructure activity class

**Auckland metro – infrastructure** to enable City Rail Link readiness (note: significant Auckland rail investments are funded separately).

- Fencing and security
- Strategic network planning for long-term utilisation and benefits
- Integrated rail management centre – co-locating KiwiRail and Auckland One Rail train control operational functions
- Infill signalling
- Additional traction feed
- European Train Control System level 2 business casing.

**Wellington metro – infrastructure** to improve safety and increase capacity (note: significant Wellington rail investments are funded separately).

- Re-signalling and train protection business case
- Capacity improvements business case.

### Next steps

- **9(2)(f)(iv) - Active consideration**



Core maintenance and renewals create a reliable rail network for metro public transport users and primary industries.



## METROPOLITAN RAIL

**KiwiRail wants the best outcome for Aucklanders and Wellingtonians. Auckland is New Zealand’s global city and its economic success is essential, and Wellington is our capital city. Both need to grow and stand proudly on the world stage.**

Maintaining and renewing infrastructure assets is critical for reliable public transport in Auckland and Wellington. However, there is a backlog of work to deliver reliable services which still need funding and major funding issues to resolve jointly across Government agencies and regional councils.

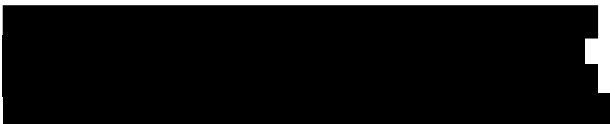
### Maintenance and renewals

Maintenance and renewals in Auckland and Wellington are delivered through Network Management Plans, which are funded between the regional authority (Auckland Transport in Auckland and Greater Wellington Regional Council in Wellington) and KiwiRail. Waka Kotahi covers 51% of the regional authorities’ share of the costs.

The funding levels in these areas have not been high enough to deliver all the uplift in work that is needed. Councils have struggled to afford the work required. Both authorities are budgeting similar levels of funding on an ongoing basis. Councils have further argued that their objective to pay extends only to a ‘steady state’ network and not for any renewals and additional maintenance for a bundle of catch-ups.

KiwiRail is working with the Ministry of Transport, Waka Kotahi, Auckland Transport and Greater Wellington to solve the issue. **9(2)(f)(iv) - Active consideration**

### Auckland



**9(2)(f)(iv) - Active consideration**



### Wellington

**9(2)(f)(iv) - Active consideration**





9(2)(f)(iv) - Active consideration  
[Redacted]

9(2)(f)(iv) - Active consideration  
[Redacted]

### Metro Rail Operating Model

The Metro Rail Operating Model is a policy framework that underpins the current metro rail operations. It was agreed by Cabinet in 2009. Aspects of it are ambiguous, which have opened up the challenges from councils.

Since that time, and despite the completion of the Future of Rail Review and the publication of the New Zealand Rail Plan (2021), no updates to the model have been completed.

9(2)(f)(iv) - Active consideration  
[Redacted]

Under the model, councils should receive a Funding Assistance Rate which Waka Kotahi has established at 51% of the councils' costs.

Since 2009, the metro rail system has changed significantly. Not long after the model was introduced in 2009, in the 2010/11 reporting year, metro rail boardings were just over 20 million passengers annually. By the 2018/2019 reporting year, this had climbed to over 35 million. This was largely due to the doubling of metro rail patronage in Auckland because of the electrification of much of the network and new rolling stock introduced.

One of the objectives of the model settings review is to ensure that the funding settings within the model are sustainable and fair to support efficient and reliable metro rail services for now and the future. This is the key part of the model settings review given the identified long-term cost pressures in the metro rail space.

The Ministry of Transport will provide Terms of Reference to the Minister of Transport to review the model. KiwiRail supports this, and notes this was recommended by the Ministry's independent reviewer into the causes of Rolling Contact Fatigue in 2021 and in the Government's rapid review of KiwiRail's track evaluation car scheduling error in 2023.

#### Next steps

9(2)(f)(iv) - Active consideration  
[Redacted]

- The Ministry of Transport is reviewing the funding settings within the Metro Rail Operating Model.



## AUCKLAND STRATEGIC RAIL PROGRAMME

Auckland’s rail system provides the backbone of the region’s rapid transit network and also plays a critical role in New Zealand’s freight supply chain. While the City Rail Link is a significant investment that enables a step change in capacity, expected and needed growth in each of metro and inter-regional passenger and rail freight services means the network will be full very soon after City Rail Link opening.

KiwiRail is open to innovative funding and financing. This programme offers 30 years of integrated infrastructure projects, and benefits across and beyond this period.

The Auckland rail system is a mixed-use railway, where passenger and freight services operate on the same tracks. It is not a metro system. Combined with systemic reliability issues following decades of under-investment, there is limited scope to increase services to the level each market needs to meet future demands. Without further investment, this poses a significant risk to Auckland and New Zealand’s economic prosperity and achieving greenhouse gas emissions targets.

To ensure our future system can respond to these challenges, KiwiRail and Auckland Transport have collaboratively developed a joint 30-year Auckland Strategic Rail Programme through the Auckland Rail Programme Business Case. The strategic programme focuses on the needs of the Auckland rail system post-City Rail Link. It covers all elements of the rail system including enhanced maintenance, upgrades of track capacity and signalling systems, grade separation and closure of level crossings, expansion of the train fleet and upgrades of stations. As a result, by 2050, the rail system would have:

- resilient and reliable infrastructure that significantly reduces the number of speed restrictions and disruptions on the network
- triple the volume of freight carried into and out of Auckland by rail compared with 2023 (5.7 million tonnes per annum to 17.9 million tonnes per annum)
- an 80% increase in rail passenger patronage post-City Rail Link opening (from approximately 37 million trips per annum to 67 million per annum)
- a power system that can cater for electric or hybrid freight and passenger services
- effective segregation of freight and passenger services on the Southern and inner-Western lines, by four-tracking the Southern Line between Westfield and Pukekohe and the new crosstown Avondale-Southdown line.

### Approvals and funding

The programme business case that supports the strategic rail programme is seeking endorsement from Waka Kotahi in mid-December 2023, following on from KiwiRail and Auckland Transport approvals. Endorsement of the business case does not fund the strategic programme but is a necessary step to access funding from the National Land Transport Fund. Under existing processes, further detailed business cases would be required for each element of the programme prior to receiving funding approval. Work completed to date indicates that the

highest priority elements of the strategic programme will be delivered later than it is needed, and passenger and freight growth will be constrained until 2042. Funding the investment plan as a programme would assist in resolving these issues. Government support to fast-track planning and consenting, especially in relation to four-tracking the Southern corridor (see below), could also materially advance delivery and cost effectiveness of the programme.

Finding a whole-of-Government approach to progressive land acquisition for corridors would be a spatial enabler.

As signalled through the Tāmaki Makaurau Integrated Transport Plan, funding for KiwiRail’s projects will be requested through the 2024-27 Rail Network Investment Programme, at a scaled-back level to address affordability concerns given the constrained National Land Transport Fund. **9(2)(f)(iv) - Active consideration**

[Redacted text block]

**9(2)(f)(iv) - Active consideration**  
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### Priority KiwiRail network investments

**A step change in maintenance and renewals** – Existing levels of regular annual funding are insufficient to deliver a resilient and reliable network, which will be compounded as use increases post-City Rail Link. Due to historical under-investment, a programme of “catch-up” renewals must also be finished to bring the network up to a modern standard that is suitable for current rail volumes.

**Maintenance plant and equipment** – Modern plant and equipment and the maintenance depots to house it, supports a move to a highly-productive proactive maintenance regime that is less reliant on network closures for access thereby reducing customer disruption.

**Signalling upgrades** – Upgrading the network signalling system to European Train Control System Level 2 makes best use of the existing network by allowing greater frequencies on existing track and increases reliability.

**Southern Line four-tracking** – The highest priority major capital investment is four-tracking of the Southern Line from Westfield to Pukekohe by 2042. Without this, neither passenger nor freight service levels can be increased beyond the provisional City Rail Link timetable which would limit regional and national economic growth.

**Avondale-Onehunga Link** – Activating the Avondale-Southdown rail designation is key to maximising the segregation of freight and passenger services. This will improve freight efficiency, reliability and productivity. At the same time, it will provide a crosstown rapid transit route for passenger services and enable more intensive use of the inner network. Timing depends on port policy and freight growth from Northport, but early work is required to secure the designation prior to its lapse in 2029.



Estimated nominal costs for these priority investments are outlined in the table below:

Project					(\$m)
	FY25-27	FY28-34	Decade 2	Decade 3	Total
Catch-up renewals	9(2)(i) - Commercial Activities				656
Annual renewals					1,862
Annual network maintenance, management and operation					5,149
Maintenance plant, equipment and depots					1,337
ETCS Level 2					400
Southern Line four-tracking					8,176
Avondale-Onehunga Link					6,765
Level crossing removal (AT funded)					3,560

### LOCAL GOVERNMENT SHARE

To fully realise the benefits of the strategic rail programme, substantial co-investment in capital projects is required from Auckland Transport, amounting to \$9.288 billion over 30 years. Additionally, due to the significant increase in passenger services expected to be run, Auckland Transport will face additional operational costs of \$5.443 billion over the same period to adequately fund network maintenance, operations and renewals.

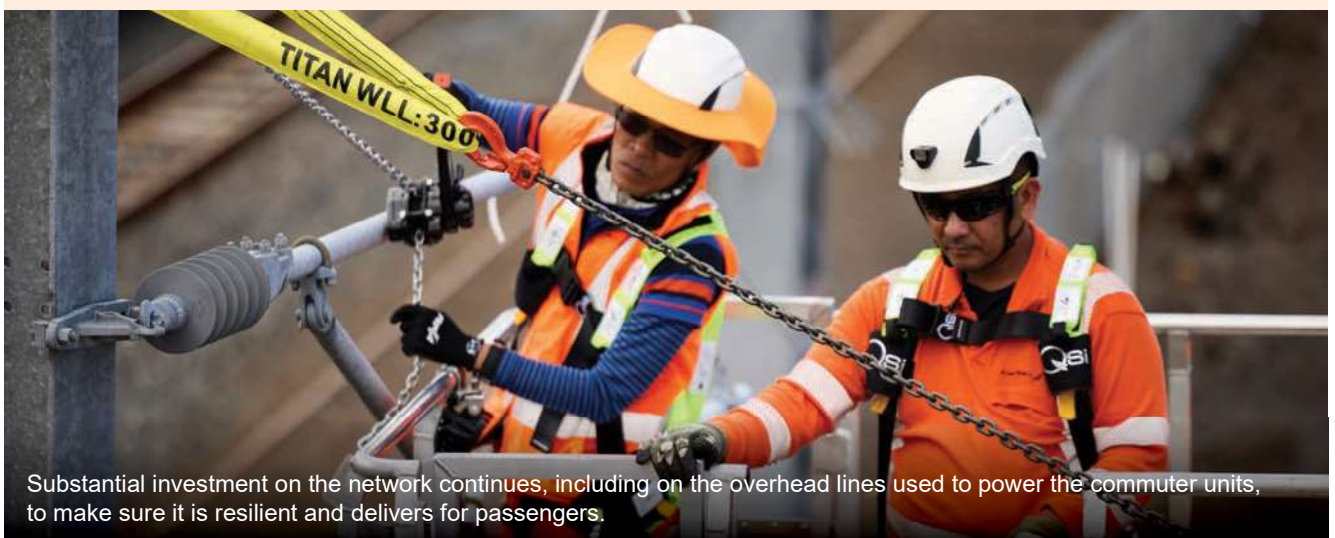
As signalled earlier, Auckland Transport faces funding constraints that prevent it from meeting existing operational cost commitments and early indications suggest that its elements of the strategic programme have not been

prioritised into the 2024-2033 Auckland Regional Land Transport Plan. There is a high degree of interdependence between the KiwiRail and Auckland Transport projects, such that non-delivery puts the wider programme at risk.

Of particular concern is the \$3,560 million level crossing removal programme, which is not currently funded. A number of level crossings will need to be removed in order to operate the Day 1 City Rail Link timetable and it is likely all will need to be removed to enable the full benefits. In addition, all level crossings between Westfield and Pukekohe must be removed to enable four-tracking of the Southern Line. The purchase of additional passenger fleet units, new fleet stabling and the upgrade of rail stations are also necessary elements of the strategic rail programme.

### Next steps

- Support the Auckland Deal to prioritise rail investment, enabling patronage to triple and freight markets to double in volumes by the 2050s. This enables transport choice for people and underpins economic growth in our largest, most congested city.
- KiwiRail will work with the National Infrastructure Agency on innovative funding options.



Substantial investment on the network continues, including on the overhead lines used to power the commuter units, to make sure it is resilient and delivers for passengers.



## WEATHER RECOVERY

### Cyclone Gabrielle and the Auckland Anniversary Weekend flooding closed rail lines. KiwiRail is reinstating lines and resilience improvements are occurring while lines are closed.

- **North Auckland Line** remains closed. The major slip at Tahekeroa was one of 16 extreme damage sites nationally and has now been repaired. Further work across the line continues, and reopening is estimated in the first quarter of 2024.
- **Auckland metropolitan network** experienced slips and washouts, and while lines are operational, the damage is being remediated.
- **Main trunks:**
  - **East Coast** required immediate repair following a derailment caused by flooding and washed-out rail.
  - **North Island** required immediate repair to clear slips. Both lines are operational now.
- **Palmerston North to Gisborne Line** is reopened to Napier and freight services are running, following broad reinstatement work and the building of a temporary bridge between Hastings and Napier where Bridge 217 had been. Extensive damage occurred between Napier and Wairoa, which remains closed, with 15 extreme damage sites.

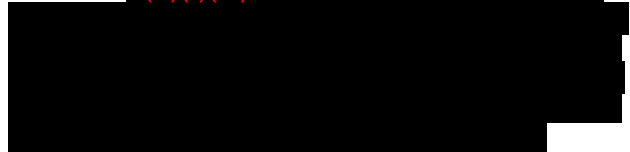
KiwiRail is delivering a reinstatement programme across damaged lines through \$200 million allocated in Budget 2023 and proceeds from insurance (\$50 million paid to date). This investment is going to all of the lines described above.

This is further bolstered by \$198 million to deliver minor resilience improvements on affected lines, so that assets which could fail in future weather events are addressed in advance of the event and the resilience of the line is improved. This investment is about protecting the rail

corridor, reducing exposure to future costs, and protecting neighbours and communities.

Neither the reinstatement nor minor resilience activities include the Napier-Wairoa section of the Palmerston North to Gisborne Line, which suffered extreme damage from Cyclone Gabrielle in certain sections. Funding to reinstate has not yet been allocated. The present focus there is delivering safety-critical work, which is funded from a \$16 million allocation.

The Government’s funding of all of these activities is intended to be delivered through the Weather Events Recovery activity class within the Rail Network Investment Programme. The first \$40 million has been established already by approval from the previous Minister of Transport, **9(2)(f)(iv) - Active consideration**



### Northland recovery

The geology in Northland is complex with fragile soils which are very prone to slips. Geotechnical assessments are required to understand the below ground conditions and the true extent of damage. There have been more than 200 damage sites along the North Auckland Line, including overslips, slumps, washouts and underslips. Further bad weather has seen some sites worsen.

Work is completed repairing more than 50 kilometres of line north of Swanson (to near Makarau), including repairs to significant washouts in north Auckland. The extreme Tahekeroa slip, which saw 35,000 cubic metres of earth fall across the road and rail line, has been repaired. 95% of the slip material was reused onsite to construct the new earth structures and reshape the ground surface. This reduced project costs and transport emissions by



The slip at Tahekeroa blocked road and rail with 35,000 cubic metres of earth. KiwiRail’s repairs of the slip were completed in October 2023, with 95% of earth repurposed on site, saving thousands of truck trips and emissions and speeding up the programme by 10 weeks.



removing the need for thousands of truck trips, which would have also damaged local roads and caused traffic problems.

It also brought forward the project completion date by about 10 weeks.

There are another 33 significant damage sites requiring engineered remediation to be completed, with three having been repaired. There are many further smaller sites requiring remediation, and work is well underway to deliver this outcome.

We now expect the North Auckland Line to be reopened in the first quarter of 2024.

The Whangārei to Kauri section of the line is operational, serving a Fonterra dairy plant. 20,000 new concrete sleepers have been laid to replace life-expired timber sleepers and 13km of new rail laid. This is part of the upgrade programme to lift the North Auckland Line to carry 18-tonne axle loads, meaning heavier trains will be able to be used.

### Hawke’s Bay recovery

The Hawke’s Bay rail recovery programme is effectively in two halves. The line south of Napier is open and supporting domestic and export freight flows on the network. KiwiRail has built a temporary bridge where Bridge 217 was washed out by Cyclone Gabrielle, and a permanent replacement bridge is being designed to be built. Other remediation work occurred across this line, and minor resilience improvements will occur through to mid-2024.

The line north of Napier, to Wairoa, was severely damaged with the entire line washed away in the Esk Valley and further slips through the hill country between Napier and Wairoa.

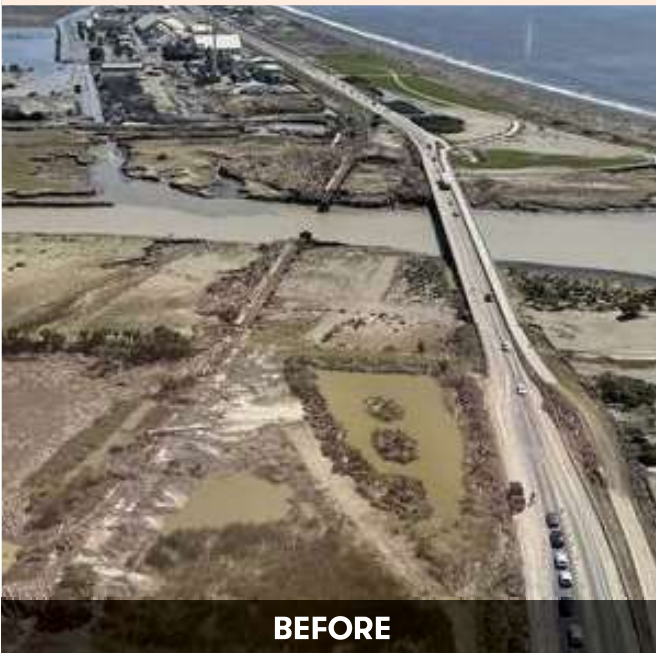
KiwiRail has \$16 million from the Government to address safety-critical issues **9(2)(f)(iv) - Active consideration**

As such, KiwiRail does not yet have a timeframe objective for reopening this line.

KiwiRail is a party to the Transport Rebuild East Coast alliance alongside Waka Kotahi. KiwiRail is working closely with the regional councils, local councils, iwi, customers and other stakeholders as the rebuild progresses.

#### Next steps

**9(2)(f)(iv) - Active consideration**



**BEFORE**



**AFTER**

The bridge at Awatoto between Hastings and Napier was washed out by Cyclone Gabrielle. KiwiRail completed a temporary bridge in September 2023, reconnecting Napier Port into the rail network. Further work will occur to build a permanent replacement.



## ROLLING STOCK PROCUREMENT

**KiwiRail is investing \$1.7 billion in rolling stock capacity and reliability for rail freight customers and to lower emissions, with assets under procurement and built into our commercial modelling and customer expectations.**

Delivering this investment is key to the long-term sustainability of Rail Freight as a business. New replacement locomotives and wagons means less maintenance and more time on the track hauling freight for customers. It underpins the contracts between us and our customers to support a self-funding KiwiRail business, and enables ongoing emissions avoidance and improved air quality from the use of rail.

The rolling stock programme is a package of investments with all components required to run an effective railway operation. The overarching objective of KiwiRail's rolling stock procurement strategy is to:

- **standardise the fleet:** from five generic locomotive types with various sub-categories to three locomotive types, reducing costs and range of skillsets and competencies required to operate and maintain
- **reduce the fleet size from 175** <sup>9(2)(i) - Commercial Negotiator</sup> getting more from fewer assets with greater reliability and availability performance and shifting to dual-cab locomotives, resulting in lower costs and better customer service
- **decarbonise rail:** adopting new technologies to maintain the competitive advantage and environmental benefits of a low-carbon rail operation with modern low-emission diesel locomotives and an electric fleet
- **adapt with change:** manage the risks of uncertain emerging carbon technologies while retaining the option to adapt and change with the most likely development for heavy-haul locomotive technology
- **live within our means:** manage within the \$1.7 billion committed for rolling stock renewals by maximising the opportunities presented until the last payment occurs in 2026/27, with future renewals to be self-funded on commercial terms.

To date, KiwiRail has committed to:

- **57 Stadler DM locomotives** to replace the full mainline locomotive fleet operating in the South Island with fuel-efficient double-cab locomotives, arriving in 2024. **9(2)(i) - Commercial Activities**
- **15 refurbished EF class electric locomotives** operating between Palmerston North and Hamilton, to be completed by June 2025 (partially funded through a funding agreement under section 7 of the State-Owned Enterprises Act 1986)
- **9(2)(i) - Commercial Activities**
- **16 ESV electric shunt vehicles** - high-tech, remote-controlled shunts introduced into service in 2022, currently being used for light duties in depots and yards around the country
- **2944 wagons** through various renewals, including 1444 procured from overseas and up to 1500 to be assembled at Hillside Workshops in Dunedin from 2024 to 2026
- **installation of European Train Control System** equipment on DL and DM locomotives to reduce collision risk while operating in the Auckland and Wellington metropolitan networks.

In total, KiwiRail has committed <sup>9(2)(i) - Commercial Activities</sup>

[REDACTED]

### Next steps

- Delivery of all existing rolling stock procurements will deliver the benefits of rail, serving primary industries, providing reliable services for critical imports/exports, and helping to reduce national emissions.



Render of contracted Stadler locomotives to replace the full South Island mainline fleet and deliver reliability, efficiency, and emissions reduction across operations.





## EMISSIONS REDUCTION TARGETS AND HEALTH IMPROVEMENT

KiwiRail has completed a Fleet Decarbonisation Business Case to look beyond our present reliance on diesel locomotives. Our current procurements are substantial improvements on existing technology in terms of carbon performance and air quality, and the future looks bright for continued low-emissions rail technology.

Our business case shows that a shift to electrification of our rolling stock beyond 2026/27 delivers significant economic benefits for New Zealand and KiwiRail through:

- **reduced emissions and better air quality:** Electric locomotives will be emission-free, resulting in benefits of \$360 million per annum in avoided NO<sub>x</sub>, CO<sub>2</sub> and particulate matter emissions compared to trucks at current volumes of 4 billion net tonne kilometres per annum
- **lower operating cost:** Switching from diesel to electric locomotives is expected to result in more than 25% reduced TCO (total cost of ownership), in part due to electric locomotives requiring less maintenance, and in part due to the significantly lower fuel costs. As the carbon price increases over time, the benefits of decarbonising our rolling stock far outweigh the upfront costs.
- **lower energy consumption:** Electric locomotives consume significantly less energy than truck equivalents. At current volumes, rail freight would consume around 160GWh of electricity per annum compared to between 600-1800GWh required by either battery or hydrogen trucks, reducing the level of investment required by the national grid, distribution networks and electricity generators. By 2050, the energy savings could be over 1 TWh per annum – equivalent to nearly one third of the annual output of current wind and solar generation capacity.

These benefits will be achieved through the renewal of our rolling stock in the 2030s, alongside some infrastructure investment. Several options are likely to be available to us at that time, including:

- conventional electric locomotives with pantographs and last-mile batteries (running solely on overhead lines, with ability to use a last-mile battery in yards and depots)
- battery electric locomotives with pantographs (requiring some overhead lines, with battery capability to run on smaller branch lines and yards without overhead lines)
- battery electric locomotives (requiring chargers enroute for some lines), and
- converting the DM class locomotive from diesel/electric to battery/electric at their half-life.

These significant decarbonisation opportunities are enabled through the current Government-funded rolling stock replacement programme as a first stage, which builds a resilient and reliable fleet for transporting New Zealand's freight for decades to come.

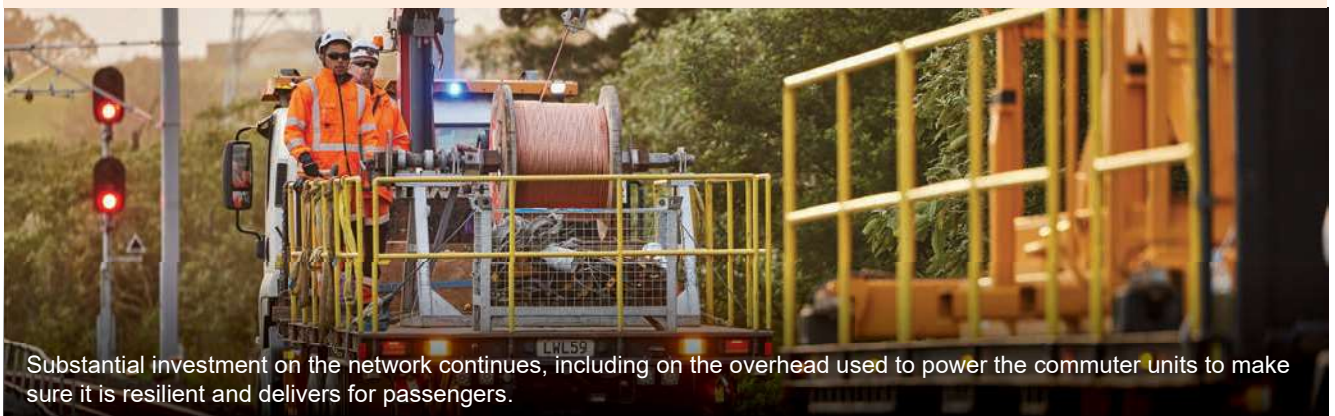
We are also investigating further rail electrification in the North Island for initial design and engineering to scope the work. Electrifying the Golden Triangle (Pukekohe to Hamilton and Hamilton to Mt Maunganui) is a major priority for KiwiRail, given the demand and use of this section of the network. For instance, in 2021/22 only 5% of all rail freight was moved by a zero-emissions electric train, but 46% would have been zero emissions had the Golden Triangle been electrified. By 2050, this could grow to 60%. In addition, when National completed the Kaimai Tunnel project in the 1970s, it was designed with eventual electrification in mind. This design and business case work is being progressed through the Rail Network Investment Programme.

Electrification also enables zero-carbon passenger services south of Pukekohe and opens opportunities to help heavy road freight decarbonise through the provision of charging hubs connected to the network.

KiwiRail must continue to decarbonise to remain relevant for customers and to help New Zealand meet its emissions target. Intermodal freight is the future.

### Next steps

- A self-sustaining KiwiRail will continue decarbonising, but national decarbonisation benefits can occur with smart policies to optimise rail mode share.
- We will regularly update you on the scope and progress of the rail electrification work.



Substantial investment on the network continues, including on the overhead used to power the commuter units to make sure it is resilient and delivers for passengers.



## CORE LEASE OF RAILWAY LAND

### **KiwiRail is seeking shareholding Ministers’ agreement to vary the core lease on railway land and extend its term by an additional 100 years.**

KiwiRail leases railway land from the New Zealand Railways Corporation. This includes the land on which KiwiRail’s infrastructure assets sit and enables KiwiRail to realise the full commercial benefit of the landholding. This is a foundational arrangement for the company to develop assets in partnership with other companies, investors and iwi.

We identified the extension of the core lease on railway land as a strategic priority in 2019. Its current expiry is set for 2070. This is shorter than the life of the assets we are building for the network, and too short to secure long-term commercial benefits through developments. Without an

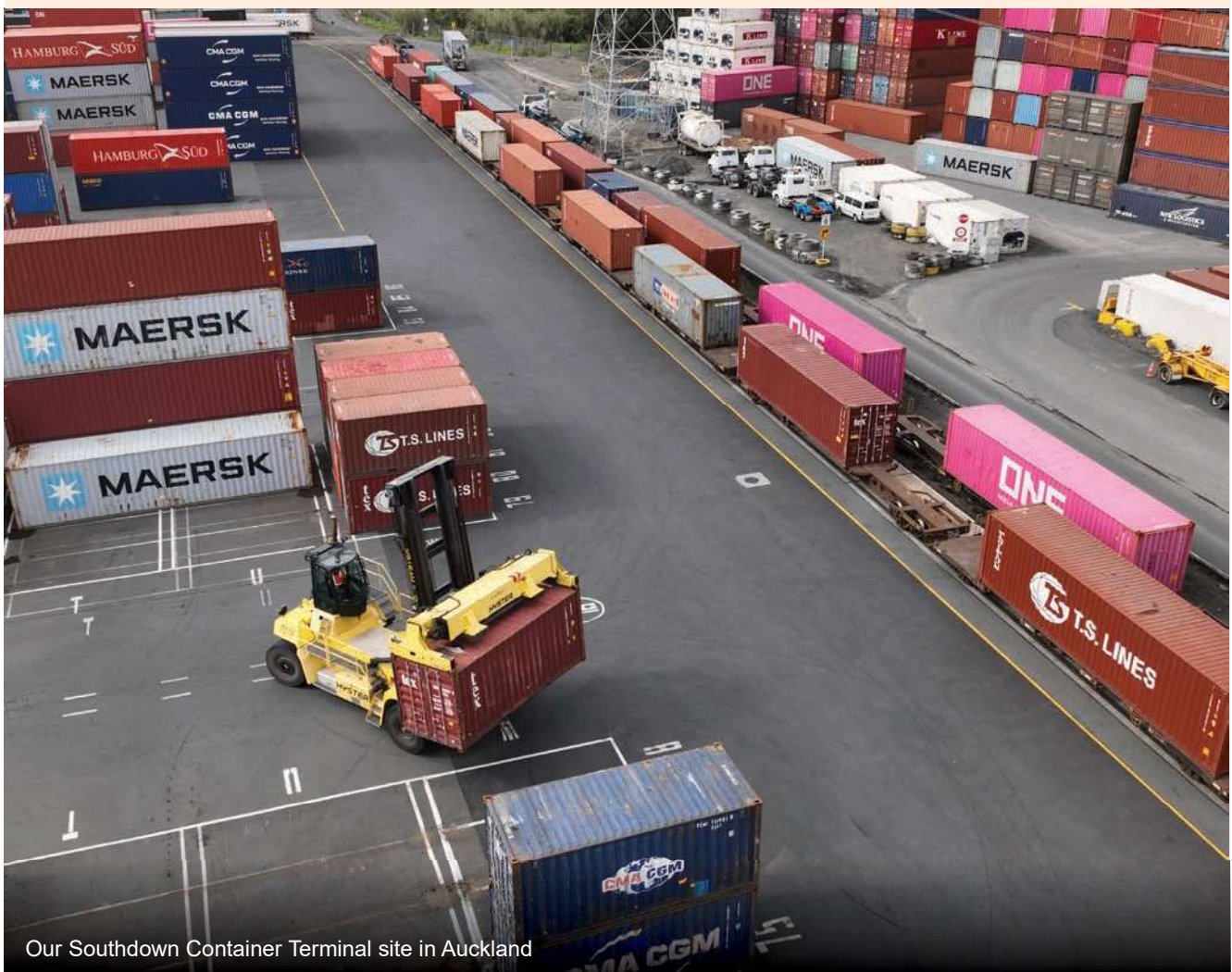
extension, the core lease is constraining the company and potential co-developers – including iwi – in realising value. KiwiRail has proposed extending to 2170 to make best use of railway land for the benefit of KiwiRail and New Zealand.

In 2022, shareholding Ministers agreed the commercial case for extending is in the best interests of KiwiRail. Ministers asked KiwiRail to engage with iwi on the proposal in advance of a variation agreement being presented to Ministers. KiwiRail completed the iwi engagement process, guided by Te Arawhiti, in 2022. This engagement assured iwi that their rights of first refusal for railway land will not be changed by an extension to the core lease. It also opened discussions with iwi about co-development opportunities.

We are seeking a decision from shareholding Ministers to vary the core lease agreement to secure the extension. We have supplied Treasury with the variation agreement and request consideration by Ministers to sign this.

### Next steps

- KiwiRail will present a variation agreement to shareholding Ministers through the Treasury to extend the core lease from 2070 to 2170 to increase development opportunities and productivity.



SECTION 3

**KIWIRAIL  
IN DETAIL**

# History

## THE EVOLUTION OF RAIL IN NEW ZEALAND

The story of rail in New Zealand dates back to 1863, when engineers designed a rail network that could operate across the country's uncompromising landscape of swamps, rivers, rugged mountains and dense forests.

Over time, otherwise isolated communities and industries were gradually connected to each other and to the world.

By 1880, the then New Zealand Railways was operating more than 1900km of track, and carrying almost 3 million passengers and 830,000 tonnes of freight a year.

The first half of the 20th century was a 'golden age' for rail. By the 1920s, New Zealand Railways was carrying more than 6 million tonnes of freight and 28 million passengers a year – a remarkable achievement for a nation which then numbered just over a million people – and almost everyone travelling between major centres took the train.

From the 1950s, the growing popularity of road and air travel saw a decline in demand for rail passenger services. As a result, branch lines around the country were progressively closed.

Changes in the transport industry, beginning in the 1980s with deregulation and continuing with law changes to allow larger trucks on our roads, also saw rail's freight market share drop significantly.

With the new millennium, however, has come renewed interest in rail, both here and internationally. This reflects rail's ability to efficiently transport large volumes of freight and people, reduce road congestion and emit less carbon than other forms of land transport.

## OWNERSHIP CHANGES

For most of rail's history in New Zealand, it has been publicly owned and operated.

The exception was a period between 1993 and 2008 when it operated either wholly or partly under private ownership.

The first ownership change occurred when the Government sold New Zealand Railways for \$328 million in 1993, to a joint NZ-US private consortium, led by New Zealand merchant bank Fay Richwhite. Shortly afterwards, New Zealand Railways was renamed Tranz Rail Limited.

In 2002, the Government bought back the Auckland metro rail network for \$81 million.

Two years later, Tranz Rail was taken over by Toll, which sold the rest of New Zealand's track infrastructure back to the Government for \$1.

In 2008, rail returned to full public ownership and KiwiRail was born, after the Government bought Toll's rail and ferry assets for \$690 million and reintegrated the business with the rail network infrastructure.

## PERFORMANCE IN A CHALLENGING ENVIRONMENT

Since its formation, KiwiRail has faced significant challenges to its operating and financial performance, and there's been ongoing debate about its optimum organisational form and funding model.

In 2008, KiwiRail inherited aged assets and infrastructure that in many cases were run down and near the end of their useful life.

In spite of this, KiwiRail early on pursued an ambitious strategic plan aimed at making the business self-sustaining by 2021 (the Turnaround Plan: 2010 - 2013).

The plan was thwarted by numerous setbacks, including the Global Financial Crisis, Christchurch earthquakes, rapid reduction in coal prices and volumes, and problems with new locomotives and the Interislander ferry *Aratere* – all of which impacted on revenue and costs, as well as the delivery of services for key customers.

Following the Turnaround Plan, an independent Treasury review of KiwiRail was conducted in 2013, and a year later KiwiRail undertook its own commercial review of the business. This review considered four scenarios:

- A trimmed-down network (closing some lines)
- Separate North and South Island networks
- An upper North Island business only concentrating on the Golden Triangle
- Closing the rail freight business.

In 2014, the Government confirmed it was committed to a national rail freight network.

The Government affirmed KiwiRail's status as a State-Owned Enterprise in 2022, noting our role as a network provider is well supported through rail's integration into the Land Transport Management System and our role as a commercial operator is consistent with standard State-Owned Enterprise practice.

# Current context

## TOWARDS A NEW ERA OF RAIL IN NEW ZEALAND

**Rail provides \$1.7 billion-\$2.1 billion in economic value each year.**

Here in New Zealand, as elsewhere in the world, rail is undergoing a renaissance. This is driven by growing recognition of the benefits rail can deliver – socially, economically and environmentally.

Rail is an efficient means of transporting high volumes of people and freight, making it an effective way to connect communities and a critical enabler of business and economic growth.

The entire freight supply chain relies on rail – we provide essential capacity for bulk and long-haul freight services, reducing road congestion. Rail also delivers a range of secondary benefits.

As a low-carbon transport option (with 70% fewer emissions than heavy road transport), rail can significantly reduce transport emissions. This means it can play a key role in helping New Zealand meet its commitment to the Paris Accord and the transition to net zero carbon by 2050.

By removing cars and trucks from our roads, rail also helps improve road safety and reduce road-related congestion, as well as the costs of road maintenance. Rail also improves air quality and health outcomes by reducing particulate matter and nitrogen oxide emission.

## FUTURE OF RAIL REVIEW

Recognising the potential benefits of rail to New Zealand's future, along with the need for a sustainable funding model for rail, the Government initiated the Future of Rail review in 2017.

This aimed to:

- identify the role rail could play in New Zealand's transport system, and
- put in place a sustainable approach to funding rail over the longer term.

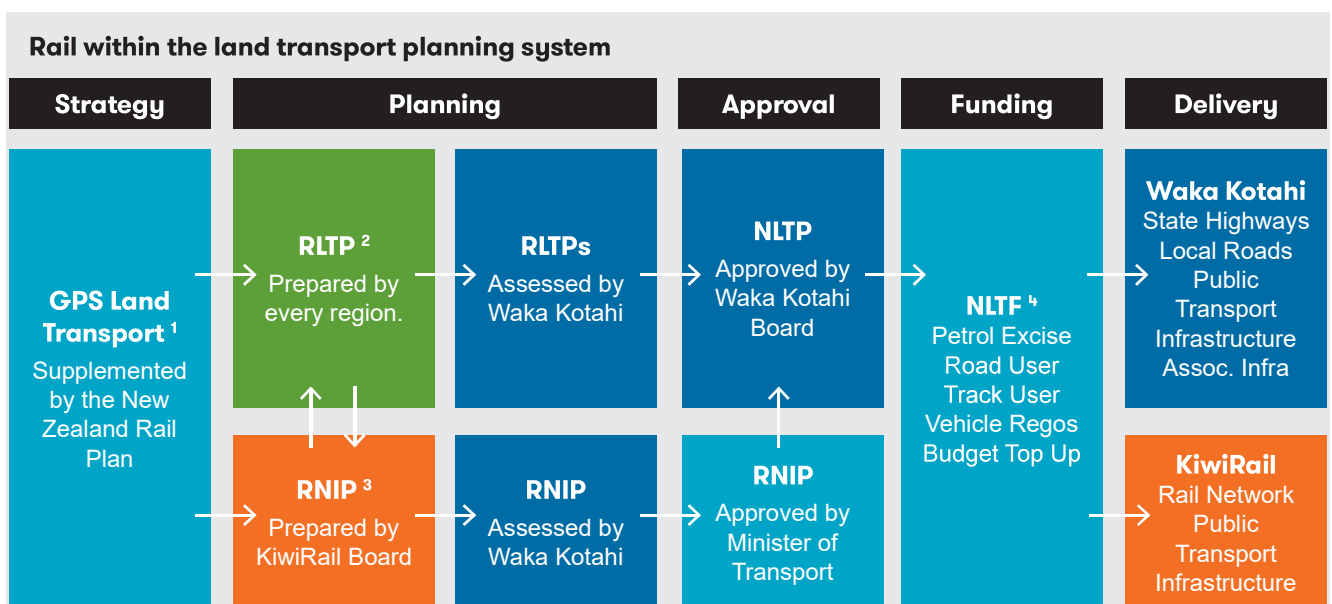
The review emphasised strongly that the existing approach to planning and funding rail could not continue. It recognised the value of rail to New Zealand and the need for sustainable, long-term investment.

The review has resulted in:

- new legislation supporting the establishment of a new planning and funding framework for rail, and
- the New Zealand Rail Plan, which outlines the Government's long-term vision and priorities for the national rail network.

These reviews have determined that the vertically-integrated role of KiwiRail as a rail operator and as a network provider is appropriate for New Zealand. This model is consistent with other countries of similar scale, given the efficiencies it offers. The model is supported by the Government's ability to regulate commercial operators for fair treatment of customers, establish rail safety regulation as a Waka Kotahi function, and open and transparent processes regarding access to the network for all rail users.

Implementing the new planning and funding framework for the rail network is a primary focus for KiwiRail, working alongside the Ministry of Transport, Waka Kotahi and others.



1- Government Policy Statement on Land Transport (GPS)  
 2- Regional Land Transport Plan (RLTP)  
 3- Rail Network Investment Programme (RNIP)  
 4- National Land Transport Fund (NLTF)

## NEW LONG-TERM PLANNING AND FUNDING FRAMEWORK

The new approach to planning and funding rail, outlined in the New Zealand Rail Plan, took effect in 2021 and saw investment decisions on the rail network made under the Land Transport Management Act 2003.

This means the national rail network is now planned and funded alongside the rest of the land transport system, including the road and public transport networks. Rail network funding is channelled through the National Land Transport Fund, with funding coming from National Land Transport Fund revenue, Track User Charges and Government investment. The Rail Network Investment Programme establishes the activities KiwiRail will deliver.

This was intended to be a marked departure from the past, when KiwiRail had to apply annually for funding for rail network renewal and maintenance as part of the Budget process. That approach has proven to be inadequate for planning and funding long-life infrastructure such as rail, leading to short-term decision making and resulting in the railway facing a state of managed decline. Unfortunately the Rail Network Investment Programme is not yet fully funded on an ongoing basis, which means a Budget 2024 initiative is being prepared. Ongoing funding of renewals and maintenance needs to be addressed with urgency to ensure sustainable long-term funding is achieved.

The new model more clearly recognises and enables both the profit orientation of KiwiRail's business and the wider benefits of the national rail network. The new model also supports greater collaboration between transport sector entities.

Funding received via the National Land Transport Fund is spent on continuous programmes of maintenance, renewal and management of the network, as outlined in the Rail Network Investment Programme. KiwiRail prepares this investment programme, which lists planned activities for the coming three years, as well as a 10-year forecast.

Additional improvement projects will be considered for funding where an investment case is demonstrated. KiwiRail is open to innovative funding and financing of major projects. These could include the third and fourth main lines in Auckland, depending on how the rates of return are generated. KiwiRail's customer for these assets would primarily be Auckland Transport.

As part of the new model, the Government established Track User Charges to ensure KiwiRail and other track users contribute to the cost of the rail network in a fair and transparent way.

KiwiRail's freight, tourism and ferry services will continue to be funded as they are now, from commercial revenue and financing.

The Government may also invest for outcomes outside transport and purchase those directly from KiwiRail or other providers, such as the previous investment from MBIE to support regional economic development outcomes, or for commercial purposes as owner.

## INVESTMENT TO RESTORE ASSETS AND INFRASTRUCTURE

The introduction of a new planning and funding framework for the national rail network has been complemented by funding commitments of more than \$9 billion to KiwiRail over the past six years, of which a large portion is for metropolitan rail renewals and upgrades.

This funding is to support a multi-year programme to restore a resilient and reliable rail network and replace rolling stock and ferries, alongside some specific projects targeted at regional growth and supporting growth in Auckland and Wellington metro rail.

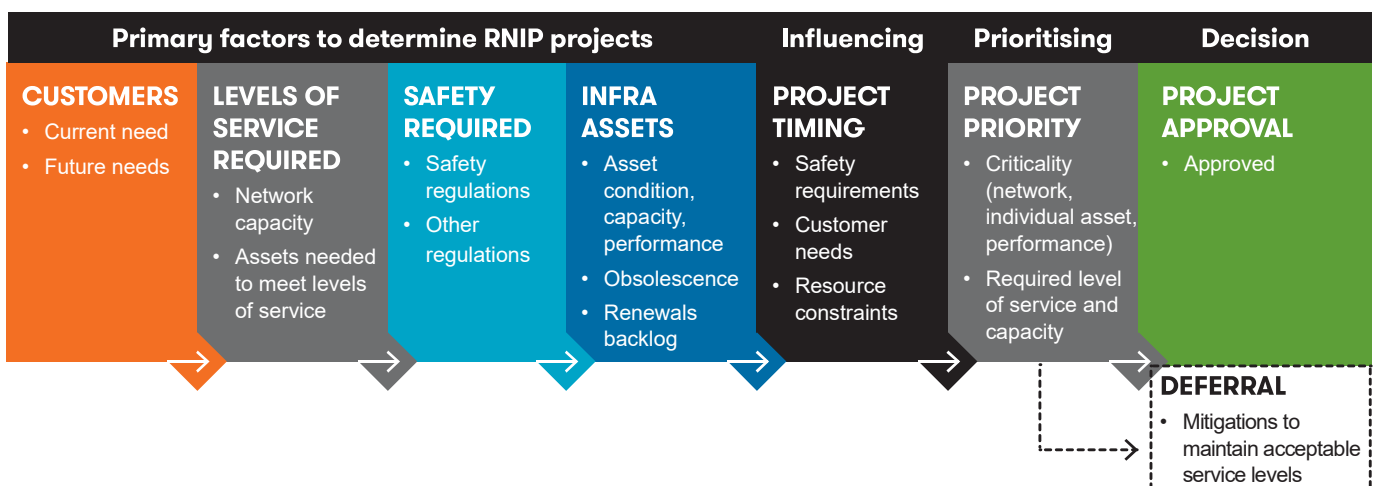
Budgets 2019 and 2023 helped us to replace ageing ferries, locomotives, wagons and network infrastructure and to pave the way for enhanced freight services. The Rail Network Investment Programme is not yet fully funded.

KiwiRail is also delivering major projects worth \$2.1 billion to support important rail projects in Auckland and Wellington, including building a third main line between Westfield and Wiri Junctions in South Auckland, electrifying the line between Papakura and Pukekohe, building new stations at Drury and making ongoing improvements to support growth on the Wellington rail network.

MBIE and the National Land Transport Fund have provided further funding for specific rail projects. This work is primarily focused on assets that are at the end of their life and is critical to support service continuity.

The nature of these projects means they will not all return immediate results. For example, it takes around four years to purchase and commission new locomotives. However it means that critical work to secure the future of rail services in New Zealand is underway.

We know that customers place high value on reliability of services. Ambition for rail continues to build, particularly for new lines and services. However, sustained focus and further investment will be required over the next decade just to meet the goal of bringing the existing national rail network up to a resilient and reliable level.



# Our strategy and focus for the next three years

## CONNECT, BUILD AND GROW

KiwiRail's services business is undergoing a significant transformation, with investment in new locomotives, wagons, mechanical depots, terminals, ferries and digital technology supporting the business. Our infrastructure business is delivering the Rail Network Investment Programme to improve the resilience and reliability of the rail network for the benefit of all users.

Our success matters because rail is critical for New Zealand's economy, society and environment. Rail supports productivity and business growth, reduces emissions, congestion and road deaths, and strengthens social and cultural connections between communities and regions. Rail is a key part of a multi-modal transport system for both freight and passengers in New Zealand, and a critical part of New Zealand's supply chain.

We are focused on delivering value to all our stakeholders: customers, employees, partners, shareholders and the New Zealand public. We have set ourselves ambitious goals to maximise the commercial and public benefits from the investment in rail.

Our strategy to achieve these goals has three key focus areas:

- **Connect** our people, culture and systems as one integrated transport services business.
- **Build** our capability, asset capacity resilience, and reliability to deliver customer value.
- **Grow** scale in the freight and passenger markets to deliver superior customer value.

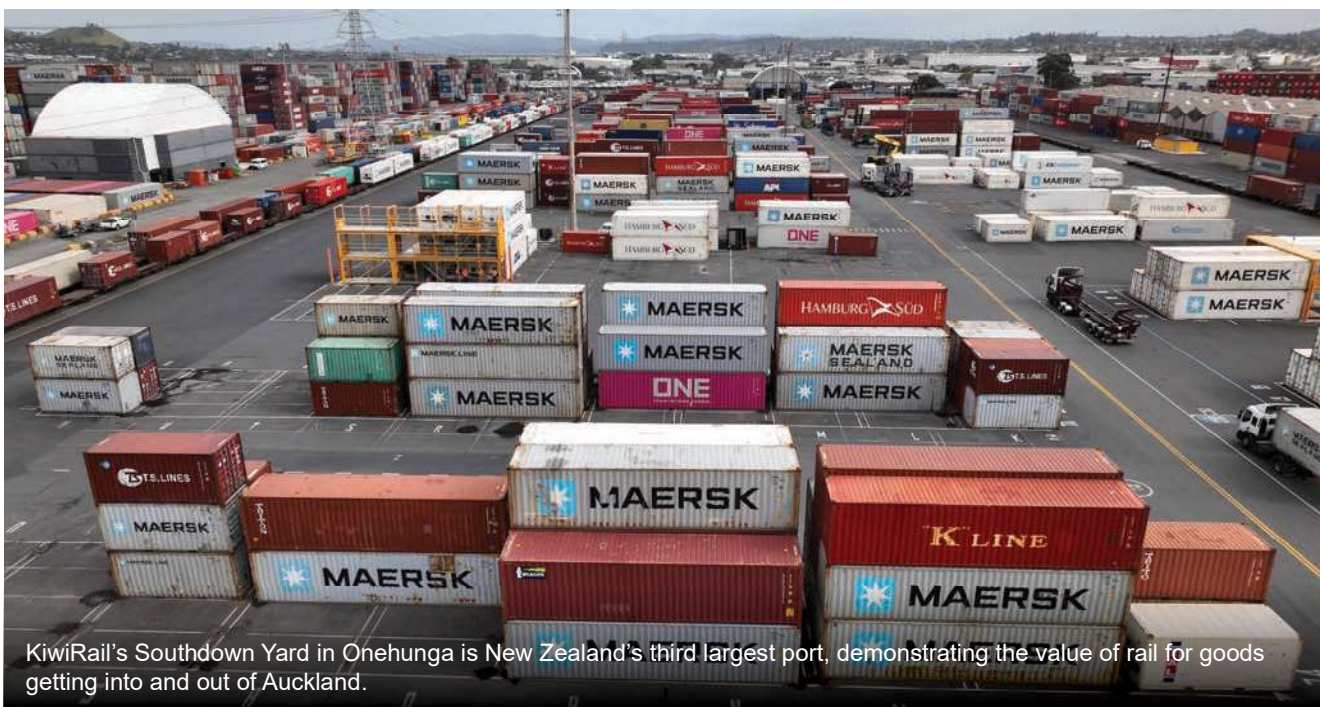
## Stabilise and reset

All companies must earn their right to grow. There are some immediate challenges KiwiRail is committed to addressing:

- In 2022, we launched a review of our safety culture to lift our performance for all our staff. We know that a high-performing business relies upon a highly-engaged team, and a culture of safety – where everyone knows their safety is the priority for their teammates and leadership – critically underpins this. As part of this, but more broadly to lift the company's overall performance, we are investing in High-Performance High-Engagement. This is supporting us to take steps to improve safety, working with our four union partners.
- In early 2023, service outages relating to Interislander's *Kaitaki* ferry regrettably resulted in disruptions to many customers. The vessel was repaired and we have been focussed on rebuilding confidence. This includes going above and beyond with our ongoing maintenance schedules to lift reliability performance, and improving customer communications (especially to manage disruptions effectively).

With these challenges in mind, over the next three years we need to:

- stabilise our business platform (focusing on our safety culture, our service reliability, our skills and workforce planning and transitioning new assets into service); and
- reset to deliver predictable, consistent operational and financial performance (focusing on simplifying and standardising our way of working, driving efficiencies, optimising our capital management, and sharpening our integrated operating model and customer offer).



KiwiRail's Southdown Yard in Onehunga is New Zealand's third largest port, demonstrating the value of rail for goods getting into and out of Auckland.

## Service reliability

KiwiRail's strategy to stabilise and reset our business has the customer at its core. We understand that service reliability is the bedrock of any transport services business:

- Commuters in Auckland and Wellington metro areas and on our inter-regional commuter trains rely on a well-managed rail network to support trains running to schedule and deliver on expected journey times.
- Interislander customers (passengers and freight) rely on a well-maintained fleet of ships and excellent logistics management to support schedule reliability.
- Passengers on our Great Journeys New Zealand services rely on a well-maintained rolling stock fleet and customer management to deliver the experience they expect from booking to departure.
- Rail freight customers rely on a well-managed network and rolling stock to support delivery of on-time service propositions for their customers.
- Tenants and property development partners rely on properties being managed in line with good asset management practices.
- All rail network users – as KiwiRail shares the network with metropolitan rail operators and other operators like heritage rail companies – expect the network to become resilient and reliable over time, with a train control function that always meets our safety case obligations.

The word that underpins all these customer experiences is reliability. This requires both available assets and on-time performance against service schedule.

Recent issues on Interislander and in the Wellington metropolitan network have reinforced the need to focus on the following priorities to deliver on our reliability goals for our customers:

- Enhancing our risk management practices, risk assurance and 'Three Lines of Defence' discipline, benchmarking against international best practice.
- Renewing aged core operational assets including rail locomotives, rail wagons, rail passenger carriages, mechanical depots/equipment and Cook Strait ferries to increase asset availability and enhanced asset performance data.
- Recruiting and training additional critical employees to deliver our commercial services, and to deliver increased resilience and reliability through the Rail Network Investment Programme and other major improvement projects.
- Simplifying the way we do business, right-sizing our structures and investing in digital and technology systems so that we reduce complexity across our organisation for customers.

We hold ourselves to account in our public reporting through key performance indicators like on-time performance for premier freight services and Interislander services. With respect to our role as a network provider supporting metropolitan rail services in Auckland and Wellington, we report how these networks compare against the Track Quality Index and longer-term fault trends. These measures reflect the Rail Network Investment Programme measures for improving network performance over time.



Tourist numbers on our Great Journeys New Zealand services bounced back as Covid restrictions ended.



## MARKET COMMENTARY BY BUSINESS UNIT

### Rail Freight

Rail Freight is the mainstay of KiwiRail's commercial revenues and provides essential optionality to New Zealand businesses.

KiwiRail strongly supports primary industries, including dairy, logs and coal, and these companies value the direct capacity and relationships that support them from point of manufacture or harvest to port.

Rail affords an alternative choice to road, and gives companies a low-emission transport option too – backed by the Rail Network Investment Programme and rolling stock renewals.

In the 2022/23 financial year:

- freight lifted yield and revenue was up 8% on the year prior to \$501.3 million, despite the challenges with shipping line network reliability, port capacity constraints, the Covid tail, labour shortages, weather events and cost inflation
- the volume and revenue results were achieved despite extreme weather events and a soft forestry market (China)
- contract resets with key customers and tight yield management in a high inflationary period contributed positively to earnings growth
- operating surplus improved to \$108 million, an increase of 15%.

### Outlook for the Rail Freight business:

#### Domestic

- The current economic cycle is impacting domestic consumption and this flows through to volumes in transport networks, including rail.
- Import volumes have significantly lowered as demand falls. An example of the impacts is Port of Tauranga reducing train demand from 92 trains a week to 64.
- Rail freight is facing a competitive headwind due to the 5% regulatory charge (Track User Charge) since 2021, while Road User Charges have been held flat since 2020.
- The economic cycle has created a surplus of roading capacity. This is creating downward pressure on transport pricing. For freight forwarders with commercial commitments to owner drivers, rail becomes a secondary modal choice despite the comparative advantages we offer.
- The post-Covid supply cycle has created very high inventory levels. The market is returning again from 'just in case' to 'just in time', with a number of customers de-stocking warehouse and distribution centres.

### Commodities

- Forestry continues to be impacted by overseas demand (China) and we expect this will impact our Lower North Island and South Island capacity demand. Eastern Bay of Plenty customers (Kawerau, Kinleith and Murupara) remain stable.
- Coking coal exports (West Coast, South Island) remains constant and reflects global demand for this product for steel manufacture.
- Meat and dairy, being traditional exporters on rail, continue to perform strongly. The longer-term outlook remains solid for these products albeit commodity price fluctuations materially impact producer incomes.

### Intermodal hubs

- KiwiRail has partnered or invested in several new intermodal hubs (Ruakura, Kawerau, Ashburton, Mosgiel, Spring Creek, Otiria), which will create modal shift for rail and New Zealand.
- KiwiRail is actively promoting available rail land where freight opportunities also exist.

### Decarbonisation

- The return of high fuel prices is beginning to play a greater role in decision making by customers on which mode to use. A sustained period of high fuel prices should see rail being favoured over road, given rail emits 70% less carbon than road operators through efficient fuel use relative to volume.

### Interislander

Interislander is the critical State Highway 1 and Main Trunk Line connection between the North and South Islands.

The higher sailing frequency and capacity than the competitor (Bluebridge) gives Interislander a competitive advantage. Interislander has faced operational capacity constraints with its fleet over the past 24 months with the unexpected outage of *Kaiarahi* in 2021 (out for one year) and *Kaitaki* outages in early 2023.

### Commercial vehicles

- Commercial vehicle market share reduced to 43% as a result of capacity and customer confidence.
- We are focused on regaining share then growing from there as we get ready for new ferries.
- Customers have signalled they will return once they see reliability return to traditional levels.
- The overall commercial vehicle market is relatively stable and multi-modal transport operators are supporting their owner-driver fleets before rail.

### Passengers

Interislander serves walk-on and drive-on passengers:

- The outlook for passengers is optimistic, as international tourism returns to post-Covid levels.
- Passenger volumes on Interislander were more

severely impacted by the constrained capacity resulting from the ship outages in the past 24 months.

- With a full fleet back in operation for peak season 2023/24, it is anticipated earnings will recover.
- **9(2)(i) - Commercial Activities**

## Great Journeys New Zealand

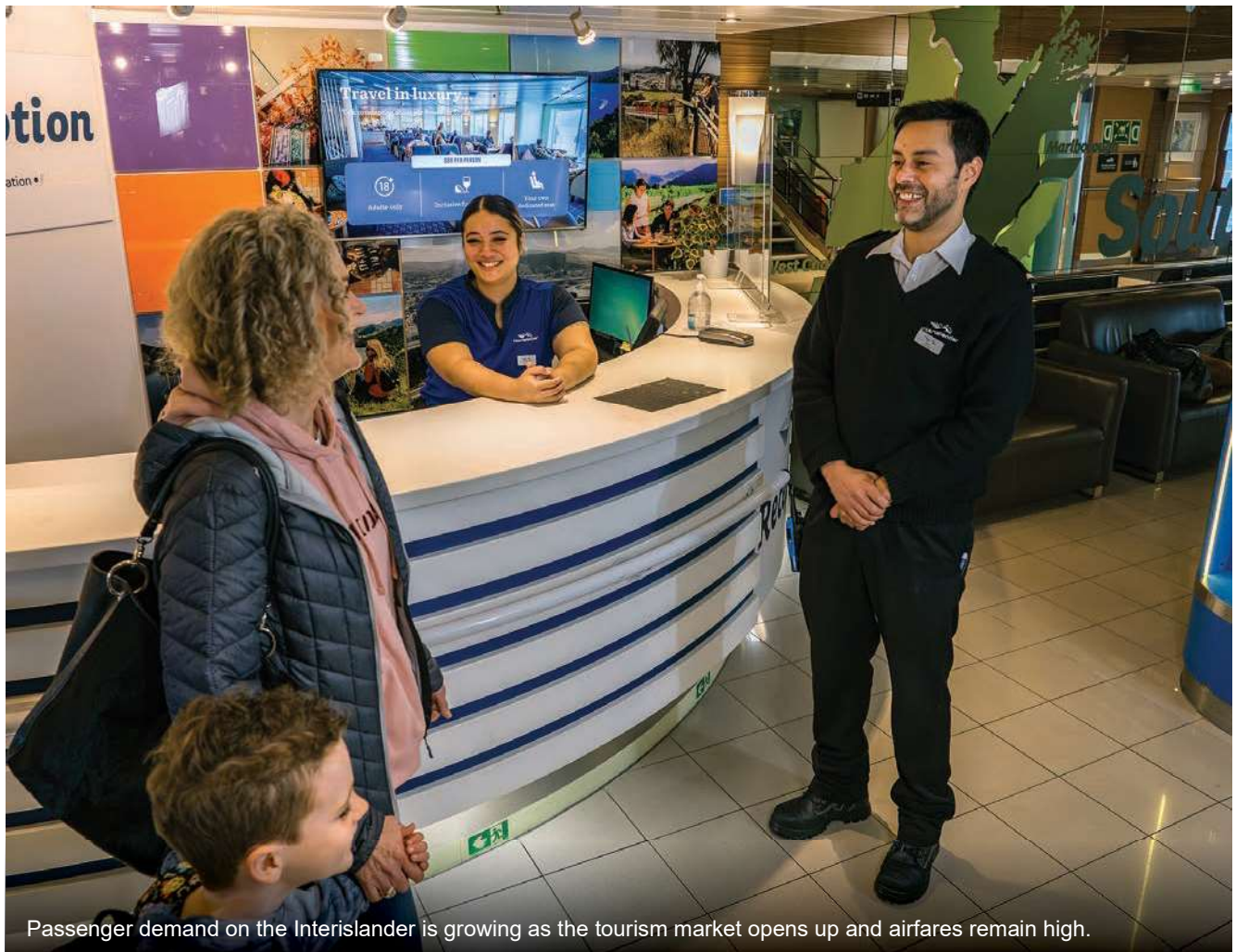
TranzAlpine, Northern Explorer and Coastal Pacific provide tourism services on three routes. This business has, like all tourism operations, been heavily impacted by Covid but is on the path to recovery.

- 2022/23 saw the resumption of services hibernated during the Covid period.
- 2023/24 is a rebuilding year, with volumes approaching pre-Covid levels by the end.
- A new operating model, with the introduction of packages and hosted tours driving up revenue and higher yields, should see the Great Journeys New Zealand business unit recover.
- Asian markets are only just returning, presenting a prospect for growth.

## Commuter

Te Huia and Capital Connection are inter-regional commuter services operated on behalf of regional councils. KiwiRail earns a margin on these contracts, as Transdev and Auckland One Rail do for operating metropolitan services in Wellington and Auckland.















- Te Huia and Capital Connection services are recovering post-Covid, with commuter numbers now remaining steady.
- Refurbished carriages for the Capital Connection were rolled out mid-2023.
- Te Huia is receiving very high customer satisfaction results (98%), which is great feedback for KiwiRail onboard crews who operate this service.
- The immediate outlook is steady for these services. From February 2024, Te Huia is increasing the frequency of daily running, following investment in technology that enables higher-frequency safe running.



Passenger demand on the Interislander is growing as the tourism market opens up and airfares remain high.

# STRONGER CONNECTIONS BETTER NEW ZEALAND

We are a transport services and infrastructure business moving people and freight by rail and sea, and the steward of the national rail network

Capital	People and Safety		Customer
Vision	<b>Zero Injuries Everyday</b>  Our people return home safe and healthy everyday	<b>Talent &amp; Performance-Led Culture</b>  Our people are engaged, empowered, skilled and supported to perform	<b>Service Excellence &amp; Reliability</b>  We are a trusted service provider, consistently delivering operational service reliability and innovative freight and passenger solutions for customers
	 Build a culture where everyone believes all injuries are preventable and delivers on our Care and Protect value to show trust and care for our people	 Inspiring leadership across a one KiwiRail culture that values, engages, empowers and champions our people ensuring that our values, behaviour and culture are consistently, genuinely lived across our One KiwiRail enterprise	 Clear service offerings and market leading solutions that will add value for our customers
Objectives	 A focus on visible leadership, critical risks/controls, front line engagement and standard ways of working	 Talent succession pathways and capability development	 Asset Management capability, systems, processes with standardised fleet configuration, technical asset standards / assurance performance reporting to meet customer service promise
	 Sustainable healthy workplace with a genuine wellbeing focus for our people and contractors	 Levels of work with clear roles, responsibilities, accountabilities, to deliver standard ways of working	 Right skills, right training, right capabilities - critical skills pipeline and resourcing in place to support service excellence and reliability
	 Reduce environmental exposure and enhance Zero Harm environment	 Celebrate people from all backgrounds, ensuring a diverse, inclusive and supportive environment built on KiwiRail values	
Measures	Total Recordable Injury Frequency Rate High potential near-misses	Employee Net Promoter Score Women in the workforce Under 30s in the workforce	Customer On Time Performance Freight Net Tonne Kilometres carried Metro network reliability Interislander reliability



Partnerships	Environment	Assets	Commercial
<b>Enduring &amp; Effective Relationships</b>	<b>Sustainability Leadership</b>	<b>Resilient &amp; Reliable Network &amp; Smart Assets</b>	<b>Profitable Services Business</b>
<p>We partner effectively and respectfully with our stakeholders and we are a valued and trusted part of communities wherever we operate</p>	<p>We are a leader in low emissions freight transport and support New Zealand's transition to net carbon zero by 2050</p>	<p>We are the custodian of a reliable, resilient, and safe rail and shipping network for the benefit of all New Zealand</p>	<p>We are an efficient, profitable, and sustainable business</p>
<p>Develop enduring relationships with mana whenua</p>	<p>Decarbonise through modal freight shift, and reduced carbon intensity of rail and maritime operations and facilities</p>	<p>Deliver capital programmes to scope, time and budget</p>	<p>Achieve Services Business sustainability</p>
<p>Partner with metro and regional authorities to enable reliable services for commuters, and support achievement of local mode shift targets</p>	<p>30% reduction in carbon emissions (scope 1 and 2) by 2030 against FY12 baseline</p>	<p>Successfully transition new major assets into service for customers</p>	<p>Improve Services Business operating ratio (total cost/total revenue)</p>
<p>Open to innovative financing partnerships where appropriate</p>	<p>Invest in science-based targets for scope 1, 2, 3, emissions and waste reduction targets</p>	<p>Leverage technology and connected systems to build accessible, transparent end-to-end processes and standards and deliver seamless real time data insights</p>	<p>Simple, efficient and right sized structures, processes and ways of working</p>
<p>Partner with unions for High Performance High Engagement</p>	<p>Deliver our Rautaki Whakauka Sustainability Strategy</p>		
Trust ranking	Truck journeys avoided Rail freight carbon intensity	Critical asset project milestones met Track Quality Index Temporary speed reductions Network condition Asset availability	Revenue Operating surplus Operating margin Free cashflow

## Investment in KiwiRail

The Government's investment in rail is guided by the New Zealand Rail Plan. It is time-limited for the services business, as this part is a renewal programme to support us in our pathway to self-sustainability. It is ongoing for the infrastructure business, as the national rail network serves all rail operators and New Zealanders as a whole.

### SERVICES BUSINESS

#### Rolling stock

KiwiRail is renewing its fleet of locomotives and wagons. The Government has committed \$1.7 billion across Budgets 2019 and 2022 to support this renewal programme. The new assets will arrive progressively, with the final tranche to arrive by 2027/28. Our mainline locomotive fleet will standardise and reduce from 175 locomotives to 146. Renewing the fleet will improve service reliability and reduce maintenance costs and is essential for us to grow revenue, increase volumes on rail and ultimately self-fund the next generation of rolling stock assets.

#### Mechanical depots

KiwiRail is upgrading mechanical depots across New Zealand (including building a new Waltham and Hillside facility), to support the safe work of our maintenance crews and improve the efficiency of our operations. The Government has committed \$207 million to support this activity, with the final spend occurring in 2024/25.

The Government has also provided \$105 million to rebuild the Hillside Workshops in Dunedin and to assemble up to 1500 wagons in the new workshops between 2024 and 2027 (through an \$85 million funding agreement with shareholders and \$20 million from MBIE).

#### Ferries and terminals

This is a major issue at present. KiwiRail is leading the delivery of Project iReX, the once-in-a-generation renewal of the Interislander ferry fleet and redevelopment of the portside infrastructure in Wellington and Picton. The project requires urgent attention.

#### Core asset management

The Government appropriated \$87.3 million in Budget 2021 to support other commercial initiatives, such as maintaining our existing assets and the recently completed relocation of our Wellington Train Control Centre for resilience purposes. This funding also invested in digital technology, to reduce complexity for customers. Funding is multi-year and reduces to zero by the end of 2023/24, as KiwiRail becomes financially self-sustaining.

#### Commuter rail

KiwiRail operates two commuter services, the Capital Connection between Palmerston North and Wellington and Te Huia between Hamilton and Auckland. These public transport services are funded by Regional Councils and the National Land Transport Fund. We have also refurbished Capital Connection carriages (\$26 million).

#### Electric locomotive refurbishment

KiwiRail is refurbishing the electric EF locomotives and upgrading overhead electrical infrastructure. The Government provided \$35 million for this purpose, supported by the broader rolling stock programme. The refurbishment is scheduled to be completed by 30 June 2025. It will extend the economic life of the fleet and help to reduce operating costs and carbon emissions.

#### Tourism

With funding from MBIE, KiwiRail is refurbishing carriages for the Scenic Plus service, including a separate kitchen carriage providing a high-end culinary experience. There were also some improvements to platforms at stations ahead of the new Great Journeys tours and packages being introduced.

### INFRASTRUCTURE BUSINESS

#### Rail Network Investment Programme

KiwiRail will continue to deliver the Rail Network Investment Programme. This supports the strategic investment priorities in the New Zealand Rail Plan:

- Investing in the national rail network to restore rail freight and provide a platform for future investments for growth.
- Investing in the metropolitan rail networks to support growth and productivity in our largest cities.

The first Rail Network Investment Programme provides for investment of \$1.35 billion over the three-year period (2021/22 to 2023/24). A further \$414 million has been added to this to fund weather events recovery activities following Cyclone Gabrielle. The Improvements activity increased by \$4 million by the first year of detailed design and planning of electrification.

We will seek approval of the next three-year investment programme commencing in 2024/25, from the Minister of Transport, before 1 July 2024.

## Major projects

KiwiRail is the delivery agency for rail transport projects in the New Zealand Upgrade Programme, with allocated funding of \$2.1 billion:

- Papakura to Pukekohe Electrification – \$419 million to electrify 19km between Papakura and Pukekohe, including installation of overhead equipment, a new traction power feed and signaling upgrades. Expected completion in 2024/25.
- Wiri to Quay Park – \$318 million to provide a third rail line to ease the bottleneck between Wiri and Westfield, increase capacity around Westfield Junction and improve rail access to the Ports of Auckland and Quay Park. Expected completion in 2024/25.
- Drury Rail Stations – \$569 million to construct three new passenger rail stations at Drury Central, Ngākōroa and Paerātā and the associated bus interchange, park and ride facilities and connector roads. Expected completion in 2025/26.
- Wellington Metro Upgrade Programme – \$115 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station and \$129 million for infrastructure upgrades to the Wairarapa Line, to increase capacity and support a planned increase in the frequency of passenger services. Both projects are expected to be completed in 2025/26. In addition, \$26 million was allocated for the interim refurbishment of the Capital Connection carriages (noted above) and upgrade of platforms north of Waikanae.
- Northland – the Government announced its \$692 million Northland Package in June 2021, for rail works and SH1 roading improvements. The rail components are:
  - A new Marsden Point Rail Link, which has been funded for the design phase. The project is expected to take up to five years from initiation to completion.
  - KiwiRail is progressing purchasing land in preparation for the Marsden Point Rail Link (\$40 million).
  - Whangārei and Otiria rail upgrades to 18-tonne axle load and system improvements. The project commenced in early 2022. The scope and completion date is currently under review for the Kauri to Otiria section.
  - Work upgrading the line between Swanson and Whangārei to 18 tonne axle loads and enabling hi-cube containers through the 13 tunnels is largely complete.
- Ashburton Freight Hub – \$2.5 million contribution to the rail component of a new inter-modal freight hub in Ashburton, enabling emissions reduction through mode shift.

## Auckland metro growth, remediation and City Rail Link readiness

As noted, work is underway on Papakura to Pukekohe electrification, Drury Stations and Wiri to Quay Park projects. We will continue delivering the Rail Network Growth Impact Management programme to ensure the Auckland metro

network is keeping pace with patronage and freight growth (\$166.8 million remaining), progressing the Auckland remediation programme to address the issue of rolling contact fatigue (\$30.1 million remaining), building a new substation to the west, and undertaking Be Ready contracts to support City Rail Link Limited in the completion of the City Rail Link (\$11.9 million remaining).

We will also deliver the Auckland Integrated Rail Management Centre project in 2024, enabling co-location and integrated operations of multiple rail organisations (\$18 million remaining).

## Wellington Metro growth and remediation

In addition to the major projects described above, we will complete the upgrade of the junction at Plimmerton in Calendar 2024, continue with tunnel, track and bridge renewals particularly on the Wairarapa Line, and increase the resilience of the power supply.

In parallel, we will work closely with Greater Wellington Regional Council on the network activities to support the introduction of new hybrid regional trains, in a similar manner to the successful introduction of the current Matangi metro trains.

We are also investigating replacing the current signalling system to enable the European Train Control System to operate on freight locomotives and metro units that traverse the Wellington Metro Area.

## North Island weather events recovery

The weather events on Auckland Anniversary Weekend and Cyclone Gabrielle had a significant effect on the rail network. While work is largely completed on the East Coast Main Trunk, North Island Main Trunk and other lines, reinstatement work is ongoing to address major slips on the North Auckland Line and extensive damage on the Palmerston North to Gisborne Line between Hastings and Wairoa.

To make use of existing funding and monitoring systems, the Government has committed funding through the Rail Network Investment Programme. This includes \$200 million to supplement KiwiRail insurance proceeds to reinstate damaged lines everywhere other than the Napier-Wairoa section, which is subject to business casing before a funding decision can be taken **9(2)(f)(iv) - Active consideration**. A further \$214 million enables KiwiRail to make best use of the work on the closed corridors in Northland and Hawke's Bay to strengthen at-risk assets to protect against damage to the rail corridor and neighbours in future events. This includes \$16 million for critical 'make safe' work between Napier-Wairoa **9(2)(f)(iv) - Active consideration**.

## Electrification

The Government has provided \$10 million in Budget 2023 for an electrification business case. This will enable KiwiRail to look in detail at how best to electrify more North Island rail lines such as the Golden Triangle, which carries around half of all rail freight in New Zealand.

This is a key strategic opportunity for decarbonising the transport system and continuing to lift the emissions credentials of rail freight and passenger services. This funding is part of the Improvements activity within the Rail Network activity class.

## COMMITTED GOVERNMENT FUNDING OVERVIEW

	Programme	Encompasses	(\$M) Total Programme value
SERVICES BUSINESS	<b>Rolling stock</b>	<ul style="list-style-type: none"> <li>Locomotive and shunt replacement</li> <li>Wagon replacement</li> <li>Train safety enhancement</li> <li>EF locomotive fleet refurbishment</li> <li>Capital Connection and Great Journeys carriage refurbishment</li> </ul>	1,786
	<b>Mechanical depots</b>	<ul style="list-style-type: none"> <li>Mechanical facility and depot upgrades at Woburn, Waltham and Hillside</li> <li>Other miscellaneous depot upgrades</li> </ul>	313
	<b>Freight hubs</b>	<ul style="list-style-type: none"> <li>Land purchase for the Central North Island freight hub</li> <li>Ashburton freight hub</li> </ul>	42.5
SHARED	<b>Ferries, terminals</b>	<ul style="list-style-type: none"> <li>Two large rail-enabled ferries</li> <li>New port and terminal facilities in Wellington and Picton</li> </ul>	1,450 <sup>2</sup>
INFRASTRUCTURE BUSINESS	<b>Rail Network Investment Programme</b>	<ul style="list-style-type: none"> <li>Rail network activity class <ul style="list-style-type: none"> <li>Network maintenance and operations management</li> <li>Network renewals</li> <li>Network improvements</li> <li>Weather events recovery</li> </ul> </li> <li>Public transport infrastructure activity class <ul style="list-style-type: none"> <li>Auckland metro – improvements</li> <li>Wellington metro – improvements</li> <li>Control systems</li> </ul> </li> </ul>	9(2)(f)(iv) - Active consideration
	<b>Auckland metro area</b>	<ul style="list-style-type: none"> <li>Wiri to Quay Park</li> <li>Papakura to Pukekohe electrification</li> <li>Drury Rail Stations</li> <li>City Rail Link readiness</li> <li>General network enhancement</li> </ul>	1,839
	<b>Wellington metro area</b>	<ul style="list-style-type: none"> <li>Track overhead line replacement</li> <li>Network renewals</li> <li>Trentham to Upper Hutt double tracking</li> <li>Plimmerton turn back and new platform</li> <li>Wellington approach realignment and safety improvements</li> <li>Wairarapa passing infrastructure, platforms and signalling</li> </ul>	707
	<b>Northland</b>	<ul style="list-style-type: none"> <li>Upgrades to rail line between Swanson and Otiria</li> <li>Land purchase for the Marsden Point Rail Link</li> <li>9(2)(f)(iv) - Active consideration</li> </ul>	9(2)(f)(iv) - Active consideration
	<b>Resilience works</b>	<ul style="list-style-type: none"> <li>Omoto slope stability</li> <li>Culvert and drainage upgrades</li> </ul>	39
	<b>Total</b>		

1- 2021/22 to 2030/31 ten-year approved Rail Network Investment Programme programme and committed recovery funding excluding insurance recoveries.

2- The total project value for the new ferries and terminals is currently under review.

3- 9(2)(f)(iv) - Active consideration

SECTION 3

**BOARD AND  
EXECUTIVE**

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## Board of Directors



**David McLean**  
Chair



**Sue McCormack**  
Deputy Chair



**Bruce Wattie**  
Director



**Rachel Pinn**  
Director



**Ed Sims**  
Director



**Hon Maryan Street**  
Director



**Rob Jager ONZM**  
Director



**Liz Ward**  
Director



**Sina Cotter Tait**  
Director

## KiwiRail Executive



**Peter Reidy**  
Chief Executive

*Leading our Connect, Build and Grow strategy to lift the performance of KiwiRail as a self-sustaining services business with a resilient and reliable national rail network.*



**Alastair Cumming**  
Chief Zero Harm Officer

*Leading our zero harm safety systems and functions with the safety regulators.*



**Adele Wilson**  
Chief Customer and Growth Officer

*Leading our work with customers, creating market demand opportunities and building a competitive suite of products and services.*



**Siva Sivapakkiam**  
Chief Operations Officer

*Leading our rail operations, enabling the movement of trains and wagons to fulfil our core freight operations.*



**David Gordon**  
Chief Capital Planning and Asset Development Officer

*Leading our long-term network planning functions and delivery of non-Rail Network Investment Programme capital projects like New Zealand Upgrade Programme and rolling stock procurement.*



**André Lovatt**  
Chief Infrastructure Officer

*Leading our network operations, including delivery of the Rail Network Investment Programme and common access to the rail network by all users.*



**Helen Rogers**  
Chief Strategy and Sustainability Officer

*Leading our strategy, sustainability, government relations, policy and funding functions.*



**Jason Dale**  
Chief Financial Officer

*Leading our finance, risk, treasury, security, procurement and information technology functions.*



**Andrew Norton**  
Chief People and Communications Officer

*Leading our people, culture and communications functions.*



**Vanessa Oakley**  
Chief General Counsel, Company Secretary and Property Officer

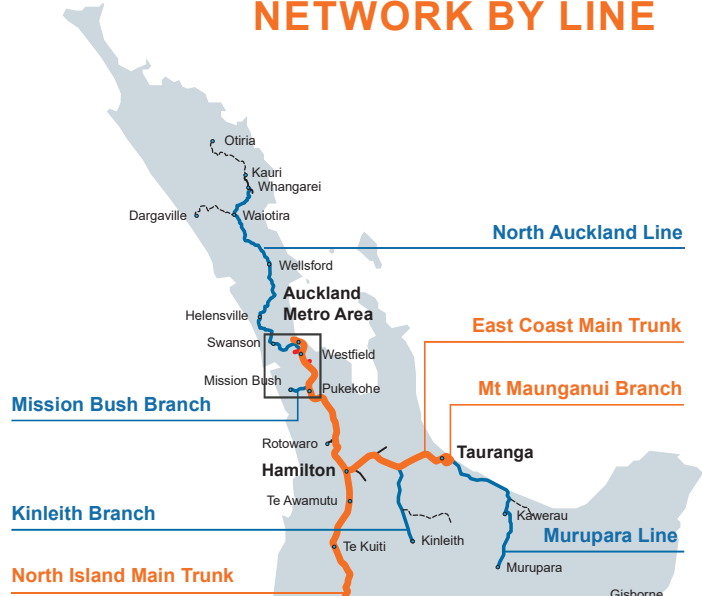
*Leading our group-wide governance, legal, risk, assurance, internal audit and security functions and our property business.*



**David Warburton**  
iReX Programme Director

*Leading the integrated ship procurement, terminal construction and business readiness programmes for a new Interislander.*

# NETWORK BY LINE



Marton - New Plymouth Line



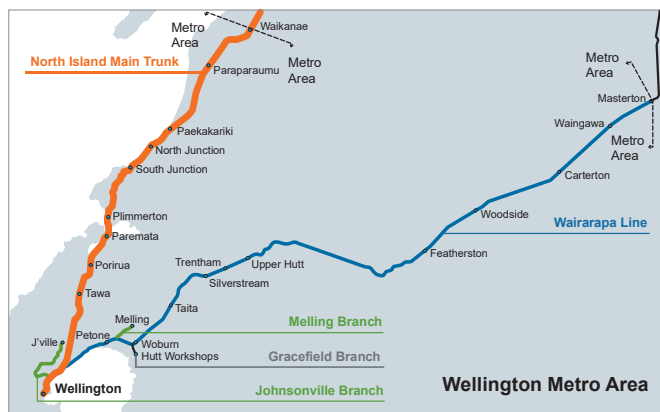
Stillwater - Ngakawau Line



Main South Line

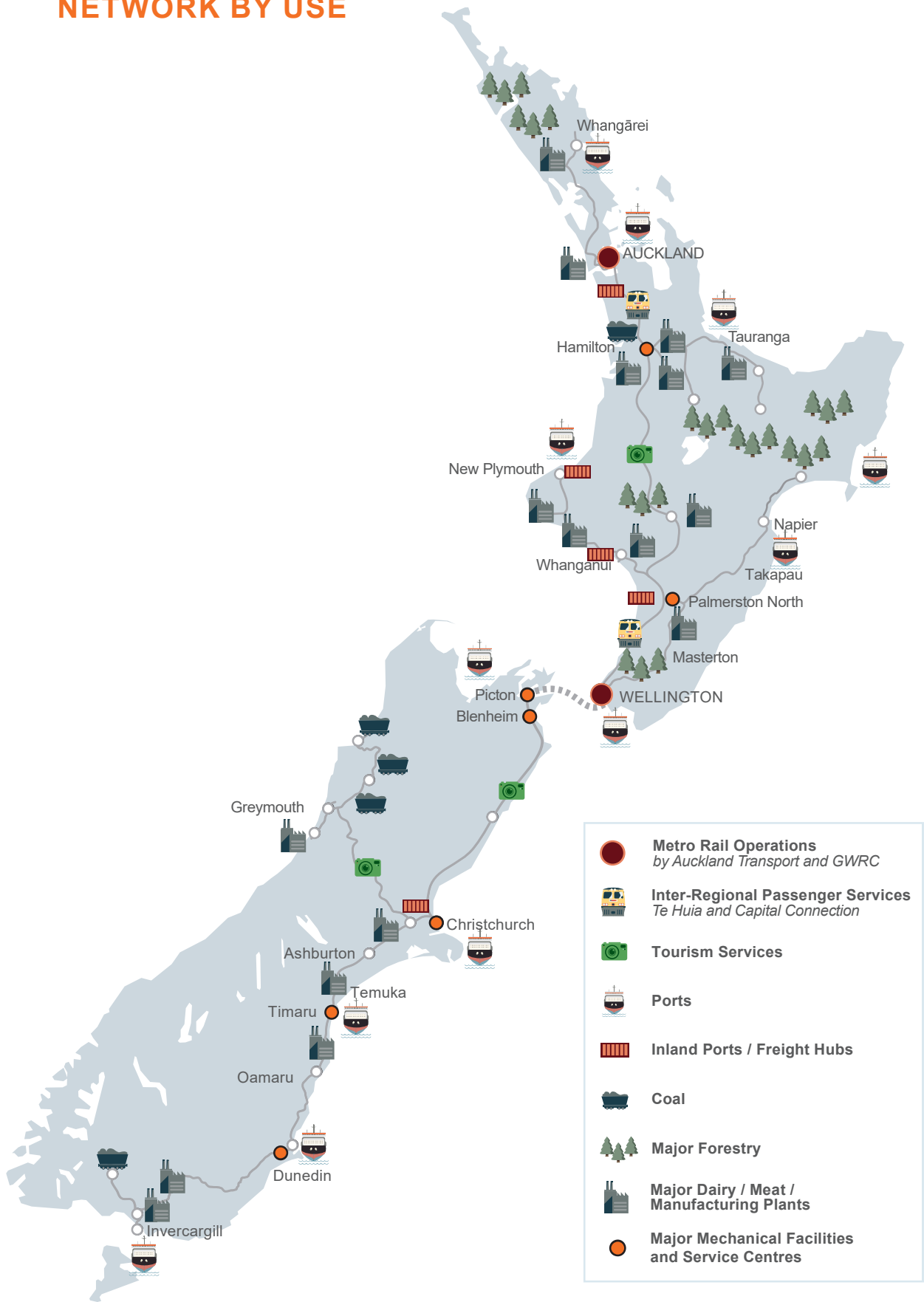
Ohai Line

Bluff Line



<span style="color: green;">—</span>	Passenger Only Metro Line
<span style="color: orange;">—</span>	Priority Line
<span style="color: blue;">—</span>	Secondary Line
<span style="color: grey;">—</span>	Tertiary Line
<span style="color: grey;">⋯</span>	Interislander Ferry Service
<span style="color: grey;">- - -</span>	Unused or Mothballed Lines

# NETWORK BY USE



KiwiRail 