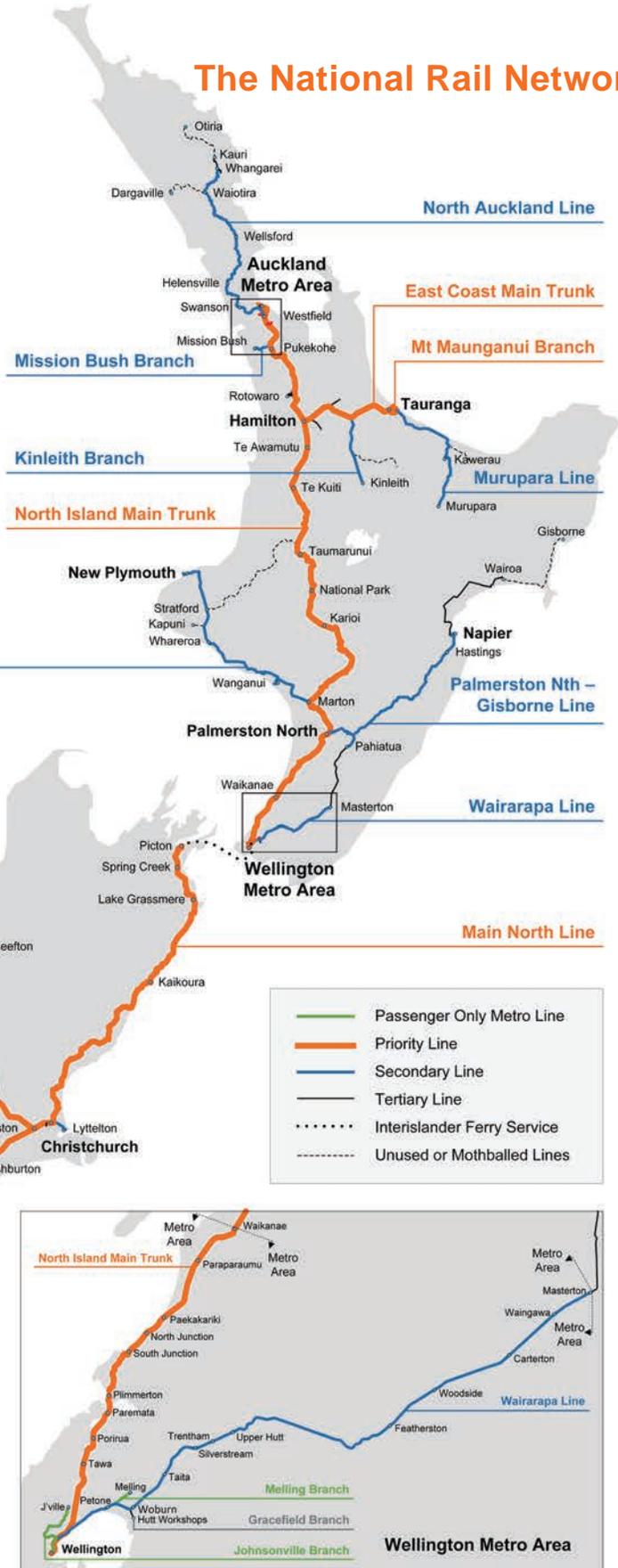
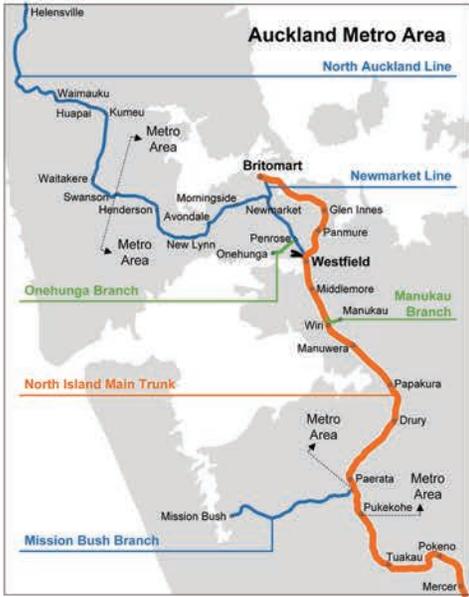




# CONNECT, BUILD, AND GROW



# The National Rail Network



Marton - New Plymouth Line

Stillwater - Ngakawau Line

Hokitika Line

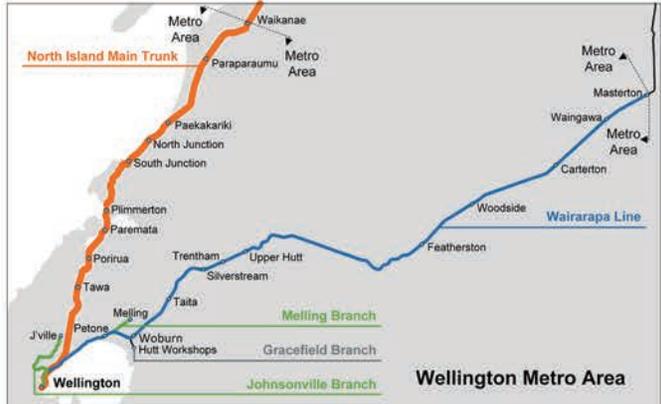
Midland Line

Main South Line

Ohai Line

Bluff Line

	Passenger Only Metro Line
	Priority Line
	Secondary Line
	Tertiary Line
	Interislander Ferry Service
	Unused or Mothballed Lines



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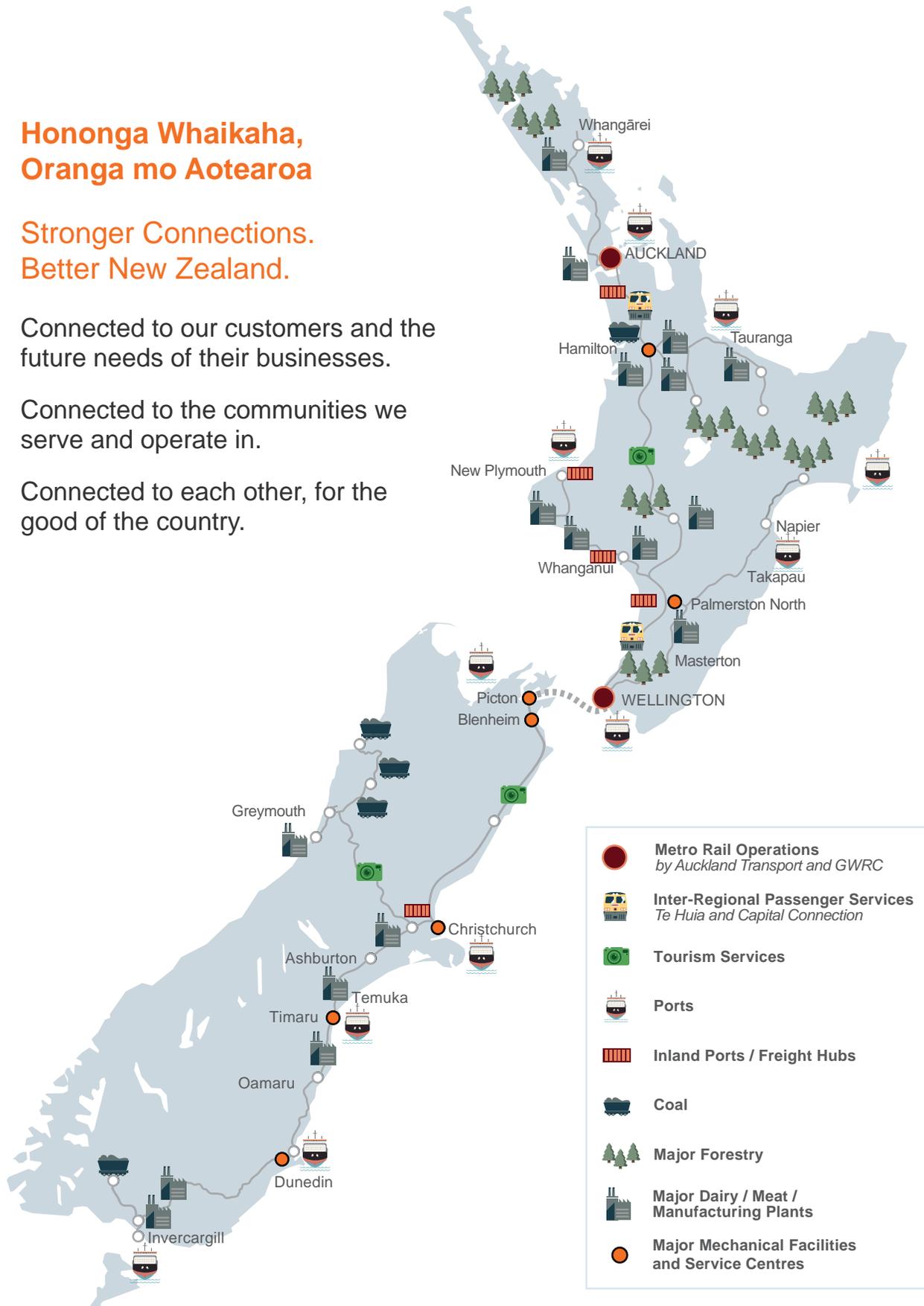
## Hononga Whaikaha, Oranga mo Aotearoa

### Stronger Connections. 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.





## Freight

Moves around 19 million tonnes of freight each year



## Freight task

Carries 36% of the New Zealand freight task that is deemed to be available to rail



## Freight customers

Connecting more than 300 customers' freight supply chains

## Interislander



Operates three ships making 3300 sailings per year, providing around 800,000 passenger trips



## Commuters

Operates Te Huia and Capital Connection, and manages the metro networks supporting more than 20 million metro commuter trips each year

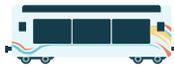
## Sustainability



Reduces heavy vehicle impact by more than 1.1 million trucks per year

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

## Tourism



Offers long-distance tourism experiences between Auckland and Wellington, Picton and Christchurch, and Christchurch and Greymouth



## Our team

4800 employees

19% women

18% under 30 years old

## Exports and imports



Transports around 20% of New Zealand's exports and imports



## Freight services

Operates 43,000 mainline freight departures each year  
248 locomotives and shunts

## Track



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



## Value

The total value of rail to New Zealand's economy is approximately \$1.7-\$2.1 billion every year\*

## Property

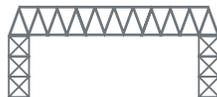
Manages a portfolio worth \$4.3 billion with more than 18,200 hectares of land

Owns more than 925 buildings



Manages 10,000+ leases, licences and grants

## Infrastructure



3106 signals

1447 public level crossings

106 tunnels

1367 bridges

\* The Value of Rail in New Zealand – EY 2021

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## Objectives

Under the State-Owned Enterprises Act 1986, KiwiRail Holdings Limited (KiwiRail) is required to operate as a successful business and specifically to achieve the following objectives:

- To be as profitable and efficient as comparable businesses that are not owned by the Crown
- To be a good employer
- Exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.

The nature and scope, purpose and core strategies of KiwiRail are defined within this context.

## Business Purpose

Hononga Whaikaha, Oranga mo Aotearoa.

Our purpose is 'Stronger Connections, Better New Zealand'. Our people, our customers, our stakeholders and our shareholders want us connected to:

- Our customers and the future needs of their businesses
- The communities we serve and in which we operate
- Each other, for a better New Zealand.

Since the first rail was laid in 1863, the railways have been key to New Zealand's development, helping to move people and goods around the motu. KiwiRail is carrying this legacy into the future, delivering connected transport services for economic, social and environmental value to New Zealand.

KiwiRail is earning the right to grow through our investments to lift and improve service reliability, capacity and network resilience.

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## Nature and Scope

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

KiwiRail is delivering a major asset renewal programme to improve the resilience and reliability of our Above Rail Business and Below Rail Network. The Programme Delivery section of the Statement of Corporate Intent sets out these activities in detail on page 8.

We are accountable, through our Board, 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 4800-plus, have a presence in communities across New Zealand, and are a proud service provider to our customers. We're part of New Zealand's history, and its future.

KiwiRail operates an Above Rail Business commercially and the Below Rail Network for all rail operators.

### **Above Rail – 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
- Scenic and Commuter - Passenger services for public transport and tourism markets
- Property - management and development for rail operations and third party land use.

### **Below Rail – Network:**

- An infrastructure division delivering asset management, infrastructure renewals/upgrades, signalling, train control operations and improvements in the rail network for all users.

The Above Rail Business and Below Rail Network are both supported by shared corporate services, including a specialist Zero Harm team, finance, legal, human resources, ICT, policy and funding, communication, and strategy teams.

### **What drives our business units:**

Our Above Rail Business is being invested in to fund the renewal of our commercial assets – new locomotives, wagons, ferries and upgraded mechanical depots and terminals. The Above Rail Business must generate sufficient cashflow to fund its capital expenditure on an ongoing basis.

### **Rail Freight**

Rail Freight provides freight logistics services to its customers offering them a natural advantage through economies of weight and scale in long-distance services and a low-emissions transportation mode. We support import/export markets to and from coastal ports, move intermodal container freight around New Zealand, carry bulk commodities and serve major industries like forestry and dairy.

### **Interislander**

Interislander carries freight and passengers across Cook Strait. Our ferries are a critical extension to State Highway 1 and rail's main lines, providing an important service for New Zealand's supply chains. We pride ourselves on our on-board service for passengers, providing a great experience for the New Zealanders and international guests who travel with us. Recent disruptions in service have highlighted the need for going above and beyond in maintenance and streamlining our customer communications when managing disruptions.

### **Scenic and Commuter**

Scenic provides rail tourism services that need to be financially viable in their own right. Operating as Great Journeys of New Zealand, we are motivated to provide a great experience on rail for locals and international tourists alike.

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Commuter operates the Te Huia and Capital Connection services, which are funded by Waka Kotahi and regional authorities, supplemented by passenger fares. We are a willing provider of more commuter services, but this relies on support and financial commitments from others.

### **Property**

Property manages a portfolio of more than 18,200 hectares of land, more than 925 buildings and more than 10,000 leases, licences, and grants. We are focused on growing the yield of our property revenues over time through rail-enabled, fit-for-purpose developments and intermodal regional freight hubs. This will create efficient conduits for freight movement around the country and support regional economic development.

We are working to extend the core lease of rail land by 100 years to improve commercial performance and better align to the long economic life of the infrastructure we are building. KiwiRail also engages with mana whenua across our business functions and projects, with this work led through the Property team.

### **Below Rail Network**

Our Below Rail Network is funded through the National Land Transport Fund (NLTF) to deliver the Rail Network Investment Programme (RNIP). Other investments are provided directly by the Government, such as through the New Zealand Upgrade Programme (NZUP). Our focus is on lifting the national network resilience and reliability, supporting the efficient movement of freight and people and completing major upgrades in the Auckland and Wellington metro networks.

We manage the operations, maintenance, and renewals of the network and support delivery of improvement programmes across 3700km of mainline track, and 700km of yard track.

### **Programme Delivery**

Programme Delivery is responsible for the major project portfolio for both the Above Rail Business and the Below Rail Network, which receives specific project funding from the Government, including:

#### *Above Rail - Business*

- iReX Project – procuring two new ferries and rebuilding Picton and Wellington terminals and associated rail infrastructure
- Rolling Stock – procuring replacement mainline locomotives, shunt locomotives and wagons
- Mechanical Depots – rebuilding depots and workshops.

#### *Below Rail - Network*

- Auckland Metro – upgrading the Auckland Metro network and supporting the City Rail Link project
- Wellington Metro – upgrading the Wellington Metro network
- Northland – rebuilding the North Auckland Line and potentially building the rail connection to Marsden Point
- Control Systems – replacing the network control software and setting up two new train control centres.

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## Our strategy and focus for the next three years

### Connect, Build and Grow

KiwiRail is undergoing a significant transformation, with investment in new locomotives, wagons, mechanical depots, terminals, ferries and digital technology supporting the business. We are also delivering the three-year RNIP to improve the resilience and reliability of the rail network for the benefit of all users. The Government's investment in rail is outlined in further detail on pages 14 to 16.

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. We are aiming to be financially self-sustainable within the period of this Statement of Corporate Intent.

Our strategy to achieve these goals has three key focus areas: connect, build, and grow. We will connect, build and grow our business to safely deliver value for customers and Aotearoa. We will:

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

### Stabilise and Reset

We recognise that all companies must earn their right to grow. There are some immediate challenges that the business 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 to take steps to improve together with our four union partners and our workforce.
- In early 2023, our customers experienced service outages in the Interislander Kaitaki vessel, which resulted in disruptions to many. The vessel was repaired, and we have taken steps to go above and beyond with our ongoing maintenance schedules to lift reliability performance, customer communications (especially to manage disruptions effectively), and rebuild confidence.

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 developing our integrated operating model and customer offer).

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## Service Reliability

KiwiRail's strategy to stabilise and reset our business has customer service reliability as a core platform. 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 to 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 Scenic 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 their delivery 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 the 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, 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 RNIP 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 (KPI) like On-Time Performance for Freight Premier 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 RNIP measures for improving network performance over time.

To bolster the importance we place on our role as a network provider in Auckland and Wellington, we have added a new KPI for Metro Reliability to this SCI. This will measure the percentage of scheduled services completed within our control (i.e. not cancelled due to network issues). This sets a high benchmark of 97 per cent, with the expectation very few services should be cancelled as the schedule takes into account the forward planning for maintenance on the network. KiwiRail typically does this work outside of commuter hours. We will report this measure publicly in our six

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monthly and annual reports, and on a quarterly basis to monitoring agencies.

### **Above and Below Rail Priorities**

In our Above Rail Business, alongside our focus on delivering core services with improved service reliability, we are planning our transition for when the new ferries and locomotives arrive. We are continuing to improve the integrity of our rolling stock, expanding our Scenic service offering, re-setting commercial contractual terms with our freight customers, and readying the business for the new rolling stock, ferries and digital solutions.

For the Below Rail Network, we will deliver Government investments to upgrade the rail network to enable reliable rail services for metro, freight and other rail operators. This work is primarily delivered through RNIP, NZUP and other infrastructure funds.

Programme Delivery will continue to focus on delivery of the major capital investment programmes to specification, on time and within budget. This will ensure the business is positioned successfully to continue to increase our market share of freight and passenger volumes.

Finally, but importantly, KiwiRail has lifted its capacity to meaningfully engage with mana whenua. This is supported by our Rautaki Māori strand of the strategy, which has established an iwi liaison function to help with our engagement with mana whenua.

# 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>	<b>TALENT &amp; PERFORMANCE-LED CULTURE</b>	<b>SERVICE EXCELLENCE &amp; RELIABILITY</b>
	 Our people return home safe and healthy everyday	 Our people are engaged, empowered, skilled and supported to perform	 We are a trusted service provider, consistently delivering operational service reliability and innovative freight and passenger solutions for customers
Objectives	 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
	 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	TRIFR High potential near-misses	Employee Net Promoter Score Women in the workforce Under 30s in the workforce	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 ABOVE RAIL 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 Aotearoa'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 NZ</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 Above Rail 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 Above Rail operating ratio (total cost/total revenue)</p>
<p>Support regions through our tourism experiences</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>		
Under development	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

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## Investment in KiwiRail

The Government's investment in rail is guided by the New Zealand Rail Plan. It is time-limited for the Above Rail Business, as this part is a renewal programme to support us in our pathway to self-sustainability. It is ongoing for the Below Rail Network, as the national rail network serves all rail operators and New Zealanders as a whole. Key milestones in this planning period are identified in our Key Performance Indicators.

### Above Rail 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, and we will spend \$1.1 billion across this three-year planning horizon. The new assets will arrive progressively across this Statement of Corporate Intent period, with the final tranche to arrive by 2027/28. 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 12 mechanical depots across New Zealand (including building a new Waltham 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 Kānoa).

#### Ferries, Terminals

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 is being reviewed, but currently carries a total investment value of \$1.45 billion, for which the Government is providing \$435 million as equity and an additional amount in contingency, alongside investment by CentrePort Limited in Wellington and Port Marlborough New Zealand in Picton.

KiwiRail is also investing its own funds and is taking on \$350 million in debt to support the procurement of the two new ferries. They arrive in 2025 and 2026.

#### 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 is multi-year and reduces to zero by 2024/25.

#### Commuter Rail

KiwiRail operates two commuter services, the Capital Connection between Wellington and Palmerston North and Te Huia between Auckland and Hamilton. These public transport services are funded by Regional Councils, and the National Land Transport Fund. We are also refurbishing Capital Connection carriages with the support of the New Zealand Upgrade Programme (\$26 million). The refurbished carriages will be in operation from mid-2023.

#### Electric Fleet Refurbishment

KiwiRail is refurbishing some of the Electric Fleet locomotives. The Government provided \$35 million for this purpose, supported by the broader rolling stock programme. The refurbishment is scheduled to be completed

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during this Statement of Corporate Intent period. It will extend the economic life of the fleet and help to reduce operating costs and carbon emissions.

### **Scenic Tourism**

With funding from Kānoa, KiwiRail is refurbishing carriages for the Scenic Plus service to include a kitchen and premium seating. There will also be some improvements to platforms at stations ready for the new Scenic tours and packages.

### **Below Rail Network**

#### **Rail Network Investment Programme**

KiwiRail will continue to deliver the RNIP. This supports the priorities in the New Zealand Rail Plan:

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

The first RNIP provides for investment of \$1.35 billion over the three-year period (2021/22 to 2023/24).

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

#### **New Zealand Upgrade Programme**

KiwiRail is the delivery agency for rail transport projects in NZUP, with a cost of up to \$2.0 billion:

- Papakura to Pukekohe (P2P) Electrification – \$375 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 (W2QP) – \$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 – \$495 million to construct three new passenger rail stations at Drury Central, Drury West and Paerata and the associated bus interchange, park and ride facilities and connector roads. Expected completion in 2025/26.
- Wellington Metro Upgrade Programme – \$88 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station and \$156 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 to the interim refurbishment of the Capital Connection carriages (noted above) and upgrade of platforms north of Waikanae with carriages due in operation from mid-2023.
- Northland Package – 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 is subject to Joint Ministers' approval of the Detailed Business Case (DBC). The project is expected to take up to five years from initiation to completion.
  - Whangārei and Otiria rail upgrades to 18-tonne axle load and system improvements. The project commenced in early 2022 and completion is expected late 2024.

- 
- Ashburton Fairfield 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 through the NZUP programme.

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 enabling co-location and integrated operations of multiple rail organisations (\$30.1 million remaining).

### **Wellington Metro growth and remediation**

In addition to the NZUP projects described above, we will complete the upgrade of the junction at Plimmerton in calendar 2023, continue with tunnel, track and bridges renewals particularly on the Wairarapa Line, and increase the resilience of the power supply.

In parallel, we will work closely with GWRC on the network activities to support the introduction of new regional trains in a similar manner to the successful introduction of the current Matangi trains.

We are also investigating replacing the current signalling system to enable European Train Control System (ETCS) to operate on Freight Locomotives that traverse the Wellington Metro Area.

### **Kānoa projects**

KiwiRail is progressing purchasing land in preparation for the Marsden Point Rail Link (\$40 million).

### **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.

The reinstatement work adds programme pressure to the company, which is committed to projects across the RNIP, NZUP and metropolitan upgrades. Cost estimates are still being formed, but KiwiRail carries insurance and the Government has to date set aside up to \$200 million to rebuild and strengthen damaged rail lines and make those lines more resilient.

### **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.

## Key Performance Measures

### Above Rail Business

KEY PERFORMANCE MEASURE	FY23 FORECAST	FY24 PLAN	FY25 PLAN	FY26 PLAN
Revenue (\$m)	696-736	734-758	758-788	781-811
Rail Freight revenue (\$m)	407-446	426-439	445-455	455-480
Interislander Freight and Passenger revenue (\$m)	136-141	143-154	151-161	156-166
Scenic and Commuter revenue (\$m)	31-35	38-48	50-60	58-68
Property revenue (\$m)	58	61	61	61
Operating surplus (\$m)	150-165	127-147	147-167	159-179
Operating margin (%)	21-23	17-19	19-21	20-22
Freight Net Tonne Kilometres carried (million)	4,060	4,050	4,170	4,340
On-Time Performance - Freight Premier (%)	80	90	90	90
Availability – Locomotives (%)	New measure	76	80	81
Availability – Wagons (%)	New measure	90	90	90
On-Time Performance - Interislander - arrival within 15 minutes of scheduled time (%)	82	90	92	92
Reliability – Ship services to advertised sailings (%)	New measure	98	98	98

KEY PERFORMANCE MEASURE	FY23 FORECAST	FY24 PLAN	FY25 PLAN	FY26 PLAN
Achievement of major separately funded milestones				
Number of Rolling Stock & iReX programme critical milestones completed	3 (43%) Hutt Wheel Shop in service DM design complete Ship Basic Design Complete	11 (100%) DL Locomotives – in service DM Locomotives – prototype ready to ship Yard Shunt locomotives – contract awarded EF Locomotives – 5 in service PT Inka & CRRC Wagons final tranche – in service 50ft curtain side containers in service Forestry wagons incl. cassettes & bolsters in service Waltham – Stage 1 Operational Hillside – Operational Ship Technical Drawings Complete Main works construction on Ferry Terminals commenced	6 (100%) DM Locomotives – Prototype in service DM Locomotives – First build batch Yard Shunt locomotives – Design complete EF Locomotives – 7 in service Hillside assembled wagons – Year 1 production target in service Waltham – Stage 2 Operational	5 (100%) DM Locomotives – 42 of 57 in service Yard Shunt Locomotives – Prototypes in service Hillside assembled wagons – Year 2 production target in service First new ship in service Ferry Terminals ready for operation of first new ship

## Below Rail Network

KEY PERFORMANCE MEASURE	FY23 FORECAST	FY24 PLAN	FY25 PLAN	FY26 PLAN
Metro Reliability – Percentage of scheduled services delivered without network issues	New measure	97%	97%	97%
Overall Track Quality Index (average TQI) for Auckland Metro	32.2	35	35	35
Overall Track Quality Index (average TQI) for Wellington Metro	28.4	40.9	40.9	40.9
Number of Network Condition KPIs within target	8 (57%)	14 (100%)	14 (100%)	14 (100%)
All temporary speed restrictions (average TSRs) within target(s) for priority routes <sup>1 2</sup>	40% within target(s)	100% within target(s)	100% within target(s)	100% within target(s)
All Heat 40s (average Heat 40s) within target(s) for priority routes <sup>1 2</sup>	80% within target(s)	100% within target(s)	100% within target(s)	100% within target(s)
Track Quality Index (average TQI) within target(s) for priority routes <sup>1 2</sup>	100% within target(s)	100% within target(s)	100% within target(s)	100% within target(s)
Number of NZUP programme critical milestones completed	3 (60%) Middlemore Station – design complete Drury Stations – design complete Wellington Station Safety – design complete	5 (100%) W2QP – 3rd Main construction complete & commissioned W2QP – Middlemore station construction complete & commissioned New Capital Connection in operation Whangarei to Otiria – design complete Wairarapa rail upgrades – design complete	3 (100%) P2P – Open Route construction complete P2P – Pukekohe Station construction complete W2QP – Quay Park construction complete & commissioned	4 (100%) Drury Stations – Drury Central and Paerata Stations construction complete & stations operating Wellington Station Safety – Construction complete Wairarapa Rail Upgrades – Construction complete Whangarei to Otiria construction complete

1. At the time of publishing the Statement of Corporate Intent 2024-2026, the second triennium of the Rail Network Investment Programme is still being finalised. FY25 and FY26 targets will be finalised with the second triennium of the Rail Network Investment Programme. FY25 and FY26 targets will be updated in next year's Statement of Corporate Intent to reflect the agreed targets in the second triennium of the Rail Network Investment Programme.
2. These measures come from the Rail Network Investment Programme which includes a fuller range of targets and can be found here <https://kiwirail.co.nz/what-we-do/projects/rail-network-investment-programme>

## KiwiRail Group

KEY PERFORMANCE MEASURE	FY23 FORECAST	FY24 PLAN	FY25 PLAN	FY26 PLAN
Employee Net Promoter Score	N/A <sup>1</sup>	10	15	20
Under 30s in the workforce (%)	18	19	20	20
Women in the workforce (%)	19	20	22	23
Total Recordable Injury Frequency Rate - TRIFR (number)	23	19	16	14
High Potential Near Misses (number)	New measure	44	38	32
Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per net tonne kilometre)	26.1	25.9	25.6	25.4
Truck journeys avoided (million)	1.05	1.07	1.09	1.15

1. The FY23 employee survey has been deferred due to operational priorities

## State-owned enterprise performance measures

Definitions of measures are on page 24.

	2023 FORECAST	2024 PLAN	2025 PLAN	2026 PLAN
<b>SHAREHOLDER RETURN MEASURES</b>				
Total shareholder return	N/A	N/A	N/A	N/A
Return on equity (%)	10	6	4	2
<b>PROFITABILITY/EFFICIENCY MEASURES</b>				
Return on invested capital (%)	10	6	4	2
Operating margin – above rail (%)	21-23	17-19	19-21	20-22
<b>LEVERAGE /SOLVENCY MEASURES</b>				
Debt to EBITDA	(2.0)	(1.7)	(0.9)	0.5
Gearing ratio (%)	1	2	3	7
Interest cover	(24.0)	46.9	64.4	14.5
<b>GROWTH MEASURES</b>				
Capital replacement	11.0	12.2	10.6	8.6
Revenue growth – above rail (%)	7	6	4	3
EBITDA growth – above rail (%)	18	(7)	14	7

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## Required information

### Accounting Policies

KiwiRail's detailed accounting policies can be accessed in the most recent year-end financial statements which are contained in the most recent annual integrated report and can be found here: <https://www.kiwirail.co.nz/who-we-are/publications-and-resources/annual-reports/>

### Dividend Policy

KiwiRail is focused on improving financial sustainability and reducing the need for taxpayer support in the medium to long term. However, the Shareholder has committed to providing a significant amount of investment for the period of this Statement of Corporate Intent. As such, KiwiRail does not expect to make any dividend payments over the period of this Statement of Corporate Intent.

### Information to be provided to Shareholding Ministers

KiwiRail will provide to Shareholding Ministers:

- An Annual Report and Half Yearly Report in accordance with sections 15 and 16 of the State-Owned Enterprises Act 1986. These will include a statement of financial performance, a statement of financial position, a statement of cash flows, accompanying notes and other information necessary to permit an informed assessment of the Company's performance
- Continuous Disclosure reporting as required by Treasury's Commercial Performance Team
- Regular reporting to Treasury's Commercial Performance Team for performance monitoring
- Other information requested by Ministers in accordance with section 18 of the State-Owned Enterprises Act 1986.

### Significance

KiwiRail will not consult with Shareholding Ministers (unless consultation is otherwise specified by Shareholding Ministers as a condition of their approval of that funding or investment) on:

- Transactions relating to approved Crown funding or investment in KiwiRail; or
- Major transactions that have been approved by Shareholding Ministers in accordance with the Companies Act 1993.

Subject to the above exclusions, KiwiRail will consult Shareholding Ministers before entering into a transaction that meets any of the criteria listed below:

- capital expenditure or equity investment with a transaction value > \$50 million;
- substantial diversification or overseas expansion (including offshore investments);
- expenditure on activities inconsistent with the nature and scope of the activities as set out in this Statement of Corporate Intent;
- payment of any dividend or return of capital to the Crown;
- expenditure that otherwise meets a criterion for consultation specified by Shareholding Ministers in KiwiRail's letter of expectations.

### Procedures for share acquisition

KiwiRail will consult with Shareholding Ministers on the subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve a significant overseas equity investment, or are outside the scope of KiwiRail's core business.

On occasion and in connection with the purchase by KiwiRail of farmland that is required for rail purposes, KiwiRail may need to acquire and hold shares or other securities in milk purchasing co-operatives or companies. Such transactions are not considered material and will not be the subject of consultation.

### Compensation from the Crown

KiwiRail expects to receive compensation from the Crown as per Section 7 of the State-Owned Enterprises Act 1986 for public policy work and projects undertaken by the company which have

a public good element or purpose and would not be undertaken on purely commercial grounds.

### Commercial Valuation of the Crown’s investment

The current valuation range of \$177m to \$345m compares with the value as at 30 June 2022 of \$94m. The key drivers of the value range are:

- Lower short-term operating earnings, offset by assumed efficiencies to achieve a long-run 25% operating margin for the Above Rail business; and
- Separately recognising the present value of the near-term capex in the DCF that is matched by Government funding.

Key features of the current valuation include:

- The DCF methodology has been used to calculate the Net Present Value (NPV) of the KiwiRail Group.
- The DCF uses the future cash flows for FY24 to FY26 set out in this SCI, with forward projections for years 4 to 20 that are aligned to KiwiRail’s long-term operating forecasts and capital requirements.
- A terminal value of \$168m has been included in the high case. The growth assumption in the terminal value is 2%. The low end of the value range has been derived by setting terminal value operating surplus to equal long-run average capex.
- The future cash flows have been discounted using a cost of capital of 6%.
- The current earnings projections do not result in the Group paying income tax for the foreseeable future.
- PwC has confirmed the mathematical accuracy of the calculation of the DCF valuation prior to approval of the DCF value by the Board. PwC did not assess the inputs to the valuation calculation.

The key components of the current valuation are set out below:

\$m	30 June 2023
DCF Enterprise Value	504-672
PV of Government committed funding	2,812
PV of Government funded capex	(2,812)
Less Net Debt & PV of Committed Debt	(327)
<b>DCF Equity Value</b>	<b>177-345</b>

### The Value of Rail in New Zealand

The commercial valuation does not include the wider economic benefits that rail provides to New Zealand (externalities). These externalities were considered in the 2021 Value of Rail report prepared by Ernst & Young (EY). This involved modelling what would happen if the rail network did not exist, for example, if rail freight and metro services were replaced by road transport.

The EY report estimated the total value of rail to New Zealand to be \$1.70 billion - \$2.14 billion per annum from six quantitative areas:

- Reduced travel time and congestion
- Reduced air pollution
- Reduced fuel use
- Reduced greenhouse gas emissions
- Reduced network maintenance and upgrades
- Improved safety outcomes – reducing costs of serious injuries and death caused by crashes.

The value excludes indirect benefits from rail such as employment, tourism, connectivity, land use and resilience. Assessing these impacts would further increase the value of rail quantified above.

## Appendix 1: Performance Measure definitions

### Definitions of SOE Performance measures

Capital replacement	Capital expenditure divided by (depreciation plus amortisation expense)
Debt to EBITDA	Net debt divided by EBTIDA
EBITDA growth	(Current year's EBITDA less previous year's EBITDA) divided by previous year's EBITDA
Gearing ratio	Total debt divided by (total debt plus equity)
Interest cover	EBIT divided by net interest expense
Operating margin	EBITDA divided by revenue
Return on equity	Net profit after tax divided by average equity
Return on invested capital	EBIT divided by average invested capital
Revenue growth	(Current year's revenue less previous year's revenue) divided by previous year's revenue
Total shareholder return	(Closing commercial value less opening commercial value plus dividends paid less equity injected) divided by opening commercial value

### Glossary

EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
GHG	Greenhouse Gas
Heat 40s	Heat 40s refer to seasonal operational restrictions put in place over lengths (measured in km) of track that are at a higher risk of rail buckling from excessive heat. Prior to the heat season, some lengths of rail are destressed to remove the need for these restrictions.
MDBF	Mean distance between failure
NLTF	National Land Transport Fund
NPAT	Net profit after tax

NPS	Net Promoter Score (NPS), which is measured by asking employees or customers 'How likely are you to recommend 'company name' to a friend or colleague?' and using a scale of 0-10. Scores of 9 or 10 are classed as promoters, scores of 7 or 8 are classed as passive, and scores of 0 to 6 are classed as detractors. The NPS is then calculated by subtracting the percentage of "Detractors" from the percentage of "Promoters" providing a score between -100 and 100.
NTK	Net tonne kilometres
NZUP	New Zealand Upgrade Programme
Operating Surplus	Net surplus (revenue minus expenditure) before foreign exchange, interest, taxation, depreciation, amortisation, impairment, grant income and fair value adjustments.
OTP	On time performance
PGF	Provincial Growth Fund
RNIP	Rail Network Investment Plan
Strategic Projects	Strategic Projects excludes the RNIP and covers Rolling Stock and Mechanical Facilities, Project iReX, NZUP, PGF and other capital projects which have separate funding streams.
TQI	Track Quality index is an aggregated, track-condition measure. It is based on readings from a track inspection machine.
TRIFR	The Total Recordable Injury Frequency Rate is the total number of injuries (all TRIs) requiring medical treatment, per million hours worked within an organisation.  To calculate the TRIFR, the number of recordable injuries in a 12-month period is divided by the number of hours worked by all staff in the same 12-month period and multiplied by one million.
Truck journeys avoided	Reduction in heavy truck trips as a consequence of freight being transported on rail rather than road.
TSRs	Temporary speed restrictions are placed on sections of track due to operational issues. They are reported in terms of minutes of potential delay due to the restriction.
TUC	Track user charge

**KiwiRail** 