



STATEMENT OF CORPORATE INTENT

2025–2027



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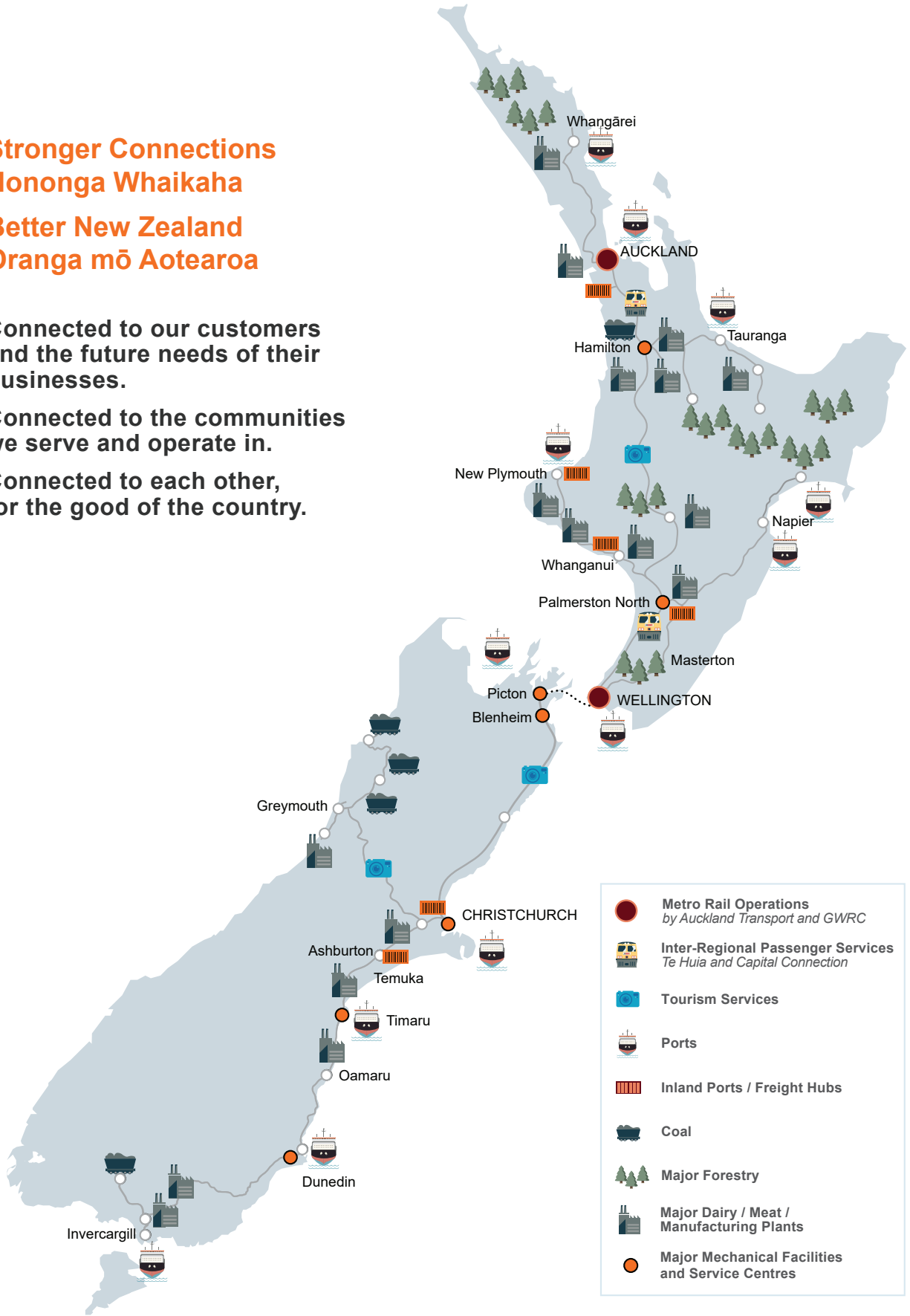
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Stronger Connections
Hononga Whaikaha
Better New Zealand
Oranga mō Aotearoa

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.



Overview of the Business



Value

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

An estimated 288 minor injuries, serious injuries and deaths on the road are avoided each year by using rail.*



Sustainability

Reduce 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

It takes about 54 trucks to move the freight from a standard freight train*



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

Services



Freight

Move around 18 million tonnes of freight or 36% of the New Zealand freight task that is deemed to be available to rail each year
Transport around 19% of New Zealand's exports and imports
Connect more than 300 customers' freight supply chains



Interislander

Operate three ships making 3300 sailings per year.
We move around 75,000 commercial vehicles and provide around 600,000 passenger trips
Connects State Highway 1 across Cook Strait



Property

Manage a portfolio worth \$4.3 billion with more than 18,000 hectares of land leased from NZRC
Own more than 900 buildings
Manage 10,000+ leases, licences and grants



Great Journeys New Zealand and Commuter services

Offer tourism experiences connecting Auckland, Wellington and Christchurch with regional New Zealand
Operate Te Huia and Capital Connection

Infrastructure



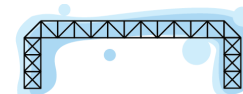
Metro networks

Manage the metro networks supporting more than 22 million metro commuter trips each year.
It would take about 357 cars to move the morning commuters in a standard three-carriage set on Auckland's network *



Track

Operate and maintain
3700km of track



Infrastructure

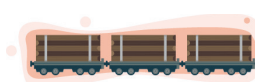
3106 signals
1447 public level crossings
106 tunnels
1367 bridges

Resources



Our team

5000 employees
20% women
32% under 35 years old



Rolling stock and ferries

4700 wagons
240 locomotives and shunts
3 ferries



Property

(see services)

* The Value of Rail in New Zealand - EY 2021

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; and
- To 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.

Nature and Scope of the Business

We are a sustainable transport services and infrastructure provider, aiming to deliver superior services and value to customers and for New Zealand.

We are the steward of the national rail network.

We're a national employer of 5000, 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.

We operate a services business commercially and an infrastructure business for all rail network users.

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.

Service Business (Above Rail)

- 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.

Infrastructure Network (Below Rail)

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

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

What drives our business units

Our ambition is to be a high-performing commercial business delivering superior services and value to customers and for New Zealand.

We are elevating our business to be customer-led after substantial investment to fund the renewal of our commercial assets – new locomotives, wagons and upgraded mechanical depots.

The Services Business must become self-sustaining - generating 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 and inland 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.

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. We operate the TranzAlpine, Coastal Pacific and Northern Explorer, and offer end-to-end travel services, including multi-day tours, charters and short break packages.

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

Property

Property manages a portfolio of more than 18,000 hectares of land, more than 900 buildings and more than 10,000 leases, licences, and grants. We are focused on growing our property revenues 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 seeking to extend the core lease on rail land by 100 years to improve commercial performance and better align to the long economic lives of the infrastructure we are building.

Infrastructure Network

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

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

Programme Delivery

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

Services Business

- Inter-island Ferries - following the Government's decision last year not to provide further funding for the Inter-Island Resilient Connection (iReX) project, the project has ended. KiwiRail is working with the Ministerial Advisory Group on future options for ships and terminals to deliver safe, reliable Cook Strait services for people and freight. We are also working with the Ministry of Transport on its assessment of long-term inter-island service requirements.
- Rolling Stock – procuring replacement mainline locomotives, shunt locomotives and wagons

-
- Mechanical Depots – rebuilding depots and workshops.

Infrastructure 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.

Business Purpose

Our purpose is Stronger Connections, Better New Zealand

Hononga Whaikaha, Oranga mō Aotearoa.

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.

Our Strategy and Focus

Our proud history provides the foundation for our bold ambition: To grow our business by winning customer loyalty.

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 carry a quarter of New Zealand's export volumes, 12 per cent of national freight volume and 40 per cent of the largest port's container volumes
- We deliver \$2 billion in economic value to New Zealand
- We transport around 600,000 passengers across the Cook Strait every year, and support 22 million commuter journeys in Auckland and Wellington.

If we are to help grow New Zealand's economy, while managing road maintenance costs and avoiding more congestion, rail will need to play an even greater part than it does now.

However, we also recognise that KiwiRail is at a cross-road – our markets are challenging, our customers expect more from us, and our shareholders have reiterated their expectation that we deliver within fiscal constraints. We need to transform our business to deliver on our bold ambition for the future.

We are up for that challenge.

For our customers, our shareholders and New Zealand, our transformation means we will:

- Elevate our business to be **customer led**
- Strengthen our **core freight business**
- **Grow our earnings**
- Build our Services Business to **stand on its own** two feet
- Build our Infrastructure Network so that it is an **efficient and reliable partner**
- Harness our **deep sense of pride**, expertise and union engagement.

Our Strategic Priorities

Our 5-year strategy is designed to:

- **Strengthen** our core freight service and the rail network
- **Optimise** our business portfolio
- **Grow** new revenues; and
- **Develop** a sustainable future.

At the heart of our strategy is a focus on customer growth. Our rail network works best when it runs at scale. Increasing volumes on rail will deliver value to all our stakeholders: customers, employees, partners, shareholders, and the New Zealand public. We are targeting growth to maximise the commercial and public benefits from the investment in rail.

Commercial self-sustainability for our Services Business is a fundamental expectation for the Board and management. This means our operating and capital costs will be funded from revenue and alternative financing as appropriate. We are not seeking Government funding to support the operations of our Services Business.

Our pathway to financial self-sustainability for our Services Business relies on our ambition of growing our business by winning customer loyalty.

Delivering on Our Strategy

We will deliver through **six transformational outcomes** that will see KiwiRail known and trusted for:

- **Zero injuries every day**

We are committed to lifting our health and safety performance to ensure our team arrive home safely every day. This is a central tenet of our high-performance, high-engagement strategy with staff and union partners, and a core component of the commercial strategy for operating a successful business and delivering

quality network services to all rail users. We are engaging extensively with all staff and union members to lead and drive comprehensive safety culture improvement.

- **Superior customer service**

This is first and foremost a customer led transformation. We will be a trusted service provider, consistently delivering operational service reliability and innovative freight and passenger solutions. We will have clear service offerings and market leading solutions that will add value for our customers.

- **Ease of doing business**

We will change what we do and the way we work to provide a simple, consistent experience for our customers. We will leverage technology and connected systems to reduce complexity, improve real-time information connectivity and deliver insights.

- **Reliability and efficiency**

We will build service excellence, operational discipline and efficiency. We will deliver our capital programmes to scope, time and budget and successfully transition new major assets into service for customers.

- **Proud, connected culture**

Our people will be proud to be part of a high-performance, customer-led, diverse and modern work environment. Our KiwiRail whānau will all play a part in our growth ambition and be empowered to be their best selves every day.

- **Sustainability**

We will be self-funding in our Services Business, a leader in low emissions transport and waste minimisation, and a trusted partner for customers, shareholders and the communities in which we operate. We will develop enduring relationships with mana whenua, our union partners and metro and regional authorities.

Investment in KiwiRail

Our strategy is supported by a capital investment programme, funded by both KiwiRail and the Government.

The investment for the Services Business is one-off, replacing aged assets like locomotives, wagons, and mechanical depots with reliable and efficient alternatives. This is to lift service reliability, and underpins our offer to customers and ability to grow and provide the taxpayer with a return on their investment.

The Infrastructure Network delivers work in alignment with the Government's transport priorities. This includes ongoing maintenance and renewals through the Rail Network Investment Programme, and specific major improvement projects. Key milestones for our capital investment programme in this planning period are identified in our Key Performance Indicators.

Rolling Stock

We are renewing our fleet of locomotives and wagons. The Government has committed \$1.7 billion to support this renewal programme, and we will spend \$0.5 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 2028/29. Renewing the fleet will improve service reliability and reduce maintenance costs. It is essential for us to grow revenue, increase volumes on rail, and ultimately self-fund the next generation of rolling stock assets.

Mechanical Depots

We are 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 completion planned for 2025/26.

The Government has also provided \$105 million to rebuild the Hillside Workshops in Dunedin and 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). This has created around 50 assembly jobs and apprenticeships.

Electric Fleet Refurbishment

We are refurbishing some of the Electric Fleet locomotives. The Government provided \$35 million for this purpose. The refurbishment is scheduled to be completed 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.

Rail Network Investment Programme

The RNIP supports the priorities in the Government Policy Statement on Land Transport (GPS).

The first RNIP provided for investment of \$1.35 billion over the three-year period (2021/22 to 2023/24). We are finalising the next three-year investment programme with the Minister of Transport for the period commencing 1 July 2024.

The draft GPS 2024/25 – 2033/34 indicates that:

- Investments in rail should be focused on the busiest and most productive parts of the existing national rail network to support the overall objective of economic growth and productivity
- Investments in metro rail networks will also support the efficient movement of people in Auckland and Wellington.

Major Transport Projects

We are the delivery agency for major rail transport projects, with investment in metro and national rail projects of up to \$2.1 billion¹:

- Papakura to Pukekohe (P2P) Electrification – \$419 million to electrify 19km between

1. Based on P95 project values.

Papakura and Pukekohe, including installation of overhead equipment, a new traction power feed and signalling upgrades. Expected construction completion in 2024/25, power feed in 2029/30.

- 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 – \$569 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 – \$244 million to enable a safe and reliable increase in the frequency of train services at Wellington Railway Station and for infrastructure upgrades to the Wairarapa Line to increase capacity and support a planned increase in the frequency of passenger services. Wellington Railway Station is expected to be complete in 2024/25, Wairarapa Line at the start of calendar 2027.
- 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 - currently going through a detailed design and value engineering assessment, which is expected to be completed by the end of 2025.
 - Whangārei and Otiria rail upgrades to 18-tonne axle load and system

improvements. Whangārei to Kauri is complete, the Kauri to Otiria segment is paused and will be reconsidered as part of the Marsden Point Rail Link decision.

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 also continue delivering the Rail Network Growth Impact Management programme (which includes the staged Rail Network Rebuild) to ensure the Auckland metro network is keeping pace with patronage and freight growth, 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.

Wellington Metro growth and remediation

In addition to the major transport projects described above, we will continue with tunnel, track and bridges renewals particularly on the Wairarapa Line, and increase the resilience of the power supply.

In parallel, we will continue to work closely with Greater Wellington Regional Council 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 and moving to European Train Control System (ETCS).

Kānoa projects

We are progressing with land purchases in preparation for the Marsden Point Rail Link (\$40 million). Expected completion 2024/25.

North Island Weather Events Recovery

Cyclone Gabrielle had a significant effect on the rail network. While remediation 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.

Electrification

We will deliver an electrification business case. This will 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. The business case will inform future investment decisions for decarbonising the transport system and continuing to lift the emissions credentials of rail freight and passenger services.

Key Performance Measures by Outcome

Definitions of measures are on page 22

KEY PERFORMANCE MEASURE	FY24 FORECAST	FY25 PLAN	FY26 PLAN	FY27 PLAN
ZERO INJURIES EVERY DAY²				
Total Recordable Injury Frequency Rate – TRIFR ³	24	19	15	12
Lost Time Injury Frequency Rate – LTIFR ³	12	9	7	6
High Potential Near Misses Frequency Rate – HiPoFR ³	12	10	8	6
Number of Safety Interactions per month ⁴	204	245	294	353
PROUD, CONNECTED CULTURE				
Employee Net Promoter Score	1	5	10	15
Under 35s in the Workforce (%)	32	33	34	35
Women in the Workforce (%)	19.3	21.5	23.0	24.5
Women in Operational Roles (%)	15	15	17	18
Gender Pay Gap (%)	3.6	3.6	3.6	3.6
SUPERIOR CUSTOMER SERVICE/RELIABILITY AND EFFICIENCY/EASE OF DOING BUSINESS – SERVICES BUSINESS				
Freight Net Tonne Kilometres carried (million)	3,565	3,598	3,732	3,941
On-Time Performance – Freight Premier (%)	90	91	92	95
Availability – Locomotives (%)	84	85	87	89

- KiwiRail has a multi-year transformational focus to improve its safety culture, leadership and business performance. The targets above reflect improvement aims within FY25 though the Board and Management are focused on a significant downward trend in the years following, aligned to a focus on a belief that all injuries are preventable. The number of High Potential Near Misses, which are those incidents or near misses, that could have resulted in one or more fatalities, has decreased by 43% from FY23 (as at May 2024). The HiPoFR, which is a rolling average factoring in hours worked, has a 50% target reduction over the SCI period.
- 12-month rolling average, per million person hours worked.
- 12-month rolling average, number of interactions per month.

KEY PERFORMANCE MEASURE	FY24 FORECAST	FY25 PLAN	FY26 PLAN	FY27 PLAN
Availability – Wagons (%)	90	91	92	93
On-Time Performance - Interislander - arrival within 15 minutes of scheduled time (%)	86	90	90	90
Availability – Ship services to advertised sailings (%)	97	98	98	98
RELIABILITY AND EFFICIENCY – RAIL NETWORK⁵				
Number of Network Condition KPIs within target	4 green (29%) 4 amber (29%) 6 red (42%)	16 (100%)	16 (100%)	16 (100%)
Percentage of priority routes within their respective temporary speed restrictions (average TSRs) limits	20%	60%	80%	80%
Percentage of priority routes within their respective Heat 40s (average Heat 40s) limits	90%	100%	100%	100%
Percentage of priority routes within their respective Track Quality Index (average TQI) limits	100%	100%	100%	100%
RELIABILITY AND EFFICIENCY – METRO NETWORK⁵				
Auckland Metro Meet Completed Trips KPI by year end	86%	85%	85%	90%
Auckland Metro Track Quality Index (average)	30.4	<35.0	<35.0	<35.0
Wellington Metro Meet Completed Trips KPI by year end	92%	85%	90%	95%
Wellington Metro Track Quality Index (average)	27.2	<40.9	<40.9	<40.9
Wairarapa Line – TSRs by year end (minutes)	15	<15	<10	<8
Kapiti Line – TSRs (achieved for 48 weeks) (minutes)	3	<10	<8	<5

5. At the time of publishing the Statement of Corporate Intent 2025-2027, the second triennium of the Rail Network Investment Programme and corresponding Targets are subject to Minister approval. The Rail Network Investment Programme will include a more fulsome range of targets and can be found here once finalised – <https://kiwirail.co.nz/what-we-do/projects/rail-network-investment-programme>

KEY PERFORMANCE MEASURE	FY24 FORECAST	FY25 PLAN	FY26 PLAN	FY27 PLAN
SUSTAINABILITY - ENVIRONMENT				
Rail Freight Carbon Intensity (grams of carbon dioxide equivalent emissions per net tonne kilometre)	28.5	25.1	23.9	23.4
Truck Journeys Avoided (million)	0.96	0.97	1.00	1.06
Solid Waste Recycled (%)	13.5	15	18	22
SUSTAINABILITY – FINANCIAL – SERVICES BUSINESS				
Revenue (\$m)	771	758	809	860
Rail Freight revenue (\$m)	478	451	478	511
Interislander Freight and Passenger revenue (\$m)	154	147	174	185
Scenic and Commuter revenue (\$m)	47	53	58	64
Property revenue (\$m)	65	66	71	77
Operating surplus (\$m)	104	110	160	198
Operating margin (%)	13	15	20	23
Operating ratio (%)	87	85	80	77

CAPITAL INVESTMENT – MAJOR MILESTONES

KEY PERFORMANCE MEASURE	FY24 FORECAST	FY25 PLAN	FY26 PLAN	FY27 PLAN
SERVICES				
Rolling Stock programme – Achievement of Major Milestones	DL Locomotives – final tranche in service DM Locomotives – prototype ready to ship Yard Shunt locomotives – contract awarded EF Locomotives – 5 of 15 in service PT Inka & CRRC Wagons final tranche – in service Forestry wagons incl. cassettes & bolsters in service Waltham – Stage one operational Hillside – Operational	2 of 11 Heavy Electric Shunts in service DM Locomotives – 2 of 66 in service EF Locomotives – 12 of 15 in service ETCS installed and accepted on 2 DL prototypes Woburn, Waltham & Hillside upgrade works complete	11 of 11 Heavy Electric Shunts in service DM Locomotives – 24 of 66 in service Yard Shunt Locomotives – Design accepted EF Locomotives – 15 of 15 in service ETCS installed and accepted on 37 of 53 DL locomotives	DM Locomotives – 62 of 66 in service Yard Shunt Locomotives: <ul style="list-style-type: none"> • Hold point for 3rd prototype prior to confirming manufacture; • Pre shipping certificate signed off for Batch 1 (YSL prototypes 1-3) ETCS installed and accepted on 53 of 53 DL locomotives
INFRASTRUCTURE – NATIONAL				
Achievement of Major Milestones	New Measure	1 of 3 zones of ICONIS train control system in place All cyclone recovery works complete	3 of 3 zones of ICONIS train control system in place	Contract underway for replacement of traction control system Contract underway to move from R9000 train control system in Auckland to ICONIS

KEY PERFORMANCE MEASURE	FY24 FORECAST	FY25 PLAN	FY26 PLAN	FY27 PLAN
INFRASTRUCTURE – METRO				
Auckland Metro – Achievement of Major Milestones	Papakura to Pukekohe power on	Papakura to Pukekohe electrified network open for public use Wiri to Quay Park (Third Main) open for public use Western substation supplying power to the traction system Major support toward City Rail Link opening	Paerata and Drury Central Stations open for public use Third platform open at Henderson End of disruptive Network Rebuild Programme Major support toward City Rail Link opening	Ngakaroa Station open for public use
Wellington Metro – Achievement of Major Milestones	New Capital Connection in operation Wairarapa rail upgrades – design complete	Works to Wellington Station entry complete (operating limitations removed) Remutaka Tunnel track rebuild complete (track & tunnel related speed restrictions lifted)		Capacity and safety upgrades north of Remutaka Tunnel complete

State-owned enterprise performance measures

Definitions of measures are on page 22

	2024 FORECAST	2025 PLAN	2026 PLAN	2027 PLAN
SHAREHOLDER RETURN MEASURES				
Total shareholder return	n/a	n/a	n/a	n/a
Return on equity (%)	6	5	4	4

PROFITABILITY/EFFICIENCY MEASURES				
Return on invested capital (%)	7	5	5	4
Operating margin – Services business (%)	13	15	20	23

LEVERAGE/SOLVENCY MEASURES				
Shareholders' funds to total assets (%)	73	80	84	85
Debt to EBITDA	(2.1)	(1.7)	(1.5)	(1.2)
Gearing ratio (%)	-	-	-	-
Interest cover	(5.3)	31.1	37.0	35.9

GROWTH MEASURES				
Capital replacement	14.9	9.9	9.8	5.9
Revenue growth – Services business (%)	-	(2)	7	6
EBITDA growth – Services business (%)	(34)	6	45	24

The state-owned enterprise performance measures are for the KiwiRail business as a whole including Infrastructure Network, unless otherwise specified.

Required information

Accounting Policies

Detailed accounting policies are included 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

We are focused on improving financial sustainability and reducing the need for taxpayer support in the medium to long term. However, a significant amount of investment will be required from the Shareholder 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

We will provide Shareholding Ministers with:

- 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 reports required by Treasury's Commercial Performance Team
- Regular reporting to Treasury's Commercial Performance Team for performance monitoring
- Other information as requested by Ministers in accordance with section 18 of the State-Owned Enterprises Act 1986.

Significance

We 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 in the course of expenditure of 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, we 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 greater than \$50 million; or
- substantial diversification or overseas expansion (including offshore investments); or
- expenditure on activities inconsistent with the nature and scope of the activities as set out in this Statement of Corporate Intent; or
- payment of any dividend or return of capital to the Crown;
- expenditure that otherwise meets a criterion for consultation specified by Shareholding Ministers in their letter of expectations.

Procedures for share acquisition

We 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 our core business.

We may need to acquire and hold shares or other securities in milk purchasing co-operatives or companies, on occasion and in connection with

the purchase of farmland that is required for rail purposes. 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 commercial valuation has been prepared for the Group as at 30 June 2024 resulting in a negative value of \$986m. The negative valuation is driven by the inclusion of capital expenditure which is funded by the Government via equity (e.g. rolling stock and mechanical depot upgrades). The disclosure in the table below provides additional information regarding the impact this capital expenditure and the associated funding has on the valuation.

Key features of the current valuation include:

- The DCF methodology used to calculate the Net Present Value (NPV) of the KiwiRail Group.
- The DCF uses the future cash flows for FY25 to FY27 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 \$350m has been included. The growth assumption in the terminal value is 2%.
- The future cash flows have been discounted using a cost of capital of 8.5%.
- 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 current valuation of negative \$986m compares with a negative value of \$2,467m in FY23. The key reasons for the change are:

- The cancellation of the iReX project;
- An increase in forecast cash flows because of one year less of equity funded capital expenditure; and
- An increase in the discount rate driven by changes in inputs such as the risk free rate and asset beta.

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

\$m	30 June 2024	30 June 2023
DCF Enterprise Value	672	672
PV of Government (& debt) funded capex	(1,658)	(3,139)
DCF Equity Value	(986)	(2,467)
PV of Government committed funding	1,658	2,812
DCF Equity Value including Government committed funding	672	345

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 EBITDA
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
Shareholders' funds to total assets	Closing equity divided by closing total assets
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

DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ETCS	European Train Control System is a train protection system designed to reduce collision risk between trains. Consists of on-board (in cab) equipment and trackside equipment.
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.
HiPoFR	The High Potential Frequency Rate is the total number of incidents or near miss and hazards that could, in other circumstances, have resulted in one or more fatalities, per million hours worked within an organisation. To calculate the HiPoFR, the number of high risk near misses and hazards 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.

LTIFR	The Lost Time Injury Frequency Rate is the total number of injuries that results in the loss of productive work time, per million hours worked within an organisation. To calculate the LTIFR, the number of lost time 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.
Metro Meet Completed Trips KPI	The number of timetabled train services in the relevant period less twice the number of cancelled train services in the relevant period, less the number of train services that are not on-time in the relevant period, divided by the total number of timetabled train services in the relevant period, expressed as a percentage.
NLTF	National Land Transport Fund
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
Operating ratio	Operating expenditure divided by Revenue.
Operating surplus	Net surplus (revenue minus expenditure) before foreign exchange, interest, taxation, depreciation, amortisation, impairment, grant income and fair value adjustments.
RNIP	Rail Network Investment Plan
Safety Interactions	The number of planned and targeted interactions per month which have occurred focused on improving risk awareness, personal ownership for safety, and encouraging people to think about the consequences of their actions and to recognise and encourage positive behaviours.
Solid Waste Recycled %	Solid waste recycled divided by Total solid waste. Includes solid waste collected at KiwiRail operational sites by main waste providers only. Excludes technical/hazardous, scrap metal and parts-washer waste.
TQI	Track Quality index is an aggregated, track-condition measure. It is based on readings from a track inspection machine.
TRIFR	<p>The Total Recordable Injury Frequency Rate is the total number of injuries (all TRIs) requiring medical treatment, per million hours worked within an organisation.</p> <p>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.</p>
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.

Appendix 2: The National Rail Network

