

Stena Alegra Briefing

DECEMBER 2014

DECISION

The Interislander ferry Arahura is now 31 years old and is scheduled for a special survey in mid-2015. It is estimated approximately \$25 million will be required to bring her up to the required specification to continue service. KiwiRail has been considering options whether to proceed with the survey or replace the ship.

Following almost four years of investigation into replacement options, a decision has been made to replace the Arahura with the Stena Alegra.

The Stena Alegra is powerful enough to maintain a reliable service and is significantly larger than the Arahura, adding considerably more freight and passenger capacity.

The Stena Alegra will undergo a significant upgrade and refurbishment prior to her arrival in New Zealand, and will be renamed.

RETIRING THE ARAHURA - INVESTIGATION AND DECISION

The Arahura celebrated 30 years of service in December 2013 and has carried out over 50,000 crossings of the Cook Strait.

Arahura joined the Interislander fleet in 1983 and has been an outstanding performer over the years, however the decision has been made to retire her in mid-2015 rather than invest in refurbishment. She will then be sold on the market as a going concern.

Work began in 2010 to explore replacement options. The first step was to investigate the full cost of building a bespoke rail capable ferry, as there are no second hand vessels of this nature available.

This option would have meant new berthing infrastructure was required to accommodate the greater width of a modern rail ferry. Costs for that are estimated at over \$250 million.

Due to cost this option was ruled out and consideration was given to leasing or buying a suitable vessel based on the following key criteria:

- Sufficient freight capacity – both now and in the future
- Suitable facilities for passenger services
- Reasonable age and good condition
- Able to be modified to meet regulations and fit for purpose for Cook Strait conditions.
- Cost effective charter and/or purchase options
- Availability from mid-2015.

Several ships were identified with a short list of four vessels that could meet our requirements. Negotiations were subsequently initiated with two parties, which determined the Stena Alegra as the preferred option and a five year lease has been negotiated with the right of renewal.

STENA ALEGRA – THE BEST OPTION

Significant work will be carried out to ensure the Stena Alegra meets all regulatory requirements. Stena Alegra will be the second largest ship in the Interislander fleet; almost one third bigger than the Arahura. She can transport close to the same amount of freight in two return sailings as the Arahura can in three as well as up to 520 passengers.

Stena Alegra's increased capacity will enable the Interislander to handle the future freight volumes predicted in the current National Freight Demand Study.

The size also means greater ease of operation than Arahura making loading and unloading much safer and more efficient.

Having already operated the Stena Alegra for six months earlier this year, several Interislander Masters are familiar with the vessel. Following on from her charter in the first half of 2014, their feedback was that the vessel will have the speed and capacity to maintain a good service and will be powerful enough and capable of maneuvering in winds up to gale force.

The Masters, Chief Engineers and Chief Mates that served on Stena Alegra along with other senior onboard staff also played a key role in identifying the changes required to ensure she is fit for purpose for her return to the Interislander fleet.

FIT FOR PURPOSE

The passenger areas will be upgraded and passenger capacity increased from 399 to 520 enabling her to provide a comparable passenger service during peak season and when either the Kaitaki or Aratere are in dry dock

There will be a designated area for commercial vehicle drivers.

The lifesaving equipment will be modernised, and more added to cater for the additional passengers.

New gangway exits will be installed for both Wellington and Picton terminals

Changes will be made to wharf fendering which will minimise the chances of hull damage during berthing maneuvers.

Stabilisers, similar to those on the other two Interislander ferries will be added, to increase her operating window in adverse weather conditions, speed up her passage across the strait and make for a more comfortable journey.

Those stabilisers alone will enable average annual on-time performance of around 90% in line with Interislander's other two vessels.

Navigational equipment will be upgraded to the same standard as the other two ships in the Interislander fleet. The engine control systems will be upgraded and the propeller hubs and blades will be inspected and repaired, if necessary.

Once work is completed she will be repainted in the Interislander livery and given a new name. As with other Interislander ferries, that process will involve consultation with iwi which will begin next year.

TIMELINE

It's the owner's responsibility to deliver the ship in good working order and compliant with all regulations.

The ship will be dry-docked by her owners for the overhaul and refurbishment due for completion around mid-March 2015.

Additional upgrades will be carried out at the same time with those costs amortised over the life of the charter.

The work will take about six weeks and she will then undergo sea trials before heading to New Zealand.

It is expected she will arrive in New Zealand and enter service in mid-winter.

STENA ALEGRA PERFORMANCE

Whilst serving with Interislander in 2014, Stena Alegra completed 88% of her scheduled sailings with cancellations made due to various reasons i.e. adverse weather, scheduled cancellations and mechanical issues. Her on-time performance whilst in New Zealand sat at 80% and she carried an estimated 45,500 passengers, 34,300 vehicles and 11,900 trucks in 449 trips across the Cook Strait.

INTERISLANDER PERFORMANCE

Annually Interislander manages approximately 4,200 sailings and carries:

- 749,000 passengers,
- 59,000 freight wagons,
- 68,000 trucks
- 217,000 cars.

Interislander employs 600 staff and contributes approximately 17% of KiwiRail's overall revenue.

Of the over 4,000 sailings scheduled for 2014 to date, only 3% have been cancelled.

Interislander's on-time performance has steadily increased since the Aratere shaft failure and currently sits at 80%.

STENA ALEGRA BACKGROUND

Stena Alegra was built in 1998 for Cenargo as a passenger roll on roll off commercial freight ferry. She was launched in February under the name Dawn Merchant and introduced as a service between Istanbul and Trieste. In 2006 she was sold and renamed Pau Casals connecting Barcelona to Palma and in 2006 was renamed to Ave Luebreck chartering the Liepaja-Travemunde route, Lithuania.

Between 2009-2010 she was owned by T-Link and chartered the Genova to Termini Imerese route, Italy under the name T-Rex. In 2010, under the name Norman Trader she sailed the Dover to Boulogne route then in early 2013 was purchased by Stena Line for

their Gdynia to Karlskrona route and was renamed Stena Alegra. Later that year she was leased to Interislander as a replacement for the damaged Aratere and arrived in Wellington on 23 December 2013.

On 6 July 2014 the Stena Alegra completed her charter to Interislander and departed New Zealand.

STENA GROUP

The Stena Group known as 'Stena Sphere' comprises three family-owned parent companies: Stena AB, Stena Sessan AB and Stena Metall AB. There is also the majority-owned, listed company Concordia Maritime AB. The Stena Sphere's business activities are organised in seven business areas:

Ferry Lines, Shipping, Offshore, Metal Trading and Recycling, Real Estate and Finance.

STENA RORO (STENA AB)

- Stena RoRo is one of the leading innovators of the roll on/roll off cargo and passenger concepts.
- Products include vessels such as RoRos and RoPaxes.
- The company charters out a number of vessels to first-class operators all over the
- They are highly skilled and experienced in designing and converting vessels to create tailor-made solutions for customers – operators and ship owners around the globe

STENA LINE is one of the world's largest ferry operators.

Stena Line is owned by Stena AB and is an international transport and travel service company with Europe's most comprehensive route network. Stena Line employs 5,600 staff and operates 39 vessels across 24 routes in Scandinavia, around the United Kingdom and to the Baltics.

During 2013, 14.6 million passengers travelled with Stena Line. The company also transported 3 million cars and 2 million freight units.

MOVING FREIGHT

The Stena Alegra offers an increase in overall freight carrying capacity compared to the Arahura. While rail freight will continue to be carried on the Stena, it will require a change to the 'behind the scenes' operations as the vessel is not rail capable.

Road-bridging will be used to move rail wagons on board, which we have been carrying out successfully at varying times since 2011. It involves lifting rail containers onto trailers, which will then be towed aboard, and discharged using the opposite process on arrival. Independent assessors have confirmed the time taken to do this is comparable to the current situation.

As part of our long term plan, KiwiRail will introduce phased improvements to the yards, terminals and general operations to improve efficiency at both Wellington and Picton.

The Aratere will continue to transport over 75% of rail freight. With 10-12 years of useful service life left, she will continue to be a crucial part of the Interislander operation.