



## Overview and Turnaround Plan

Kimberley Brady, Communications Manager



# Recent rail history

	NZ RAILWAYS	
<b>1982</b>	NZ RAILWAYS CORPORATION	
<b>1990</b>	NZ RAIL LTD	Limited liability company under Government ownership
<b>1993</b>	TRANZ RAIL HOLDINGS	Privatised; outsourced: Mechanical Services to United Group and Track Operations to Transfield Services
<b>2003</b>	TOLL HOLDINGS LTD	Bought business
<b>2004</b>	ONTRACK	Government purchased infrastructure arm; in-sourced maintenance
<b>2008</b>	KIWI RAIL	Government purchased operations businesses; reintegration of industry



# The KiwiRail structure



Jim Quinn  
*Chief Executive*

David Walsh  
*Chief Financial Officer*

Karen Paterson  
*General Manager  
Legal & Governance*

Graeme Docherty  
*Chief Information  
Officer*

Nicola Brown  
*General Manager  
Human Resources*

Iain Hill  
*General Manager  
KiwiRail Freight*

Thomas Davis  
*General Manager  
KiwiRail Interislander*

Lloyd Major  
*General Manager  
Mechanical*

Dr Deborah Hume  
*General Manager  
KiwiRail Passenger*

Rick van Barneveld  
*General Manager  
KiwiRail Network*



## Each week, train control operations manage the movement of:

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

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

- 859,000 passengers
- 59,000 rail wagons
- 56,000 trucks
- 223,000 cars



# Traffic volumes

Freight	Nett Tonnes	Nett Tonnes %
Bulk	8,026,424	56%
Export	4,420,040	31%
Domestic	1,965,536	14%
Total	14,412,000	100%

Ferry	Carried
Passengers	891,234
Vehicle	221,857
Rail LM	819,262
CV LM	1,108,831

Passenger	No of services	Passengers carried
<b>Tranz Metro</b>	104,809	11,876,000
Overlander	470	58,000
TranzCoastal	716	67,000
TranzAlpine	726	181,000
Capital Connection	500	185,000
Total	107,221	12,367,000



# Our review

- A national network is the only sustainable model
- Not all of the “minor lines” are commercially sound
- Freight is our core business
- Getting our metro networks right is vital
- Historic pricing policies are out of kilter with costs
- More relevant reliable services can grow revenue substantially



WRRP project



# Our review

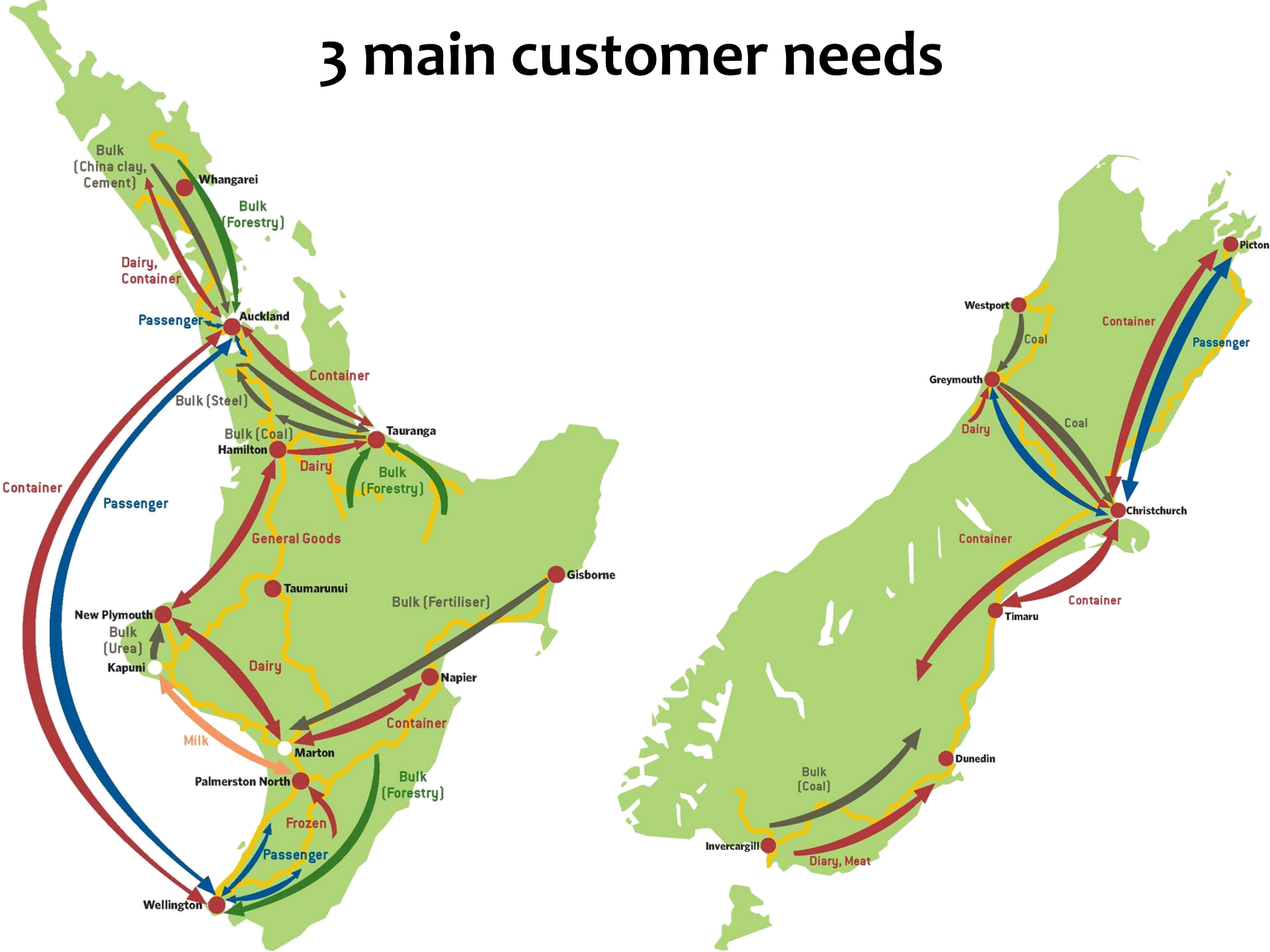
- Investment is key to sustainable service reliability
- Infrastructure and rolling stock both need investment
- The workshops are essential to the business but old and outdated
- Elements of the network are vital to different customers
- Most customers want options



WRRP project



# 3 main customer needs





# The Turn Around Plan

- The focus has to be on improving service reliability and transit times
- Grow revenue, improve productivity and yield
- Invest in infrastructure and rolling stock
- The Auckland-Christchurch corridor is critical
- Increase rail ferry capacity on Cook Strait
- Promote Clifford Bay for New Zealand productivity
- Metro costs are properly understood, transparent and fully recovered
- Partner to drive superb results
- Gain better returns from minor lines
- Make better use of land assets



# Turnaround Plan Support

- Government concur with the plan on the basis of:
  - Improved rail network will reduce impact on roads
  - Changing shipping patterns favour rail
  - Preserves rail's 'opportunity value'
- Compelling reason for KiwiRail
  - Our customers want a better rail service
- Real role to play – today & in the future
- New Zealand needs multi modal capability in its supply chain
- New Zealanders intuitively understand that we need rail
  - 62% agree with the investment → only 12% don't agree
- This can be a self sustaining business model if we stick to the plan



# KiwiRail



## Passenger



# Passenger Business Overview

## Tranz Metro



greater WELLINGTON  
REGIONAL COUNCIL

Commuter rail operation for Greater Wellington Regional Council

Operate over 2000 services a week with 149 cars and 270 staff

Last year we carried just over 11 million passengers

2010 YTD volume decrease about 7% as a result of disruption

## Tranz Scenic



Tourism and regional transport business in national and international markets

Capital Connection - weekday long-distance commuter service - between Wellington & Palmerston North (172,000 pax/yr)



# Tranz Metro Future



## Priority on improving customer experience

- Staff presentation and behaviour
- Station and train environments
- Improving communication



## Looking to upgrade Ganz Mavag fleet

- Prototype being developed
- Improve passenger comfort and fleet reliability
- Funding uncertain



## New Matangi trains

- Purchased by GWRC and leased by KiwiRail
- 48 two-car units (96 cars in total) for delivery in 2010-11
- Use as a springboard for improving service delivery



# Rail in Auckland



- Veolia Transport currently contracted to 2014 to Auckland Regional Transport Authority (ARTA)\* to operate passenger rail
- 8M passenger journeys per year
- Major investments to improve passenger services:
  - Double-track the Western line
  - Upgrade rail stations
  - Procure new 114 new EMUs
  - Electrification



\* Auckland Transport COO from November 2010

# tranzcoastal

- Christchurch to Picton return
- 7 days a week all year
- 70% domestic & 30% international
- 76,000 passengers p.a.
- Increase of 13% on previous year

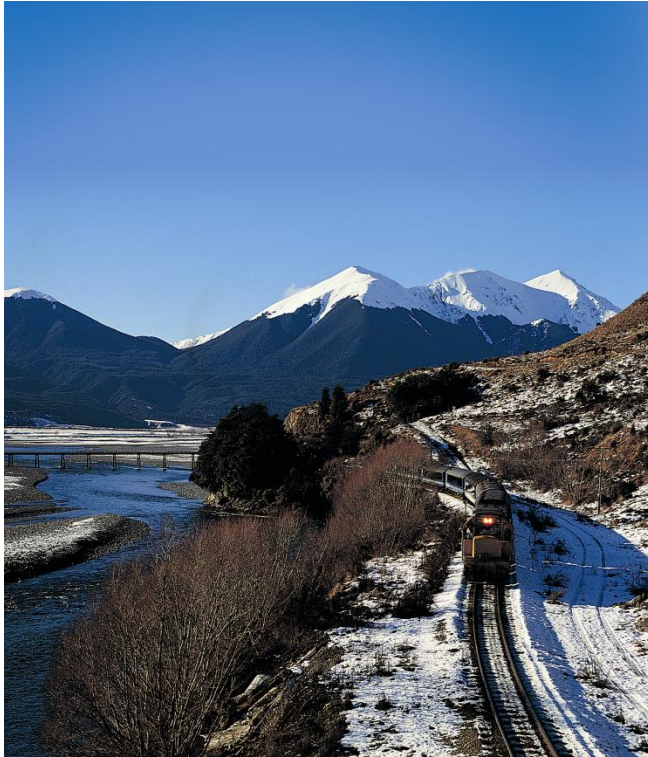


# OVERLANDER

- Wellington to Auckland return
- 7 days/week in high season
- 3 days/week in low season
- 80% domestic & 20% international
- 73,000 passengers p.a.
- Increase of 26% on previous year



# TRANZALPINE



- Christchurch to Greymouth return
- 7 days a week all year
- 25% domestic & 75% international
- 193,000 passengers p.a.
- Increase of 7% on previous year





# Tranz Scenic Future



- 17 new carriages for TranzCoastal & TranzAlpine
- Major product upgrade to include sky view roof windows and multi-lingual at seat commentary
- “Premier class”
- Focus on regional tourism



- Expand “Premier” offerings
- Expand “Explore by Rail” business



- Extend “Explore by Rail” for between game days
- Opportunities for point to point travel for games
- Target international visitors



# KiwiRail



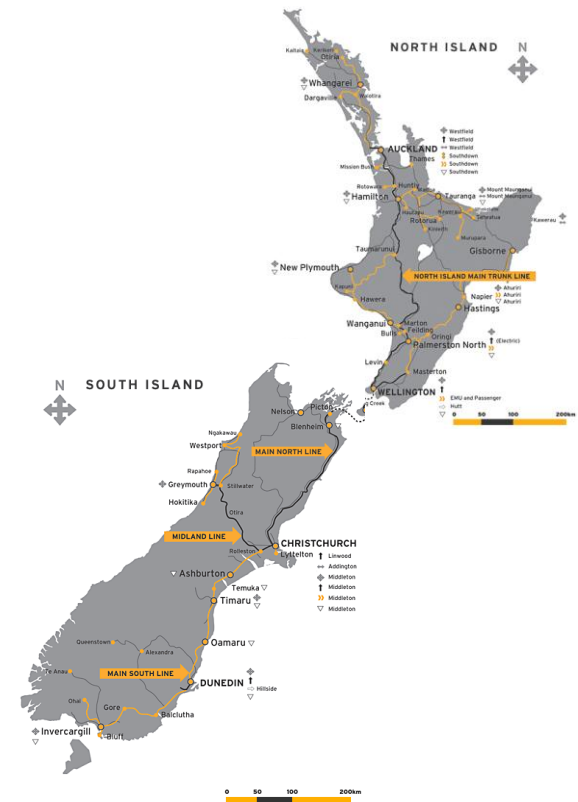
## Freight Business



KiwiRail 

# Key Statistics

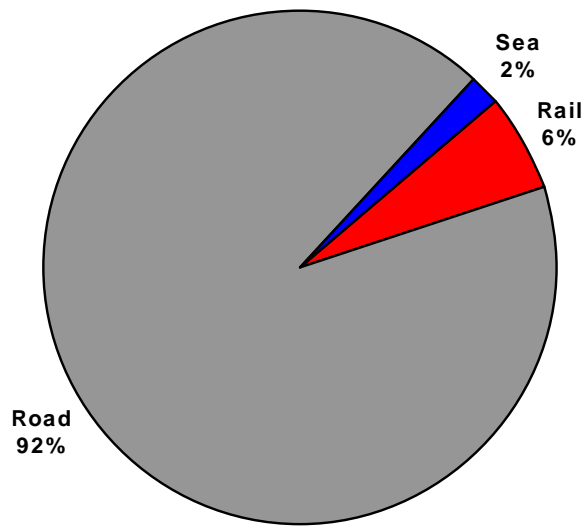
- 1150 Staff (28% of KiwiRail group)
  - 423 Locomotive Engineers (inc trainees)
  - 495 Terminal Staff
  - 69 Service Centre
- 19 Terminals
- 4,000 Wagons (64 different classes)
- 156 Mainline Locomotives
- 14 m tonnes of Freight per annum
  - 4 customers make up 50% by tonnes
  - 10 customers make up 80% by tonnes
- \$386 m FY10 Revenue from 120 Customers
  - 4 customers make up 50% by revenue
  - 14 customers make up 80% by revenue



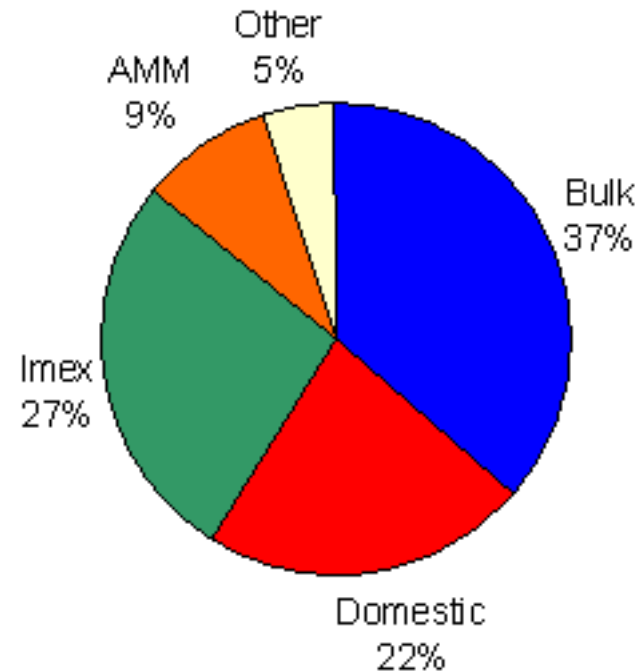
# Freight Task

Rail moves 14 m tonnes (6%) of all freight moved (152 m tonnes) in New Zealand according to the National Freight Demand Study

NZ Freight Task Split by Mode



KiwiRail Freight Revenue Split - \$386m FY10



National Freight Demand Study 2006/7 data

# Tactical Vs Long Term Domestic Growth Strategy

Cultural Shift

Reduced Transit time

Land access to Freight Forwarders

Premier Trains = Passenger

New Equipment/IT Tools

2013

Speed  
Reliability  
Yield

Increase Utilisation

2012

Improved Service Performance

Dedicated services as growth allows

2011

Volume Growth



# Domestic Freight Hubs

Access to rail land or freight hubs that are rail enabled is a key strategy to grow the Auckland to Christchurch corridor



# Intermodal & Equipment Strategy

## New Equipment

- Introduce new Heavy Rated Wagons
- New inter modal boxes for non rail siding customers
- New curtain-sided 143m<sup>3</sup> wagon fleet for rail sided forwarders



## New Markets

- North South Junction improvement allows for new equipment to be used
- Wellington to Christchurch overnight services



# Bulk Opportunities -

- NFDS Predicts a 60% growth in volumes in bulk products by the year 2031
- Forestry Growth
  - Logging hubs
  - Removable wagon bolsters
- Investigating additional bulk milk opportunities
- Solid Energy
  - Pike River
  - Plus additional production
- New Market Opportunities
  - Lignite
  - Holcim Cement
  - All have long lead times





# IMEX Opportunities

- General Export Customers
  - Edendale Dryer 4
  - Fonterra Mosgiel plant
  - Crawford Street
- Ports
  - Improved relationships creating opportunities
- Big Ships impact has potential to significantly alter the rail proposition
- Port land is becoming a premium, inland hubs being created to manage cargo flows



# KiwiRail



## Network

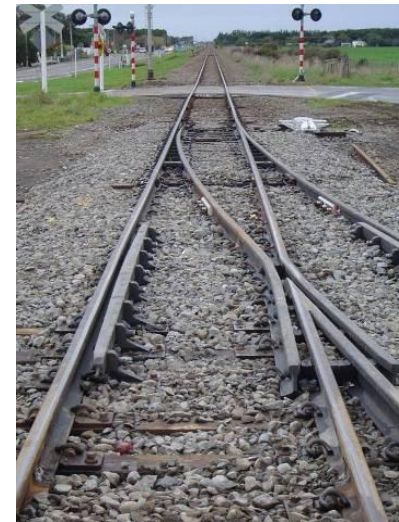
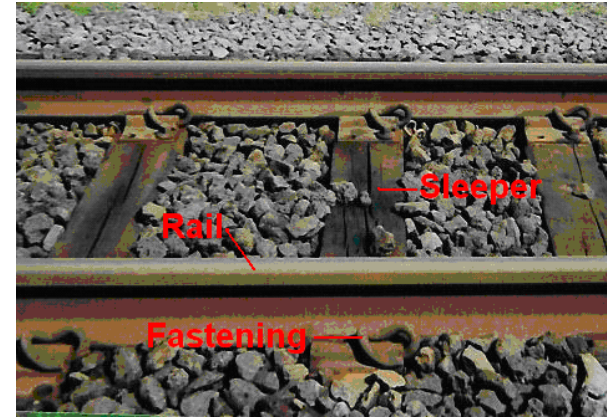


# Track Assets

4,000 km of mainline track



Over six million sleepers

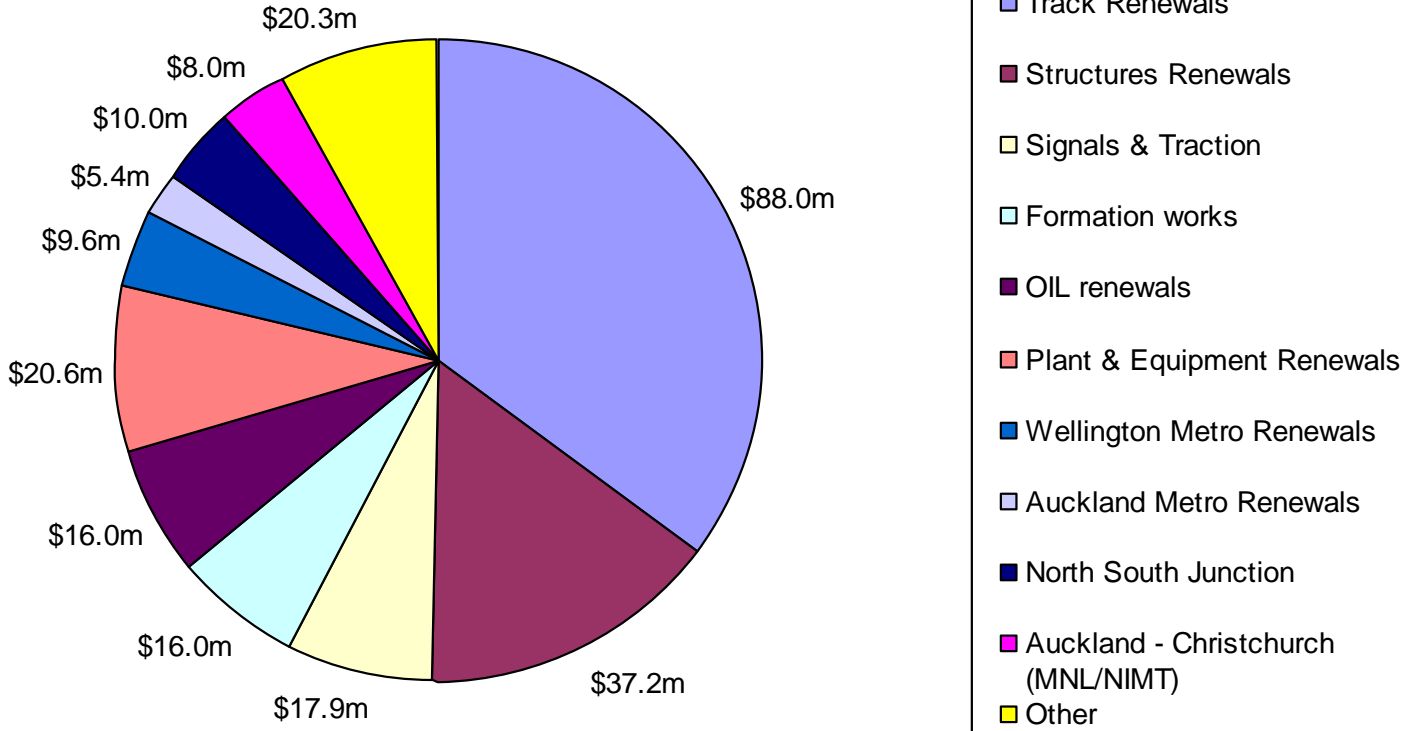


1,149 track structures



# Main Working Activities

KiwiRail Network capital spend 2010/11 - \$249M  
(excluding major Metro projects)



# Business Improvement Opportunities

- National planning and prioritisation of resources across opex and capex will redistribute resources geographically and across work types to achieve higher service level expectations.
- Implementation of an Asset Management System and current technologies for inspection will provide the capability we need to plan
- Preventive maintenance of mainline and yard assets will reduce long term reactive costs
- An external review of productivity has identified 12 value creation opportunities for the next two years – concentrated maintenance activities to reduce train disruption, new shift management for operation of major plant, shortening of inventory holding times and alternative resourcing of urgent safety work to release maintenance teams for planned activities



# KiwiRail



## Mechanical Services



# Role of KiwiRail Mechanical

- Key role is to support the Freight and Passenger Groups in achieving their business goals
- Range of services and expertise provided:
  - Overhaul and repair of locomotives
  - Design, manufacture and modification of passenger and freight vehicles
  - Service and maintain all locomotives, wagons and passenger vehicles
  - Professional advice on the strategic procurement of new locomotives, multiple units and wagons
- KiwiRail Mechanical has 790 employees at 22 locations nationwide
- The rolling stock fleets are:
  - 186 Mainline Locomotives
  - 87 Shunt Locomotives
  - 79 sets of Multiple Units
  - 4370 Wagons
  - 195 Passenger Cars and 17 Passenger Vans
  - 3 Silver Fern Railcars



# Fleet Issues

- Fleets can be broadly categorised as
  - Old, mixed, low productivity and reliability, high ownership cost, poor presentation
  - average age: - loco's 38 yrs, wagons 28 yrs
- Productivity improvements will come from
  - New wagons carry higher load - axle loads now 18 tonnes (up from 14) – increases payload by 40%
    - Potential of increase to 22.5 tonnes in medium future
  - New loco's can replace 2 old units – much higher horsepower and tractive effort provide greater productivity
    - Running costs considerably lower
- Life extension activities are expensive
  - Delays in fleet replacement have increased costs due to rebuilding and remanufacturing rolling stock and components
    - Much of current workshop effort is consumed on remanufacturing / refurbishing old assets





# Turn-Around Plan

- Key requirements are to:
  - improve fleet performance
  - reduce ownership costs
  - Standardise fleets
- New locomotives
  - At least 80 required, typical order size of 20 units
  - Double cab high powered units will reduce running costs and improve operational flexibility
- New wagons
  - Container wagon fleet requires replacement
  - 200 to 300 wagons per year required
- Make verse buy decisions
  - Currently at least 20% cheaper to import than NZ manufacture
  - New fleets will reduce workshops remanufacturing workload





Backbone of integrated  
transport networks

