

Customer Newsletter - September 2019

INTRODUCTION

Here at KiwiRail we are always looking for ways to provide the best service possible for all our customers. As part of this, we have recently reviewed and updated a number of our existing policies and processes to improve the efficiency and safety of our operations.

Some of these changes have required us to also review several of the associated surcharges that are in place and this Customer Newsletter serves to update you all on the changes we are making.

CONTAINER DEMURRAGE SURCHARGE CHANGES

Supply chains operate best when there is a steady flow of goods moving on regular, planned services and containers circulate in a timely manner and do not dwell in-transit for unnecessarily long periods.

When customers don't uplift in-transit containers quickly upon their arrival at any of our Container Transfer sites across the country, whether intentional or not, it impacts us in several ways and impedes our ability to provide a strong service to all our customers.

Just as shipping companies require their containers to be returned within certain agreed maximum time frames and port companies expect import containers are removed from their premises within similar maximum timeframes, so too does KiwiRail.

Our current standard policy allows free time periods at any of our Container Transfer sites up to a maximum of 48-hours measured as being from the time of arrival of the container at its destination KiwiRail Container Transfer site, until the time of uplift and removal from that site.

Unless otherwise agreed, our expectation is that all customers will comply with these free time rules. If this free time is exceeded, demurrage charges will apply to all containers on a per day or part day basis thereof.

While our 48-hour free time period has been in place for some time, as from the 1st of September 2019 we will be enforcing it more closely.

To help our customers try and avoid these charges, we are adopting a new system that will send out notifications regarding dwell times at regular intervals, so our customers can arrange to uplift containers prior to demurrage charges commencing.

The intention is to help our customers minimize the potential demurrage costs that might otherwise apply.

The new system will work as follows:

1. A first e-mail notification will be sent to the freight payer within 4-hours of a container arriving at its booked destination KiwiRail Container Transfer site. This advice will include the container number, the relevant KiwiRail booking number and any customer reference number/s that were advised at the time the booking was confirmed.
2. If the container isn't uplifted within 24-hours of its arrival, a reminder e-mail containing the same detail, will be sent the same e-mail address to prompt you to action this. This e-mail will



advise the potential surcharge costs that will be incurred if the container isn't uplifted within the maximum 48-hour free timeframe.

3. A further e-mail, also with the same container detail, will then be sent once the 48-hour free time has been exceeded, together with the surcharge total that we will be debiting, at that current point in time.
4. We will then e-mail each subsequent 24-hour period, reminding you of the dwell status of the container and updating the demurrage surcharges that are accruing.
5. It is important to note that containers that have incurred any demurrage charges may be held until we have received formal e-mail acceptance of the associated costs owed to KiwiRail for the demurrage.

The new container demurrage notification system will commence as from the 1st of September 2019. Be advised that while these notifications will have the applicable charges noted on them for your awareness, actual charging will not commence until the 1st of October 2019.

This effectively gives everyone a one-month grace period to become familiar with the new system and to be aware of the charges that would otherwise apply.

The standard charges that we will be applying for any container that has exceeded the maximum 48-hour free time are outlined below (note that they all exclude GST):

Container Demurrage	Surcharge Fee	Application
20ft Container	\$55.00	Applies per day (or part day thereof) / per container
25ft and 40ft Containers	\$80.00	Applies per day (or part day thereof) / per container

Demurrage charges will be suspended for all containers at any KiwiRail Container Transfer site, for the period where that site is closed and you are therefore unable to uplift containers.

This rule applies to applicable weekends, public holidays etc., but please note that our Container Transfer sites do have some variation in their opening hours which you need to be aware of.

A list of every Container Transfer site's opening hours is noted on our KiwiRail Freight website (refer: <http://www.kiwirailfreight.co.nz/our-locations.aspx>). For the purposes of clarity, where any Container Transfer site is open 7-days per week, weekend days will count towards the demurrage days total.

Obviously our strong preference is that through the use of these reminders and your own diligence and focus on keeping your and your customer's freight moving, there will be no requirement for any demurrage surcharges to apply, as we hope that all containers will be uplifted prior to the expiry of the allowable maximum free time.

Please note that at all times it is the responsibility of the freight payer of the container movement, to ensure it has been uplifted, as KiwiRail accepts no liability in this regard, nor will we be invoicing any other third parties for these demurrage costs. As such it is important that you ensure any third-party carrier you may be using to uplift containers, is aware of this maximum 48-hour requirement.



EARLY CONTAINER CHECK-IN

Early Container Check-in is defined as being whenever a customer seeks to bring a container into any KiwiRail Container Transfer site more than 48-hours ahead of the advised, booked cut-off time.

If containers are brought into a Container Transfer site earlier than this, they can take up valuable space and in the same way that the late uplift of containers can impact our ability to provide efficient services, so too can these early arriving containers.

Although we are not proposing at this stage to apply surcharges for these early arriving containers, please be aware that it is more than likely that such containers will be turned away from the Container Transfer site, unless prior arrangements and agreements have been made.

It is proposed that at some stage in the near future, we will begin to apply a surcharge for any containers that we do allow into the Container Transfer sites earlier than the normal 48-hour time limit (where this is agreed) and should this occur, the surcharges that will apply will be the same as those advised for container demurrage and they will apply on the same per-container, per-day (or part-day thereof) basis.

WAGON 'LIFT-OFF' INCIDENTS

Wagon 'lift-offs' are incidents where any party involved in lifting containers off our wagons, accidentally causes a wagon to be lifted-up, sometimes derailing it. This typically occurs when the twistlocks aren't all released correctly and the wagon rises up as the container is being lifted.

All incidents of 'lift-offs', regardless of whether the wagon is re-railed or not, are required to be reported to KiwiRail by advising our Customer Service Centre staff on (0800) 351-351. Such lift-offs can potentially create a safety risk, so it's vitally important they all are reported to us.

Upon receiving such notification, KiwiRail will send staff out to site to conduct an investigation into the incident, ensure that the wagon has been re-railed correctly where required and in all cases, is otherwise safe to run.

From the 1st of October 2019, we will apply a surcharge of \$550 (excl. GST) per lift off event to attend such incidents. For the avoidance of doubt, this fee will not apply should any 'lift-off' incident occur at a KiwiRail Container Transfer site.

This cost will be invoiced either directly to the party who caused the lift-off, or in cases where that party has been engaged in a sub-contracting capacity, to the party who is responsible for this contract, at KiwiRail's sole discretion.

Any obvious and material damages that have been caused to any wagon through such lift-offs and which require added maintenance and/or specific repair, will have the costs for doing so recovered from the same offending party.

CONTAINER AND/OR WAGON OVERLOADS, IMBALANCES AND OUT OF GAUGE LOADS

Container and/or wagon overloads, imbalances and out of gauge loads create a significant risk to KiwiRail because of the heightened risk of derailments, track and structures damage, wagon breakage and depending on the location and seriousness of any potential incident, it is also a



potential risk to life. Given this, we take any such breaches very seriously.

In almost all cases of overloads, we've found these are the result of under declaration of actual weights, rather than any deliberate overloading.

Imbalances tend to occur when those responsible for loading the wagon or container don't take enough care to ensure that the weight of the goods being loaded is distributed evenly across the entire freight container or wagon.

Most out of gauge loads tend to occur as a result of post departure load shifts within the container or wagon, most likely due to insufficient internal restraints or poor loading techniques.

As such it is vital that every freight paying customer who is consigning cargo with us in a container or wagon, makes sure they know not only the exact weight of the loaded container or wagon, but that the goods have been loaded evenly throughout the container or wagon.

Regardless of whether you are consigning an import or export container, or moving consolidated volumes of cargo domestically, it is your responsibility to ensure that the weight detail we are receiving in relation to your consignment is 100% accurate, all of the time. If you are at all unsure, then it is your responsibility to have the container check weighed prior to its movement on KiwiRail services.

We will hold the freight payer responsible for any overload, imbalance or out of gauge load and all associated costs that may flow from this, so it's vitally important to ensure that you all have robust systems in place that can verify your freight is compliant.

It will not be a defence to state that your customer or any other party gave you the incorrect weight details or otherwise failed to ensure the freight meets the requirements of KiwiRail's Freight Handling Code (a copy of which can be found on our KiwiRail Freight website).

There is already an Overload Surcharge in place (note this surcharge which also covers imbalances and out of gauge loads as well) but please be advised that we will be adjusting this as from the 1st of October 2019 to \$7,500 (excl. GST) per overload, imbalance or out of gauge load.

While you may consider this surcharge to be high, the work we must complete after each and every such incident is very high and the impacts to our business as a result, cannot be underestimated. Some of the impacts to us are noted below.

These include things such as :-

- having to run the affected train at slow speed until we can safely berth it off the main line and cut-off the affected wagon/s,
- relieving locomotive engineers who have exceeded maximum roster hours
- performing the necessary mechanical inspection of the wagon to check for damage
- performing a full track and structures inspection along the whole length of the route over which the overloaded wagon travelled
- closing the route while this inspection takes place
- reviewing and managing the downstream impacts this has on other train schedules and freight deadlines and making changes accordingly
- providing all necessary staff to facilitate the recovery the overloaded container or wagon
- provision of manual track protection necessary when this work takes place, etc..



So it's easy to see the very significant, but largely 'invisible' impact such incidents create for us.

Please note that in addition to this Overload Surcharge, we will also be recovering any additional external costs we incur. These costs could include, but are not necessarily limited to, such things as crane hire, recovery trucking of containers or contents, provision of security personnel to secure the site etc.

All costs will be debited to the relevant the KiwiRail freight payer relevant to the overloaded, imbalanced or out of gauge container or wagon.

Should our weighbridges report a suspected overload or imbalance situation that ends up being incorrect, then KiwiRail will absorb these costs and therefore seek no recovery.

Obviously it is hoped that we won't have to levy this surcharge, as we expect that all container or wagon weights we are given will be accurate, that all freight inside them is loaded evenly and secured appropriately, so in-transit load shifts don't occur and otherwise do not exceed our maximum gauge requirements.

WAGON AND/OR CONTAINER DAMAGES

Although we've been successfully recovering costs from third parties for damages caused to our rail network infrastructure for some time, we've been somewhat slower with regard to seeking recovery for damages to our wagon and/or container fleets caused by either our freight customers, or other third parties who may also handle them.

Moving forward we intend to adopt a more rigorous process of recovery for such damages whereby KiwiRail will seek redress from any customer where it has been reasonably determined by KiwiRail, that such damages occurred while the wagon or container was being used by that customer to move freight.

This will obviously exclude things such as normal wear and tear, as our major issue is with clear and obvious damages that didn't exist previously and which were caused as a direct result of customer or third-party handling of the wagon or container.

In all cases we will be seeking recovery from the customer to whom the wagon or container had been released to for their use.

It is therefore very important that all customers ensure that their staff and any other third parties who perform any roles in which they handle any KiwiRail wagons or containers, are fully aware of the need to ensure they handle them in a safe and appropriate manner, which won't result in any damage and that they are given any training as may be required to ensure this, is given. KiwiRail would be happy to assist to assist with the latter if requested.

Note that recovery of any costs resulting from damage to a wagon that has occurred as a result of a 'lift-off', will follow the process outlined above under "Wagon 'lift-off' incidents".

If you feel you would benefit from any more detailed discussions regards any of the above, please feel free to contact your Key Account Executive.

