

17 June 2022

Changes to Capacity Management process and surcharges

You will recall that last year we introduced a new Capacity Management system, to allow us to more effectively manage the way we dealt with booking requests for our train services. The intention was to improve the overall capacity we could offer to the wider freight market.

This included the introduction of some avoidable surcharges when booked capacity either wasn't used, was cancelled, or we were required to make subsequent amendments.

While we recognised this was quite a change, it was necessary. For example, it was quite common for booked cargo to not present for carriage, resulting in wasted opportunities for us and a great deal of frustration for customers who had previously been turned away due to capacity being unavailable.

I'm confident that you will have all seen the benefits of those changes through better access to capacity and less wait listing.

After listening to customer feedback, last month we made some changes to the Capacity Management process - which resulted in reductions to some of these surcharges.

Although we implemented this change last month, I wanted to provide you with a quick update and to explain in a bit more detail the changes that we've made and how the process is designed to work.

Book-and-Pay or Base Committed bookings

As before, Book-and-Pay bookings are designed to allow you to secure your 'base volume' requirements for the following Monday to Sunday week.

- These would be bookings where you are totally confident that you will use them on the day.
- Bookings of this type would require you to advise us by 1700 every Wednesday and these will apply on a strictly book and pay basis.
- Payment for these bookings will apply regardless of use and are non-refundable.
- No major changes or cancellations are permitted to be made to these bookings. Minor changes will be permitted, for which a modest booking change surcharge will apply.
- Requests to increase the volume of the booking i.e. adding extra containers, are permitted at no charge.

Book-and-Pay reports

While it's not our role to advise just what capacity you will require week to week, if requested we are more than happy to provide you with a report prior to each Wednesday. This will show your actual capacity use by service and day of week for the 4-week period immediately preceding the week we are asking for your booking requests.

While this is not necessarily always a good predictor of future use requirements, it could be useful

for your future planning.

To make up-coming bookings easier, integrated into this report will be a form we would ask you to complete and which will show us just what Book-and-Pay capacity you will require by route and train service for the following week.

We recognise that your requirements will change week to week, so the booking request process is entirely flexible, which is another benefit over the old process, which was fairly rigid in its approach.

Flexible bookings

Once all the Book-and-Pay bookings have been made, any remaining capacity can be subsequently booked by any customer on a flexible basis, subject to availability, on the required train service.

- These flexible bookings are able to be changed or cancelled prior to the scheduled cut-off for the booked train service, but certain relevant surcharges will apply.
- Just as with Book-and-Pay bookings, requests to increase the volume of the booking i.e. adding extra containers, are permitted at no charge.

Portal bookings

A small number of customers make and change bookings via our KiwiRail Freight portal. Currently, this option is best suited for smaller users.

As a self-service model, the portal allows customers to view, create and change certain bookings and in some cases avoid the surcharges.

If you would like more information with regard to our freight portal and its uses and benefits, please contact our team on (0800) 351-351, letting them know your query is about the portal. Alternatively you can e-mail IMEX@kiwirail.co.nz or Domestic@kiwirail.co.nz and we will be more than happy to assist you.

We are in the process of developing a brand new portal which will deliver a whole new and improved user experience – being far more interactive and configurable, and also more suitable for larger users.

This new portal is currently under construction and well on the way to going live, with the first stage due to roll out in June. We plan to roll out further stages, providing updated functionality, throughout the rest of this calendar year.

Billing process for applicable surcharges

The current process of invoicing any applicable capacity management surcharges that relate to this process, will remain as it is today.

They will still be invoiced separately and each invoice will provide sufficient details of the surcharges that have been applied, together with some corresponding detail to enable you to reconcile them against the transport booking they relate to.

The following pages provide more detail on the changes we have made, together with some

examples of how the system will work in certain circumstances and just what surcharges will apply.

If you have any questions after reading this, please don't hesitate to give your Key Account Executive a call.

Thank you again for your ongoing support of KiwiRail.

Yours sincerely,



Alan Piper
Executive General Manager - Sales and Commercial

CAPACITY ALLOCATION AND BOOKING MANAGEMENT PROCESS

To try and assist you with determining what various booking changes or alterations may mean in terms of the application of the various, avoidable Capacity Management charges, we have compiled the notes below.

It would be a good idea for any of your staff who may make or change rail bookings with us, to review this document so they can become familiar with it and especially the table of charges that are applicable.

Please note that all capacity management surcharges outlined below exclude GST.

Booking Change - Minor

The Booking Change - Minor surcharge applies whenever a customer contacts our Customer Logistics team to request a minor modification to an existing booking, where such changes don't alter any of the existing booking's key attributes such as the date of travel, the origin or destination of travel, the actual train service.

It is charged on a 'per booking' basis.

Examples of a Minor modification include, but are not limited to:

- (i) Correction of a container number;*
- (ii) Correction or addition of any related reference numbers, such as
 - a. empty container release number,*
 - b. customer order number,*
 - c. export vessel name (provided the same acceptance date and time applies to the vessel)**
- (iii) Change in the Dangerous Goods (DG) status of the booking (or one of the containers/wagons) *1*
- (iv) Change of Dry Container to Reefer *2*
- (v) Change of freight payer code within Customer Group*

Notes:

Note *1: all applicable DG surcharges will apply in addition

Note *2: all applicable Reefer surcharges will apply in addition

There are certain exceptions when this Booking Change - Minor surcharge won't apply, such as when the booking change has been the result of a KiwiRail caused issue - for example: a late train missing an onforwarding connection or the booking being on a service which has been cancelled.

In all other circumstances where the change is as a result of a non-KiwiRail caused issue, this Booking Change - Minor surcharge will apply.

Booking Change - Major

The Booking Change - Major surcharge applies whenever a customer contacts our Customer Logistics team to request a major modification to an existing booking. It is charged on a per booking basis if the change is made more than 24-hours prior to freight cut-off, or on a 'unit of freight' basis (i.e. per container or wagon) if the change is made within 24-hours of freight cut-off.

Examples of a Major Change include, but are not limited to:

- (i) Reductions to the amount of equipment booked (i.e. partial cancellation);*
- (ii) Change the origin point or destination point of the booking;*
- (iii) Change the date of travel of the booking;*
- (iv) Change the train service the booking is on;*
- (v) Change from wagon to container or vice versa;*
- (vi) Change the size of equipment booked (20ft to 25ft or 40ft).*

Note: Major booking changes are not permitted for Book-and-Pay Bookings. The full freight rate for these bookings remains payable.

There are certain exceptions when this Booking Change - Major surcharge won't apply, such as when the booking change has been the result of a KiwiRail caused issue - for example: a late train missing an onforwarding connection or the booking being on a service which has been cancelled. In all other circumstances where the change is a result of a non-KiwiRail caused issue, this Booking Change - Major surcharge will apply.

Booking Change - Cancellation

The Booking Change - Cancellation surcharge applies whenever a customer either contacts our Customer Logistics team or uses the KiwiRail Freight booking portal to cancel an existing booking outright.

It is charged on a per booking basis if the change is made more than 24-hours prior to freight cut-off, or on a per 'unit of freight' basis (i.e. per container or wagon) if the change is made within 24-hours of freight cut-off, regardless of the reason.

Note: Cancellations are not permitted for Book and Pay Bookings. The full freight rate for these bookings remains payable.

There are certain exceptions when this Booking Change - Cancellation surcharge won't apply, such as when the booking change has been the result of a KiwiRail caused issue – for example: a late train missing an onforwarding connection or the booking being on a service which has been cancelled. But in all other circumstances where the change is a result of a non-KiwiRail caused issue, this Booking Change - Cancellation surcharge will apply.

Unutilised Booking - No Show

The Unutilised Booking surcharge is charged whenever a customer who has a valid booking either:

- (i) fails to cancel it in advance (noting that a minimum of 24-hours' notice prior to scheduled cut-off is required); and/or*
- (ii) fails to deliver a container or present or use a wagon in accordance with the booking made and as a result, the booking and some or all of the applicable container or wagon slot(s) are not utilised.*

The amount of the surcharge that will apply, will be a sum equal to the freight rates that would have been charged to the customer if all of the booked container/s or wagon/s of freight had been received and transported by KiwiRail in accordance with the booking.

This table is a useful summary of the full list of the various capacity management surcharges applicable based on the various change circumstances and lead times.

Event type	Booking type		
	Book-and-Pay	Flexible (via the KiwiRail Customer Logistics team)	Flexible (via the self-service customer Portal)
Minor Change (any time)	\$30.00	\$30.00	No charge
Major Change (> 24-hours' notice)	Full charge	\$30.00	No charge
Major Change (< 24-hours' notice)	Full charge	Full charge	No charge
Increase Equipment count in booking (any time)	No charge	No charge	No charge
Cancellation (> 24-hours' notice)	Full charge	\$30.00	\$30.00
Cancellation (< 24-hours' notice)	Full charge	Full charge	Full charge
Unutilised Booking (no-show)	Full charge	Full charge	Full charge

Note: "Full charge" means the full freight rate applicable for the booking will be payable.

Once again, if you have any questions after reading this, please don't hesitate to give your Key Account Executive a call.