

20 May 2021

Kia ora,

Finance Minister Grant Robertson today delivered Budget 2021 which provides capital to help us re-establish our business in order to serve your needs.

The Budget allocates \$1.3 billion to rail in total. Seen in the context of \$1.2 billion for rail in last year's Budget, and \$1 billion from Budget 2019, the Government's long-term commitment to rail could not be clearer.

It means you can feel confident that the future of rail is secure. With new investments in rolling stock and our network, rail will only get better.

This year's Budget is obviously good news for KiwiRail and I want to take this opportunity to give you a brief overview of what the three years of Budget funding we have received means for the services that you use, and for the rail network.

### Rolling Stock

Our South Island rolling stock is aged and the older it gets, the harder it is to maintain. Funding in last year's Budget combined with this year's Budget means we can replace all 65 mainline locomotives in the South Island and all 50 shunt locomotives.

This investment in creating schedule integrity is worth celebrating. Having reliable rolling stock means we can add capacity to meet your needs and make our services more reliable. We know that's what you want, and we want it, too.

Unfortunately, we can't buy new locomotives off the shelf like you might buy a truck, and there's a lot to do in bespoke design before the new assets get here. We've engaged the top locomotive supply companies from around the world to tender for our work. We expect to see new locos start arriving in the first half of 2023.

You'll likely have heard the Finance Minister announce funding for wagon assembly at our Hillside Workshops in Dunedin. This is exciting and we've already started planning the redevelopment there. In the meantime, we've purchased more than 1000 wagons from overseas to replace aging stock and to increase current capacity before the NZ-assembled wagons start rolling out of Hillside.

### General

There was also funding in the Budget to upgrade IT systems that will allow you to make your bookings more easily, and to maintain our ageing ferries until the new ones arrive mid-decade. There's money for mechanical depot upgrades because we need to look after our assets and improve working conditions for our employees.

### Network

Not all the money allocated to rail in Budget 2021 comes directly to KiwiRail. The Budget includes \$449.9 million (over two years) for the National Land Transport Fund. Alongside \$384 million in last year's Budget, and other NLTF funding, the next three years of funding for the network is secure. Under the new planning and funding system starting on July 1, there's a 10-year Government vision for rail, and a 3+4+3-year planning cycle. For the first time, we're going to have certainty about



workforce planning, certainty about procurement, and certainty in the approach to support our growth. A planned infrastructure build programme will improve our network performance, which in turn will make our services more reliable.

This all adds up to large numbers, but more importantly, it adds up to a significant commitment from the Government that can give you confidence that rail's future is secure. This new investment comes on top of the many capital projects that are already underway including increasing electrification in Auckland, double tracking to allow more flexibility and capacity on the line through Upper Hutt, extending the third main line from Wiri – the list goes on. We know that sometimes these projects will cause disruption because, unlike roads, rail doesn't allow for detours as essential work is carried out. We will balance the needs of a live freight environment and a live construction environment to minimise disruption for freight, and to allow work to be carried out efficiently and safely.

Budget 2021 is positive for rail. We're aiming to increase the freight we carry, and this Budget investment is going to help us do it and help us to help you.

We value your business with us, and together, I want us to grow.

Ngā mihi

A handwritten signature in blue ink, appearing to read "Greg Miller".

Greg Miller

**KiwiRail Group Chief Executive**

