

Ministerial Briefing
COMMERCIAL IN CONFIDENCE

To	Rt Hon Winston Peters, Minister for State Owned Enterprises	21 March 2018
CC	Hon Grant Robertson, Minister of Finance Hon Phil Twyford, Minister of Transport Trevor Janes, KiwiRail Chairman	
From	Peter Reidy, KiwiRail Chief Executive	

SUBJECT: THE STATUS OF KIWI RAIL'S PLAN TO DECOMMISSION ELECTRIC LOCOMOTIVES OPERATING ON THE NORTH ISLAND MAIN TRUNK

Purpose

1. To provide the Minister with an update on KiwiRail's plan to decommission its aging North Island Main Trunk (NIMT) electric locomotive (EF) fleet.

Context

2. The EF fleet, which operates on the electrified section of the NIMT between Hamilton and Palmerston North, is more than 30 years old. In addition, the locomotives which make up the fleet are rapidly reaching the end of their useful lives with only 15 EFs in operation from an original fleet of 22.
3. Moving freight between Auckland and Wellington can require up to three separate locomotive services with switches from diesel to electric locomotives and back again. This process affects the reliability and on time performance of KiwiRail's services, impacting on customers' operations and reducing the attractiveness of rail as a freight option compared with road.
4. In line with KiwiRail's strategy to standardise, simplify and invest, the KiwiRail Board made the decision to replace its aging electric locomotive fleet with new diesel locomotives in December 2016 with a phased decommissioning exit programme by 31 March 2019. The decision was made after two years of external and internal investigation and consultation.
5. Customers require a more consistent and reliable service for modal shift onto rail. For every tonne of freight moved by rail there is a 66% carbon emissions saving over heavy road freight. This enables rail customers to reach their sustainability targets while supporting New Zealand's commitment to carbon reduction.

■ [REDACTED]

Current Situation

7. Prior to the September 2017 election, Labour's transport spokesman, Michael Woods wrote to KiwiRail's Board indicating that a Labour Government would issue a cease and desist notice on the de-electrification programme. No further correspondence on this matter has been received since this initial notification.

8. KiwiRail continues its work to decommission the EF fleet by 31 March 2019. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

redacted s9(2)(f)(iv)

13. KiwiRail notes that the electric locomotives currently in use on the NIMT were a one-off, orphan design for New Zealand because of the limitations of the country's unique operating system i.e. its narrow gauge, 18 tonne axle weight limitations and narrow tunnel configuration.

14. The time from a decision to procure new bespoke electric locomotives and those locomotives coming into service is four years. [REDACTED]

Next Steps

redacted s9(2)(f)(iv)

15. KiwiRail provided a fuller briefing on the electrification issue in the Chairman's issues letter of 30 October 2018 and more recently in Ministerial Briefing - Rail Issues and Opportunities which was provided to the Minister of Finance and the Minister of Transport on 15 December 2017. The relevant sections of those briefing notes are attached to this memo.

[REDACTED]

redacted s9(2)(f)(iv)

17. KiwiRail would like the opportunity to brief you and your colleague the Minister of Transport on this issue.

Recommendations

18. KiwiRail requests that the Minister for State Owned Enterprises, Rt Hon Winston Peters:

- a. **Note** the contents of this briefing; redacted s9(2)(f)(iv))

■ [REDACTED]
[REDACTED]
[REDACTED]

- c. **Agree** to a meeting with KiwiRail to discuss the contents of this briefing.