

The New Zealand Rail Plan

April 2021





Ko te pae tāwhiti, whāia kia tata
Ko te pae tata, whāia kia tīna!

Seek out the distant horizons, while holding
fast to those achievements at hand.

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Foreword

Kupu whakataki

The New Zealand Rail Plan outlines the Government's vision and investment priorities for rail, and the significant changes needed to strengthen rail in our transport system.

Our long-term vision is for New Zealand's rail network to provide modern transit systems in our largest cities, and to enable increasing volumes of freight to be moved by rail. Enabling alternative transport options for people and freight is a key part of providing a multi-modal transport system. Increasing the use of lower-emission transport options, including rail, is an important step in the Government's response to the climate emergency. Supporting increased use of rail will be a part of the changes needed for transport to meet the draft emissions budgets proposed by the Climate Change Commission. This will help to achieve the Government's objective of net zero emissions by 2050. By moving more people and freight onto rail, our roads will also be less congested and safer.

The effects of the COVID-19 pandemic have been felt by all parts of society, including the transport system. COVID-19 has shown the essential role our transport system plays in supporting people, businesses, and our economy. Our transport system will play an important role in our economic recovery, providing jobs, industry development and economic stimulus. With this in mind, we have confirmed that the investment priorities outlined in the Rail Plan remain appropriate in the current context.

By 2052, freight tonnage in New Zealand is expected to increase by more than 40 percent and we would like to see the rail network play a role in supporting this growth.

However, the national rail network has suffered from under-investment and significant parts of the rail freight network have been facing a state of managed decline. Over the next decade, we need to invest in restoring a resilient and reliable rail network. This will provide a platform for further investment to support growth in rail freight.

In Auckland and Wellington, we have seen the benefits of investment into the metropolitan rail networks, with pre-COVID passenger numbers continuing to grow beyond projections. Over the next decade, the Auckland and Wellington metro rail networks will continue to play a significant role in supporting growth in our largest cities. In Auckland, the City Rail Link will transform the rail network, significantly improving rapid transit, which will support mode-shift from private cars to the public transport network.

While COVID-19 restrictions drastically impacted passenger numbers, both metropolitan rail services have seen demand start to recover as passengers return to public transport services as alert level restrictions are lifted. This will mean some short-term changes to public transport



Hon Grant Robertson
Minister of Finance



Hon Michael Wood
Minister of Transport



Hon David Clark
Minister for State Owned
Enterprises

forecasts, but over the longer term we expect passenger numbers will continue to grow, and public transport will continue to play a significant role in our largest cities. We remain committed to completing the significant investments we are making in the metropolitan rail networks in Auckland and Wellington, before we consider the next wave of investment.

We were also pleased to launch the new Te Huia service, which began regular services on 6 April. We remain committed to considering the potential for further strategic investments in the Hamilton to Auckland rail corridor.

We also acknowledge the tourism and heritage rail sectors which run on our national rail network. These businesses have been hit particularly hard by COVID-19, like the rest of New Zealand's tourism industry.

In less than three years, we have committed over \$5 billion to rail. This includes a record level of funding in Budget 2020, with over \$1.2 billion being invested in the rail system. Budget 2020 also included initial funding for the National Land Transport Fund (NLTF) to support implementation of our new long-term planning and funding regime for the national rail network.

Funding has also been provided through the NZ Upgrade Programme and, more recently, for 'shovel-ready' infrastructure projects through the COVID-19 response and recovery fund. These investments are important for our infrastructure and construction industries, ensuring a significant pipeline of work is in place to keep our industries going.

Although we have already committed significant funding to rail, it is clear that funding alone will not be sufficient to achieve the outcomes we want to see, particularly in rail freight. While the passenger networks are already supported through the NLTF, the rail freight network has continued to suffer from under-investment and short-term decision-making. We are implementing a new approach to planning and funding the national rail network on a much more sustainable, long-term basis.

The Rail Plan is a key part of this new approach. It outlines our priorities for investing in rail over the next decade. We have also made amendments to the Land Transport Management Act 2003, which will improve integrated planning and investment decisions across road and rail. By making these legislative changes, we have been able to incorporate rail network funding into the Government Policy Statement on land transport 2021 (GPS), and allow KiwiRail to be funded directly via the NLTF for the first time.

We will continue to contribute Crown funding to rail, both via the NLTF for the rail network, and directly to KiwiRail for its commercial assets. We will also be establishing track user charges to ensure rail users contribute to the NLTF. The Rail Plan will guide investment decision-making for rail through the NLTF and future Budget rounds as we consider Crown funding.

We remain committed to regional economic development and the role that rail can play in our regions. This is more important than ever as our regions feel the effects of

COVID-19. The Government's regional investments have contributed funding to rail projects that provide lead investments to support growth and jobs in New Zealand's regions.

We know there are significant ambitions for rail in the transport system. This came through clearly in the public feedback we received on the draft Rail Plan. We share those ambitions for rail; however, we need to first focus investment on achieving a resilient and reliable network.

To see true growth, particularly in rail freight, is a long-term journey, which will require investment beyond our immediate priorities. Our investment priorities for the next decade will provide a platform for future investment as the rail network gets the maintenance, renewal and asset replacement that is critically needed.

Investment now will benefit those who use the rail network; and will provide the platform for KiwiRail to grow as a commercial business. It also acknowledges the broader public benefits that rail contributes to our transport system and our economy.

This is a significant programme of change for rail and the land transport system. Rail is a long-term asset, and changes now will positively influence the future of our transport system and the wellbeing of all New Zealanders.

Overview of the New Zealand Rail Plan

This is the first New Zealand Rail Plan [the Rail Plan]. It outlines our long-term commitment to rail and the significant investment needed to achieve a resilient, reliable and safe rail network.



Our strategic priorities for rail are in two parts:

- ▶ Part A: Establishing a new long-term planning and funding framework under the Land Transport Management Act 2003
- ▶ Part B: Investment priorities for a resilient and reliable rail network
 - Investing in the national rail network to restore rail freight and provide a platform for future investments for growth
 - Investing in the metropolitan rail network to support growth and productivity in our largest cities.

Alongside these strategic investment priorities, we have also made investments in rail in regional New Zealand to support jobs and regional development. Further Crown funding has also been committed to rail in the NZ Upgrade Programme and Budget 2020.

The Rail Plan is a product of the Future of Rail Review [the review]. The review is a significant programme of work led by the Ministry of Transport, working alongside KiwiRail, Waka Kotahi NZ Transport Agency [Waka Kotahi] and the Treasury. It has also had input from Greater Wellington Regional Council, Auckland Council and Auckland Transport.

The review found that significant parts of the national rail network have been facing managed decline and that significant investment would be needed to restore the rail network as an important first step. The review also recognised that investment alone would not enable rail to play its part in the transport system, nor would it meet the Government's expectations of a more multi-modal transport system. Alongside remedial investment, a new long-term integrated planning and funding framework for rail would be required.

This Rail Plan is a key component of the new planning and funding framework for rail. In the past, investment in rail has been made on a year-by-year basis. This is not sufficient when making investments in long-life infrastructure assets such as rail. The Rail Plan sets out our intentions for the investment needed to achieve a resilient, reliable and safe rail network, over the next decade.

In order to better integrate long-term planning of road and rail investments, we have made changes to the Land Transport Management Act 2003 [the LTMA 2003]. The investment priorities outlined in the Rail Plan will inform decision-making for rail investment from the National Land Transport Fund [NLTF] under the Government Policy Statement on land transport 2021 [GPS], as well as future Crown investment decisions. The GPS sets expectations that investment in rail will align with the Rail Plan.

The Rail Plan does not provide a definitive list of investments for rail over the next decade, nor does it provide a funding commitment for any of the projects outlined [except where a project has already been funded]. However, it does send a strong signal of this Government's commitment to rail, and the investments we expect will be considered over the next decade.

The Auckland Transport Alignment Project [ATAP] and the Wellington Regional Rail Plan have provided the basis of the investments outlined for the metropolitan rail networks. We expect to update and refresh this plan alongside the GPS in future years. This will enable us to reflect changes in investment priorities for rail. As this is our first Rail Plan, we expect it to evolve and develop over time.

The Rail Plan has four sections:

- 1 **Section 1: Strategic context** – this outlines the contribution of rail to our transport system and broader outcomes, the Future of Rail Review, and why changes are required to our current system
- 2 **Section 2: Strategic priorities for rail** – this outlines the new planning and funding framework for rail and the investment required to achieve a resilient and reliable rail network, as well as future investment opportunities
- 3 **Section 3: Measuring the benefits of investment** – this outlines the approach for measuring the performance of the rail system, to ensure it is achieving the Transport Outcomes
- 4 **Section 4: Next steps** – this provides an overview of how the Rail Plan will be implemented, including the new planning and funding framework.

The Rail Plan and the new planning and funding framework apply to the heavy rail network in New Zealand – both the freight and passenger rail networks.

Feedback on the draft Rail Plan

We released the draft Rail Plan in December 2019, followed by the release of the draft GPS in March 2020. The draft GPS included, for the first time, NLTF funding for the rail freight network. Public feedback was sought on both draft documents from 19 March to 11 May 2020.

Due to the COVID-19 Alert Level 3 and 4 measures in place at that time, face-to-face engagement on the two policy documents was not possible. Instead, audio presentations were made available on the Ministry of Transport's website to explain the two documents. Despite the disruption of COVID-19, both documents received a significant response from submitters. The draft Rail Plan received over 1,100 submissions from a range of stakeholder groups (including over 900 submissions from members of Generation Zero).

The majority of submitters supported the intent of the Rail Plan and the investments the Government has made in rail. However, submitters also felt that a greater level of ambition was required for investment in the rail system, including in rail freight, increasing inter-regional connections and in existing and new metropolitan rail networks.

There were a range of comments from submitters about the overall structure of the rail system and how access to the network is provided. There were also clear views that there needed to be acknowledgement and consideration of all users of the network, including the heritage sector.

There were a range of comments about the new planning and funding framework

for rail and the changes being made to the LTMA 2003. These were outside of the scope of the Rail Plan, as they related to legislative changes proposed through the Land Transport (Rail) Legislation Act 2020, which was being considered at that time by the Transport and Infrastructure Select Committee. The Land Transport (Rail) Legislation Act 2020 has since been passed, making the changes needed to enable the new planning and funding framework for the rail network. Work is now well underway to implement the legislative changes, with work progressing on developing the first rail network investment programme (RNIP) required under the new legislation. The intention is to have the RNIP in place by mid-2021.

While we acknowledge the significant ambitions for rail in New Zealand, we believe the current investment priorities are an important first step for the rail network. The Rail Plan outlines the strategic investments we need to make over the next 10 years to restore a resilient and reliable rail network. This will provide a stable platform to consider further investments for growth in the future. These priorities need to be invested in first, before more significant transformational changes are made.

We also acknowledge that there is potential for further work on other regulatory issues that submitters raised, including network access, priorities and use. This is something we will need to consider in the future.

We would like to thank all those who submitted on the draft Rail Plan. This feedback has helped inform the final Rail Plan and will continue to inform further work.



Section 1

Strategic context

Ko tō te rautaki horopaki

Rail is an integral part of the transport system in New Zealand

Rail enables access and mobility, transporting people and goods to where they need to go, supporting productivity and business growth, reducing emissions, congestion and road deaths, and strengthening social and cultural connections between communities. It is a key part of a multi-modal transport system for both freight and passengers in New Zealand.

This section outlines the contribution the current rail network makes to New Zealand and why change is required to support the Government's vision for rail.

Rail contributes significant value to New Zealand

Rail has a long and proud history in New Zealand, stretching back over 150 years. Today, the national rail network consists of 3,700 km of track covering 18,000 hectares of land, crossing more than 1,300 bridges and including almost 100 tunnels. The network links most major cities, ports and freight hubs and connects the North and South Islands through the Cook Strait ferries. It also makes a significant contribution to the public transport systems in Auckland and Wellington.



The following types of traffic use the rail network:

- ▶ import-export freight to and from major ports
- ▶ domestic freight between major cities
- ▶ bulk commodities for processing or export, such as logs and coal
- ▶ passengers on the Auckland and Wellington metropolitan networks, including inter-regional rail services
- ▶ freight and passengers across the Cook Strait
- ▶ tourism and heritage operators.

Rail plays a key part in New Zealand's freight supply chain system and supports distribution of goods between key transport nodes. It is well suited to support mass transit of people in urban areas, and provides rapid transit links as part of our public transport networks in dense urban environments.

KiwiRail is the owner of the national rail network and provides freight and tourist passenger services, as well as the Interislander ferries, and manages a significant property portfolio.

KiwiRail also operates the inter-regional passenger service between Wellington and Palmerston North, and began operating the new Te Huia service between Hamilton and Auckland on 6 April 2021.

Auckland Transport (AT) and Greater Wellington Regional Council (GWRC) are responsible for planning and funding their metropolitan rail services. They own the passenger rolling stock and related infrastructure required to support passenger operations (i.e. station buildings and maintenance depots), and are responsible for procuring the operator of passenger services. Transdev Wellington and Transdev Auckland are contracted to provide passenger rail services in these cities.

There are a number of heritage and tourist rail operators that offer unique excursions on the national rail network, providing tourism and regional benefits. The Federation of Rail Organisations of New Zealand (FRONZ) represents the interests of member operators in New Zealand. This sector, like the rest of the tourism industry, has been significantly impacted by COVID-19.

KiwiRail has **4,000** staff operating in more than **50** towns and cities across the country; it is a significant employer in New Zealand

The national rail network

The bold lines show the major network rail routes, the regular lines show the minor network routes, and dotted lines show mothballed (disused) routes. There are also busy metropolitan networks in Auckland and Wellington used by commuter and freight trains.

North Island Main Trunk

Marton - New Plymouth Line

Wairarapa Line

Stillwater - Ngakawau Line

Midland Line

Main South Line



North Auckland Line

East Coast Main Trunk

Kinleith Branch Line

Palmerston North - Gisborne Line

Main North Line

Rail delivers positive social, economic and environmental benefits

Rail has an important role to play in the New Zealand transport system and contributes to the overall wellbeing of all New Zealanders. Rail has a role to play in contributing to the following outcomes.¹



Environmental sustainability

- ▶ Moving more people and products by rail will help the transport system play its part in reducing carbon emissions, supporting the Government's objectives to reduce greenhouse gas emissions overall.
- ▶ On average, every tonne of freight moved by rail produces at least 70 percent less carbon emissions compared with heavy road freight.²
- ▶ The electrified commuter rail networks in Auckland and Wellington also deliver emissions savings from the efficient mass movement of people and avoided car trips.
- ▶ Even greater environmental benefits can be achieved through further investment in rail, for example, new modern rolling stock and ferries, and further electrification of the rail network.

Healthy and safe people

- ▶ The wellbeing of every New Zealander is at the heart of this Government's vision, and healthy and safe people is a critical outcome for the transport system.
- ▶ Increased use of rail transport for passengers and freight will support the Government's Road to Zero Strategy and aid in reducing road deaths by lowering the number of trucks on the road and by individuals choosing to use public transport as opposed to driving.
- ▶ In its 2020 study, EY has estimated that rail eliminates around 280 safety incidents per year by reducing the volume of heavy traffic on the road.³

- ▶ Investment in rail safety enhancements, including level crossing improvements and automatic train protection, is expected to further reduce the risk of deaths and serious injuries on our rail network.
- ▶ Higher levels of physical activity are associated with public transport use than with trips by private vehicles, supporting healthier travel patterns.

"In 2016, **two or three trains a week** were moving containers to and from Midland to the Port. Now, KiwiRail operates up to **16 return services a week** from Midland. Not only is this taking at least **120 trucks** off the road each day, it is ensuring that containers are moved to and from the Port efficiently without traffic delays and at lowest cost to customers. A number of containers moving through Midland Port never touch the road, making Midland Port a key part of reducing our customers' carbon emissions and providing a sustainable logistics solution."

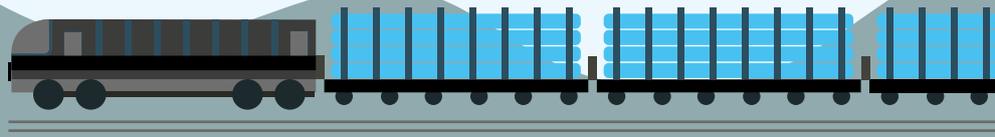
Simon Munt, Marketing Manager,
Lyttelton Port Company

¹ These five outcome areas are based on the Transport Outcomes Framework, which identifies what Government is seeking to achieve through the transport system. This framework is available on the Ministry of Transport's website via the following link: <https://www.transport.govt.nz/>

² Ministry of Transport (2019), Real-world fuel economy of heavy trucks, Transport Knowledge Conference 2019 [available on the Ministry of Transport's website www.transport.govt.nz].

³ The Value of Rail in New Zealand 2020, EY for the Ministry of Transport.

\$ 1.7 – \$2.1 BILLION
RAIL CONTRIBUTES BETWEEN
\$1.7 AND \$2.1 BILLION PER
YEAR IN BENEFITS



Economic prosperity

- ▶ Rail enables the efficient movement of large volumes of goods. It connects our ports and regions, allowing goods to get to international markets. This contributes to both national economic productivity and regional economic growth, supporting people, businesses, producers and tourism.
- ▶ The freight task in New Zealand has been growing steadily. The Ministry of Transport's freight model has forecast that freight tonnage in New Zealand will increase by almost 40 percent by 2052/53 from that in 2017/18.⁴ This will impact all transport modes.
- ▶ At present the national rail freight network is facing managed decline in many areas, making it difficult for it to support forecasted growth in the freight task. Investment in a resilient and reliable rail network is the first step to restore the rail network. It provides a platform for future investment to support freight growth and will enable KiwiRail to grow commercially in the long-run.
- ▶ Rail hauled 3.5 billion tonne kilometres of goods in 2017/18, 11.5 percent of the total freight task.⁵ In recent years rail's mode share has been impacted by the Kaikōura earthquake, and a reduction in coal traffic.
- ▶ In certain sectors, rail's contribution is higher. KiwiRail hauls 25 percent of all exports, playing a significant role in the movement of dairy products, meat, pulp and paper exports, coal and logs.⁶

- ▶ Rail makes a significant contribution to the functioning of our biggest cities with the metropolitan rail networks in Auckland and Wellington. Despite the impact of COVID lockdowns, there were still around 28 million passenger trips in financial year 2020.⁷
- ▶ Congestion in cities, particularly Auckland, constrains national productivity, reduces people's access to job markets, and affects people's health and quality of life. Moving more people and goods by rail will help us to manage congestion across the transport system and mitigate these problems. In particular, in Auckland and Wellington, where passenger rail provides an alternative to car journeys for commuters.
- ▶ In financial year 2020, more than 710,000 passengers and 243,000 cars were carried across Cook Strait on the Interislander ferries. The Interislander ferries also carried close to 1.3 million lane metres of trucks, over 90,000 more than the previous year, and close to 540,000 lane metres of rail freight, including road bridging.⁸
- ▶ The rail sector provides thousands of jobs across New Zealand and is expected to grow with further investments into rail. KiwiRail alone employs around 4,000 people, and engages with a range of businesses, subcontractors and rail operators, which employ many more.
- ▶ COVID-19 has impacted on both the freight and passenger transport networks in New Zealand; it has also had impacts on employment. While we have seen signs of recovery for both passenger transport and freight, we do not yet know the long-term impacts of COVID-19 and how it will affect our existing forecasts. Tourist and heritage rail continues to face significant challenges.

Inclusive access

- ▶ Metropolitan passenger trains play an important role in providing people with access to places for learning, earning, and participating in society. Rail is one of the most efficient and sustainable forms of mass transit. Over the last decade there has been significant investment to support patronage growth in Auckland and Wellington. We expect this growth to continue.
- ▶ Rail networks shape cities, encouraging urban intensification along rail corridors and around passenger rail stations.
- ▶ Better long-term planning of rail will support more integrated land-use and transport planning.

Resilience and security

- ▶ Rail supports resilience in the transport network and can provide an alternative transport option for both goods and passengers in emergency situations.
- ▶ This was highlighted following the Kaikōura earthquake, where the rail line was re-opened before State Highway 1 and was able to transport supplies needed to reinstate the road.
- ▶ The Cook Strait ferries also provide a vital lifeline connection for the transportation of people and goods between the North and South Islands. The Crown contribution in Budget 2019 and 2020 to replacing the two ageing Interislander ferries will ensure this critical connection is improved.

As part of the new planning and funding framework for the rail network, we will be monitoring and measuring the benefits of our investments in line with these outcomes. This is discussed further in Section 3.

⁴ Ministry of Transport freight model.

⁵ Ministry of Transport freight model.

⁶ KiwiRail Integrated Annual Report 2020.

⁷ KiwiRail Integrated Annual Report 2020, with data from Auckland Transport and Greater Wellington Regional Council.

⁸ KiwiRail Integrated Annual Report 2020.

In the 2020 Value of Rail Report, EY has quantified the non-monetary societal benefits of rail. This study has looked at the benefits generated by rail, including reduced congestion [in Auckland and Wellington], lower emissions and improved air quality, fewer road accidents, fuel savings and less road damage from heavy vehicles. The value of these benefits is estimated to range between \$1.7 billion and \$2.1 billion per annum.⁹



⁹ The Value of Rail in New Zealand, EY report for the Ministry of Transport [2020]. This report provides context for the contribution of the entire rail system in avoiding road transport externalities from a national perspective. The study itself cannot be used for specific investment decisions on rail. The 2020 report updates the 2016 Value of Rail, EY report.

Why change is needed

The railway system in New Zealand has faced a number of long-term challenges

The Government is committed to ensuring rail plays an integral part in the transport system. A resilient, reliable and safe rail network is the first step towards achieving the transport and wider outcomes for New Zealand. It provides a platform for further investment for growth in the future.

It is also an important first step for KiwiRail to grow as a commercial business and to help build the rail industry and upskill its workforce.

The realisation of these benefits has been hampered by a lack of long-term sustainable investment in rail, and inadequate planning and funding frameworks. While there has been past investment in both rail freight and passenger networks, it has not been consistent or sustainable.

This has resulted in a backlog of deferred maintenance and renewals, with significant parts of the national rail network facing a state of managed decline.

The history of the railway in New Zealand has also created challenges

Over the last 40 years, rail has experienced a series of changes, which has affected its ability to provide services to support growing freight and passenger demands. Rail has changed ownership models from Government to private and back again.

Late 1800s to 1982

Rail in New Zealand was mostly controlled by the central government under the Railways Department

82

1982

New Zealand Railways Corporation created as statutory corporation from Railways Department

93

1993

The rail network was sold for \$328 million to a joint New Zealand-US private consortium, led by New Zealand merchant bank Fay Richwhite

02

2002

Auckland metro rail bought back by the Government for \$81 million

04

2004

Toll takes over TranzRail, selling the track infrastructure back to the Government for \$1

08

2008

The Government buys Toll's rail and ferry assets for \$690 million, and reintegrates the business with the rail network infrastructure

Today KiwiRail operates as a State-Owned Enterprise.

KiwiRail has been unable to fully fund the level of investment needed to sustain the full national rail freight network. Many core operational assets are at the end of their economic lives and need to be replaced, such as the Interislander ferries, rolling stock and maintenance depots.

Operational restrictions, increased failure rates across the network and unplanned disruptions limit rail's contribution to the transport network. The full potential for commercial growth in freight and logistics propositions has not been able to be realised. Despite these challenges, the commercial disciplines and focus of KiwiRail have been important to support efficiency in asset management, and to drive commercial returns from the provision of freight, property and tourism services to customers.

In metropolitan areas, demand for passenger rail services pre-COVID had been increasing. Previous investment in rail in Auckland and Wellington has successfully delivered the intended outcomes, and patronage has continued to grow. Investment in the metropolitan rail networks is now moving on to the next phase of expansion, as well as addressing remaining legacy issues, and ensuring the existing Auckland network is resilient.

The Future of Rail Review considered the challenges faced by rail

The Future of Rail Review (the review) considered these challenges and recommended significant changes to the way we plan, fund and invest in rail.

The review recognised that our current planning and funding framework for the rail network:

- involves short-term funding decisions, which are inadequate for long-lived assets
- isolates road and rail infrastructure decisions from each other, which makes it difficult to deliver a coordinated land transport investment programme.

To realise the wide-ranging and long-term benefits of rail, the review recognised that there needed to be remedial investment, and that this investment should be accompanied by a substantial change to rail network planning and funding.

The review recommended that the rail network investment should be planned and funded under the LTMA 2003. This change provides for a longer-term approach to planning and funding the rail network. Over time, this will improve complementary and trade-off investment decisions between transport modes.

Section 2 outlines the new planning and funding framework for rail, and the investment priorities for a remedial investment programme over the next 10 years.



SECCO

SÜD

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SEALAND



Section 2

Strategic priorities for rail

Ko ngā tino whāinga a te rautaki tereina

The Government is committed to seeing rail play its part in a multi-modal transport system. Our first priority for rail is to achieve a resilient and reliable rail network that also improves safety. Over the next decade, this investment will take the network out of a state of managed decline and provide a stable platform for future investments for growth. It will also support employment and economic recovery from COVID-19.

Our strategic priorities are in two parts:

Part A:

- ▶ Establishing a new long-term planning and funding framework under the Land Transport Management Act 2003

Part B:

- ▶ Strategic investment priorities for a resilient and reliable rail network:
 - Investing in the national rail network to restore rail freight, and provide a platform for future investments for growth
 - Investing in the metropolitan rail networks to support growth and productivity in our largest cities.

We have also made lead investments in rail in regional New Zealand to support jobs and economic development. The COVID-19 response and recovery fund has also provided funding to selected 'shovel-ready' projects.

This section details each of these strategic priorities.

Part A

Establishing a new long-term planning and funding framework under the Land Transport Management Act 2003 (LTMA 2003)

We have changed the way we plan and fund rail in New Zealand by moving from a short-term to a long-term focus

The new approach sees rail network investment decisions taken under the LTMA 2003. This will result in the national rail network being planned and funded on a sustainable long-term basis, alongside the rest of the land transport system, including the road and public transport networks. The changes to the LTMA 2003 have been given effect by the Land Transport (Rail) Legislation Act 2020.

The following sections outline how the new planning and funding framework will work, including the roles and responsibilities of key organisations involved.

Integrated and long-term planning

Integrated long-term planning and funding of road and rail investments will:

- ▶ improve the transparency of Government investment decisions on the land transport network
- ▶ see investments being made on a more mode-neutral basis, for example, road and rail projects will be assessed on a similar national benefits basis
- ▶ facilitate a medium to long-term approach towards investment in rail, consistent with other land transport networks, reflecting that rail investment provides benefits long into the future.

This approach provides greater certainty for KiwiRail, local government and other rail participants to enable long-term planning and investment in rail. It should also enable increased customer confidence to support increased volumes on rail in the long-run, providing commercial and wider benefits.



This approach provides **greater certainty** for KiwiRail, local government and other rail participants to enable long-term planning and **investment in rail**.

Agencies with rail responsibilities

The new planning and funding framework requires the Ministry of Transport, Waka Kotahi NZ Transport Agency (Waka Kotahi), KiwiRail, Auckland Council, Auckland Transport and Greater Wellington Regional Council to work together to plan and fund New Zealand's rail network. This includes working with other councils who have responsibility for inter-regional rail services.

Planning, operating and maintaining the rail network, and providing the associated freight, tourism and property services remain the core business and responsibility of KiwiRail.

Auckland Transport and Greater Wellington Regional Council will continue to be responsible for planning and operating metropolitan passenger services in their regions.

The Ministry of Transport will continue to provide strategic policy advice to the Minister of Transport on rail. This role includes developing the New Zealand Rail Plan (this document) on behalf of the Minister. The Ministry will also play an important role in coordinating the implementation of the Future of Rail Review, including the new planning and funding framework.

Waka Kotahi will be responsible for advising the Minister of Transport on the Rail Network Investment Programme (RNIP) and its funding from the National Land Transport Fund (NLTF). Waka Kotahi will also monitor rail activities funded from the NLTF and will continue to be the rail safety regulator. The Treasury will continue to monitor KiwiRail as a State-Owned Enterprise.

The following sections describe the key components of the new framework.

The New Zealand Rail Plan

The Rail Plan is a non-statutory planning document that sets out the Government's strategic direction for rail and priorities for investment over the next 10 years. The Rail Plan will guide investment in the overall rail system, including via NLTF and Crown funding decisions.

The Rail Plan will guide rail investment decisions taken under the Government Policy Statement on land transport 2021 (GPS), which the Minister of Transport issues under the LTMA 2003. The GPS is an important strategic document that governs investments made from the NLTF. The GPS sets expectations that investment in rail will align with the Rail Plan.

A new funding model for the rail network

Under the new framework enabled by the Land Transport (Rail) Legislation Act 2020, rail network funding will be channelled through the NLTF, with funding coming from NLTF revenue, track users and the Crown. This will support rail to be funded on a similar basis to other land transport modes. This funding will be primarily spent on a programme of continuous maintenance and renewal of the rail freight network, as outlined in the GPS. If there is funding available, additional improvement projects can also be considered where they align with the strategic priorities of the Rail Plan and GPS, and an investment case is demonstrated.

The RNIP will outline the rail network activities or combinations of activities that will be partially, or fully funded by the NLTF, directly to KiwiRail. KiwiRail is responsible for preparing the RNIP.

Further work is underway to establish track user charges to ensure KiwiRail and other track users contribute to the cost of the rail network in a fair and transparent way.¹⁰ We are carefully considering track user charges in light of the impacts of COVID-19 on rail operators and markets.

KiwiRail's commercial freight and tourism services and ferries will continue to be funded as they are now, from commercial revenue and financing, and Crown investment.

Auckland and Wellington passenger trains and services will also continue to be supported by a number of funding sources, including passenger and council contributions, and funding for public transport from the NLTF. The Rail Plan, alongside the GPS, will also guide these investment decisions.

The Crown may also invest for specific outcomes and purchase those directly from KiwiRail or other providers; for example, investing to support regional economic development outcomes, or as the owner of KiwiRail.

Rail Network Investment Programme

KiwiRail is developing a three-year investment programme for the rail network.¹¹ The Rail Network Investment Programme (RNIP) also includes a plan of the significant rail activities expected in the next RNIP, and a 10-year forecast. The investment priorities signalled in the Rail Plan and GPS guide development of the RNIP.

The Minister of Transport is responsible for approving the RNIP, in consultation with Shareholding Ministers. This allows Ministers to take a strategic view of rail investment to ensure it achieves the Government's goal to restore the rail network, so it is resilient, reliable and safe.

This is particularly important while the Government is making significant Crown investments in KiwiRail to enable intergenerational replacement of key assets, such as locomotives and ferries, which support a resilient and reliable freight network.

Waka Kotahi is responsible for advising the Minister of Transport on whether the proposed RNIP, and the activities under it, contributes to the purpose of the LTMA 2003, is consistent with the GPS and takes into account relevant regional land transport plans.

Waka Kotahi also advises on how the RNIP aligns with the strategic investment priorities in the Rail Plan and how the RNIP fits with other transport investments in the National Land Transport Programme that affect the rail system.

Waka Kotahi is responsible for monitoring rail activities and how the RNIP delivers land transport outcomes. This is discussed further in Section 3. Annual reporting to the Minister will be required on these matters.

Funding for continuous programmes, such as renewals and maintenance, is intended to be approved at the same time as the RNIP. Assessment of this programme will include consideration of key documents, including KiwiRail's Asset Management Plan.

Any significant improvement projects in the RNIP will go through an appropriate business case process and be assessed by Waka Kotahi as they become ready to progress.

These processes will help to ensure value for money as Waka Kotahi provides advice on the effectiveness and efficiency of the activities for funding.

Auckland and Wellington

Auckland Transport and the Greater Wellington Regional Council are major users of the rail networks in Auckland and Wellington, operating extensive urban passenger rail services, and as owners of rolling stock and station assets. It is essential that investments in the rail network take into account the needs of these urban passenger rail services, as well as freight and inter-regional passenger services that also use the networks. To recognise the need for coordinated rail planning in these regions, regional rail network activities will go through their regional land transport planning processes, before they are included in the RNIP.

KiwiRail is working with Auckland Transport, Auckland Council and Greater Wellington Regional Council to agree a programme of proposed rail network investment to be included in their Regional Land Transport Plans (RLTPs). This will create a formal opportunity for the Auckland and Wellington Regional Transport Committees to publicly consult on the proposed rail activities alongside other regional transport priorities, before the RNIP is finalised. The rail activities are included in the RLTPs for coordinated planning purposes. KiwiRail has joined these Committees as a non-voting member.

This approach to rail investment in the Auckland and Wellington regions will support the development of a better-integrated regional view of transport investments in these metropolitan areas, considering passenger, freight, and inter-regional needs. It is important that the metropolitan networks are planned and funded in a manner that considers all demands on the network.

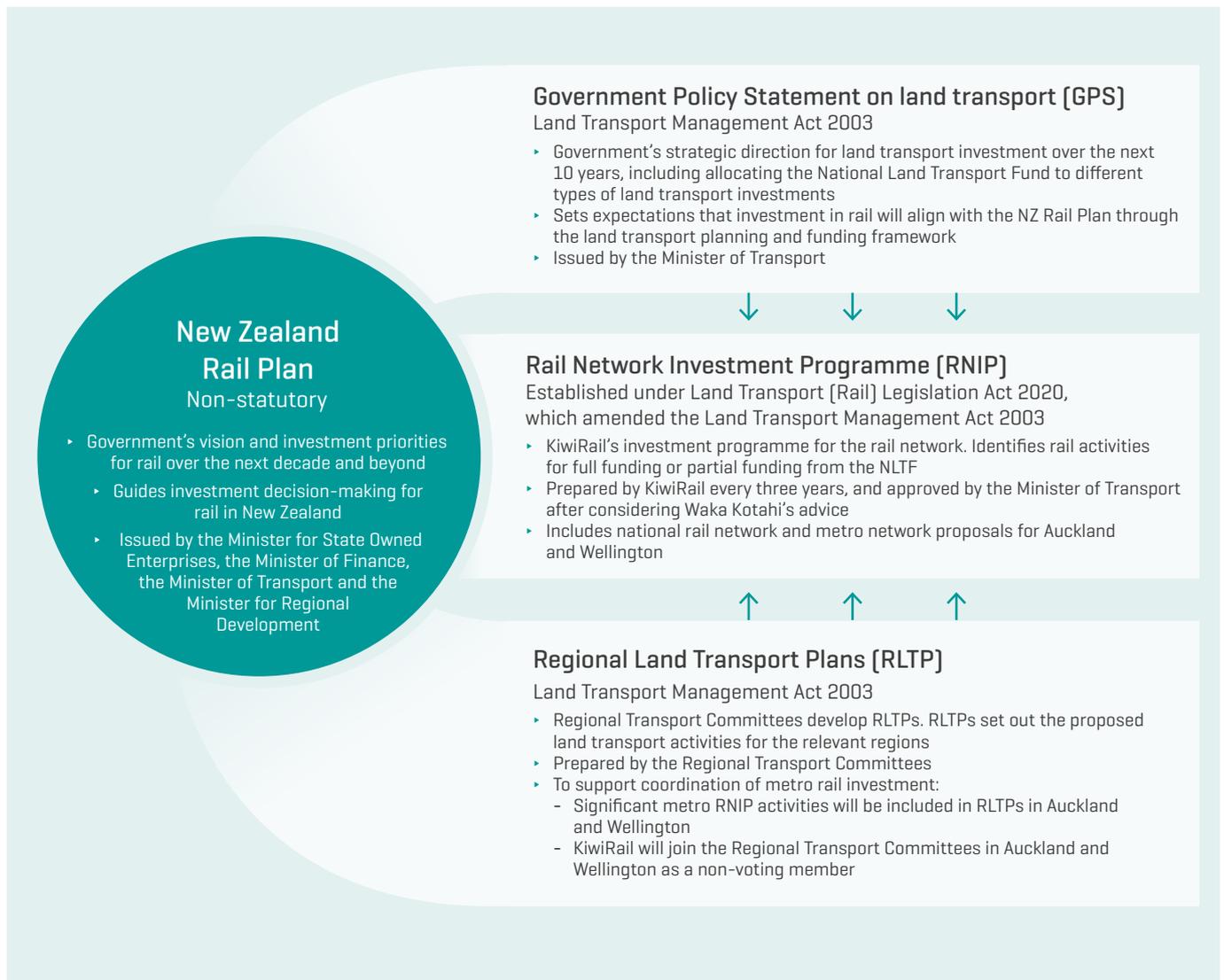
The new legislation allows the Auckland and Wellington planning approach to be extended to other regions in future, on a case-by-case basis.

The following diagram outlines the new planning and funding framework.

¹⁰ We recognise that there are existing track access arrangements in place in Auckland and Wellington.

¹¹ Rail network activities refers to what is commonly referred to as "below rail", such as track, overhead power supply, signals and platforms.

New planning and funding framework for rail



Implementing the new planning and funding framework

The changes to the planning and funding framework are significant and will take until mid-2021 to implement. It requires a significant commitment from all parties involved in rail activity, particularly from the Ministry of Transport, KiwiRail, Waka Kotahi, the Treasury, Auckland Council, Auckland Transport and Greater Wellington Regional Council.

The Ministry of Transport is working collaboratively with all agencies to support implementation of the new planning and funding framework.

By mid-2021, the new regime will be fully implemented, in line with the next National Land Transport Programme.

Part B

Investment priorities for rail

The new planning and funding framework will support significant investment in rail over the next decade and beyond



The Government's rail investment priorities centre on restoring a resilient, reliable and safe rail network for New Zealand over the next decade. This means first focussing our investment on restoring our existing rail network. This will provide a platform for growth in the future.

This investment approach is vital to support customer needs in freight and passenger markets, and to enable continued growth in rail.

Our Strategic Investment Priorities for restoring a resilient and reliable network are:

- ▶ Investing in the national rail network to restore rail freight and provide a platform for future investments for growth
- ▶ Investing in the metropolitan rail networks to support growth and productivity in our largest cities.

This will drive a balanced programme to:

- ▶ restore resilience and reliability to core rail freight assets as a foundation for future investment to support growth in the level of freight being carried on the national network, and to enable KiwiRail's commercial growth
- ▶ support current and future growth in Auckland and Wellington metropolitan rail networks by first completing the programme of rail investments committed through the Auckland Transport Alignment Project (ATAP), NZ Upgrade Programme and the NLTF transitional rail funding, and then considering the next tranche of projects

- ▶ support growth in the regions by completing rail investments committed by the Crown including COVID-19 response projects
- ▶ ensure that safety is enhanced throughout the freight and passenger networks, and health and safety obligations continue to be met.

These priorities will guide investment considered through the new planning and funding framework, and the development of the RNIP.

In addition, the NLTF provides investment in some inter-regional services, specifically the Capital Connection from Wellington to Palmerston North, and the Te Huia service from Hamilton to Auckland.

The following section provides further detail on our investment priorities to restore a resilient and reliable rail network, and potential future opportunities.

Strategic Investment Priority

Investing in the national rail network to restore rail freight and provide a platform for future investments for growth

Rail is an integral part of freight supply chains in New Zealand and has potential to play a greater role

Rail is an essential part of New Zealand's freight supply chain and helps ensure resilience by providing an alternative transport option for distributors and exporters.

By 2052, freight tonnage in New Zealand is expected to increase by almost 40 percent (from about 280 million tonnes in 2017/18, to nearly 400 million tonnes by 2052/53)¹² and we would like to see rail support this growth.

Rail plays a major role transporting New Zealand's exports, hauling 25 percent of exports to ports.¹³ Rail makes a critical contribution to particular sectors, and in particular regions of New Zealand.

In 2017/18, for example, some 40 percent of dairy product export movements were hauled by rail, mostly for export. For meat, the figure was slightly higher at 43 percent. In addition, 76 percent of all pulp and paper exports were carried by rail, as well as 100 percent of export coal.¹⁴ Rail also makes a significant contribution in other areas, such as logs, wood panels and steel.

Rail moves significant freight between the Port of Tauranga and Auckland, lessening the load on the roads. In 2019, up to three million tonnes flowed between the two regions, both imports and exports.¹⁵ It also handles containers to and from all major container ports in New Zealand (except Nelson and NorthPort), reducing the demands on the road network and alleviating congestion. Without significant investment, the national rail freight network will not be well-placed to capture growing freight demand.

We need to invest to provide a resilient and reliable rail freight network that supports current services. This investment will provide a platform for future investment to support growth in rail freight. This will take time given the state of the current network and significant investment is required over the next decade, and beyond.

In the long-run, shifting freight off the roads and onto rail will have significant safety, congestion and environmental benefits. In terms of environmental benefits, on average every tonne of freight moved by rail delivers at least a 70 percent reduction in carbon emissions compared with heavy road freight.¹⁶

"With rail infrastructure built into many of our manufacturing sites and distribution centres, **shifting freight from road to rail** is an important aspect of our strategy to **reduce carbon emissions** from freight transport."

Brendan Miller, GM Global Supply Chain Network, Fonterra

¹² Ministry of Transport freight model.

¹³ KiwiRail Integrated Annual Report 2020.

¹⁴ KiwiRail data and the National Freight Demand Study 2017/18 (September 2019).

¹⁵ Ministry of Transport, Freight Information Gathering System.

¹⁶ Ministry of Transport (2019), Real-world fuel economy of heavy trucks, Transport Knowledge Conference 2019 [available on the Ministry of Transport's website www.transport.govt.nz].

Case Study Kaimai Tunnel



The Kaimai Tunnel is an example of the benefits of past transformational investment in the rail network. Opened in 1978, and the longest tunnel in New Zealand at 8,879 metres, the Kaimai Tunnel links the Bay of Plenty to the Waikato, Auckland and beyond. It is an essential component of the East Coast Main Trunk rail route between Hamilton and Tauranga, linking key customers such as Fonterra and the Port of Tauranga, and is essential to support KiwiRail’s freight business.

Before the tunnel opened in September 1978, the East Coast Main Trunk route, which passed through the Karangahake and Athenree Gorges, was constrained by its length, difficult grades, and inadequate rail, and prohibited the use of the more powerful diesel locomotives.

The Kaimai Tunnel was constructed to service this increasing traffic between Hamilton and Tauranga. The rail link has brought significant change in the

distribution economics of the North Island, conferring regional economic benefits through more efficient rail links. It has reduced travelling times between Hamilton and the Port of Tauranga by approximately an hour and a half, and has enabled heavier trains, running at greater frequencies. This is much safer than putting this freight on road, and avoids the use of the difficult road over the Kaimai Range.

Today there are more than 30 freight train movements per day through the Kaimai Tunnel. Freight transported includes import/export container traffic, dairy products, logs, pulp and paper, and manufactured goods. The volume of freight goods has grown significantly since its opening, and has now increased to over five million net tonnes in 2018/19, almost four times the volume the old route handled in 1978.

30
MORE THAN 30 FREIGHT TRAIN
MOVEMENTS PER DAY THROUGH
THE KAIMAI TUNNEL

5,000,000+
OVER FIVE MILLION NET TONNES OF FREIGHT
IN 2018/19

4
ALMOST FOUR TIMES THE VOLUME THE OLD
ROUTE HANDLED IN 1978

Investment pipeline

Over the next decade, the key investment priority will be to restore the freight network to a resilient and reliable state. This will enable a better service offering to freight customers, supporting increased volumes and providing a platform for KiwiRail to grow as a commercial business over time.

Investment will be required to support a longer-term sustainable programme of maintenance and renewal of the national rail network. Funding will come through the NLTF under the new planning and funding framework, with support from the Crown and track users.

In addition, the Crown and KiwiRail will continue to invest in a programme of intergenerational replacement of locomotives, Interislander ferries, wagons and shunts, and modernisation of maintenance facilities reaching end of life.

The key priorities for investment over the next decade include:

- network renewals and maintenance – investment in tracks, bridges, tunnels and signals across the national network to improve service levels
- level crossing safety improvements
- locomotive and wagon replacement – replacing end of life locomotives and wagons with a modern, reliable and efficient fleet
- installation of automatic train protection for all trains operating in metropolitan rail areas and supporting alignment between Auckland and Wellington systems
- mechanical depot upgrades and renewals – improved workshop layouts, safety and productivity enhancements and seismic strengthening of a number of maintenance facilities, including Hutt Valley, Auckland, and Christchurch
- design and procurement of two ferries to replace the ageing Interislander fleet and associated landside assets, enabling greater reliability, efficiency and resilience for this vital link in the freight supply chain between the North and South Islands
- core asset renewals, such as mechanical overhauls and parts replacement for the existing fleet of locomotives and wagons, freight handling equipment, hoists, generators, and enabling technology.

These investments will be the core focus over the next decade.

The first tranches of funding have already been committed to a range of these projects by the Crown, including core asset maintenance, intergenerational asset replacement of rolling stock and Interislander ferries. This included \$1.2 billion in Budget 2020.

Investments that relate to Auckland and Wellington are primarily outlined in the next section about the metropolitan rail networks.



Future opportunities

The key role for rail in enabling the freight and tourism sectors presents strong opportunities for growth with targeted strategic investment. Future priorities for the rail system could include:

- ▶ more regional routes and improved logistics hubs
- ▶ additional infrastructure and rolling stock to support growth opportunities and regional initiatives
- ▶ more extensive network upgrades to enable accelerated and increased levels of service, including:
 - North Island – re-open Stratford to Okahukura line, complete upgrade of rail in Northland, further consideration of Marsden spur line
 - Golden Triangle – double track Auckland to Hamilton, increase axle weight to 20 tonnes plus Auckland to Tauranga, and 18 tonnes plus elsewhere
 - Lower North Island – standardise loop lengths from Palmerston North to Waikanae
 - South Island – increase axle weight to 18 tonnes plus
- ▶ further investments to respond to the climate emergency and decarbonise the transport sector, including further electrification of the NIMT and associated rolling stock [as discussed in the Case Study opposite].
- ▶ investigate regulatory rail opportunities.



Case Study

Electrification for a lower carbon future



The transport sector, and rail in particular, presents a huge opportunity to help meet the Government's commitment to transition to a carbon neutral economy by 2050.

At present, freight carried by rail saves at least 70 percent of the carbon emissions compared to heavy road transport, so each tonne of freight that moves from road to rail makes a tangible difference to New Zealand's carbon footprint. There is much more that could be achieved, and choices to be made on whether to pursue a more aggressive carbon reduction strategy.

At present, the most credible low carbon alternative to diesel for mainline long-haul freight is electrification. Further electrification of locomotives requires investment in electrification of the track infrastructure. Due to the cost involved, this kind of investment can generally only be justified on high volume routes, such as the heavily utilised routes of the North Island Main

Trunk (NIMT) between Auckland and Wellington, and the East Coast Main Trunk (ECMT) between Auckland and Tauranga. The section of the NIMT between Hamilton and Palmerston North is already electrified.

Outside of these areas, alternative zero-emissions propulsion systems will be considered as the technology and necessary infrastructure develops. Low particulate emission diesels are the only option currently available for KiwiRail's upcoming South Island locomotive replacement programme. For replacement shunt fleets some sites can consider battery technology.

Through the NZ Upgrade Programme we have provided funding to extend electrification of the Auckland metropolitan rail network between Papakura and Pukekohe. The already electrified sections of the metropolitan rail networks in Auckland and Wellington provide efficient and low-emission travel for high patronage commuter routes.



2050

GOVERNMENT'S COMMITMENT TO TRANSITION TO A CARBON NEUTRAL ECONOMY BY 2050

70%

FREIGHT CARRIED BY RAIL SAVES AT LEAST 70 PERCENT OF THE CARBON EMISSIONS COMPARED TO HEAVY ROAD TRANSPORT

Strategic Investment Priority

Investing in the national rail network to restore rail freight and provide a platform for future investments for growth

Above and below rail

Investment Priorities 2021-31

Above rail



- ▶ Intergenerational replacement of Interislander ferries and landside facilities
- ▶ Replacement of locomotives and wagons, and refurbishment of electric fleet
- ▶ Implement automatic train protection
- ▶ Mechanical depot upgrades including Hutt, Christchurch, and Auckland
- ▶ Core asset capital renewals (e.g. facilities, technology, ship and rolling stock renewals, plant and machinery)

Below rail



- ▶ Build resilience and reliability in existing network through an expanded renewals and maintenance programme
- ▶ Investment in tracks, bridges, tunnels and signals across the existing network, supports uplift in performance against the Asset Management Plan targets over 10 years
- ▶ Public safety – level crossing improvements

The ownership and management arrangements for rail infrastructure and rail operations are generally divided into “below” rail and “above” rail. Below rail includes tracks, bridges, tunnels, overhead electrical infrastructure, train signal systems, maintenance machinery and equipment. Above rail generally refers to KiwiRail’s commercial services, such as its freight, tourist and ferry services and associated locomotives, wagons and ferries and other assets for commercial purposes.

Benefits of investment

Provides platform for growth:

- ▶ Improved resilience, reliability and safety
- ▶ Securing core network first as foundation to add new services
- ▶ Provides better service level for customers
- ▶ Over time will move more freight by rail with benefits of reduced congestion, improved safety and lower emissions

Supports Transport Outcomes Framework:

- ✓ Economic Prosperity
- ✓ Environmental Sustainability
- ✓ Healthy and Safe People
- ✓ Resilience and Security

Future opportunities

Future opportunities may include:

- ▶ More regional routes and improved logistics hubs
- ▶ Improved integration and greater resilience in ferry terminals and ports
- ▶ Additional infrastructure and rolling stock to support growth opportunities and regional initiatives
- ▶ More extensive network upgrades to enable accelerated and increased levels of service
- ▶ Further investments to support the Government's commitment to emissions reductions, such as further electrification.

Strategic Investment Priority Investing in metropolitan rail to support growth and productivity in our largest cities

Rail can provide modern transit systems in our largest cities

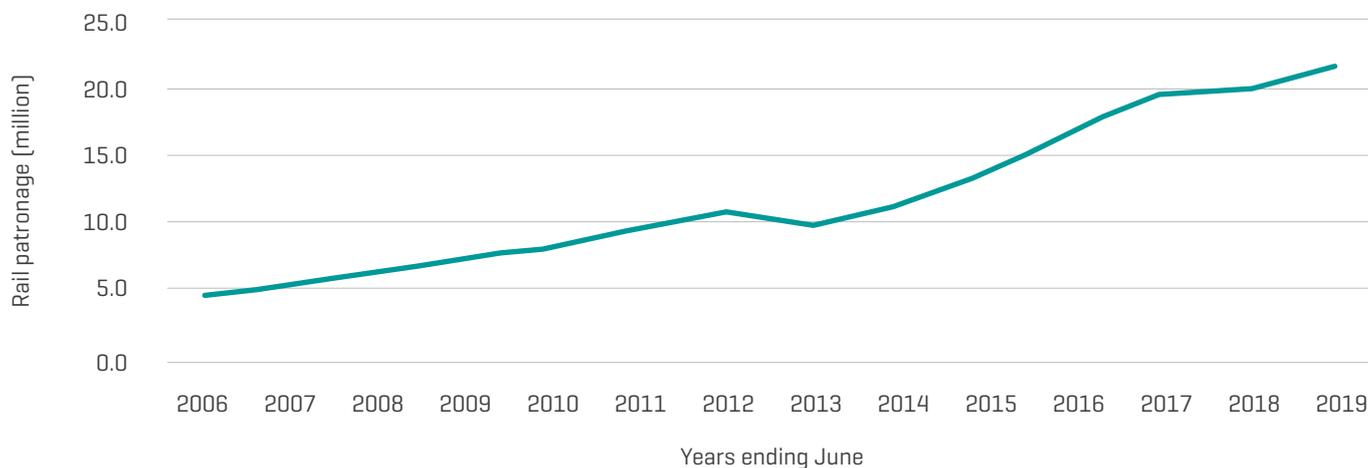
The metropolitan rail services in Auckland and Greater Wellington play a key part in the public transport networks of our largest cities.

In these metropolitan rail networks, urban passenger, inter-regional passenger and freight trains all share the same rail network, which means there are competing demands on the rail network. As use of the network increases, there will be further capacity constraints and competing demands for train paths.

The Auckland and Wellington networks have seen unprecedented growth over the last decade, primarily driven by increased use of passenger rail. Although COVID-19 has led to significant impacts on patronage, we have seen positive signs of demand starting to recover as public transport users return to their daily commutes once alert levels are lifted.

Between June 2009 and June 2019, total patronage on the Auckland metro network grew from over 7.65 million to 21.39 million per annum – a 180 percent increase in patronage in 10 years.

Patronage growth: Auckland metropolitan rail network



Increased capacity in Auckland is being provided through the construction of the City Rail Link (CRL) and investments being made through the Auckland Transport Alignment Project (ATAP). These investments will allow more trains to operate efficiently and reliably on the Auckland rail network and reduce challenges associated with accommodating passenger and freight trains.

The NZ Upgrade Programme includes key reliable and resilient investments in the third main line and the electrification from Papakura to Pukekohe. The NZ Upgrade Programme also provides future capacity investment by funding new stations around Drury.

Case Study City Rail Link (CRL)



CRL is New Zealand's largest public transport infrastructure project – a \$4.4 billion investment jointly funded by Auckland Council and the Crown. CRL is currently under construction and is scheduled to open in late 2024.

CRL will provide a step-change in the capacity of the rail system. When operational, CRL will increase capacity on the entire rail network at least twofold, carrying up to 54,000 passengers an hour at peak times through the CRL tunnel, linking Britomart with Mt Eden. This is the equivalent of three Auckland Harbour Bridges or 16 extra traffic lanes into the city at peak times. CRL stations will be future proofed to accommodate nine-car trains to meet the demands of future growth and passenger numbers.

ATAP 2021-31 includes complementary investments on the Auckland Network to realise the benefits of CRL.

Passengers will benefit from improved connections to bus services, more frequent trains and reduced journey times, making rail a more attractive travel option.

The benefits of CRL go beyond just transport, with job creation during construction and new development opportunities, including place-making around new stations and along the CRL corridor.

CRL will be truly transformational, and is set to benefit both Auckland and New Zealand, by providing the world-class infrastructure needed to support our largest city and its economic activity.

For more information on CRL visit <https://www.cityrailink.co.nz>.



\$4.4 BILLION

A 4.4 BILLION DOLLAR INVESTMENT
JOINTLY FUNDED BY AUCKLAND COUNCIL
AND THE CROWN

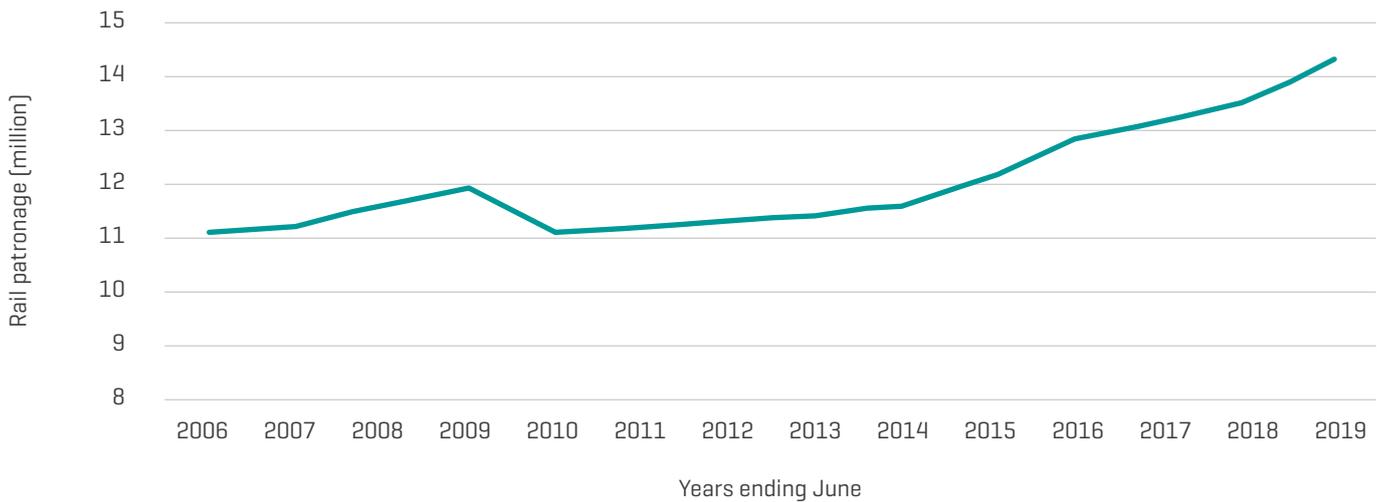
54,000

CRL WILL INCREASE CAPACITY, CARRYING
UP TO 54,000 PASSENGERS AN HOUR AT
PEAK TIMES

2024

SCHEDULED TO OPEN IN LATE 2024

Patronage growth: Wellington metropolitan rail network



The Wellington metropolitan network has also seen growth over the past decade. Between June 2008 and June 2019, rail patronage grew from 11.8 million trips to more than 14.3 million. Over the last 5 years peak growth has risen by over 25 percent. If this pre-COVID trend continues, and sufficient capacity is provided, patronage will reach 20 million trips by 2030.

Wellington patronage growth has been driven by a mix of population growth and from strategic investments, including a number of significant investments to improve the passenger experience. A key future consideration is the impact of the Let's Get Wellington Moving (LGWM) investment programme, which includes a range of active mode, public transport and road-based initiatives that are expected to increase rail network demand, as more people are encouraged to use metropolitan rail services.

Improving the attractiveness of public transport is key to achieving mode shift and reducing dependency on private vehicles in our large and fast-growing cities. Rapid transit is the backbone of public transport systems, providing fast, frequent, high-capacity services along corridors that are separated from general traffic and therefore unaffected by road congestion.

Metropolitan passenger rail will continue to play an important role in supporting population growth in Auckland and Wellington. More transit-oriented development around train stations will also support mode shift and more sustainable urban living.

Increasing the capacity and resilience of metropolitan rail networks for passengers, freight and inter-regional services, is vital to drive productivity in our largest cities.

There is also increasing desire for inter-regional services and passenger rail in other fast-growing cities. The Government is undertaking work as part of its Urban Growth Partnerships to develop long-term spatial planning frameworks, which highlight infrastructure priorities. Included in this has been work with Tauranga/Western Bay of Plenty and Hamilton/Waikato councils. Spatial planning will play an increasingly important role in ensuring that future growth strategies for cities and regions are integrated with transport priorities. The impacts of spatial planning activities are likely to be seen in the second and third decades, and will be important for considering future opportunities for investment.

In order to address current and future growth there are a range of options. However, all of the options ultimately require investment. Where investment is made it often benefits both passenger and freight rail services.

Investment pipeline

There has been substantial investment committed to the metropolitan rail networks in recent years to enable resilient, reliable and safe metropolitan rail networks in Auckland and Wellington. This includes investment from Auckland Council and Auckland Transport, Greater Wellington Regional Council, and the Crown.

In line with our commitment to resilience and reliability, our first priority is to deliver existing committed projects in the transitional rail activity class in GPS 2018 and the NZ Upgrade Programme for Auckland and Wellington.

This means the investment pipeline for the next decade will focus on delivering:

- ▶ the rail programme outlined in the Auckland Transport Alignment Project (ATAP)
- ▶ the Wellington Metropolitan Upgrade Programme (WMUP)
- ▶ enhanced regional services – Hamilton to Auckland and the Capital Connection.

Following this, we will consider what more is required to support capacity for growth in our metropolitan rail networks.

Auckland metropolitan network

Auckland Council and the Government have worked together with other key stakeholders to develop an aligned strategic approach to planning and investing in Auckland's transport system, through ATAP. ATAP outlines the investment priorities for Auckland and the shared funding envelope needed to deliver on these priority projects over the next decade.¹⁷ This consists of rail network upgrades, new trains and stabling. This is in addition to the \$4.4 billion investment into CRL, funded by the Crown and Auckland Council.

Investment priorities

Completion of CRL will continue to be the top priority for Auckland, which sits outside of the new planning and funding framework.

The NZ Upgrade Programme is progressing Papakura to Pukekohe and the third main line. The Government has also invested in the construction of new train stations around Drury (discussed in more detail on page 40).

The following sets out the other key priorities for rail investment in the Auckland metropolitan area, which are identified in ATAP and are important investment priorities to realise the benefits of CRL on day one:

- ▶ in addition to significant recent renewals across the Auckland Network, there is a programme of works to further improve safety, resilience and performance of the Auckland rail network, including crossovers, line speed improvements, and remedial track, formation and drainage works.

- ▶ provision of an Integrated Rail Management Centre incorporating Auckland Train Control to ensure there is capacity to manage a greater number of services
- ▶ progressive improvement and removal of road/rail level crossings to better manage safety risks and address road congestion – this is critical for the opening of CRL and ongoing passenger growth
- ▶ an additional power feed to support the increased number of trains on the network
- ▶ a further order of new trains and stabling, cleaning, and maintenance facilities is planned for later in the decade to provide additional capacity, improve train frequencies and to cater for the growth that is expected to follow the opening of CRL
- ▶ progressive fencing and security.

These improvements are essential to accommodate increased train frequencies and reduce conflicts between passenger and freight services.

These investments will be the core focus for the Auckland network over the next decade.

The Council and the Crown have jointly set aside **\$4.4 billion** for investment in CRL. This investment is outside of the new planning and funding framework.

¹⁷ ATAP 2021-31 was approved by Cabinet and Auckland Council in March 2021: <https://www.transport.govt.nz/assets/Uploads/Report/ATAP20212031.pdf>

Future opportunities

The investments identified above are essential and will help to complete much of Auckland's rapid transit network over the next decade. However, further stages of Investment have also been identified in ATAP to fully enable the future benefits of CRL. These are identified in stages 2 and 3 of ATAP rail Investment.

General enhancements which have network-wide benefits

There will be capacity constraints in the number of train paths available. In Auckland, train paths are shared between freight, passenger, and inter-regional passenger trains. The options for creating capacity range from:

- ▶ creating new lines to support express passenger services and further separate passenger and freight trains – for example further extension of the third main line and addition of a fourth main line
- ▶ reducing the number of locations where slower freight trains conflict with faster passenger trains
- ▶ operating more and longer passenger trains (for example, nine-car units). This will include consideration of corresponding upgrades of stations to provide capacity for additional passenger numbers, in particular key stations such as Newmarket. There will also need to be consideration of additional shelters and grade separated access to provide for all users at stations
- ▶ running trains closer together – which is influenced by the signalling systems and the ability to get people on and off trains quickly.

With growth and increased pressure on capacity, additional investment will need to be considered to support:

- ▶ platform capacity – extending platforms to accommodate longer trains, potentially up to the equivalent of nine-car units with associated alterations to track, signalling and overhead lines
- ▶ signalling capacity and safety – European Train Control System (ETCS) level 2 and beyond will be required in future decades to operate trains closer together to increase capacity without diminishing safety
- ▶ traction system resilience and stability – providing additional capacity to support overall network resilience and change some elements of the system operation
- ▶ further level crossing grade separation and closure
- ▶ progressive fencing and security of the corridor
- ▶ additional rolling stock and related storage across the network
- ▶ consideration of land purchase to support expansion of existing or future rail corridors, including consideration of grade separation of level crossings.

Other potential network enhancements

Investment may need to be considered in the Auckland metropolitan rail area to support investments north and south of the Auckland network, depending on the outcomes of current studies. For example, depending on any future decisions on the Upper North Island Supply Chain Strategy, there may be implications for the Auckland rail network.¹⁸ The Supporting Growth Alliance is also considering what is required to support substantial urban growth in southern parts of Auckland. A Cabinet-mandated Hamilton to Auckland Intercity Connectivity business case and Te Huia, the Hamilton to Auckland start-up service, will also help inform future consideration of network enhancements between Hamilton and Auckland.



¹⁸ In July 2020, the Government released a report by independent consultants Sapere on the options for relocating Port of Auckland's freight operations (available at www.transport.govt.nz).

Wellington metropolitan network

The Wellington metropolitan network has had a series of investments between 2013 and 2017 to replace ageing assets. This included the Matangi Electric Multiple Units (EMUs), a new EMU Maintenance Depot and associated upgrades of the signalling and power systems to make them “modern EMU capable”.

Since 2014 there has been a series of programmes funded and delivered to improve resilience and enable growth in line with the Wellington Metropolitan Upgrade Programme (WMUP). Concurrently, there have been other significant complementary investments by GWRC and others in recent times, positioning the rail network as a key part of Wellington’s integrated public transport system.

Investment priorities

The investment priority for the Wellington metropolitan network is to provide a resilient and reliable network that supports growth and mode shift.

Significant progress has already been made on the Wellington network towards this, including recent investment from the Crown and through the transitional rail activity class. The following programmes are already funded and underway in the Wellington metropolitan area:

Programme	Primary scope overview
WMUP II	<ul style="list-style-type: none"> ▶ Renewal of traction overhead on Hutt Valley and Johnsonville Lines ▶ Replacing all remaining 3.3kV signals power supplies with low voltage power
WMUP III	<ul style="list-style-type: none"> ▶ Catch-up track renewals formation upgrade and drainage upgrade, primarily on Wairarapa Line ▶ Remutaka and Tawa Tunnels catch up track renewal ▶ Re-sleepering twelve short tunnels ▶ Slope stabilisation ▶ Bridge replacement
WMUP IV	Capacity and resilience upgrades <ul style="list-style-type: none"> ▶ Trentham – Upper Hutt double track ▶ Plimmerton turn back ▶ Traction Power Supply Upgrade

These investments will deliver capacity and resilience improvements and in particular remove the network’s long-standing vulnerability from the state of the overhead traction system. They create a sound foundation for growth investments. We have also funded a range of additional projects through the NZ Upgrade Programme, including further upgrades to the Wairarapa Line and improvements around Wellington Railway Station. These include safety improvements and re-modelling rail approaches to Wellington, to improve safety and add capacity.

Delivering these investments will be the core focus for the Wellington network over the next decade. In addition, a further emerging resilience and safety investment requirement relates to the Wellington Railway Station building (owned by KiwiRail). The station building is a listed heritage building, but despite some strengthening works over the last 20 years, it is currently considered earthquake prone. The likely investment required to bring it much closer to 100 percent NZ Building Standard will be significant. Initial funding of \$10 million has been provided through Budget 2020 to start the upgrades required.

The role of the station and its potential development as a hub supporting rail, bus and future rapid transport solutions will also need to be considered in light of Let’s Get Wellington Moving. The investment needed to support that will also need to be considered.

Future opportunities

To accommodate current growth and safety expectations the following additional investments will need to be considered in the medium term:

- ▶ New trains for the Wairarapa and Capital Connection and increases in service frequency
- ▶ WMUP V – Signalling improvements and automated train protection.

These investments would be paralleled by GWRC-led improvements to platforms and station facilities coupled with greater integration with other modes of transport.

Beyond that, with growth and increased pressure on capacity, additional investment may need to be considered to support:

- ▶ reducing the length of the single track at Kapiti Line North – South junction
- ▶ providing an additional platform at Waikanae
- ▶ new Metro EMU fleets
- ▶ further grade separation e.g. Kāpiti Line (NIMT)
- ▶ Wellington Railway Station passenger terminal and building upgrades.

Strategic Investment Priority

Investing in our metropolitan rail networks to support growth and productivity in our largest cities

Location	Investment priorities
Auckland	<p>Reliable and resilient networks</p> <ul style="list-style-type: none"> ▶ Track remediation ▶ Complete City Rail Link [\$4.4bn] ▶ Third Main Line Wiri to Quay Park* ▶ Papakura to Pukekohe electrification* ▶ Catch up renewals programme to improve network resilience ▶ Network Management Plan renewals and maintenance ▶ New Auckland train control centre ▶ Additional power supply ▶ Progressive fencing and security
Wellington	<ul style="list-style-type: none"> ▶ WMUP II – Renewal of traction overhead on Hutt Valley and Johnsonville Lines ▶ WMUP III – Catch up track renewals, formation and drainage upgrades and slope stabilisation ▶ WMUP IV – Capacity and resilience upgrades ▶ Network Management Plan renewals and maintenance ▶ Seismic compliance – Wellington Railway Station

Benefits of investment

Provides platform for growth:

- ▶ Improved resilience, reliability and safety
- ▶ Provides better service level for customers
- ▶ Supports anticipated growth with benefits of reduced congestion, improved safety and lower emissions

Supports Transport Outcomes Framework:

- ✔ Inclusive Access
- ✔ Economic Prosperity
- ✔ Environmental Sustainability
- ✔ Healthy and Safe People
- ✔ Resilience and Security

*Being progressed through the NZ Upgrade Programme

Location	Investment priorities
	Capacity for growth
Auckland	<p>ATAP stage 2 priorities, including:</p> <ul style="list-style-type: none"> ▶ Progressive improvement and removal of road/rail level crossings to better manage safety risks and address road congestion ▶ Britomart East remodelling ▶ Pedestrian level crossings ▶ New trains and stabling, cleaning, and maintenance facilities
Wellington	<ul style="list-style-type: none"> ▶ New trains to replace Wairarapa and Capital Connection carriages and provide for passenger growth ▶ WMUP V – Signalling improvements and automated train protection ▶ WMUP VI – Re-modelling rail approaches to Wellington Station and upgrades to the Wairarapa Line*

Future opportunities

Auckland

ATAP stage 3 priorities, including:

- ▶ Increased platform capacity – e.g. for nine car units for non-CRL platforms
- ▶ Signalling capacity and safety
- ▶ Traction system resilience and stability
- ▶ Further level crossing grade separation and closure
- ▶ Additional rolling stock and related storage across the network
- ▶ Completion of Fourth Main Line – Westfield to Pukekohe
- ▶ Grade separation Westfield Junction
- ▶ Enhancements North/South North Island Main Trunk; North Auckland Line/Western Line and Southdown to Avondale
- ▶ Hamilton to Auckland service enhancements

Wellington

- ▶ Reduce length of Kapiti Line North – South junction single track
- ▶ Provide an additional platform at Waikanae
- ▶ New passenger EMU fleets
- ▶ Further grade separation eg Kāpiti Line (NIMT)
- ▶ Wellington Station passenger terminal and building upgrades

*Being progressed through the NZ Upgrade Programme

New Zealand Upgrade Programme

The New Zealand Upgrade Programme was announced in January 2020 and is investing \$12 billion in NZ infrastructure, including \$6.8 billion to get our cities moving, save lives and boost productivity.

A package of targeted rail investments will support rail freight and improve passenger train services, particularly at busy travel times, including:

- ▶ \$315 million to complete the Third Main Line, removing a key bottleneck for freight and passenger services in Auckland, as well as provide additional capacity for increased services once the City Rail Link is completed
- ▶ \$371 million to electrify the railway track between Papakura to Pukekohe, speeding up trips to the Auckland CBD. The addition of two new platforms at Pukekohe station will allow additional lines for future growth
- ▶ \$247 million for two to three new railway stations around Drury, along with 'park and ride' facilities, to support new housing and growth in the southern part of Auckland
- ▶ \$211 million for Wellington rail upgrades, including on the Wairarapa Line, Wellington station safety improvements and upgrades to the Capital Connection, to make services north of the city more reliable and able to meet growing demand.

This programme brings forward and funds significant projects, allowing them to be built sooner. This major package is designed to give the construction industry certainty and confidence about future work.

The COVID-19 Recovery (Fast Track Consenting) Act 2020 is intended to urgently promote employment growth to support New Zealand's recovery from COVID-19 by establishing a fast-track consenting and designation processes for infrastructure and development projects, and enabling specific work on existing infrastructure to occur without the need for resource consent. The new fast-track process applies to a schedule of projects, including specific rail projects.

Enhanced inter-regional services

Investment priorities

The priority for regional commuter rail will be to support planned regional services between Hamilton and Auckland, and existing services between Palmerston North and Wellington.

Palmerston North to Wellington

KiwiRail operates an inter-city service, the Capital Connection, between Palmerston North and Wellington, with one return service per day on weekdays. KiwiRail has been running the Capital Connection service since 1991.

The service runs close to capacity, with approximately 135,000 passenger trips per year, but currently uses older rolling stock which is nearing its end of life and needs to be either refurbished or replaced. The Crown, as part of the NZ Upgrade Programme, has funded a short-term solution by replacing the existing, aging Capital Connection carriages with fully refurbished former Auckland Transport carriages. This is the same approach taken with the Te Huia service.

In the future it is likely new long-distance rolling stock will need to be purchased.

Hamilton to Auckland

Funding has been committed to a five-year start-up rail service [2 returns per day], between Hamilton and Auckland. The Te Huia service commenced on 6 April 2021.

The service uses re-manufactured diesel-hauled carriages terminating initially at Papakura where passengers transfer to Auckland passenger services. Extending this service to stop at the Puhinui interchange is under investigation. The level of service provided will be akin to the Capital Connection in Wellington, with the Hamilton-Auckland service offering food, beverages, comfortable seats, Wi-Fi and tables.

In mid-2020, the Ministry of Transport completed the Cabinet-mandated Hamilton to Auckland Intercity Connectivity interim indicative business case. This confirmed the role that future investment in rapid rail could play in transforming connectivity between two of New Zealand's fastest growing cities. The work highlighted how rapid rail can help grow our economy and support urban and regional growth, and further emphasised the importance of both metropolitan and inter-regional rail in connecting communities, that are transit oriented. Building on the positive findings of the business case, further work is underway to determine an appropriate programme of investment over time, complementing the other transport and land use planning activities elsewhere in this nationally significant corridor.

Supporting regional development

Rail offers benefits to regions through creating jobs, delivering goods to people and ports, moving freight off regional roads and bringing tourists to regions

Regional New Zealand plays an important role, both socially and economically. The regions generate the bulk of New Zealand's commodity exports, such as agriculture products, forestry and manufacturing.

In addition to the priority investments that will be considered under the new planning and funding framework above, the Government has separately made lead investment in regional rail projects. The Government has invested in building the connectivity and economic productivity of regions and ensuring that regions get their fair share of the opportunities that rail can provide.

Funding has also been used to help communities rebuild from the COVID-19 pandemic. In 2020, the Government set the three key aims to boost employment, allow projects to get started as soon as possible and to instil confidence that the social and economic recovery is underway. \$26 million was allocated to KiwiRail to provide worker re-deployment in the regions, through a programme of drainage and culvert improvements and maintenance. This investment is expected to create work for 200 people from Waikato to the Wairarapa, in Canterbury, West Coast and Southland.

Investment in rail in our regions increases throughput of freight, while improving the resilience and sustainability of the transport infrastructure that connects regions to one another and exports to

markets. It provides opportunities to bring tourists to our regions, and creates jobs and economic development opportunities for regional New Zealand.

As a key transport mode for bulk exports such as forestry products, investment in rail underpins current and future areas of economic opportunity in the regions. Improved intra- and inter-regional transport links can give businesses and investors confidence that they will have reliable access to markets, enabling accelerated business growth and more higher-paid jobs in the regions. Multi-modal freight and distribution hubs offer efficiency gains for freight transport and encourage investment from private enterprise.

The regional focus has meant investments have been uniquely placed towards transport in the regions, and substantial investments in rail capture the benefits offered to those areas.

Investment priorities

More than \$450 million of regional investment was committed to rail projects in the regions. This investment will drive regional economic development and support local employment through delivery of the regional rail investment programme.

The Government has invested in the following key regional rail projects:

- ▶ Rejuvenation of rail in Northland, including:
 - North Auckland Line [NAL] repairs and maintenance south of Whangārei to halt the previous state of managed decline and ensure the line remains operational

- capacity upgrades, including lowering the tracks in 13 tunnels to allow hi-cube shipping containers to be carried, reopening the line from Kauri to Otiria and building a road-rail exchange at Otiria
- ▶ Purchasing land along the designated rail corridor between Oakleigh and Marsden Point
- ▶ Securing land for an intermodal freight hub in Palmerston North where KiwiRail is developing plans for a high-tech, multi-modal freight hub which will help grow Palmerston North's role as a critical freight distribution centre for the lower North Island
- ▶ Refurbishing the Hillside heavy engineering workshop in Dunedin
- ▶ Capacity upgrades to Tourist rail in the South Island, including upgrades to the Greymouth platform
- ▶ A programme of regional drainage and culvert condition surveys, cleaning and maintenance, vegetation control, and other improvements – providing opportunities to employ and train new regional rail workers
- ▶ Reopening the Wairoa to Napier rail line.

The Government has also committed to fund specific rail projects that will create jobs and help offset the economic impacts of COVID-19. For example, recent rail investments include contribution toward building a new maintenance hub at Waltham in Christchurch and slip stabilisation at Omoto on the West Coast, to ensure resilience of the rail line and a reliable Scenic connection to Greymouth.

Case Study Hillside Revitalisation



Rail workshops have existed close to the site of Dunedin's Hillside Workshops since 1875, and over the years a wide range of rail assets have been manufactured at Hillside – from steam engines to passenger carriages.

From employing about 800 people in the 1930's, Hillside has declined over the years and currently has a small staff primarily doing heavy maintenance for KiwiRail's South Island locomotive fleet, as well as wagon upgrade and shunt project work.

Government investment will see the largest workshop on site demolished and rebuilt; the aging heavy-lift facilities and traverser overhauled; and other site improvements. The work will also include managing historic asbestos contamination at the main workshop.

This investment will significantly improve safety, ensures the workshops are fit-for-purpose, and allows KiwiRail to carry out more maintenance work on locomotives and wagons. It also sets the stage for more heavy maintenance work and will support new skilled jobs and apprenticeships.

A number of disused buildings on the site have already been demolished. Long term there may be potential to redevelop disused parts of the site and attract associated engineering businesses, to turn Hillside into an engineering centre of excellence for the South Island.



1875

RAIL WORKSHOPS HAVE EXISTED CLOSE TO THE SITE OF DUNEDIN'S HILLSIDE WORKSHOPS SINCE 1875

800

EMPLOYED AROUND 800 PEOPLE IN THE 1930'S

Investment in rail to support regional development

Supporting regional economic development and connectivity

1. NORTHLAND RAIL – ESSENTIAL REPAIRS AND IMPROVEMENTS TO NAL
2. LAND PURCHASE BETWEEN OAKLEIGH AND MARSDEN POINT
3. WHANGANUI UPGRADE WORKS
4. CENTRAL NORTH ISLAND FREIGHT HUB LAND PURCHASE AND SITE PLANNING
5. SOUTH ISLAND TOURISM – ENHANCEMENTS
6. HILLSIDE HEAVY ENGINEERING CAPABILITY
7. SUPPORTING REGIONAL WORKER RE-DEPLOYMENT, THROUGH DRAINAGE IMPROVEMENTS AND MAINTENANCE
8. REOPENING NAPIER TO WAIROA



Benefits of investment

- ▶ Supports:
 - creating jobs, leading to sustainable economic growth
 - enabling Māori to realise aspirations in all aspects of the economy
 - encouraging environmental sustainability and helping New Zealand meet climate change commitments
 - improving resilience, particularly of critical infrastructure and by diversifying our economy
- ▶ Supporting COVID-19 recovery in the regions
- ▶ Focussed on opportunities that are commercially sustainable over time.



Section 3

Measuring the benefits of investment

Me pēhea te whakawāriu i ngā painga huhua noa

We need to monitor our performance in delivering these investments to ensure they are achieving the outcomes of the transport system

Our investment priorities over the next decade centre on restoring a resilient, reliable and safe freight and passenger rail network for New Zealand.

We will report investment levels for rail assets including maintenance, renewal and improvement of the network. We will also be monitoring our investments and the outcomes they are achieving for the transport system and New Zealand. We expect to monitor the benefits realised through our investment in a number of ways.

Measuring the achievement of outcomes

The investment in rail will also contribute to the overall outcomes that the Government is aiming to achieve through the transport system.

We recognise that COVID-19 will likely impact future passenger and freight forecasts. We will need to consider this in our monitoring and reporting programme.

The following sets out a draft framework of the potential indicators for measuring the achievement of rail investment against the Transport Outcomes, outlined in Section 1. We expect to refine this further as we implement the new regime, and note that most success factors will take time to be realised as the network is lifted out of a state of managed decline.

Success factors	Draft indicators					
Rail network is more resilient	Number of derailments	✓	✓			✓
	Number of outages and proportion restored within agreed timeframes	✓				✓
Rail network is more reliable (both freight and passenger rail)	Travel time reliability – specific measure to be defined	✓				✓
Rail network is more efficient	Rail freight productivity/ utilisation – specific measure to be defined					✓
Reduced emissions as a result of: <ul style="list-style-type: none"> Mode shift from road to rail i.e. rail results in less emissions than road Improvements in asset quality and other operational decisions 	Tonnes of greenhouse gases emitted per year	✓				
	Harmful emissions – specific measure to be defined		✓	✓		
Fewer fatalities and incidents as a result of: <ul style="list-style-type: none"> A safer rail network i.e. fewer rail safety incidents Mode shift from road to rail i.e. rail is safer than road 	Number of rail safety incidents	✓	✓			
	Deaths and serious injuries			✓		
More freight carried by rail – fewer truck trips as a result of freight mode-shift	Mode share for freight [total and %]		✓	✓		✓
More people travel by rail: <ul style="list-style-type: none"> Fewer car trips as a result of passenger mode-shift Increased patronage on rail passenger networks in Auckland and Wellington 	Mode share for people [total and %]		✓	✓	✓	
	Number of passenger boardings			✓	✓	



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Section 4

Next steps E whai ake nei

This Rail Plan will inform development of the first RNIP, and the detailed investment decisions in rail via the NLTF, as well as future Crown decisions.

As discussed in Section 2, the changes to the new planning and funding framework are significant and will take some time to fully implement. The Ministry of Transport will continue to work alongside agencies to support implementation of the new regime.

By mid-2021, we expect the first Rail Network Investment Programme (RNIP) will be ready for Ministerial approval. In line with the next National Land Transport Programme, KiwiRail is developing their first RNIP, and working with Greater Wellington Regional Council, Auckland Council and Auckland Transport to align their rail priorities.

Further work is also underway to develop track user charges. This work will need to consider the significant impacts COVID-19 has had on many transport operators, particularly those who rely on passengers, including tourists.

We intend to update and refresh the Rail Plan in future years. As this is our first Rail Plan, we expect it to evolve and develop over time.

Thank you to those who took the time to provide feedback on the draft Rail Plan. We value your feedback and your ambitions for rail. We share those ambitions and are committed to restoring our rail network over the next decade to provide a platform for future investments for growth.



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