

\$250m Lifeline for KiwiRail Provides Options for the Future – What's the Long Term Plan?

“The Government’s ‘in principle’ agreement to invest \$750m in the KiwiRail turnaround plan provides the company the opportunity to prove it’s long term value as a key component of New Zealand’s logistics network”, says Stephen Selwood, Chief Executive of the New Zealand Council for Infrastructure Development.

“The \$250m budget commitment for 2010/11 will provide KiwiRail the minimum that is required to sure up the business plan in the short term. It will allow KiwiRail to invest in the critical upgrades required to provide a competitive freight service between the main North and South Island distribution hubs.

“The additional \$500m is conditional upon KiwiRail demonstrating its ability to invest wisely, improve service and grow its customer base.

“Having made a significant investment in the ownership of the company New Zealanders expect rail can be competitively positioned as an alternative to road freight. While this is difficult in the short term, therefore requiring government subsidy, in the long term rail will be needed to meet a doubling in freight demand and the predicted rise in oil prices over the next 30 years.

“Investment now allows New Zealand to keep its options open for the future. The key question is whether the amount invested today is sufficient to address the rail infrastructure deficit and how does this fit in terms of an overall freight strategy for New Zealand that optimises the capacity of road, rail, sea and air and our port infrastructure investment?

“It is interesting to note that the federal government in Australia has recently launched a freight strategy. There is no equivalent approach yet planned for New Zealand and it is difficult to see the overall relationship between investments across the modes.

“We now look to KiwiRail to clearly demonstrate the merits of its business case going forward and how this will sit in context of the overall logistics industry in New Zealand”.