MIN-3952 KiwiRail Annual Report

12 September 2022

Providing the Minister of Transport with responses to queries identified in the KiwiRail Annual Report.

Waka Kotahi NZ Transport Agency's response:

- ***Waka Kotahi had difficulty fully assessing the efficiency and effectiveness of all the rail activities, particularly the large programme proposed for the freight network…***

  When assessing maintenance and renewal programmes for efficiency and effectiveness, Waka Kotahi assesses proposals against customer levels of service (as currently defined in the One Network Road Classification system (ONRC)) and use unit cost benchmarking as the main cost–benefit appraisal methodology. Neither of these two methods were available to Waka Kotahi when assessing the first Rail Network Investment Programme (RNIP) as there was no classification system available for the rail network or comparable organisations to benchmark costs against.

  We are currently moving away from the ONRC to the One Network Framework (ONF) as a more sophisticated method to develop different levels of service based on location and function. We are including KiwiRail in the ONF development with the aim of including the national rail system as well as the roading network.

  As part of their Asset Management Continuous Improvement Programme, KiwiRail is collecting cost and network performance data that will enable better comparisons against both the agreed levels of service and enable trend analysis against prior year costs. This will serve as benchmarking data and demonstrate continuous improvement and increasing cost effectiveness.

  With the longer-term funding model in place, KiwiRail is now able to deliver the best whole of life cost treatments for assets that will provide long-term efficiencies. In addition, the RNIP is prioritised based on condition and network criticality, which is an effective asset management strategy.

  Our expectation is that these improvements will enable more thorough assessment of the efficiency and effectiveness of the proposed RNIP 2024-27.

- ***Update on whether some direct saving have arisen as a result of early ordering of rail material***

  The key materials focus for KiwiRail has been on securing rail for the remaining two years of the programme and ensuring deliveries are received in a timely manner, thus enabling the programme of work to be undertaken in an optimum sequence.

  By ordering early, KiwiRail has been able to avoid some of the increased costs it would have otherwise incurred due to materials and shipping escalation. KiwiRail is a small player in relation to the international rail market, which makes it difficult to have significant negotiation power. As an example, a years' worth of rail only takes a Chinese supplier a single day to manufacture, including set up.

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- ***Update on issues regarding engineering recruitment and design resources for track work.***

  The reopening of the borders has allowed KiwiRail to ramp up overseas recruitment, with the recruitment of 15 signals engineers currently in progress. Given the technical and specialist nature of this work it will take some time before new recruits are fully conversant with New Zealand signalling systems.

  With current recruitment now underway, all additional engineering roles to support RNIP delivery will be filled.

- ***Update on an assessment as to which work is realistically likely in the 2021-24 period and what may be deferred.***

  KiwiRail has provided an updated forecast for the 2021-24 period. This indicates that there may be up to a 17 percent reduction in kilometres of track rail and sleeper renewals, and up to a 12 percent reduction in the number turnout renewals completed in the 2021-24 period.

  However, KiwiRail is continuing to investigate options to rephase works across the ten-year programme, including accelerating the plant programme to improve its delivery capacity in the 2024-27 period as well as bringing forward structures projects where possible.

  KiwiRail has already committed to purchasing an additional two ballast tamping machines, to address one of the core constraints of delivering the resleepering programme. There is an additional $84 million of critical plant that KiwiRail is looking to commence procurement for, including these tampers, a mobile flashbutt welder and specialist ballast, sleeper and turnout wagons to enable materials delivery to worksites.

  We will continue to work with KiwiRail on rephasing the programme.

- **Update about freight performance, including historic numbers, current progress, trends, lines and products that are moving upwards or downward, and what strategy KiwiRail is using to drive mode share in addition to network improvement.**

  KiwiRail will provide further information on freight performance at their regular meetings with you.

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