

NEWS RELEASE

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Rail Needs Route Changes, Rate Hikes To Succeed

Reconfigured routes and substantial rate increases are needed if rail is to meet the Government's goal of commercial viability, according to Pacifica Shipping.

Steve Chapman, the company's general manager of operations, said that without these critical changes, the Government's \$4.6 billion turnaround plan for rail will not succeed.

He said the plan's emphasis on growing rail's Auckland-Christchurch freight volume and profitability was a serious mistake.

"Commercial reality dictates that adding capacity to this route will depress rates further than their present low levels.

"The route already suffers from over-capacity across all land and sea transport modes and it makes no economic sense to worsen it.

"To pay its way rail must look to develop routes that can return profits, not lower market rates still further."

He said the plan's proposal to lengthen a rail ferry for extra capacity was equally short-sighted and lacked business sense.

"As ship operators we know that any vessel conversion for rail is enormously costly and flies in the face of every current trend around the world," he said.

"Plus there is more than enough existing port infrastructure in Wellington, Nelson, Lyttelton and Otago that puts no burden on taxpayers."

Mr Chapman said rail has a key role to play in meeting future freight demand, but not by using out-dated and expensive rail ferries.

"Its big strength is in bulk commodity movement to ports of wood products, dairy production and coal exports.

"This can be achieved without a single wagon having to cross Cook Strait, and the cost to New Zealanders would reduce dramatically."

He said rail will also need to progressively increase freight rates for users, as its \$346 million earned last year was totally inadequate to catch up with planned subsidy reductions.

"To be commercially viable in the long term, it has no choice but to increase rates by around 10 per cent per year to cover operational losses costing taxpayers \$90 million a year."

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