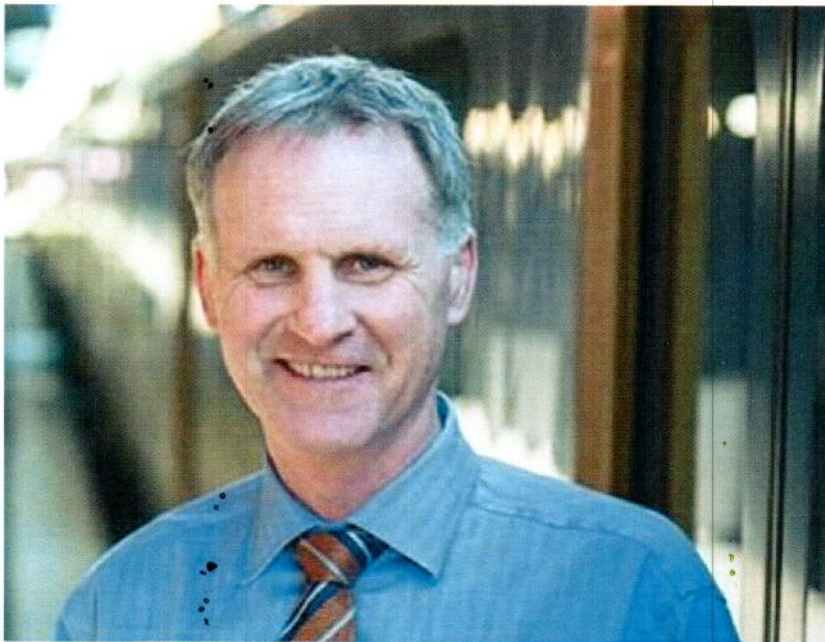


NBR

Coal and dairy revenues hit KiwiRail first-half

PATRICK SMELLIE · TUESDAY MARCH 1, 2016



KiwiRail chief executive Peter Reidy

Falling revenue from the rail network and one-off restructuring costs pushed state-owned KiwiRail to a net loss for the six months to December 31 of \$16.2 million, compared with a \$6.8 million loss for the same period last year.

Revenue for the half fell 5.5 percent to \$364.4 million "due to challenging market and weather conditions for two of our bulk freight commodities – coal and milk," said chief executive Peter Reidy in a statement. "This was partially offset by strong passenger growth in Interislander and Scenic Journeys (6 percent and 8 percent respectively) and productivity initiatives."

"We are working hard on re-shaping the business to enable us to deliver on our financial and sustainability targets. This will enable us to build intermodal freight strategies with our customers and the NZ Transport

Agency to bring integrated transport benefits to enable export and tourism growth for New Zealand."

The KiwiRail workforce fell by 200 positions over the half, among moves that would eventually save the rail operator some \$20-30 million annually but added \$6 million of costs in the period under review.

Earnings before interest, tax, depreciation and amortisation showed an underlying earnings surplus of \$27.3 million, a 22 percent fall on the prior corresponding period. The company's preferred operating measure, the underlying operating surplus, came in at \$33 million, compared with \$35.1 million the previous year.

KiwiRail is arguing to government officials that it should be relieved of including the costs of maintaining the rail network, rather than the trains it runs on the network, from its balance sheet, arguing the rail network should be funded by central government as part of the national transport infrastructure, like the roading network.

Reidy said the company was "focused on its long-term growth strategy in shaping inland intermodal freight hubs which will enable KiwiRail to aggregate export freight to these sites and distribute to ports via road and rail."

"Inland port rail-enabled hubs are developing across New Zealand [Rolleston, Whanganui, Longburn, Horitiu] and are examples of strong strategic relationships with ports and customers. This is also reflected in the strong performance of the import/export market with revenue up \$4 million."

Underlying full-year results were expected to be "within the forecast range," chairman John Spencer said.

(BusinessDesk)