



KiwiRail Revises Full Year Forecast

4 April 2011

A combination of extraordinary external events has prompted KiwiRail to revise its financial targets downwards for the current financial year.

Despite strong results in the first six months, Chief Executive Jim Quinn said KiwiRail's end of year result would be around 12 percent or \$15m below target as a result of the Christchurch earthquakes, the loss of coal production following the Pike River mine explosion and the softer economy which is impacting on domestic freight volumes.

KiwiRail's initial EBITDA target was \$120.8m and the revised forecast is now \$105.5m. Of the difference, \$11m is directly attributed to Christchurch earthquakes and the Pike River mine disaster, Mr Quinn says.

In addition, the dry spring has affected the volume of bulk milk moved in the second half of the dairy season and passenger numbers on the TranzAlpine and TranzCoastal services have taken two significant hits since the first earthquake.

"We set ourselves some very steep targets for this year, and our inability to meet those is largely due to external events that no one could have anticipated," Mr Quinn says.

"Support from our key freight customers remains strong, but many of them are experiencing the same difficult trading conditions we are. Encouragingly we are still growing our customer base.

"We will continue to drive to close the gap as much as possible over the remaining months of the financial year, but we are moving into the winter months when both freight and long-distance passenger volumes are softer. Forecasting will continue to be difficult until the market settles again after the mixed effects since the second earthquake."

Mr Quinn says the impact on the number of people booking on South Island long distance rail passenger services has prompted a review of these as the business heads into its low season. Bookings are low with the TranzAlpine running at 45 percent of the same period last year.

"The TranzAlpine can continue to marginally contribute at these levels, which are better than we forecast at the time of the earthquake. However the TranzCoastal is a more marginal service normally and will lose money through the low season on these levels.

“For this reason we have decided to suspend the TranzCoastal until August 15 to minimise the financial impact on the business. By committing to a restart date we believe that we can provide confidence for the wholesale market and be part of the upswing into the summer season and Rugby World Cup.

“We will work through the implications for our affected staff, our goal is to retain them in the business for when the service resumes.

“We know these rail journeys are well regarded internationally and are a key tourist attraction. We are continuing the project to modernise the capability with the new carriages being built in our Hillside workshops. We are looking to partner with an entity who is interested in investing to assist the modernisation of our passenger fleet and also to grow this market.”

Ends

Issued by KiwiRail

Media Contact: Jenni Austin, Senior Communications Advisor, 021 961 495