

DUNEDIN RAILWAYS LIMITED

EXPRESSIONS OF INTEREST

1. Introduction

Dunedin Railways Ltd (DRL) has operated tourist and charter train services utilising the Taieri Gorge railway line and the New Zealand rail network for many years.

Before Covid-19, the company was forecasting ongoing losses of circa \$500k per annum, and impending large expenses on the Taieri Gorge line infrastructure. The DRL board had been working on a business turnaround plan and developing a sustainable business model when the impacts of Covid-19 hit New Zealand's tourism industry.

DRL closed its doors as a non-essential business on March 23, 2020.

New Zealand's border closures and the impact of Covid-19 on the cruise industry made it unlikely that DRL would have sufficient tourist activity to operate for at least the next 18 to 24 months. ~80% of DRL's customers were international tourists and over 25% came from cruise ships. Even with support such as the Wage Subsidy programme, DRL faced insolvency unless immediate action was taken.

In April 2020, Dunedin City Council (DCC) agreed that DRL be put into hibernation. DCC committed to meet hibernation costs in order to enable options for future use of DRL's assets to be identified and evaluated.

DRL has been in hibernation mode from 1 July 2020. All assets have been retained and safely stored. Six staff remain employed by DRL to actively maintain key assets during hibernation.

Focus has now turned to identifying and evaluating options for sustainable tourism offerings based on DRL's assets.

2. Key Assets for Consideration

A. Taieri Gorge Line, comprising track infrastructure and the lease of the rail corridor

The Taieri Gorge Line starts 3.5km inland from Wingatui and ends at Middelmarsh.

DRL owns the track, sleepers and all other railway infrastructure on the line. The Crown owns the rail corridor (the land), bridges and tunnels, which are leased to DRL. Maintenance of the corridor, bridges and tunnels is DRL's responsibility.

The Taieri Gorge line has 39 bridges, 10 tunnels and 64 km of track. This infrastructure has been cared for over the years but is ageing and has deferred maintenance needs.

DRL undertook a review in 2019 of the likely maintenance costs of Taieri Gorge line infrastructure in the short and medium term. This included seeking external advice from a bridge engineer and



track auditor. This review indicated that approximately \$3m investment was required in the next three years, and a further \$5-7m in the following seven years (total ~\$10m in the next ten years), in order to keep the track safe and functioning.

This estimate does not include allowances for any weather events, which can cause damage to the Taieri Gorge Line from time to time.

B. Rolling Stock

Locomotives	6x Dj locomotives (3 being actively maintained*)
Generator Cars	Generator wagon – ZL462 Generator car – AG 118 Pod Generator Car – POD US
Carriages	6 x wooden heritage carriages (A,C,D,E,G & J) 2 x steel carriages (P* & S*) 2x ADR carriages (B* & T*) 3 x 56 foot carriages (R,V & Y) 4 x 56 foot Buffet carriages (N*,V,W & X) 2 x 50 foot carriages (M & U) 4 x AO Carriages (not certified for use)
Service cars	3 x 56 foot Buffet carriages (V,W & X) 1 x steel Buffet carriage (Q*)

*denotes assets being actively maintained while DRL is in hibernation

C. Property

- House at Middlemarch Station
- Pukerangi Toilets

3. Submissions

We would like to receive submissions from those individuals or parties who have identified a viable use of DRL assets, especially considering the existing challenges described above, which include a reliance on international tourists (and an uncertainty of their return time due to Covid-19) and the significant cost of maintaining the Taieri Gorge line.

We invite submissions from individuals or parties who have identified viable business propositions to be considered by the company to utilise or proposals to acquire some or all of DRL's assets.

We would note propositions will be considered within the existing challenges described above.

We welcome submissions and proposals (acquisitions or other) that include the following information:

- A detailed description of the proposal.
- The operating model, including how and what rolling stock and equipment would be utilised.
- For business propositions to be considered by the company:
 - The viability of the model in the short and medium to long term, considering the uncertainty of when international tourists return to the city.
 - The upfront investment required to commence the service and the likely on-going costs requiring consideration.
- The benefit to Dunedin City.
- Any other relevant matters that we would need to consider.

Please provide your submissions to info@dunedinrailways.co.nz by 5pm on Thursday, 13 August 2020.

Your submission will inform the options analysis and evaluation process that is being led by DVML and has an external Reference Group in place to provide feedback and insight into the options.