

Memorandum

To: Shane Ellison
From: Train Services – Metro Services
Date: 29 June 2020
Subject: Approval to write off the residual depreciation on the SA/SD and SX carriages

Dear Shane,

Since the retirement of the push and pull SA/SD train sets, Auckland Transport (AT) has been through a sales process which resulted in disposal of 76 SA/SD carriages, out of the original 104 carriages. To date the revenue received from the sales is \$4.70M versus the leasing and security costs of \$4.91M. There are 28 SA/SDs and 6 SXs carriages remaining, which are currently stored at the KiwiRail Taumaranui rail sidings.

Prior to COVID 19 there had been three businesses interested in purchasing the remaining carriages, all offers were conditional on seeking funding to purchase the SA/SDs. The three offers were from Kiwi Rail, Octagonal and Pounamu tourism.

Post COVID 19, the three companies have withdrawn their offers to buy the carriages citing financial hardship and the inability to seek the necessary funding to purchase the carriages due to the COVID 19 effect on tourism. The offers were between \$50,000 to \$65,000 for each carriage, noting that the organisations were still required to refurbish the carriages to operate Tourist trains.

Auckland Transport Costs

The carriages are stored at Taumaranui, on KiwiRail owned property. AT pays a lease to KiwiRail to have the carriages stored at their site. Along with storage costs, we also pay for security and maintenance costs. The maintenance costs are to check the carriages once every 90 days and to carry out a wheel turn. The last check confirmed that the carriages cannot be moved on the network due to the grease in the bogies separating. If the carriages were to be refurbished or scrapped, they would need to be moved by road.

The current costs being incurred by AT annually to store the 34 carriages is in the table below.

Description	Cost/Month	Annual Cost	Remarks
Security	\$13,535.84	\$162,430.08	
Storage Fee	\$5,000.00	\$44,000.00	
Movement Fee		\$44,000.00	
Geodis Contract	\$250.00	\$3,000.00	
Spares Storage			No invoice received
Total Cost 2019/20		\$253,430.08	

Next steps

AT's financial team have confirmed that if AT were to write off the carriages, (\$479,413.05) AT would be able to offer them to Kiwi Rail, Octagonal and the Glenbrook museum. The three parties have confirmed that they are willing to buy each carriage for a dollar. The three parties




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will then be responsible for the ongoing costs for movement and storage of the carriages moving forward. If AT do not write the carriages off then we will continue to bear the costs, without any certainty that we would be able to recover the costs in the next couple of years.

Indications from the perspective buyers are that the above carriages will be used for future projects, including providing extra carriages to supplement the commuter rail services for the Te Huia and Capital Connection. Both Octagonal and Glenbrook have indicated that they would utilise them for tourism projects at some point in the future.

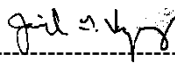
Please approve the write off for the residual depreciation of the 34 carriages as this would provide a reduction of opex costs of approximately \$253K annually. The write off cost will be below the line meaning it is reported outside the normal operating results.

Kind regards




Stephen Fernandes
Contract Manager – Rail

Reviewed:



Janrich Vasquez – Finance Business Partner

Recommended:




Craig Inger – Manager Train Services

Recommended:



Stacey Van Der Putten-Group Manager Metro Services

Recommended:



Mark Lambert – Exec GM Integrated Networks



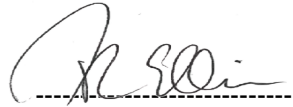
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Recommended:



Mark Laing – Exec GM Finance

Approved:



Shane Ellison – Chief Executive