



Inquiry into the future of inter-regional passenger rail in New Zealand

Report of the Transport and Infrastructure Committee

June 2023

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Inquiry into the Future of Inter-Regional Passenger Rail in New Zealand

Summary of recommendations

The Transport and Infrastructure Committee has conducted an inquiry into the future of inter-regional passenger rail in New Zealand and makes the following recommendations to the Government:

Leadership for inter-regional public transport

1. We recommend that the Government clearly identify a transport-sector agency to provide system leadership and guidance specifically for inter-regional public transport.
2. We recommend that this agency be responsible for the following areas:
 - a) providing advice, support, education, and guidance relating to inter-regional public transport in New Zealand
 - b) identifying and proposing new inter-regional public transport services
 - c) engaging with and supporting regional councils to identify potential for inter-regional public transport services that would benefit their region and communities
 - d) engaging with regional councils and Waka Kotahi—New Zealand Transport Agency to help consider the costs and benefits of proposed inter-regional public transport services
 - e) coordinating with regional councils, Waka Kotahi—New Zealand Transport Agency, and the Treasury—Te Tai Ōhanga to determine the appropriate business case pathway for proposed inter-regional public transport services and providing assistance to regional councils during the business case process
 - f) promoting well-being and environmental principles in the planning and design of public transport services
3. We recommend that the Ministry of Transport investigate how the New Zealand Rail Plan could better incorporate inter-regional passenger rail

Funding for future inter-regional passenger rail services

4. We recommend that funding arrangements for future inter-regional passenger rail services reflect the level of national benefit of such services to New Zealand.

Scoping studies to be progressed for inter-regional passenger rail services

5. We recommend that scoping studies be progressed for the following inter-regional rail services:
 - a) Auckland–Wellington
 - b) Auckland–Tauranga
 - c) Napier–Wellington
 - d) an extension of the Capital Connection service to Feilding.
6. We recommend that further investigation of other potential inter-regional passenger rail routes be undertaken to meaningfully compare and identify the costs, benefits, and risks associated with different opportunities.

1 Introduction

Trains have carried people and goods all around New Zealand for more than 160 years, connecting all across the country. By the early 1950s, New Zealand had more than 1,350 railway stations and 5,500 kilometres of tracks, and annual passenger numbers were between 20 and 26 million.¹ However, as private car and air travel became more popular and accessible, many passenger rail services were cancelled. The national railway network then experienced decades of underinvestment. It seemed as though the demand for rail had run out of steam.

Current and future challenges such as climate change, road congestion, and fuel prices, together with inequities in access to transport have seemed to reignite an interest in rail. Reinvesting in the rail network, and passenger rail services in particular, may support the sustainability, safety, accessibility, and resilience of our transport network.

So, should inter-regional passenger rail be a priority for New Zealand's future? If so, who should lead this work? How does the country pay for the necessary investment? How do we measure and compare the societal benefits of rail against other transport options? Just how much is this going to cost?

Our inquiry aims to answer some of these questions and open the discussion for others. We hope our findings can help inform public debate and understanding of how inter-regional passenger rail could benefit New Zealand. We recognise that there is much more work to be done. We are glad that we have had the opportunity to bring attention to this issue and look forward to continuing this conversation.

Inquiry purpose and terms of reference

We began our inquiry on 11 August 2022. Its purpose was to find out what the future could hold for inter-regional passenger rail in New Zealand. Our intention was to gain insight into the economic, environmental, and social factors affecting the viability of inter-regional passenger services in this country.

Our terms of reference were to:

- Investigate possibilities and viability of passenger rail in underserved communities, those with prior rail links that have been disestablished, and those currently advocating for improved rail links.
- Gain insight into viability of passenger rail sitting alongside KiwiRail's freight network.
- Evaluate existing inter-regional passenger rail, such as the Capital Connection, and how these services work between local and regional councils and central government.

¹ [Stations and refreshment rooms | Te Ara Encyclopedia of New Zealand](#); [Building the rail network | Te Ara Encyclopedia of New Zealand](#); [Railway passenger numbers, 1878-2015 – Railways | Te Ara Encyclopedia of New Zealand](#).

- Gain insights into the integration of regional rail into existing local public transport networks.
- Investigate the climate and emissions reductions possibilities of passenger rail, and how this links to VKT (vehicle kilometres travelled) reduction targets in the Emissions Reduction Plan, and including electrification between regions.
- Investigate potential rail expansions and investments in specific areas such as Tauranga (following a recent report on the re-introduction of passenger rail)² and the Lower North Island (following a business case funded at Budget 2022).³

Our process for conducting this inquiry

We published our terms of reference on 29 August 2022, and called for public submissions. We received 1,752 written submissions in response, including:

- 1,655 from private individuals
- 21 from local and central government
- 33 from businesses and industry representatives
- 43 from community organisations.

Between 27 October and 15 December 2022 we held public hearings with 104 individuals and groups. We note that 97 percent of submitters expressed support for new inter-regional passenger rail services in New Zealand.

In addition to the regular submissions process, we conducted informal engagement through social media channels. This included a short online survey, social media posts, and promotion on Instagram, LinkedIn, Twitter, and Facebook. Through our use of social media, we hoped to reach people who may have been less likely to engage with the formal submissions process. We received 3,132 responses to the online survey and 154 additional written short-form responses through Instagram stories.

To assist our consideration, we wrote to the Minister of Transport to request that Ministry of Transport officials serve as committee advisers. We also invited Te Waihangā—the Infrastructure Commission to act as co-advisers, and appointed an independent specialist adviser, Dr Shane Martin, to provide an independent viewpoint.

We would like to thank everyone involved for their contributions to our work.

² [Making Rail Work: a community's proposal for the re-introduction of an intercity passenger rail link to Tauranga | Tarakin Global.](#)

³ [Lower North Island Rail Integrated Mobility 2021 | Greater Wellington Regional Council.](#)

2 Background

New Zealand's current rail network

New Zealand's rail network comprises 4,128 kilometres of track. This includes 50 kilometres of electrified rail lines, 2,100 level crossings, 1,787 bridges, and 150 tunnels. Five main "trunks" link major cities, ports, and freight hubs. These are:

- North Island–North Island Main Trunk (Wellington–Auckland)
- North Island–East Coast Main Trunk (Hamilton–Kawerau)
- South Island–Midland Line (Rolleston–Greymouth)
- South Island–Main North Line (Christchurch–Picton)
- South Island–Main South Line (Lyttelton–Invercargill)

KiwiRail Holdings Limited (KiwiRail) is a state-owned enterprise that owns and maintains the national rail network infrastructure.⁴ Over New Zealand's history, this role has been filled by various public and private entities through significant restructurings and changes to operating models.⁵

Over time, and particularly in the early 2000s, focus shifted away from passenger rail services towards providing rail freight services. Today, the national rail network contributes \$1.7–2.1 billion to New Zealand's economy each year.⁶ Rail carries around 18 million tonnes of freight annually, around 13 percent of New Zealand's net-tonne kilometres of freight.⁷

Existing passenger rail services

Te Huia Hamilton–Auckland

Te Huia is an inter-regional passenger rail service operated by KiwiRail.⁸ It stops at Hamilton, Rotokauri, Huntly, Papakura, Puhinui, and Auckland's The Strand. Te Huia began operating in April 2021 on a trial basis. Operations were interrupted by COVID-19, but between April 2022 and March 2023, Te Huia carried an average of 200–300 passengers each day it operated.

Te Huia is funded through revenue from passenger fares, contributions from the Waikato Regional Council and Waikato District Council, and a subsidy from Waka Kotahi. Its farebox recovery rate—the portion of its operating costs covered by passenger fares—is 13.4

⁴ KiwiRail also operates freight services and some inter-regional tourist passenger services.

⁵ A summary of the New Zealand national rail network's history can be found here: [Railways | Te Ara Encyclopedia of New Zealand](#).

⁶ [The Value of Rail in New Zealand | KiwiRail](#).

⁷ [KiwiRail Integrated Report 2022 | KiwiRail](#), p 10.

⁸ [Te Huia \(tehuia.train.co.nz\)](#).

percent.⁹ This is almost double the service's target farebox recovery rate of 7.6 percent. Higher farebox revenue than expected ultimately results in a lower subsidy than planned.

KiwiRail reported excellent customer feedback results for Te Huia in 2022. A total of 94 percent of passengers surveyed reported satisfaction with the service, and 93 percent indicated that they would recommend Te Huia to others.

Capital Connection Palmerston North–Wellington

The Capital Connection is another long-distance inter-regional passenger rail service operated by KiwiRail.¹⁰ It stops at Palmerston North, Shannon, Levin, Ōtaki, Waikanae, Paraparaumu, and Wellington. The service runs close to capacity with around 135,000 passenger trips each year. It has been in operation since 1991.

The Capital Connection service uses older rolling stock that is nearing the end of its life. Rolling stock refers to railway vehicles, such as locomotives, carriages, wagons, or other vehicles used on a railway. As part of the New Zealand Upgrade Programme, the Crown has provided funding to refurbish the service's carriages.¹¹ Under Budget 2023, the Government has committed to co-funding 18 new trains for the Capital Connection and Wairarapa and Kāpiti Coast services as part of the Lower North Island Rail Integrated Mobility Project.

The Capital Connection is funded through fixed contributions from the Greater Wellington Regional Council and Horizons Regional Council, with the remaining costs subsidised by Waka Kotahi.

Metropolitan, tourism, and heritage rail services

Auckland Council and the Greater Wellington Regional Council (through Auckland Transport and Metlink) are responsible for metropolitan (metro) passenger rail services in Auckland and Wellington respectively.

KiwiRail operates the Great Journeys New Zealand tourism passenger rail services.¹² These services comprise the Northern Explorer (Auckland–Wellington), Coastal Pacific (Christchurch–Picton), and TranzAlpine (Christchurch–Greymouth). The Great Journeys New Zealand services are designed to provide experiences specifically for tourists.

There are also more than 60 heritage rail operators in New Zealand that operate old steam or diesel engines, or exhibit historic displays and collections.

Historical passenger rail services

Historically, New Zealand has had numerous inter-regional passenger rail services. Some of the most recent services for various routes are listed below. The majority of these services were cancelled because they were not profitable. However, because some of these services were long ago, there is limited information available about the decisions to cancel them.

- Auckland–Whangārei (Northland Express), 1925–1967

⁹ Figures provided for the period from Oct 2022 to Mar 2023. [Integrated Report 2022 | KiwiRail](#), p 32.

¹⁰ [Capital Connection \(greatjourneysnz.com\)](#).

¹¹ [New Zealand Upgrade Programme | Waka Kotahi NZTA](#).

¹² [Aotearoa New Zealand by Rail | Great Journeys NZ](#).

- Auckland–Tauranga (Kaimai Express), 1991–2001
- Auckland–Hamilton (Waikato Connection), 2000–2001
- Auckland–Wellington (Northerner), 1975–2004
- Auckland–Rotorua (Geyserland Express), 1991–2001
- Gisborne–Napier (Endeavor), 1991–2001
- Napier–Wellington (Endeavor, Bay Express), 1972–1988, 1989–2001
- New Plymouth–Wellington (New Plymouth Express), 1955–1977
- Christchurch–Invercargill (The Southerner), 1970–2002.

Governance and funding

Transport sector agencies with rail responsibilities

Several transport sector agencies work together to plan and fund New Zealand’s railway system. These agencies and their responsibilities are outlined below:

- The Ministry of Transport—Te Manatū Waka provides impartial, expert advice to the Government to help it meet its transport objectives, including for rail. The ministry develops the New Zealand Rail Plan on behalf of the Minister of Transport.
- Waka Kotahi—New Zealand Transport Agency is a Crown agency responsible for managing, regulating, and investing in the land transport system. It monitors rail activities funded under the National Land Transport Fund (NLTF) and is the safety regulator for rail.
- KiwiRail Holdings Limited owns, operates, and maintains the national rail network infrastructure. It also operates freight, ferry, tourism, public transport, and property services. KiwiRail’s 4,500 staff are responsible for 3,700 kilometres of railway track, 247 locomotives, and three ferries.
- Auckland Council and the Greater Wellington Regional Council are responsible for planning and operating metro passenger rail services in their regions.¹³ Other regional councils and territorial authorities may also have rail responsibilities in their regions.
- The New Zealand Railways Corporation owns the land beneath the rail network (approximately 18,000 hectares), which it leases to KiwiRail at a nominal cost.

Funding for the national rail network

Under the Land Transport Management Act 2003, funding for the national rail network comes from the National Land Transport Fund (NLTF).¹⁴

The NLTF is made up of revenue from fuel excise duty, road user charges and road tolls, vehicle and driver registration and licensing, and state highway property disposal and leasing. Rail users also contribute to the fund through rail user charges. The Crown may pay

¹³ The metro passenger services in Auckland are operated by Auckland One Rail on behalf of Auckland Transport. See: [About us | Auckland One Rail](#).

¹⁴ [Land Transport Management Act 2003 No 118 \(as at 23 February 2022\), Public Act | New Zealand Legislation](#).

additional money into the NLTF. The NLTF funds all land transport activities under the National Land Transport Programme (NLTP).¹⁵

The Land Transport Management Act also requires KiwiRail to prepare a Rail Network Investment Programme (RNIP) every three years. Each RNIP provides a detailed three-year investment programme for the rail network and a high-level forecast of KiwiRail's expected investment priorities for the next 10 years. The Minister of Transport must approve the RNIP (in consultation with other shareholding Ministers). Waka Kotahi advises the Minister of Transport on the RNIP and monitors rail activities funded under the NLTF. The first RNIP was approved in June 2021.¹⁶

The Future of Rail Review and New Zealand Rail Plan

In 2017, the Government initiated the Future of Rail Review.¹⁷ The review aimed to identify the benefits of rail to New Zealand and the future role rail could play in the transport system.

Findings from the Future of Rail Review include that:

- the rail network is facing a state of managed decline due to long-term underinvestment
- the current funding arrangements for the rail network, which provide for short-term funding through the Budget process, are inadequate for a long-term asset
- in effect, Crown funding has been used to meet the shortfall between the minimum investment needed to support the rail network and the profit from KiwiRail's rail operations
- there is a lack of integration between road and rail network investments.

The review recommended the development of a 10-year investment programme to rehabilitate the rail network. Following this, the first New Zealand Rail Plan was published in 2021.¹⁸ The Rail Plan outlines the Government's 10-year strategic vision for rail, a 10-year programme of indicative investment and benefits, the delegation of roles and responsibilities across entities, funding sources and principles, and performance outcome measurements. The Rail Plan 2021 seeks to establish a long-term planning and funding framework for rail and also sets the strategic investment priorities for rail.

The strategic investment priorities identified in the Rail Plan are:

- investing in the national rail network to restore rail freight and provide a platform for future investments for growth
- investing in the metropolitan rail networks to support growth and productivity in the country's largest cities.

Under the Rail Plan 2021, the priority for inter-regional passenger rail is to continue supporting existing services, namely Te Huia and the Capital Connection.

¹⁵ [2021–24 National Land Transport Programme | Waka Kotahi NZTA.](#)

¹⁶ [Rail Network Investment Programme | KiwiRail.](#)

¹⁷ [Future of rail | Ministry of Transport.](#)

¹⁸ [The New Zealand Rail Plan | Ministry of Transport.](#)

3 The public value of inter-regional passenger rail

What we heard from submitters

A significant number of submitters identified potential benefits of inter-regional passenger rail. We heard that rail can contribute substantial public value and unlock various socio-economic opportunities. Inter-regional passenger rail can stimulate regional economic development, contribute to domestic tourism, improve outcomes for the wider land transport system, reduce emissions, and remove barriers to transport access.

Of 1,655 submissions received:

- 620 submissions focused on issues of access and equity in transport
- 625 submissions mentioned potential transport system or regional development benefits
- 818 submissions referenced climate change adaptation and mitigation.

This chapter discusses the potential public value of inter-regional passenger rail, highlighting various themes discussed by submitters.

Accessibility and affordability

Disability, mobility, and access to transport

The 2013 New Zealand Disability Survey reported that around one quarter (24 percent) of New Zealanders are disabled.¹⁹ The most common disabilities reported were physical disabilities and sensory disabilities, estimated to affect 14 percent and 11 percent of the population respectively. In 2005, the Human Rights Commission—Te Kāhui Tika Tangata (HRC) published its findings from an inquiry into accessible public land transport in New Zealand.²⁰ The inquiry found that significant numbers of disabled people experienced ongoing systemic barriers to using public land transport services and the related infrastructure.

In 2022, Waka Kotahi reported that, despite progress in some areas, there has been no measurable improvement in the accessibility of the public land transport system for disabled people since the HRC inquiry.²¹ Waka Kotahi found that disabled people can experience barriers in every stage of a public transport journey, from accessing information about the journey, to physical and infrastructure barriers, staff attitudes, and flow-on effects caused by delays.²²

A number of older submitters, and submitters with disabilities, shared personal stories about their difficulties navigating public transport. They stated that inaccessible transportation barred them from accessing their workplaces, medical services, shops, and other places

¹⁹ [Disability survey 2013 | Stats NZ.](#)

²⁰ [The Accessibility Journey: Report of the Inquiry into Accessible Public Land Transport | Social Wellbeing Agency.](#)

²¹ [Transport experiences of disabled people in Aotearoa New Zealand | Waka Kotahi NZTA, p 7.](#)

²² [Transport experiences of disabled people in Aotearoa New Zealand | Waka Kotahi NZTA, pp 94–95.](#)

they would like to travel to independently. Specifically, we heard that systemic barriers could include things such as lack of seating at bus stops, height gaps between buses and the kerb, and the risk that mobility equipment may be damaged during journeys.

Waka Kotahi's report specifically noted a lack of available and accessible inter-regional public transport options. Best practice guidance for how to make transport services accessible is often applied within cities and regions, but without thought to inter-regional services.²³ This may prevent disabled people from travelling to or from other regions without difficulty.

Submitters told us that new inter-regional passenger rail services may offer a more accessible form of public transport for disabled people. However, they stressed that it is still important to consider accessibility and universal design²⁴ when planning for new inter-regional passenger rail services.

The Ministry of Transport told us that inclusive access is a key focus in its Transport Outcomes Framework.²⁵ We heard that the Government Policy Statement on land transport (GPS) 2021 also committed to improving inclusive access to transport options.

Affordability of transport options

Many submitters emphasised that inter-regional passenger rail services should be affordable. Some submitters told us that they felt limited in their options for travelling to different parts of New Zealand. They usually travelled by private car, and travelled shorter distances, because they do not have access to affordable inter-regional transport options. Submitters recommended that the cost of travelling by passenger rail should be comparable to the cost of travelling by other transport modes.²⁶ They suggested that, if passenger fares were too high, this could reduce the uptake and patronage of services.

Some submitters suggested that the Government should subsidise fares to improve the affordability of inter-regional passenger rail. The Ministry of Transport reports that people in the lowest income bracket spent an average of 28 percent of their household income on transport in 2019.²⁷ We heard that lower fares for passenger rail, and other forms of public transport, would help reduce this disparity and help people on low incomes afford other essential items and services, such as food and electricity. However, other submitters observed that subsidising fares could also reduce the commercial viability of services or limit the funding available to support other aspects of the rail or public transport system.

We note that since April 2022 public transport services have been temporarily provided at half price to help reduce cost-of-living pressures. We note that the number of passengers using the Capital Connection and Te Huia passenger rail services has increased significantly since fares have been subsidised.

²³ [Transport experiences of disabled people in Aotearoa New Zealand | Waka Kotahi NZTA](#), p 94.

²⁴ Universal design is the process of designing something to be functional for as many people as possible, regardless of disability, age, or other factors.

²⁵ [Transport Outcomes Framework | Ministry of Transport](#).

²⁶ For a comparison of the cost and travel time of different transport modes see: [Inter-Regional Passenger Rail Inquiry Departmental Report Supplementary Paper | Ministry of Transport](#), pp 25–26.

²⁷ [Transport Indicators | Ministry of Transport](#).

Budget 2023 committed to providing permanent, free public transport for children under 13 years old, half-price public transport fares for people under 25 years old and Community Service Card holders, and half-price fares for Total Mobility Card holders.²⁸ This initiative is funded through the Climate Emergency Response Fund. As well, the SuperGold Card scheme enables people aged 65 years and older and veterans to travel for free on scheduled off-peak urban public transport services.

Regional development and social connectivity

We heard from submitters that inter-regional passenger rail could support and stimulate regional economic growth. Specifically, they noted that inter-regional passenger rail could:

- improve access to education and employment opportunities for regional and rural communities
- enable people to choose housing options that best suit their needs, as they could more easily commute if needed
- improve productivity by enabling commuters to work while they travel (if workspaces and wi-fi were available on carriages)
- connect to different tourist sites, such as national parks, vineyards, and beaches, to improve access for domestic tourism
- grow cycle tourism by providing access to cycling trails and enabling people to easily transport bicycles across the country.

Submitters also told us that inter-regional passenger rail services also have the potential to improve social connectivity and reduce social isolation. Many submitters highlighted how this could have beneficial effects for regional and rural communities, where people otherwise often face geographical barriers to social connection. This might also benefit other groups at particular risk of social isolation, such as disabled people, who report feeling lonely at a substantially higher rate than non-disabled people.²⁹

Urban development and spatial planning

Submitters emphasised the importance of considering urban development when planning for new inter-regional passenger rail services. We heard that new services could influence urban growth and intensification. Transport options influence people's movement between suburbs, cities, towns, and regions. For example, urban areas on an inter-regional passenger rail line could become more attractive places to live and consequently affect where development, including intensification, occurs. Regions should consider how inter-regional rail would influence demand for housing and other services, and how this would affect elements such as congestion, urban form, and environmental outcomes.

We heard that New Zealand's geography and low population density affect the demand for inter-regional passenger rail services. New Zealand's urban centres tend to be smaller and further apart than in many other countries. Although passenger rail services could encourage future growth, demand might be limited in some areas at first.

²⁸ [Budget 2023 | 18 May 2023](#).

²⁹ [Disability survey 2013 | Stats NZ](#).

Benefits for road users and road safety

Submitters highlighted that inter-regional passenger rail would also benefit users of other transport modes. For example, if more travellers used inter-regional passenger rail there would be fewer cars on the road. This would reduce congestion, thereby shortening journey times and reducing costs for road users. Some submitters suggested that investing in rail and alternative transport modes would reduce wear on roads and save on expensive road upgrades.

Others focused on safety benefits. They told us that inter-regional passenger rail is a comparably safe mode of travel. Submitters stated that fewer vehicles on roads would also reduce the number of traffic incidents. This could contribute towards the Government's targets, under the Road to Zero strategy 2020–2030, to reduce road-user deaths and serious injuries by 40 percent by 2030.³⁰

Climate change

Climate change was a demonstrably important issue for submitters, with almost half of all submitters referencing the issue. Submitters noted that inter-regional passenger rail could help New Zealand meet its decarbonisation commitments.

Transport is the second largest source of greenhouse gas emissions in New Zealand. It accounts for approximately 17 percent of gross domestic emissions and 39 percent of carbon dioxide (CO₂) emissions. New Zealand has made a number of international commitments to reduce its emissions. For example, it ratified the 2016 Paris Agreement, a binding international treaty that commits parties to make significant efforts to reduce their emissions and strengthen their resilience to the potential threats and consequences of climate change. Domestic policies, such as the Climate Change Response Act 2002, also commit New Zealand to reduce its greenhouse gas emissions (excluding biogenic methane) to net zero by 2050.³¹

Climate change adaptation and building resilience

Submitters noted that passenger rail could improve New Zealand's resilience to the effects of climate change, natural hazards, and other events. For example, if natural hazards or extreme weather events prevented access to roads or air travel, rail could provide an alternative method for moving people and goods.

We heard that inter-regional passenger rail could allow New Zealand to reduce its energy dependence and reliance on global fossil fuel markets. Passenger rail could also enable more efficient use of existing transport infrastructure. This is because a reduction of vehicles on the roads would be likely to improve the longevity of road infrastructure, reducing maintenance costs and the volume of emissions-intensive resources needed to support maintenance and renewal programmes for roads.

³⁰ [Road to Zero Action Plan | Ministry of Transport.](#)

³¹ [Climate Change Response Act 2002 No 40 \(as at 01 January 2023\), Public Act | New Zealand Legislation.](#)

North Island floods and Cyclone Gabrielle 2023

During our consideration of this inquiry, New Zealand experienced several severe weather events including widespread flooding and land slips across the upper North Island, and Cyclone Gabrielle. Several regional and national states of emergency were declared.

The flooding and cyclone caused significant damage to the national rail network and demonstrated the need for investment in resilient infrastructure. The North Island floods damaged the North Auckland Line as well as the local road network in Auckland. The Hastings–Napier and Napier–Wairoa lines also sustained major damage during Cyclone Gabrielle. While these were unprecedented events, we acknowledge that the effects of climate change mean that the frequency and likelihood of severe events will be exacerbated in future. We note that, since 2020, MetService has issued 11 “red warnings” for severe weather events, a warning reserved only for extreme weather when people need to take immediate action to respond.

Decarbonisation of the transport sector

In May 2022, the Government released its Emissions Reduction Plan (ERP), which sets New Zealand’s strategic direction for climate action for the next 15 years.³² The ERP includes three key actions to reduce transport emissions:

- reducing reliance on cars and supporting people to walk, cycle, and use public transport
- rapidly adopting low-emissions vehicles
- beginning work now to decarbonise heavy transport and freight.

A large majority, two-thirds of New Zealand’s transport-related emissions, come from light vehicles (such as cars and vans) and 24 percent come from heavy vehicles (such as trucks and buses). Seven percent are from domestic air travel.³³ Travelling by petrol car or plane results in 6.7 and 5.8 times more emissions, respectively, than traveling by diesel train.³⁴ We heard from submitters that, therefore, encouraging people in New Zealand to use more sustainable travel methods, such as inter-regional passenger rail, could substantially reduce transport emissions.

Supporting sustainable transport choices and reducing Vehicle Kilometres Travelled

The ERP sets a target to reduce vehicle kilometres travelled (VKT)³⁵ from light vehicles by 20 percent (relative to projected growth) by 2035 through providing better transport options and improving urban form.³⁶ Inter-regional passenger rail services could support the reduction of VKT, particularly as the lack of alternative inter-regional transport options means people often have little option but to use cars for these journeys. We heard from submitters that inter-regional passenger rail services could enable people to reduce their dependency

³² [Aotearoa New Zealand's first emissions reduction plan | Ministry for the Environment.](#)

³³ [Decarbonising Transport Action Plan 2022–25 | Ministry of Transport.](#)

³⁴ Inter-Regional Passenger Rail Departmental Report: Final Report to the Transport and Infrastructure Committee Inquiry, p 63.

³⁵ Vehicle kilometres travelled refers to the total kilometres travelled by motor vehicles on roads in a given region and period of time.

³⁶ As noted in the Decarbonising Transport Action Plan, this represents about a one percent reduction in light VKT compared to 2019 levels, assuming ongoing population growth and urban development. See: [Decarbonising Transport Action Plan 2022–25 | Ministry of Transport.](#)

on cars and switch to alternative forms of transport. Submitters recommended that future inter-regional passenger rail services be integrated with existing regional public transport networks so that people can reach their destinations easily without having to switch to a car to complete the journey. Some submitters also suggested that inter-regional passenger rail would offer an alternative to domestic air travel, thereby reducing aviation emissions.

Submitters told us that the availability of multiple transport options would make it easier for people to travel in ways that are efficient, sustainable, and suited to their individual needs. We heard that this allows people to choose transport methods that are most appropriate to their preferences, access needs, and financial situation, rather than them having to adapt to what is available.

Electrification of the rail network

Currently, only a portion of the national rail network is electrified. Most long-distance passenger rail services in New Zealand are diesel powered. While a diesel train is generally a lower-emissions form of transport than petrol car or air travel, an electric train can produce around three times less emissions than diesel train.³⁷

Many submitters commented on the potential to extend the electrification of the railway track and to upgrade rolling stock to take advantage of electrification. Submitters spoke about how electrification could help reduce greenhouse gas emissions and produce substantial environmental benefits. Some submitters suggested that diesel trains could be used as an interim solution to progress new inter-regional passenger rail services, but said it would be important to electrify more of the rail network in future.

The ERP includes targets to reduce emissions from freight transport by 35 percent by 2035 and to reduce the emissions intensity of transport fuel by 10 percent by 2035. The electrification of the rail network could be a potential avenue to help New Zealand meet its decarbonisation targets set out in the ERP.

Further discussion about electrification is included later in this report in chapter 7 on technical investment.

Our response

We think that inter-regional public transport could bring demonstrable public value to New Zealand. We have heard that inter-regional passenger rail could increase equitable access to transport and movement, bring about regional development and economic benefits, and contribute to decarbonisation and climate change adaptation. What we have heard most strongly from submitters is that there is a large, and diverse, group of people who have a real passion for rail. We know that many people would like to see more passenger rail services in New Zealand, and we match that enthusiasm.

While it is evident that there are wide societal benefits associated with passenger rail, it is difficult to measure or quantify these benefits. Cost–benefit analysis calculations can be used to evaluate investment in land transport and infrastructure. Waka Kotahi produces the

³⁷ Inter-Regional Passenger Rail Departmental Report: Final Report to the Transport and Infrastructure Committee Inquiry, p 63.

Monetised benefits and costs manual which sets the standard for economic evaluation procedures and values used for calculating cost–benefit ratios.³⁸ It also produces the *Non-monetised benefits manual* which provides guidance on how to measure and forecast benefits related to factors such as safety, resilience, inclusiveness, economic prosperity, and sustainability.³⁹ It is difficult to measure the future costs and benefits of inter-regional passenger rail at such a general level. However, tools such as these can be used to evaluate specific proposals for services and business cases.

Governments need to thoroughly consider the public value, and wider costs and benefits, of transport and infrastructure investments. Increasing inter-regional passenger rail will likely require a high level of investment in the national rail network. On the other hand, historical trends suggest that inter-regional passenger rail services are unlikely to result in a high commercial return without services experiencing patronage growth. Careful assessment will be needed of whether inter-regional passenger rail services are the public transport option that best benefits the public.

We note that several commercial bus or coach services operate inter-regionally. While these options do not provide the same level of public benefit as passenger rail, particularly in terms of accessibility and environmental benefits, they remain a viable option for many people. Perhaps, for some regions, further investment or public subsidies for inter-regional bus services would be a better option. However, this option may present accessibility barriers for some users with a disability or mobility issues.

We acknowledge that it is difficult to compare the demand for existing commercial inter-regional bus services with the future demand for passenger rail. It is likely that climate change will continue to shape and change transport priorities in New Zealand. If passenger rail services are designed efficiently, accessibly, and in a manner that meets people's needs, there is real potential for large-scale uptake.

At this stage, we think what will be most useful is identifying specific inter-regional services that should be investigated further. We need to better understand the costs and benefits of specific services before we can properly evaluate their potential. From that point, there could be informed public debate about the best way to direct the future of inter-regional passenger rail. We also note that it will be important to consider whether the tools being used to evaluate the costs and benefits of investment in public transport are set up most effectively to capture the public value of investment.

³⁸ [Monetised benefits and costs manual | Waka Kotahi.](#)

³⁹ [Non-monetised benefits manual | Waka Kotahi.](#)

4 Responsibility, strategic oversight, and operation

What we heard from submitters

We heard a diverse range of views as to whether the current institutional arrangements and delegation of responsibility between transport agencies would be suitable for the successful planning, funding, and delivery of inter-regional passenger rail services. Overall, submitters wanted to see stronger leadership of the land transport sector, and clearer lines of responsibility among the agencies involved.

We heard from around 450 submitters, including industry representatives and local government, on this matter. More than 100 submitters expressed views on the existing strategic settings, including the New Zealand Rail Plan. Submitters generally felt that passenger rail services in New Zealand suffer from a lack of clear direction, and that existing institutional arrangements do not help with this issue.

This chapter will outline the possible approaches for delegating responsibility, strategic oversight, and operational management of inter-regional passenger rail services in New Zealand. It also discusses the potential for a national strategy for inter-regional passenger rail.

Inter-regional passenger rail within existing settings

Under the existing settings, regional councils must work with one another and with a number of transport agencies to fund and operate inter-regional passenger rail services. For example, KiwiRail operates the Capital Connection, and the service is co-funded by the Greater Wellington Regional Council, Horizons Regional Council, and Waka Kotahi.

To start a new service, regional councils would have to identify potential inter-regional passenger rail services and work with other relevant councils to determine the viability of a proposed service. If a project can successfully prove its value during the business case process, councils would then have the option to include an inter-regional rail proposal in their regional land transport plans (RLTPs). These are used by local governments and Waka Kotahi to determine which regional transport projects receive funding. The Government could consider whether to prioritise investment into a specific service by signalling its intent in the New Zealand Rail Plan. Councils and Government would then work together to determine the funding arrangements and begin to plan the service. The Treasury, Waka Kotahi, and the Ministry of Transport can support councils through this process.

We heard from submitters that the governance and operational structures for existing inter-regional rail services are unclear and confusing. Some submitters suggested that this has contributed to poor outcomes and reduced public confidence in existing services, and has limited the opportunities for future services to be adequately considered.

Others felt that KiwiRail is unable to effectively prioritise passenger rail services due to its commercial mandate. As a state-owned enterprise, KiwiRail must operate as a successful business. Some submitters expressed the view that this results in KiwiRail disproportionately prioritising its freight operations while neglecting passenger rail, despite the evident public value of many passenger rail services. Submitters suggested that KiwiRail has not provided sufficient system leadership to help councils determine whether inter-regional passenger rail services are viable.

Te Waihanga told us that KiwiRail's commercial mandate means that investment decisions are often made based on the economic viability of services, rather than consideration of any wider societal costs and benefits. This means that, even if a rail service would be worthwhile from a public-value perspective, investment is still unlikely to occur.

Te Waihanga told us that:

Because no one is tasked with planning and providing inter-regional rail, **there is a knowledge gap** on the potential for inter-regional passenger rail. It's a bit of a chicken and egg situation – because there is no clear system lead, it means no one has prioritised looking at the potential in this area.

We heard from the Ministry of Transport that it believes the current institutional arrangements are appropriate for the near future. It recommended that the focus over the next few years should be for regional councils and territorial authorities to work with the ministry and other relevant transport agencies to determine the viability of any new services.

We note that the Land Transport Management (Regulation of Public Transport) Amendment Bill proposes to establish a Sustainable Public Transport Framework which would replace the Public Transport Operating Model.⁴⁰ If passed, this would likely affect the strategic settings and institutional arrangements for public transport operators in New Zealand.

Approaches to delegating responsibility for inter-regional services

Suggestions from submitters

Submitters suggested a diverse range of options for how the existing institutional arrangements could be reformed to improve system leadership for inter-regional passenger rail.

Under the existing arrangements, KiwiRail is the national network provider and the national provider for rail freight services. Regional councils are responsible for the metro rail services in their regions. For the existing inter-regional passenger rail services, councils, Waka Kotahi, and KiwiRail work together to fund and operate specific services.

Some submitters suggested establishing a new agency to direct either inter-regional passenger rail or public transport more generally. Some submitters advocated for a new national network provider, instead of KiwiRail. The majority of submitters did not comment on

⁴⁰ At the time of this report, June 2023, this bill was under active consideration by Parliament. [Land Transport Management \(Regulation of Public Transport\) Amendment Bill 237–1 \(2023\) | New Zealand Legislation.](#)

the arrangements for freight services, which are currently operated by KiwiRail. The most commonly suggested reforms are outlined in the table below.

	National network provider	National provider for rail freight services	Provider for inter-regional passenger rail	Metro rail operator (Auckland and Wellington)
Option 1	KiwiRail	KiwiRail	New inter-regional passenger rail agency	Auckland Transport and Metlink
Option 2	KiwiRail	KiwiRail	KiwiRail	Auckland Transport and Metlink
Option 3	New network provider	KiwiRail	KiwiRail	Auckland Transport and Metlink
Option 4	New network provider	KiwiRail	New inter-regional passenger rail agency	Auckland Transport and Metlink
Option 5	New national public transport agency	KiwiRail	New national public transport agency	New national public transport agency

International arrangements for inter-regional passenger rail

We briefly examined how countries with similar population levels, geography, and urban environments to New Zealand operate their passenger rail networks.⁴¹

We note that Australia has numerous inter-regional passenger rail services. Each state operates these services under different arrangements. For example, in Victoria, regional public transport and rail services are operated by a not-for-profit statutory authority that reports to the Department of Transport Victoria. The rail network is owned by a state-owned organisation.

In comparison, Norway has a number of private and state operators that run passenger rail services. The Norwegian Government subsidises several of these operators. The Ministry of Transportation is responsible for strategic rail policies and regulatory requirements. The ministry's subsidiary agency, Norwegian Railway Directorate, advises the ministry on matters relating to rail. There is also a state enterprise that owns and maintains the railway track network.

⁴¹ For a fuller analysis, see: Inter-Regional Passenger Rail Inquiry Departmental Report Supplementary Paper | Ministry of Transport.

It is clear that a wide variety of examples from overseas could be drawn from when considering how best to delegate responsibility for inter-regional public transport services here. However, it is also important to remember that what works overseas may not necessarily be what is best in New Zealand.

A national strategy for inter-regional passenger rail

A substantial number of submitters stated that the New Zealand Rail Plan does not provide sufficient strategic national direction for inter-regional passenger rail services, or for any passenger rail services other than metro services in Auckland and Wellington. Some submitters recommended that the existing Rail Plan be strengthened. Conversely, others advocated establishing a separate national strategy for inter-regional passenger rail.

The Ministry of Transport's view is that improving the Rail Plan, to better incorporate inter-regional passenger rail services, would be more effective than establishing a new passenger rail strategy. In its view, having a separate strategy for inter-regional passenger rail would discount "the interconnected relationship that investment often brings for both freight and passenger rail services".

The ministry is also required to develop a national public transport strategy as an action under the Emissions Reduction Plan. The strategy could consider the potential for inter-regional public transport services, such as rail. The ministry acknowledges that there is an opportunity to develop a specific national framework for inter-regional public transport to address the current lack of planning for such services. This framework could then help to inform the Rail Plan, the Rail Network Investment Programme, and future Government Policy Statements on land transport, and could support transport agencies to work towards developing new inter-regional passenger rail services.

Our response and recommendations

One of the main purposes of our inquiry was to bring long-overdue attention to the area of inter-regional passenger rail. From our inquiry, it has become clear that there is a gap in New Zealand's current institutional arrangements, knowledge and research, and planning for land transport.

The current land transport system takes a regional approach to planning and investment. This has resulted in planning agencies neglecting the potential benefits of services that cross regional boundaries. As well, KiwiRail's commercial mandate encourages it to prioritise freight services, which tend to be more profitable than passenger services. This is through no fault of KiwiRail's, nor any other transport sector agency. Instead, it is the result of how roles and responsibilities in the transport sector are allocated. Overall, we find that the current set-up of the land transport system has no clear leadership for inter-regional passenger rail.

We acknowledge that the current arrangements allow territorial authorities to develop business cases for inter-regional passenger rail services, and for an agreed service to go through the necessary funding and financing processes. However, we also believe that the lack of central leadership discourages this exploratory work and has likely resulted in worse outcomes for new and existing inter-regional passenger rail services.

We recommend that the Government identify an agency to act as system lead for inter-regional public transport. We envisage that the system lead could be responsible for supporting regional councils to identify and progress inter-regional services in their area, but it would also be able to propose and investigate services itself. It could also undertake general research on the viability of inter-regional passenger rail services and evaluate the public value and costs of such services. This could help to identify public transport services that most effectively support public benefit.

Recommendations 1 and 2

We recommend that the Government clearly identify a transport-sector agency to provide system leadership and guidance specifically for inter-regional public transport.

We recommend that this agency be responsible for the following areas:

- a) providing advice, support, education, and guidance relating to inter-regional public transport in New Zealand
- b) identifying and proposing new inter-regional public transport services
- c) engaging with and supporting regional councils to identify potential for inter-regional public transport services that would benefit their region and communities
- d) engaging with regional councils and Waka Kotahi—New Zealand Transport Agency to help consider the costs and benefits of proposed inter-regional public transport services
- e) coordinating with regional councils, Waka Kotahi—New Zealand Transport Agency, and the Treasury New Zealand—Te Tai Ōhanga to determine the appropriate business case pathway for proposed inter-regional public transport services and providing assistance to regional councils during the business case process
- f) promoting well-being and environmental principles in the planning and design of public transport services.

We ultimately agree with the Ministry of Transport that an independent strategy for passenger rail would discourage an interlinked approach for investment between freight and passenger services. We recommend instead that the Ministry of Transport investigate how the New Zealand Rail Plan could better incorporate passenger rail, and inter-regional passenger rail in particular. The ministry told us that it intends to review the Rail Plan in 2024/25. As part of this, we would expect it to release discussion plans and consultation documents that encourage further discussions about how passenger rail fits into the Rail Plan.

Recommendation 3

We recommend that the Ministry of Transport investigate how the New Zealand Rail Plan could better incorporate inter-regional passenger rail.

5 Funding and financing inter-regional passenger rail services

If New Zealand decides to prioritise new inter-regional passenger rail services, the question remains: how to pay for them? Inter-regional passenger rail would provide benefits to a range of groups across society. How those who benefit from these services should contribute to the funding of inter-regional passenger rail is a critical issue for determining the appropriate funding and financing models. Inter-regional passenger rail is currently provided commercially by both private and public sector entities. Existing services, such as Te Huia and Capital Connection, are co-funded by regional councils and Waka Kotahi.

We received 502 submissions that discussed how to fund new inter-regional passenger rail services and the associated rail network upgrades. Submitters suggested a wide range of tools or approaches that could be used to set up and operate new inter-regional passenger rail services, including a combination of:

- farebox revenue from passenger rail ticket sales
- general taxation
- council rates
- “value uplift capture mechanisms” (a tax on some or all of the increase in the value of private land resulting from public infrastructure investment)
- the National Land Transport Fund (NLTF)
- a new aviation fuel tax.

Most submitters supported some level of public subsidisation of passenger rail. Some submitters supported increases to fuel excise duties, road user charges, and motor vehicle registration fees, which are paid into the NLTF. Submitters saw these as ways to encourage mode-shift and emissions reduction as well as providing funding for passenger rail services. Submitters also suggested that funding partnership agreements between regional councils and central Government could be a useful funding model for co-funding new rolling stock and network upgrades.

This chapter briefly explores potential funding tools and models that could be used for new inter-regional passenger rail services. It provides an overview of good principles for the funding and financing of transport infrastructure and how this guidance could be applied to passenger rail. Detailed information about funding methodologies and principles is available on the Ministry of Transport and Te Waihanga—Infrastructure Commission websites. We have referenced several of these sources below.

Current approach to funding public transport services

Most public transport services in New Zealand are operated by private operators on a commercial basis. However, urban passenger transport (such as city buses) and metro passenger rail services receive public subsidies to help cover operating costs. This means

that costs are shared between the service users (through passenger fares), regional councils, and central government (through Waka Kotahi).

In 2018/19, 28 percent of New Zealand's total gross public transport costs were funded by passenger fares. Of the remainder, approximately 43 percent was funded by regional councils, and 58 percent by central government.⁴²

Te Huia and Capital Connection are similarly co-funded. For example, Te Huia receives public funding equal to the amount of its gross operating costs minus the revenue from passenger fares. Although Te Huia's exact fare revenue is confidential (due to commercial sensitivity) its website states that Waikato Regional Council subsidises 21 percent of the leftover costs (via targeted rates), Waikato District Council contributes 3 percent (via general rates), and Waka Kotahi contributes 76 percent.⁴³

Principles for funding and financing infrastructure

Te Waihangā—Infrastructure Commission identifies six core principles for infrastructure funding and financing in the New Zealand Infrastructure Strategy—Rautaki Hanganga o Aotearoa:⁴⁴

- Principle 1: Those who benefit pay—Infrastructure services should be paid for by those benefiting from the services (the benefit principle) or creating a need for the service (the causer principle).
- Principle 2: Intergenerational equity—Funding and financing arrangements should reflect the period over which infrastructure assets deliver services and be affordable for current and future generations.
- Principle 3: Transparency—There should be a clear link between the cost to provide infrastructure services and how services are funded. Wherever possible, prices should be service-based and cost-reflective.
- Principle 4: Whole-of-life costing—Funding requirements should include the ongoing costs to maintain and operate an infrastructure asset and the cost to renew or dispose of it at the end of its life as well as the up-front cost to construct or purchase it.
- Principle 5: Administratively simple and standardised—Administrative costs for both providers and users should be minimised unless there are clear benefits from more complex funding and financing arrangements.
- Principle 6: Policies for majority of cases—Funding and financing policies should be written to work for most cases. If needed, alternative or supplementary mechanisms should be added to provide flexibility and ensure fairness.

These principles should be considered when developing funding arrangements for new inter-regional passenger rail.

⁴² These figures represent approximately 31 percent and 42 percent of the overall total, as reported in the Domestic Transport Costs and Charges Study | Ministry of Transport, p 86. For a full analysis of the costs of metro rail in Wellington, see Domestic Transport Costs and Charges Study | Ministry of Transport pp 89–92.

⁴³ [Funding | Te Huia](#).

⁴⁴ [Strategy: Improving funding and financing | Te Waihangā](#).

Identifying beneficiaries of transport infrastructure investment

Who benefits from transport infrastructure, and the level of benefit they receive, will differ for each investment project. The distribution of economic, environmental, and social benefits from inter-regional passenger rail to different groups will differ for each service and route. For inter-regional rail, benefits are likely to be split between three broad groups:

- rail passengers receive the direct benefits associated with public transport
- road users receive indirect benefits from having fewer cars on the road (reduced congestion, improved road safety, shorter travel times)
- wider society receives indirect benefits such as environmental and economic benefits.

It is important to note that benefits to wider society may be distributed unevenly between different groups. For example, although the whole country would benefit from reduced national emissions, businesses and households closest to inter-regional passenger rail routes would see more benefits due to the positive effect that greater inter-regional connectivity has on the local economy and community wellbeing.

Cost–benefit analysis, undertaken during a business case process, can help to determine what the benefits of investment are, and what groups benefit the most from them. Other tools to identify potential beneficiaries include input–output analyses which identify the effects of investment on different sectors of the economy, and regional economic modelling to estimate the effects investment will have on the local economy.

Once beneficiaries have been identified, it can then be determined how much each group should contribute towards funding of an infrastructure investment. For example, a business case could demonstrate that a local town would benefit substantially from nearby inter-regional passenger rail, so contributions from that town’s council rates could be used to fund the service in proportion to the level of economic benefit.

Our response and recommendation

We note that the Ministry of Transport is currently undertaking work on a review about the Future of the Transport Revenue System.⁴⁵ This review considers how revenue, funding, and pricing for the land transport system should be arranged to meet future needs. The results of this review will have significant implications for funding and financing inter-regional public transport services in future.

Under the current settings, funding for inter-regional passenger rail services is generally split between the main beneficiaries: passengers (through fares), local communities (through council contributions), and the nation as a whole (through central government funding). We think that this is appropriate as it reflects the distribution of how each of these groups benefits from these services.

In chapter 3, we discussed the national benefits to inter-regional passenger rail. We consider it important that funding arrangements for future inter-regional passenger rail services receive national-level funding that reflects the national-level benefit.

⁴⁵ [Future of the Transport Revenue System | Ministry of Transport](#).

As concluded in chapter 4, we think there is a lack of central leadership to support inter-regional passenger rail services. If a system lead agency was identified, it could help to assess appropriate funding arrangements for future services and identify areas to prioritise for national-level investment.

Recommendation 4

We recommend that funding arrangements for future inter-regional passenger rail services reflect the level of national benefit of such services to New Zealand.

6 Potential inter-regional passenger rail services

What we heard from submitters

The majority of submissions (1,280) included proposals or recommendations for specific inter-regional passenger rail services. The most common suggestions were for services:

- from Auckland to Whangārei, Tauranga, Hamilton, or Rotorua, plus day and overnight services to Wellington
- from Wellington to Gisborne, New Plymouth, or Whanganui
- from Christchurch to Picton, Dunedin, or Invercargill
- between Hamilton and Tauranga
- between Gisborne and Napier
- between Picton and Invercargill
- between Dunedin and Invercargill.

Other submitters did not suggest specific routes but recommended creating a national passenger rail network. Submitters generally supported the existing inter-regional passenger rail services, Te Huia and the Capital Connection.⁴⁶ Many submitters recommended that service and network improvements be made to support both services and improve their frequency and reliability. Several submitters suggested that these services be extended.

In this chapter, we discuss some of these specific services in more detail. We have received advice from the Ministry of Transport and Te Waihangā about individual routes, which we summarise as case studies below.

Case study: Auckland–Tauranga

Making Rail Work is a community initiative promoting passenger rail between Tauranga, Hamilton, and Auckland (the so-called “Golden Triangle”), and around New Zealand more broadly. In October 2022, it published an interim report on a community-led proposal for passenger rail services in the Golden Triangle.⁴⁷

Numerous submitters expressed support for these services, including nearly 200 submissions specifically calling for services from Auckland to Tauranga. Submitters suggested that passenger rail services in Tauranga could reduce congestion and improve road safety outcomes along state highways to Auckland and Hamilton.

The Tauranga City Council stated that the region’s rail network would need substantial upgrading before it could reasonably support passenger rail. Other related investments and planning processes would need to be completed first. This view is supported by advice from

⁴⁶ At the time of our report, in June 2023, the Waikato Regional Council and Waikato District Council were completing an indicative business case for additional rail stations in Waikato to increase patronage on Te Huia.

⁴⁷ [Golden Triangle Growth Corridor Proposed Development Co-operative Approach | Making Rail Work.](#)

the Ministry of Transport. It said that further investigation would be needed to determine the feasibility of a rail service to Tauranga.

The ministry told us that one option could be to extend the Te Huia service (which runs between Auckland and Hamilton) to Tauranga.

We heard that passenger services could share the existing line between Hamilton and Tauranga with freight services. However, to extend Te Huia to Tauranga would require, among other things, a new railway station in Tauranga and upgrades to the Kaimai Tunnel's ventilation and fire safety systems. KiwiRail has no rolling stock available for this new service, and procuring new rolling stock would require a full business case process. The ministry noted that an extension to Tauranga would likely require funding from the Bay of Plenty Regional Council and, potentially, Tauranga City Council.

Under the current weekday timetable, Te Huia terminates in Auckland at 8:45am. To maintain this time, it would need to depart Tauranga at 5:15am and 1:15pm (and Hamilton at 6:05am and 2:05pm). The journey time and this timetabling might reduce demand for the service. However, one option could be to run the extension to Tauranga only on the weekends or on alternate days, and to assess demand on a trial basis.

Case study: Auckland–Wellington

We heard a lot of support for a passenger rail service between Auckland and Wellington geared towards commuters and other domestic users instead of the tourism market.

KiwiRail already operates the Northern Explorer service between Auckland and Wellington.⁴⁸ We heard that a new Auckland–Wellington service could undermine the Northern Explorer service's commerciality, which might discourage KiwiRail from investing in one. KiwiRail also has no rolling stock available for a new Auckland–Wellington service, so rolling stock would need to be pulled from other Great Journeys New Zealand services.

Submitters advocated an affordable service with additional stops between Auckland and Wellington in comparison to the limited stops currently offered by the Northern Explorer service. Many submitters also suggested that an Auckland–Wellington service operate as an overnight train.

To explore the costs and benefits of such a service, a full business case process and demand forecast would be needed. This would:

- investigate the demand for additional stops and increased frequency
- determine the cost of changes to staffing, maintenance, and rolling stock
- consider any capacity constraints, particularly in the Auckland metro rail network while planned upgrades are ongoing.

⁴⁸ The Northern Explorer is a tourism-orientated service that is operated, at a profit, by KiwiRail. For further information see: [Northern Explorer Train | Great Journeys NZ](#).

Case study: Napier–Wellington

A new Napier–Wellington service would require substantial investment into new infrastructure and rolling stock. There are no train stations in Hastings and Napier, and there would be no rolling stock available for this service. We understand that the Napier–Wellington line has capacity for a new service, but some upgrading work would be needed. However, there might be capacity issues on the Wellington metro rail network, particularly at Wellington Station. A full business case process could assess the viability of a Napier–Wellington service. This would need to investigate funding for the service, procurement of new rolling stock, the capacity of the Wellington metro network, and demand for the service.

Case study: Extending the Capital Connection to Feilding

We heard from many submitters in support of extending the Capital Connection to Feilding. The Capital Connection service currently stops at Palmerston North, Shannon, Levin, Ōtaki, Waikanae, Paraparaumu, and Wellington. Extending the Capital Connection to Feilding would give residents of Feilding increased access to Palmerston North and Wellington.

KiwiRail told us that it would consider an extension of the service to Feilding and that the network has adequate capacity for this to occur. However, there are also a number of constraints and KiwiRail would need to:

- work with Horizons Regional Council, Greater Wellington Regional Council, and Waka Kotahi who all co-fund the service
- negotiate a contract variation with the Capital Connection operator
- engage with its staff regarding their wages and conditions.

Currently, there is limited rolling stock available, which would restrict the frequency of the service. However, on 29 April 2023, the Government announced that it would co-fund track upgrades and 18 new trains for the Wairarapa and Kāpiti Coast rail services as part of the Lower North Island Rail Integrated Mobility Project. Although those trains are intended for the Wairarapa and Manawatū lines, they could help to increase capacity. Feilding has an existing train station which, with some safety upgrades, could be suitable for a Capital Connection extension.

Demand for an extension is uncertain, but it would be possible to offer the extension on a trial basis to assess demand and long-term viability.

We understand that extending the Capital Connection to Feilding could be achieved by varying the existing service contract. We consider that this would be beneficial to the communities along the route and increase connectivity between the lower North Island regions.

Quality of service and customer expectations

More than 850 submitters discussed their service expectations for any new inter-regional passenger rail services. Many submitters suggested that the speed, frequency, and reliability of inter-regional passenger rail services would be key variables in their decisions on whether to use the services.

Some submitters emphasised that inter-regional passenger rail should be comparable to travel times for other modes, such as cars and planes, to encourage uptake. Submitters recommended that services be designed to be regular, frequent, and scheduled around peak travel periods. Submitters also suggested that inter-regional passenger rail services should be well integrated with local public transport networks as well as walking and cycling connections. Submitters would like to see a range of amenities available as part of inter-regional passenger rail services, including free wi-fi access, reclining seats, work stations and tables, accessible bathrooms, and a range of healthy food and beverages.

Our response and recommendations

Most submitters recommended specific routes for new inter-regional passenger rail services. We heard many passionate submissions from people who spoke about the benefits rail could bring to their communities, family, and whānau.

We consider that potential services would need to demonstrate “bang for buck” by showing long-term viability and public value. When prioritising different services, planning agencies should be guided by cost–benefit analyses, including of economic, social, cultural, and environmental factors.

It is difficult for us to identify new inter-regional passenger services that demonstrate potential and to know where we should recommend the Government prioritise work. The case studies we have identified in this chapter are what we consider “low-hanging fruit”. We consider that it would be beneficial to evaluate the potential of these routes further. In order to do this, we recommend that the Government progress scoping studies⁴⁹ on the potential for inter-regional passenger rail services. Undertaking a scoping study will enable the relevant transport agencies to identify the best starting point for the development of a business case and understand the next steps involved.

Recommendation 5

We recommend that scoping studies be progressed for the following inter-regional rail services:

- a) Auckland–Wellington
- b) Auckland–Tauranga
- c) Napier–Wellington
- d) an extension of the Capital Connection service to Feilding.

We understand that there are a number of other potential inter-regional passenger rail routes, aside from the ones we have identified above, where further investigation would be beneficial. In particular, we recognise that none of the routes we have identified above would service the South Island. We recommend that further investigation of different route options be undertaken to meaningfully compare and identify the costs, benefits, and risks associated with different opportunities. This could help to identify routes that would provide the best value for money or make better use of existing infrastructure.

⁴⁹ For further detail please see: [Better Business Cases – Business Case Scoping Document | Treasury New Zealand](#) or [Point of entry phase | Waka Kotahi NZTA](#).

Recommendation 6

We recommend that further investigation of other potential inter-regional passenger rail routes be undertaken to meaningfully compare and identify the costs, benefits, and risks associated with different opportunities.

7 Technical investment and maintenance

Many submitters told us that historical under-investment and short-term funding models have caused the state of New Zealand's rail network to decline. They suggested that the national rail network has capacity to support inter-regional passenger rail services, but acknowledged that the country would need to invest substantially to make sure that these services were reliable and widely available.

Importantly, they noted that rail network investments to support passenger services would also improve the network's overall resilience and benefit rail freight operations.

This chapter discusses some of these technical investments in more detail.

Investment categories

Track upgrades

Submitters recommended a number of track improvements to the national rail network, including:

- realigning tracks to ease curves, join destinations more directly, and reduce the steepness of grades
- installing additional passing loops,⁵⁰ or double-tracking⁵¹
- extending tracks to serve additional areas and integrate inter-regional rail with local transport hubs.

They suggested that these investments would create additional capacity so that freight and inter-regional passenger rail services could share and use the network more effectively.

We have discussed some of these ideas in detail with advisers from the Ministry of Transport and Te Waihangā. Advisers told us that the existing national rail network has capacity for some inter-regional passenger rail services. They advised us that any new services should try to utilise the existing network infrastructure where there is good opportunity to do so, before considering new infrastructure investments.

We heard that some investments may not be worth the cost. Advisers noted that it would be important to consider the efficiency and practicality of each investment on a case-by-case basis. For example, although double-tracking would improve a rail line's capacity, the cost of purchasing large strips of land to widen rail corridors could be prohibitively expensive. Similarly, re-aligning tracks could change where they intersect with roads, so road-rail

⁵⁰ A passing loop or passing siding is a place on a single-track railway where trains travelling in opposite directions can pass each other.

⁵¹ A double-track railway involves running one track in each direction, compared to a single-track railway where trains run in both directions on the same track.

crossings must be shifted. The cost of installing that infrastructure would need to be measured against the benefit of reduced journey times.

The ministry told us that in order to provide inter-regional passenger services, investment would be needed in platforms, rolling stock stations, local passenger transport services and infrastructure, and road-rail crossing, signalling, and electronic rail safety systems.

Electrification of the rail network

New Zealand has three separate electric railway systems, which use overhead power cables to supply electricity to trains.⁵² These systems operate from Wellington to Waikanae, Hamilton to Palmerston North, and Auckland to Papakura (which we note may soon be extended to Pukekohe).⁵³

Submitters recommended that New Zealand should progress electrification of the national rail network. They emphasised that electric trains could contribute to decarbonising the transport sector. Electric trains are also quieter than diesel engines, and can accelerate and brake more quickly, which reduces journey times.

We heard that electrification of rail can be expensive. In New Zealand, it would require building overhead lines along the network's length. The cost of running electric trains (fuel and maintenance costs per kilometre travelled) is about half that of diesel trains, and their average lifespan is twice that of diesel trains.⁵⁴ However, they cost around three times as much as diesel trains to buy.

Another issue to consider is the different voltage systems used across New Zealand's networks. Overhead cables in Auckland and the central North Island use 25kV (kilovolt) alternating current systems, which is the international standard. Conversely, Wellington's overhead cables run on 1.5kV direct current, which is less economical. Some submitters suggested that Wellington's network should be upgraded to the 25kV standard. Others suggested New Zealand could buy dual-voltage trains that would be able to run on both systems.

Investment in rolling stock would need to be considered alongside the electrification of the railway network. Some submitters noted that the use of tri-mode trains (electric–diesel–battery) could be advantageous. This would mean that trains could be powered by battery for sections of their route that are not electrified, reducing the need for overhead lines across the entire network.⁵⁵

Rolling stock and carriages

Many submitters suggested that it would be beneficial to invest in new rolling stock to improve the quality and comfort of new inter-regional passenger rail services. Others said that, although existing rolling stock may not be suitable long-term, it could be used for re-establishing some passenger rail services as an interim solution. Some submitters recommended investment into specific types of rolling stock, such as tilting trains that

⁵² [The evolution of railway electrification in New Zealand | Alpha Rail.](#)

⁵³ [Papakura to Pukekohe rail electrification works to start before 2022 | Stuff.co.nz.](#)

⁵⁴ [The evolution of railway electrification in New Zealand | Alpha Rail.](#)

⁵⁵ [Aotearoa New Zealand's first emissions reduction plan | Ministry for the Environment.](#)

operate at high speeds. A number of submitters recommended that New Zealand adopt a national standard for rolling stock as it would be most efficient to use a common fleet. A national standard should consider priorities for the electrification of the network.

The Ministry of Transport noted that KiwiRail has a shortage of spare carriages and does not always have the capacity to refurbish or maintain additional stock. Investment in new or refurbished rolling stock would need to occur for some inter-regional passenger rail routes to be viable. We heard that it can take three to five years from the start of the business case process before new rolling stock is ready to use.

The Rail Network Investment Programme

The RNIP 2021 outlines planned maintenance, renewal, and improvement work on the national rail network for 2021–2024.⁵⁶ Funding for investment in the national freight and tourism network will come from the Rail Network activity class under the NLTF. Under the RNIP, the Government plans to spend:

- \$361 million on network maintenance, operations, and management
- \$790 million on network renewals
- \$50 million for network improvements across 2021–2024.

This investment works towards achieving the strategic priority to restore rail freight and provide a platform for future investments for growth.

Our response

We understand that substantial investment would be needed in the rail network to support new passenger rail services. We have heard that it is likely that maintenance work would be needed on many parts of the network. We understand that different services would require different levels of investment, such as procuring new rolling stock, building new railway stations suitable for passengers in some areas, and investigating options for track upgrades and electrification of the network. The investment needed for each route would need to be considered on a case-by-case basis if the decision to progress work on specific services is made. We appreciate the work done as part of the first RNIP which sets out the maintenance, renewal, and improvement work planned for the railway network during 2021–2024.

We do not have any specific recommendations to make related to technical investment or maintenance of the national rail network. However, one of our recommendations is that the Government identify an agency to act as system lead for inter-regional public transport. This systems-lead agency should be responsible for examining issues related to technical investment in the rail network and investigating what work will be needed to support new passenger rail services. This could include future work to explore the costs and benefits for further electrification of the rail network or to assess the level of demand for new rolling stock.

⁵⁶ [Rail Network Investment Programme 2021 | KiwiRail](#).

8 Conclusion

We recognise that there is real potential for inter-regional passenger rail in New Zealand. Our inquiry has been an excellent opportunity to gain further insight into the socio-economic, environmental, and well-being benefits that passenger rail could provide. It has helped us to evaluate the role that inter-regional passenger rail could play in New Zealand's land transport system in future.

The main finding of our inquiry is that the regional-centred approach to land transport in New Zealand has resulted in the potential for inter-regional public transport, such as passenger rail, often being overlooked. There is a knowledge gap regarding what opportunities inter-regional services could unlock. We think that one clearly-identified agency needs to be responsible for providing leadership and guidance regarding inter-regional public transport, identifying and evaluating the public value of potential services, and supporting the work of other land transport agencies in this area. Essentially, we expect this agency to lay the tracks for the future of inter-regional public transport.

We have also identified specific routes where we see the most potential for new inter-regional passenger rail services in the short term. These are the routes Auckland–Wellington, Auckland–Tauranga, and Napier–Wellington, and extension of the existing Capital Connection service to Feilding. We recommend that the Government initiate a programme of work to test the viability of these services.

From this point, we hope to start a more informed conversation about inter-regional public transport and start working towards an integrated system that supports transport, movement, and connection all across New Zealand.

We acknowledge that investment in the national rail network to support inter-regional passenger rail services would be a substantial and long-term commitment. We, as a committee of MPs from across the political spectrum, may not agree on every aspect of this report. However, we hope that this work indicates cross-party support for investment in public transport systems that are beneficial to New Zealand.

We note that, once we have presented our recommendations to the House, the Government will have 60 working days to respond. We look forward to this response with great interest.

We thank everyone who submitted on this inquiry. We have appreciated the great enthusiasm for rail and public transport and the high level of public engagement throughout this process. We also thank our advisers who have worked hard to assist our consideration of this inquiry.

We look forward to seeing how work on inter-regional public transport in New Zealand progresses.

ACT Party differing view

The ACT Party dissents from the views expressed by the majority of members in this report on inter-regional passenger rail.

At a time when infrastructure used by most New Zealanders is under pressure, with congestion, potholes, failing road maintenance, and the need to build new infrastructure in cyclone-affected regions, a focus on a form of transport that relatively few people use (compared to cars, buses, or air travel) has been a misuse of the time of many people.

What we learned during the inquiry was that the rail network provides a vital service in moving containers and heavy freight around New Zealand. However, existing inter-regional passenger services are marginal. The Te Huia service between Auckland and Hamilton carries 200–300 passengers a day, but only because of a massive taxpayer subsidy. The trains from Palmerston North and Wairarapa to Wellington are essentially commuter trains but are also only operating because of significant taxpayer and ratepayer funding. It is notable that other passenger services are for tourists and train enthusiasts. The Northern Explorer between Auckland and Wellington only survives as a tourist train, a very good indication of how most New Zealanders are simply uninterested in taking long train journeys when car or plane is much faster and more convenient.

We note that the committee report has no economic analysis to support it. It was a shame that data on existing rail passenger numbers, and the amount of the taxpayer subsidy of each, was not provided. It was never clear why passenger services could not be delivered more efficiently by better bus services, cars, or planes.

ACT disagrees with the proposal to create a new bureaucracy “to provide system leadership and guidance specifically for inter-regional public transport.”

The existing urban commuter rail system has significant issues with reliability and safety, poor cost control, and poor outcomes for the level of investment.

Improving the performance of existing rail assets should be the sole focus of Government, instead of adding new unfunded objectives without any supporting economic analysis.

The ACT Party thanks the committee staff and Infrastructure Commission New Zealand staff seconded to the committee for their work.

National Party differing view

The National Party wishes to offer a differing view to those expressed by the majority of members in this select committee report on the future of inter-regional passenger rail in New Zealand.

The National Party has a track record of investing in New Zealand’s rail network including completing the electrification of the Auckland rail network, and starting the City Rail Link construction in Auckland.

The National Party disagrees with any proposal to launch a new central government agency to launch or operate inter-regional passenger rail services in New Zealand. We believe that any proposed inter-regional passenger rail service should be launched and operated by

regional councils and that sufficient economic analysis be undertaken to support these proposed services.

Additionally, New Zealand is currently facing an infrastructure deficit, with our existing infrastructure under immense pressure. At a time when communities around the country are dealing with the devastation caused by the Auckland Anniversary floods and Cyclone Gabrielle, the National Party believes that central government funding for transport is better suited to dealing with these infrastructure challenges.

The select committee report on the inquiry into the future of inter-regional passenger rail in New Zealand failed to provide any economic analysis for any future inter-regional services. We note that Te Huia, an inter-regional passenger rail service between Auckland and Hamilton, requires substantial subsidies to operate while there are a significant number of bus services which operate commercially connecting regions across New Zealand on a commercial basis providing reliable and frequent inter-regional transport services.

National believes that any inter-regional passenger rail service should operate without the need for any excessive subsidies from central government, and we do not have confidence that this will be the case for any future inter-regional services based on the lack of economic analysis provided for this inquiry.

While the National Party is open to the prospect of additional inter-regional passenger rail services in New Zealand, we note that regional councils are best positioned to offer these services to their communities and undertake the analysis for these services.

Central government should be focused on maintaining its current transport assets and infrastructure, including current rail assets and infrastructure under the management of KiwiRail.

The National Party wishes to thank all those who submitted to the select committee's inquiry and those who provided advice to the committee during the inquiry.

Appendix

Committee procedure

We met between 11 August 2022 and 29 June 2023 to consider this inquiry. We called for public submissions with a closing date of 21 October 2022. We received submissions from 1,752 organisations and individuals and heard oral evidence from 104 submitters. We received advice from our lead advisers, The Ministry of Transport—Te Manatū Waka, advisers from the Infrastructure Commission—Te Waihanga, and our independent specialist adviser, Dr Shane Martin.

Committee members

Shanan Halbert (Chairperson)
 Hon David Bennett (until 8 February 2023)
 Rachel Boyack (from 8 February 2023)
 Simeon Brown
 Paul Eagle
 Hon Julie Anne Genter
 Dr James McDowall
 Terisa Ngobi
 Greg O'Connor (until 25 August 2022)
 Dan Rosewarne (until 8 February 2023)
 Tim van de Molen (from 8 February 2023)
 Helen White

Simon Court also participated in our consideration of this inquiry.

Advice and evidence received

We received several documents as advice and evidence for this inquiry. They are available on the [Parliament website](#).

Recordings of our hearings of oral evidence can be accessed online at the following links:

- [Minister of Transport, Hon Michael Wood – 29 September 2022](#)
- [Public submissions – 27 October 2022](#)
- [Public submissions – 10 November 2022](#)
- [Public submissions – 10 November 2022](#)
- [Public submissions – 17 November 2022](#)
- [Public submissions – 24 November 2022](#)
- [Public submissions – 24 November 2022](#)
- [Public submissions – 28 November 2022](#)
- [Public submissions – 28 November 2022](#)
- [Public submissions – 28 November 2022](#)
- [Public submissions – 8 December 2022](#)
- [Public submissions – 15 December 2022](#)