



Update Dunedin Railways Limited  
10 Year Plan 2024-34

# Purpose

- To provide context and recap on work to date
- To provide an update and next steps

# Value of Tourism

- The tourism sector remains an important part of the Dunedin economy
- Infometrics notes total tourism expenditure in Dunedin was approximately \$809 million for 12 months ending September 2023

# Ōtepoti Dunedin Destination Management Plan

*Vision: Growing the value of our visitor economy to the benefit of the wider Ōtepoti Dunedin area, and partnering to protect and enhance our environments, taoka and communities*

# The Destination – The Taieri Gorge

The Ōtepoti Dunedin Destination Plan (ODDMP) notes the value of Dunedin's cultural, built, and natural heritage

In the context of the Taieri Gorge this relates to:

- Natural environment
- Built heritage, particularly world-class examples of Victorian engineering and viaducts

# 31 January 2023 Resolution

*Council resolved to approve the retention of a train service through Taieri Gorge and noted that the staff would provide further updates to Council on these matters in time for the 10 year plan 2024-34.*

# Update since 31 January 2023

Deloitte advice (September 2023):

There are no advantages in separating above and below rail into two entities due to additional compliance costs relating to:

- Governance
- Administration
- Accounting
- Financial reporting and statutory auditing
- Management
- Need for contracting between the two separate entities for use of the asset

# Update Since 31 January 2023

Deloitte advice continued:

If Council wants to retain a train service, DCC should grant fund DRL to maintain structures and track

Funding should be managed and ringfenced solely for below rail costs through a 10-year grant funding agreement

DCC should encourage profitability via:

- A Letter of Expectation
- Targeted financial performance and dividend in a Statement of Intent



# Update Since 31 January 2023

A number of possible operators have expressed interest in operating services (i.e. trains or cycle trails) along the Taieri Gorge:

- Dunedin City Holdings Limited, Dunedin Venues Management Limited
- Pounamu Tourism Group
- Otago Excursion Train Trust
- Project Steam
- Otago Central Rail Trail Trust

# Lease Considerations

- The rail corridor is owned by New Zealand Railways Corporation who leases it to Kiwirail
- Kiwirail subleases the corridor to DRL
- The current term of the sublease runs to 31 December 2030 with a right of renewal for another 40 years
- DRL has an obligation to Kiwirail to comply with maintenance under the sublease

# Lease Considerations

- Under the sublease the land, tunnels, bridges must be maintained in the same state of repair as of 1 May 1992 at DRL cost
- The sublease does not require DRL to continue to operate a railway
- New Zealand Rail and Kiwirail approval would be required for any use of the corridor other than railway

# Economic Impact Reports

- March 2020 Economic Impacts on Dunedin's Economy commissioned by DCC and produced by Benje Patterson
- September 2021 Dunedin Railways Economic Impacts of Future Options commissioned by DCC and produced by Benje Patterson
- October 2023 Economic Impacts of a Taieri Gorge Extension to the Otago Central Rail Trail Trust (OCRTT) commissioned by OCRTT and produced by Benje Patterson

# Dunedin Railways – Economic impacts on Dunedin's economy (March 2020)

This March 2020 report provides an overview of the economic impacts of Dunedin Railways on Dunedin's economy prior to Covid-19. In terms of total spend it was estimated during the 2019 financial year that:

- Visitors who took a Dunedin Railways trip, spent a total of \$24m in Dunedin during their visit
- Of this total, \$6.7m was spent directly on rail excursion tickets, while \$17.2m was spent on other attractions, hospitality and retail during their Dunedin visit, as well as on commissions to local sales agents

# Dunedin Railways – Economic impacts on Dunedin's economy (March 2020)

- Translating these spending estimates into GDP shows:
  - Direct economic value was \$10.0m in the 2019 financial year. Dunedin's total tourism sector GDP was \$454m (Infometrics)
  - In proportional terms, economic value added by Dunedin Railways' visitors represents approximately 2.2% of Dunedin's total tourism GDP.

# Dunedin Railways – The economic impacts of future options (Sep 2021)

- This September 2021 report noted:
  - The \$10m direct economic impact of Dunedin Railways pre Covid – 19
  - The \$200k direct economic impacts of the “Trains Not Planes” summer season between 20 December 2020 to 28 March 2021 when borders were closed
- The potential direct economic impacts of two DCHL shortlisted scenarios for DRL:
  - \$2m based on the minimal return of international visitors
  - \$3.6m based on the return of a strong tourism market

# Economic impacts of a Taieri Gorge extension to the Otago Central Rail Trail (Oct 2023)

- This report considered the economic impacts of an alternative use of the Taieri Gorge railway corridor as a trail for biking or walking.
- The existing Otago Central Rail Trail between Clyde and Middlemarch attracts 12,756 trail users annually who spend \$25.9m per annum



Two potential trail options are presented:

1. Middlemarch to Pukerangi away from the railway (to accommodate a historic steam train proposal from Middlemarch to Pukerangi), then Pukerangi to North Taieri via the rail corridor
2. Middlemarch to Pukerangi away from the railway, Pukerangi to Hindon via the rail corridor, then Hindon to Outram via a disused walking track down the true right of the Taieri river

It is estimated that visitors riding or walking the Taieri Gorge trail extension under these two usage scenarios could drive a \$6.9m to \$11.4m spending lift.

# Draft Peer Review of the Reports

Martin Jenkins noted:

- Individual analyses and underlying methods are based on accepted economic principles and methods
- But when considered together there are some inconsistencies that make direct comparison difficult
- In some instances, there was limited evidence or justification regarding some key inputs and assumptions

# Draft Peer Review of the Reports

Martin Jenkins noted:

- Omission of relevant factors set out elsewhere in this report, specifically the exclusion of the wider direct and indirect economic impacts of DRL's capital and operational expenditure, underestimate the total economic impact of Dunedin Railways.
- Exclusion of employment impacts in DRL reports and their inclusion in the impact of the trail extension, makes the reports incomparable.

# Draft Peer Review of the Reports

Martin Jenkins noted:

- The Taieri Gorge cycle track extension analysis acknowledges that it does not include any assessment of the costs of removing the existing rail track and establishing the cycle track
- These differences in approach and method make it difficult to make direct comparisons

# Council's Current position

*Council resolved to retain a train service through the Taieri Gorge after considering various matters, including the importance of the Taieri Gorge Railway to the visitor economy:*

- Requires approximately \$20m for the duration of the 10 Year Plan 2024-34
- Retains anchor product in the Dunedin tourism sector
- Meets tourism sector's expectations
- Retains existing rail network to Middlemarch
- Contributes to the wider Dunedin visitor economy

# Next Steps

- A report for decision is being prepared for the 20 February 2024 Council meeting
- This report will provide options to be considered by Council for inclusion in the 10 Year Plan 2024-34 consultation document