

## **Statement on the future of Dunedin Railways Limited**

**(Dunedin, Monday 20 April 2020)** - Dunedin Railways Limited (DRL)'s track and equipment are to be mothballed as the company's existing financial challenges are compounded by Covid-19 impacts on tourism.

DRL Chair Kevin Winders says the move is being made as an alternative to closure. Mothballing is a way of preserving DRL's assets with a view to exploring future options for the company in what will undoubtedly be a very different tourism environment.

The Dunedin City Council (DCC) has agreed to meet the ongoing costs of mothballing the operation.

"Sadly, mothballing the company will have an impact on staffing. Consultation with staff and the union has commenced today on proposals which would result in 51 job losses," Mr Winders says.

"We deeply regret the impact on our staff and their families. This is a very difficult time for them and we will work hard to do everything we can to look after them."

Under this proposal DRL would retain a skeleton staff of four to prepare the company for hibernation, and to maintain selected assets that will be kept.

Mr Winders says DRL's existing business challenges, even when operating in a buoyant tourism market, were well known.

"The impacts of Covid-19 exacerbate these challenges severely because the company is largely reliant on international tourism which makes up 80% of DRL's total passenger numbers.

"We are unlikely to see international visitors return in the 2020/21 summer and the outlook beyond that is uncertain at this time. With this outlook, it is simply not possible to keep the business operating as normal."

DRL's main shareholder is Dunedin City Holdings Limited (DCHL) and Chair Keith Cooper says they are supportive of the decision to mothball the operation.

"This option provides flexibility to explore new and sustainable tourism offerings based on DRL's assets as the economy and tourism recover post Covid-19."

This future evaluation work will be led by DRL's sister company, Dunedin Venues Management Ltd (DVML), given their experience in entertainment, marketing and tourism. Future options will be reported back to DCHL and DCC later this year, who will then make decisions on initiatives and any proposed investment.

Mr Cooper says it is too early to say what options might emerge, but that the business and its products could look quite different in future.

"One of DRL's biggest challenges is high operating costs due to the age and condition of the train/ track along with a deferred maintenance bill in the order of \$10m for the Taieri Gorge track in the longer term. Even before Covid-19 came along costs like this were unsustainable."

Mr Winders says DRL is grateful for shareholder support for mothballing as an alternative to closure.

"Although it is not a step that is taken lightly, it leaves us with the opportunity to potentially return with new sustainable services once the tourism market becomes clear in the future."

As part of the decision to mothball the company, the Otago Excursion Train Trust (OETT) has decided to sell its 28% shareholding in DRL to DCHL, making DCHL the sole shareholder of DRL going forward.

Both Mr Cooper and Mr Winders acknowledged the significant role OETT has played as a founder of the Taieri Gorge Railway and as a joint owner of the company, and the invaluable contribution OETT volunteers have made to the Taieri Gorge line and service over many years.

**ENDS**

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