Proposal to Develop an Intermodal Road/Rail Terminal in Tokoroa

1. Executive Summary

This document details the proposal to develop a road/rail freight terminal in Tokoroa. This will be a partnership between RJ Lincoln Logistics (RJL), KiwiRail and the South Waikato District Council. The objective is to allow direct container loading and unloading off rail to generate employment, transport and storage business opportunities, encourage new business, and provide an efficient freight solution that reduces the cost of doing business.

Our community has a high unemployment rate (10.1%) and ranks as one of the poorest in the country in terms of the Deprivation Index. In an attempt to make our community more economically vibrant and less reliant on government services our Council have chosen two main strategic objectives - more jobs and better district promotion. To do this we need to focus on the real opportunities we have in our district that will create jobs and economic development. We believe a Road/Rail Terminal based on improving freight efficiency for our farming, forestry and engineering sectors in an excellent way to do this.

RJL have developed a transport and bulk storage operation in Tokoroa using a rail facility at Kinleith. Due to the growth of freight volumes the current operation needs to now relocate to Tokoroa to remain efficient, reduce costs and handle further volume growth. The rail siding at Kinleith however, provides proof that a freight and storage intermodal hub will work in the South Waikato. It has shown that there is potential for growth if a full intermodal terminal in Tokoroa was developed.

The intermodal terminal proposal includes developing a rail siding, hardstand, local road connection and a container loading and unloading facility managed by RJL. The important aspect of the project is that it will be available for all existing and new businesses to use. RJL will provide land and equipment and run the operation under an access and handling contract with South Waikato District Council/South Waikato Investment Fund (SWIF) Trust which will allow anyone to access and utilise the rail siding at the terminal. The SWIF Trust will own the improvements and the land under the container loading/unloading area.

The development of this project fits perfectly with Council's two strategic objectives of economic development (more jobs and reduced negative impacts of unemployment) and district promotion. It also fits with on-going work around the long term concept that Tokoroa can become a freight distribution hub for the immediate and surrounding districts using a rail/road model for the primary industries of farming, forestry and power generation and associated secondary manufacturing and engineering industries.

The proposal's estimated cost is $2.5million (excluding the $0.4million contribution from RJL for land and their additional investment of $1million in equipment). The rail siding development and rail switch point equipment has accounted for the large increase in the previously estimated cost and is now forecast to cost $1.12million with a further $1.21million required for the hardstand, container loading/unloading and road surfaces. Current costing:

	$million
• Rail Siding and rail switch point equipment	1.12
• Hardstand, Roads, Container loading/unloading	1.21
• Contingency	0.18
• Total	2.51

Council is committed to this project but funding 100% of the $2.5million is overwhelming for our small community. Part of this can be funded from the Council's South Waikato Investment Fund (old PowerCo shares) but the proposal needs to find financial support from other organisations or government agencies to make this project affordable.

Council has strong support from the key stakeholders: RJL, KiwiRail, New Zealand Transport Agency (NZTA) and Port of Tauranga and the local business community, who all see major economic development from the project.

NZTA sees the project as a safe and efficient way of dealing with the growing freight task in the South Waikato area. They also see that it could provide very positive regional economic development opportunities. Nationally it may not be a major project but for the South Waikato it would provide big opportunities. It is likely that NZTA, regionally, will be able to fund approximately $230,000 for the road formation and land purchase through the local road component of the Council's roading programme. However this still leaves approximately $2.3million of expenditure to be funded by the South Waikato District Council and its investments.

There is also extremely strong support for existing and new business development resulting from the development of a Road/Rail Terminal. Over the next three years, container handling is forecast to increase from 2600 to 4750 TEUs (standard container size for a ship); the move to a road/rail solution is expected to reduce road transport kilometres by 850,000 km; and KiwiRail estimates an increase in their revenue of $1million. The project is forecast to create well in excess of 30 new jobs for the district. The improved transport connection to the Port of Tauranga, along with the changing economic makeup of the district, is also expected to be the driver for new industry (such as for dairy processing) to consider Tokoroa as a viable location.

It will provide much needed new opportunity for economic growth in one of the district's key areas of opportunity - the development of a logistics hub for dairy, forestry and engineering. This will capitalise on the district's strategic advantages of central location for farming and forestry, access to State Highway 1 and rail, low cost and available industrial land, proximity to ports, a thriving and innovative engineering sector and a willing and business-friendly Council.

However it is important that the project gets external capital funding before it is a realistic option. Our community funding the remaining $2.3 million is a 'big ask'. South Waikato District Council requests central or regional government to invest in this project for our community

2. Project Objectives

- Provide Tokoroa with a road/rail intermodal terminal to allow a direct rail link to and from the Port of Tauranga, with loading and unloading to and from road to provide local road access to businesses in and around Tokoroa.
- Generate economic activity, and therefore employment, for the South Waikato, from the development of an intermodal terminal, through:
    - additional transport and storage network connection opportunities for new and existing businesses
    - more efficient freight transport and storage for users

- the targeted development of specific businesses that are looking to use rail transport eg milk processing.

- Provide viable solutions and choices for industry to manage the increase in New Zealand's freight task by making better use of existing network infrastructure so that efficient freighting decisions can be made.

3. Background

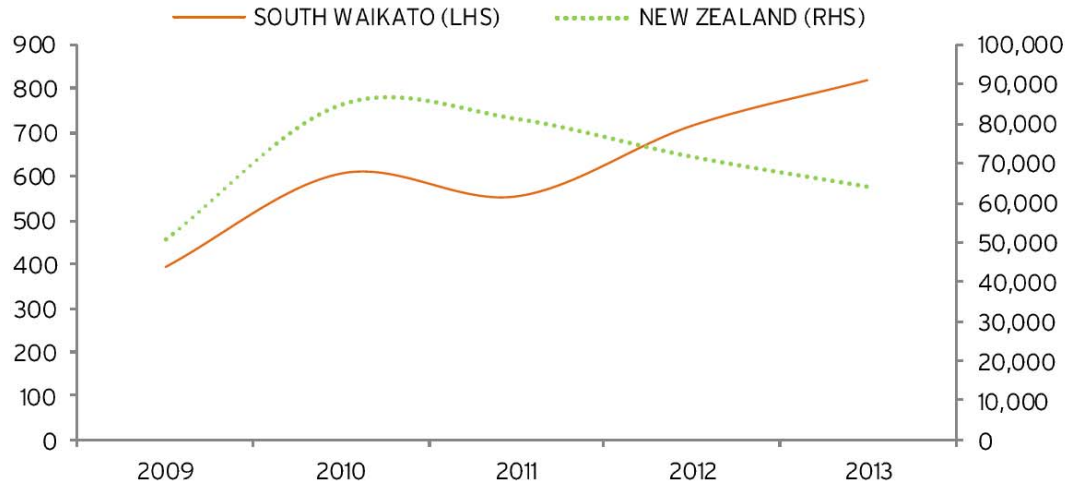
3.1 South Waikato context

In an attempt to make our community more economically vibrant and less reliant on government services our Council have chosen two main strategic objectives - more jobs and better district promotion. To do this we need to focus on the real opportunities we have in our district that will create jobs and economic development. These will need to be based on our strategic advantages of: central location for farming and forestry, access to State Highway 1 and rail, low cost and available industrial land, proximity to ports, a thriving and innovative engineering sector and a willing and business-friendly Council.

The South Waikato's economy is based on primary (31.3%) and secondary (23.7%) industries (Infometrics, 2014). Significant industries within the industry include dairy farming, forestry and engineering. These industries generate a high volume of export products. Any gains in efficiencies associated with distributing goods will result in financial benefits.

The South Waikato District has a high level of unemployment. For the year to March 2013, the unemployment rate in the district was 10.1%, compared to an unemployment rate of 6.8% for New Zealand. In addition to this, the number of beneficiaries in the South Waikato increased by 14.5% in the year to March 2013, however the number of beneficiaries throughout New Zealand decreased by 10.6%. This is demonstrated by Figure 16 below (Infometrics, 2014).

Figure 16. Number of unemployment beneficiaries (2009-2013)



The New Zealand Deprivation Index (2013) indicated that, on a scale of 1 to 10 with 10 being the most deprived, four of Tokoroa's mess blocks scored a 10, two scored a 9, one an 8 and one a 7. Of almost equal concern was that these scores had either deteriorated or stayed the same since the 2006 results. Clearly Tokoroa residents will be a high consumers of social services and therefore government funding.

It is expected that the rail siding would create at least 36 jobs within 36 months of project completion. These jobs would be within the South Waikato and neighbouring districts. The details of this are covered further in section 7.2 of this report.

The creation of this number of jobs is needed within our community. Providing such a high number of jobs will create new opportunities for our families and will result in wider social benefits such as reduced reliance on benefits, improved health statistics and reduced crime rates.

3.2 Current rail service

RJL operates the current road/rail operations which are centred at the rail siding at Kinleith. The trains pass by the proposed site in Tokoroa out to Kinleith. It then shunts the containers into the siding at Kinleith, which is located a few kilometres down the railway. Trucks are then used to load containers and bring them back into Tokoroa by road. Containers are then uplifted from the trucks, unloaded and then the empty containers are returned by truck to Kinleith. While the current practice has shown the benefits of operating this road/rail model, its current location is inefficient in the additional time and cost of trucking back to Tokoroa. The current Kinleith site will also not be able to handle the expected increases in volume.

There is no further rail link to communities south of Kinleith, so the proposed rail siding and potential for storage and handling can also present an economically viable option to any import/ export business in the Taupo, Western Bay/Tirohonga areas.

3.3 History of RJL

Raymond Lincoln began his trucking business in 1988 with one small truck doing local deliveries around Tokoroa and surrounding rural districts for Trailways and Benchmark, and has built the business since then. The fleet has grown steadily, with the business placing a strong focus on customer service.

From 2010 through to 2011 RJL focused on encouraging businesses to look at Tokoroa as a distribution hub for the North Island. Resulting from this they have been able to convince a major customer stock food company (James & Sons) to base their operations here in Tokoroa when RJL showed long term commitment by investing in a shed for them. A 5500m^2 shed was completed and officially opened in January 2013.

The development of the shed has shown the potential of a distribution hub. RJL has also been able to offer another major client, RD1, an economically viable solution for a distribution hub based from this facility since its inception. To ensure the viability and growth long term of this operation it is necessary to have a heavy reliance on rail.

The fact that this operation has already attracted this new business to the district that otherwise would not have been here has seen significant growth in the RJL group of companies. This has been aided by a substantial financial commitment of in excess of $10 million in land, buildings and new equipment by RJL over the past three years.

Some indications of the growth effect are as below:

	March 2010	January 2014	Percentage Increase
Trucks	10	22	120%
Staff	14	31+3(James +Son)	143%
Turnover			84%

The concept is not reliant or centred around the operations of just RJL. The idea is that RJL has acted as a catalyst for this opportunity to become a reality and will provide critical mass to get the concept off the ground. It is intended that the Road/Rail Terminal is open to all businesses to use.

3.4 Why road/rail solution is being proposed

A number of freight owners and logistics operations in New Zealand are looking at how they might make more use of rail to find economies of scale. Rail offers significant efficiency benefits when moving goods over longer distances, or when road access is more congested, and when the volumes of freight can be consolidated at one point. This model is then supported by road undertaking the local task of bringing in and/or distributing the freight.

The road/rail model is most effective when a number of businesses can co-locate around an intermodal terminal and create larger and more regular volumes of inbound and outbound freight. The model works particularly well in moving goods to or from a port as the movement of a single train can create efficiencies in both loading and unloading, reduction in truck queues and waiting time and lost driver hours. This is one of the reasons why a disproportionate number of containers are moved to and from the Port of Tauranga by rail rather than road. (Ministry of Transport – Freight Information gathering System).

The Port of Tauranga had this to say about the Tokoroa Road/Rail Terminal proposal. "*The Port of Tauranga is New Zealand's largest port by volume, handling 19 million tons of import and export cargo. It is a strong bulk port handling bulk commodities such as logs, fertilizer, stock feed and grain. It also is the largest container port in New Zealand. We handle more export containers than imports, so are actively targeting import containers.*

The current activity at Tokoroa has seen more import containers flow through Tauranga, and the proposed rail/road terminal would have the potential to increase the volume of import containers transiting our facilities. Our port operations are well served by both road and rail, however, rail is increasingly playing a greater role in the movement of cargo to our customers. We have and continue to improve our rail terminal to improve efficiencies not only on port, but throughout the supply chain.

We support the increased use of rail for the movement of containers due to the potential of reduced costs and efficiency gains through smart handling of these containers through the total supply chain and support initiatives that have the potential to further increase the use of rail in our catchment area."

Use of rail would also reduce the need for local freight owners and transport operators to invest in additional trucks and to find experienced and capable Class 5 truck drivers. Due to the time and resource required to attract and train experienced Class 5 truck drivers, it is likely that the current road freight task in the district will struggle to find experienced truck drivers. The Road Transport Forum has recently completed a survey of its members and determined there is a shortage of experienced Class 5 truck drivers.

Businesses within the region are saying that they are finding it difficult to fill vacancies for qualified truck drivers. In order to fill vacancies, some trucking firms have to employ people who are unqualified and then spend up to six months training them. The intermodal terminal would reduce this pressure, as it would allow local and regional businesses to distribute goods via rail. The ability to efficiently make use of the rail network to and from the Port of Tauranga will potentially attract additional businesses to establish themselves in the area and cluster around the terminal site. This clustering will, in turn, create both employment and training opportunities as local people will have more opportunities around employment and career progression.

3.5 Regional context – growing and evolving freight task

In the past decade there has been significant growth in dairying in the south of the Waikato Region through the conversion of forestry to dairy farming. At least 30,000 hectares of land has been converted from plantation forest to pasture in the central North Island of New Zealand between 2000 and 2010. Recently, in one purchase, a further 14,000ha of forestry land in the South Waikato District will be converted from forestry to a range of uses including dairy farming on suitable land. Significant areas of conversion have also taken place in the Taupo and Rotorua Districts.

The impact of this has been there have been significant increases in the demand for freight movements in this area, both in volume and frequency. Dairying farming requires a number of regular truck movements: the arrival of the milk tanker on a daily basis to collect the milk and trucks that bring in feed to the farm such as palm kernel and meal (in some instances these truck movements occur on at least a weekly basis). In addition to this there are often fertiliser trucks and stock trucks. Once the milk has been processed at the factory, it is then transported to its end location (usually overseas). The rail siding would reduce the number of truck movements associated with the dairy industry as more product would be able to arrive by rail or be transported away by rail.

3.6 National context

Improving the efficiency of freight supply chains is a key impact set out in the Government Policy Statement on Land Transport Funding. Freight efficiency is key to ensuring our infrastructure

responds to the needs of productive industry, especially those that will grow New Zealand's exports eg dairy, forestry and engineering.

The proposal will also assist KiwiRail achieving its goal of becoming a fully sustainable business, and reflects the future of rail as an important component of New Zealand's freight system. This has underlined the Government's substantial investment in the rail network over the last four years. So this proposal will assist, in a modest way, with this rail volume growth and will ensure the existing rail network, with the addition of a rail siding, is better utilised.

One of the key elements of the KiwiRail Statement of Corporate Intent 2013-15 is that growth in freight volume and revenue quality is essential. KiwiRail see freight as being critical for their journey to financial sustainability and currently more than 60 percent of KiwiRail's revenue is from carrying bulk commodities, import-export goods and domestic freight. It is predicted that the amount of freight carried by rail will double over the next thirty years.

KiwiRail's Statement of Corporate Intent 2013-15 also states that they are seeing strong demand from freight firms to have rail-enabled sites across the rail network. KiwiRail expect to see almost $60 million invested in such sites over the next two years. Developments of this nature are seen to complement the freight objective of a modal shift from road to rail.

This project requires a private/public (local and regional government) partnership, with support from central government, to develop an intermodal total transport/logistics solution serving a wide geographic area. It will provide an optimal single site transport solution for centralised rail import and exports which is then distributed through a more local road transport network.

Removing high volumes of freight from road and placing them on rail also has benefits to our national road network as it reduces the amount of wear and tear on the roads, and consequently reduces the frequency of maintenance. There are also benefits of crash risk reduction and ensuring industry has modal choice to suit their needs when moving freight.

3.7 International context

Over recent years the South Waikato has responded to new international market opportunities particularly in relation to increased dairy production and increase in the specialised engineering exports.

In relation to this the region has experienced a change in land use in. Both the forestry and farming industries have looked at how they can produce higher value products and products that cater towards the needs of developing Asian markets. The volume of logs exported to China has been increasing and in 2013, the number of logs exported continued to increase. In the month of October in 2013 alone records were set for the number of logs exported. There were over 1.6 million m^3 of logs exported, with 1.25 million m^3 of this exported to China. 700,000m^3 of the total number of logs (43%) were exported from the Port of Tauranga. Construction in China is expected to increase, continuing to drive demand for logs (Agrixfax, 2014). The location of the rail siding at Tokoroa presents an easily accessible location to transport the logs to the Port of Tauranga, without increasing the number of trucks on the roads.

This change will drive new freight flows both inbound and outbound. The changes also are an opportunity for the district and the surrounding area to lift the amount of goods being exported, by volume and value. This will support the Business Growth Agenda's goal of lifting NZ's exports from 30% to 40% of GDP by 2025.

4. Project scope

It is proposed that Council partner with RJL and KiwiRail in the development of a Road/Rail Terminal located adjacent to the rail line and on RJL's current property on Boronia Street, Tokoroa.

KiwiRail support the project and have committed rolling stock to support the operation of the Road/Rail Terminal. KiwiRail do not fund the development of this type of 'private' rail siding and have significant other funding priorities at the moment so won't be able to commit resources beyond the support for the development of the rail siding and availability of rolling stock.

The Road/Rail Terminal will open the opportunity for more efficient and cost effective freight

operations for both current and new businesses. It will eliminate the need for the current additional handling and truck travel required to move containers to and from Kinleith and the costs associated with this. The containers will instead be shunted onto the rail siding within the terminal where they can be handled directly on a 'hardstand' and moved to a container loading/unloading area adjacent to the rail siding.

RJL will purchase equipment needed to load and unload the containers on and off the rail. Establishing the terminal at Tokoroa will make current operations more efficient and cost effective, but it will also create the ability to handle the growing volumes of containers in a timely and efficient manner. New and existing businesses, both large and small, in proximity to Tokoroa will also be able to utilise this facility. These are detailed later in the report.

RJL has the infrastructure in place to support this operation, but by no means will the operation be restricted to use by only RJL. An access and handling contract will be developed to allow anyone to access and utilise the rail siding. This is seen as an integral condition of this proposal.

RJL in conjunction with KiwiRail will develop health and safety systems and controls for the common site that all parties would need to abide by. RJL is also willing to support any new businesses with existing equipment e.g. forklifts and a weighbridge.

The components of the freight intermodal terminal project are (a map/plan is attached):

- Develop, in association with Kiwirail, a 400metre double-ended rail siding adjacent to the railway line from close to Balmoral Drive to past the RJL bulk store. The rail siding itself will be located completely on the Kiwirail owned rail corridor.
- KiwiRail will specify the requirements and manage the development of the rail siding and provision of rail switch point equipment. They will also manage and maintain the rail siding after its development.
- A tar sealed 'hardstand' adjacent to the full length of the rail siding will also be developed to allow for loading/unloading containers on to/off the rail. This area will be separated from the container loading/unloading area and operated exclusively by RJL for safety reasons.
- RJL will provide land for the container loading/unloading area to the SWIF Trust/Council to ensure long term public access is secured. RJL will maintain ownership of the land under the hard stand area that runs adjacent to the rail siding and would negotiate a long term arrangement with the SWIF Trust/Council for this area.
- A tar sealed two-way local road to be developed to allow for safe heavy vehicle access to and from a newly developed container loading/unloading area at the Balmoral Drive end of the rail siding. This will allow open access to all businesses to collect and deliver containers ready for rail transport. RJL will contract with these businesses to load and unload containers from the rail siding to the container loading area and potentially onto trucks or the business's own premises.
- Performance expectations will be included in any arrangement between RJL and the SWIF Trust/Council to allow for effective and efficient working of the operation and long term access by all parties.
- It is planned that the development improvements, ie rail siding hardstand and container loading/unloading areas will be owned by the SWIF Trust. Council will own and maintain the tar seal public access road.

5. Alignment with Council's vision and strategies

The development of this project fits perfectly with Council's two strategic objectives of economic development (more jobs) and district promotion.

There has been a long term concept that Tokoroa could become a distribution hub for rail and road transport based on primary industries or farming, forestry and power generation and associated secondary manufacturing and engineering industries.

Tokoroa is strategically positioned with rail links to the, nearby, Port of Tauranga and access to State Highway 1, with affordable and available industrial land, with strong manufacturing and engineering businesses located and in the centre of forestry and dairy product production and farmland.

The proposed location of the Road/Rail Terminal is in the industrial zoned part of town with significant potential for expansion of existing (and addition of new) businesses.

One of the major selling points is that RJL has an existing transport/logistics business operating from the site. This makes it much easier for new business to see what is possible and to see it in operation - it is 'alive and well'.

6. Budget and Funding

6.1 Initial Capital Cost

The initial total cost of, and proposed funding for, the project is detailed below:

Project Item	Total Cost $million	Council/other Fund $million	RJL Funding $million
Rail siding development and rail switch point equipment	1.12	1.12	
Land for access road; container loading/ unloading; and hardstand	0.38		0.38
Development of access road; container loading/ unloading; and hardstand adjacent to rail siding	1.38	1.38	
Container Loading/Unloading equipment	1.0		1.0
Total	3.88	2.50	1.38

6.2 Funding

Council is committed to the concept of, and need for, this project but the cost of development has increased 100% over initial estimates from KiwiRail done a few years ago; so Council now finds itself with an overwhelming $2.5 million cost to find funding for. Part of this cost can be funded from the Council's South Waikato Investment Fund, but the proposal needs to find additional financial support from other organisations or government agencies to make this project affordable for our small community (population 22,000).

There is significant public benefit involved with the project which is why the South Waikato Investment Fund Trust can play a major role and own the core facilities of the terminal. As such RJL have made an investment reflecting the expected benefits for their company and their ability to invest in a project that has community and wider public benefits.

KiwiRail have indicated that, with recent other funding requirements and a policy of not funding 'private' rail sidings, they are unable to support the project with funding but have committed to, and are supportive of, the project. They are willing to commit rolling stock to the project.

NZTA have been approached for funding (given the significant potential to reduce heavy road transport kilometres travelled) and are also very supportive of the project. They will consider investing in the local road component as part of the development of an intermodal freight terminal. This investment would cover 60% of all the usual costs associated with the purchase of land and

construction needed to provide a public road – as set out in NZTA's investment procedures. This funding is forecast to yield $230,000 but this is not guaranteed.

Waikato Regional Council is also supportive of the project from the Land Transport and Economic Development perspective but has not been able to commit funding.

The offering will be a shared public space which has an ownership and management role that guarantees long term access and development to all business. It is a shared risk model.

7. Key stakeholders and beneficiaries of this project

7.1 Key stakeholders in this project

- **The South Waikato District**

This project gives our district the jump to take advantage of the proposed freight task increase. This proposal means potential employment and financial benefits are introduced into our district. As this increase has already begun in its infant stages this opportunity needs to be realised quickly before other solutions are found outside our district.

- **RJL Group of Companies**

RJL has already attracted and established distribution and storage business to the area. This is currently small in scale when measured against the potential. For RJL to increase the scale of this operation, and entice new business into the district, logistically the Road/Rail Terminal is the only way to move forward.

- **KiwiRail**

KiwiRail will see significant increase in current business that will only continue to grow. In the last twelve months, with current secured volumes from RJL, KiwiRail have revenue increases of over $300,000 from at least 1,000 containers. In reality this volume is more likely to be 1,500 to 2,000 if KiwiRail can support RJL with sufficient equipment and service. Conservatively, you would expect to see these volumes at least double within a twenty four month period. This would be through new business and some existing freight moving from road to rail.

- **New Zealand Transport Agency (NZTA)**

NZ Transport Agency benefit from this project by means of improved freight efficiency in the South Waikato district and improved transport connections between this area and the Port of Tauranga – a key export/import port. Reducing the number of truck trips on nationally strategic routes that carry significant volumes and value of traffic will help with congestion particularly around the Port of Tauranga and also reduce the crash risk exposure on the route between Tokoroa and Tauranga (State 1 and State Highway 29). If we use the volumes mentioned above, (with each movement involving a truck to and from the Port of Tauranga - a distance of 182.2 km per round trip for approximately 1,000 containers) we would see around 182,200 km less truck movements on this route. To calculate the safety benefits, using a factor of 36 cents per km, the estimated safety benefit of removing 182,200km of truck movements is $66,000 pa.

- **Port of Tauranga**

As discussed earlier rail, for the Port, is increasingly playing a greater role in the movement of cargo to its customers. The Port will continue to improve its rail terminal to improve efficiencies not only on port, but throughout the supply chain.

Handling freight by rail, rather than road, from the Port will have major efficiency benefits and help reduce congestion in and around the Port. The Port supports the increased use of rail for the movement of containers due to the potential of reduced costs and efficiency gains through smart handling of these containers through the total supply chain and support initiatives that have the potential to further increase the use of rail in our catchment area.

Any incentives and efficiencies this project can provide to any import/export business will see more volume handled through the Port of Tauranga. Their support and understanding of this

project is paramount. The main areas of support will involve insuring and or extending their resources to handle volume efficiently. They too stand to possibly have revenue gains from this project.

7.2 Freight customers, future demand and volume viability

The key current and potential customers and future opportunities are detailed in the table below and summarised in the narrative that follows.

Table: Container movements and potential reduction in heavy transport road km

	Current Containers pa	Projected Containers pa	Current km	Projected km in 36 Months
James + Sons	600 imports	1,000 containers pa minimum	109,320	182,200
RD1	1,000 imports	1,200 imports	182,200	218,640
Agility Logistics	300 for the Te Mihi Power project	Difficult to project. Estimate 300		
Blue Pacific Minerals	500 export	Increase to 1,000 export	91,100	182,200
Waratah	200 import / export	Increase to 250	36,440	82,200
Dairy Processors		1,000 in 18 months		182,200
Total	**2600**	**4750**	**419,060**	**847,660**

Table: Potential KiwiRail revenue and South Waikato job creation

	KiwiRail Revenue at current volumes	KiwiRail Revenue at projected volumes	Current Jobs based in Tokoroa	Projected Jobs in 36 Months
James + Sons	Currently nil on rail	$300,000	3	6
RD1	$300,000	$360,000	2 RJL Staff	5
Agility Logistics			RJL Staff 0	1
Blue Pacific Minerals	Currently nil on rail	$300,000	23	33
Waratah	Currently nil on rail	$75,000	80	95
Dairy Processors		$300,000		Difficult to estimate
RJL Rail Handling Staff			0	4
Total	**$300,000**	**$1,335,000**	**108**	**144**

The Road/Rail Terminal allows for the consolidation and cooperation of a wide range of services and parties on one site. The model has been tested on small scale and is working and has wide business community buy-in.

7.3 Key users and opportunities

- **James and Son**

  James & Son were the first business to realise the potential of Tokoroa as a distribution hub due to its central location. Their growth has exceeded expectations since the commencement of the lease in January 2013 of the RJL bulk store located within the boundaries of this proposed project.

  Currently the inwards goods into the store are a mix of imported goods received through the

Tauranga Port and some by products are sourced locally from Auckland and Gisborne.

Outwards goods are distributed primarily into the 'Central North Island Triangle' - between Te Kauwhata in the north, Te Kuiti to the west, Opotiki to the east and Taupo to the south. Some volume is distributed outside of this area but the amounts are not significant.

James and Son's intention is that soon all imported goods will be handled directly through the Tokoroa facility. Due to volume and intensity of these imports, rail will be the only effective way to move this volume. James & Son intends to grow this business to where they would be importing 600 – 1,000 containers per annum at a minimum. This volume is additional to current volumes. To secure this volume into Tokoroa it is essential that the rail link is effective and capable.

- **RD1**

RD1's products are imported through Tauranga Port and distributed throughout the North Island - the northern most store is located at Kaitaia and most the southernmost store is located at Featherston. RD1 have also realised the advantages of Tokoroa as a distribution hub - in particular the central location and close proximity to the Tauranga Port. RD1 are currently utilising the facility and expect approximately 1,000 containers of imports this year. Using the Kinleith siding and trucking into Tokoroa has been advantageous in establishing and proving that the Tokoroa hub concept works. Due to timing restraints and costs of trucking from Kinleith, higher volumes would be unsustainable long term through this arrangement. The economical solution is from rail siding direct to site.

- **Agility Logistics**

Agility Logistics has two angles of interest in this project.

Firstly, they handle many project imports for new energy projects in the surrounding districts, as an example RJL transported 300 plus containers for the Te Mihi Power project in association with Agility. For such projects rail from ports either Auckland or Tauranga would have provided potential cost savings and efficiencies. They want to know going forward that this rail link is available for future projects.

Agility Logistics has historic ties with geothermal power and this volume would be mostly in the Tihoi and Taupo areas. This is an example of where the rail siding would provide jobs and opportunities further afield than the South Waikato District.

Secondly, in conjunction with RJL Logistics a door to door service world-wide is being offered to clients in this district. The benefits of this option provide potential savings and simplification for our customers when dealing with their offshore clients. The aim here is to give them competitive edges through price and service that will see their businesses grow. This is particularly relevant to some existing businesses in the district such as Blue Pacific Minerals and Waratah. This model again relies on the rail service being effective and timely.

- **Blue Pacific Minerals**

Blue Pacific Minerals currently export approximately 500 containers per annum, but are in the initial stages of expansion that will see them increase to 1,000. Currently their export products are managed through the Tauranga Port. This volume is currently on road and would see another 91,100km of road km eliminated. Potential efficiencies for this business will enhance their growth supporting extra employment and growth.

- **Waratah**

Waratah is currently exporting approximately 200 containers per annum through Auckland and Tauranga Ports. This volume is currently handled on road by RJL. Using the Tauranga formula, at current volumes, another 36,440km is potentially taken off road with new revenue for KiwiRail.

- **Potential Customers**
  - Initial talks with existing and planned dairy factories in the area (Miraka and Dairylands) would very quickly see total volumes doubled. This will only be possible with efficient, cost effective and reliable systems and services in place. These two clients fall into the 'chicken and egg' scenario where if we build the rail siding they are likely to come. The availability of the rail siding would be huge draw card for attracting Dairylands to develop a plant in Tokoroa. The Dairy Factory would have a significant impact on South Waikato's (and particularly Tokoroa's) economy.
  - Timber and Pulp - there is potential interest from Tenon Taupo and other businesses regarding the import and export of timber and pulp. There is currently significant volumes stored in Mount Maunganui area with the end destination being the Kinleith Mill, this volume could be railed over and stored in Tokoroa at reduced costs. This also creates employment opportunities for staff required to handle this product, this opportunity is not included in the above tables.
  - Export and import container handling - the mix of import and export containers mentioned above also provides an additional opportunity where containers can be utilized both ways. The advantages of this are significant financially for the customers as the cost of getting empty containers to or from their sites is sustainably reduced. Containers will also be available at short notice and will be able to be managed on and off their sites in a timely manner that will avoid congestion and assist them in operating their business efficiently.

    This scenario will also create the need for a container cleaning, surveying, and possibly repair depot to be established. This is further spinoff employment that will be created solely from volume of containers handled through Tokoroa.
  - Fuel Stop & Truck Wash. Other businesses such as a drive-through truck wash have already indicated desire to establish a facility within close proximity of the proposed siding. This would create employment for 4 to 6 people.

8. Risks

Risk one: Uncertainty around the use of the rail siding resulting in the rail siding not providing economic development gains.

Minimisation of risk one:

- Rail is an unmatched tool when looking for economic gains that are volume based. For trucking purposes, costs are per truck and trailer and are relevant per unit. With a train, benefits result from direct FULL trains from point A to point B – Hence Volume Pays.
- Time management and cost efficiencies are only possible with bulk movements, also available storage space at ports are limited to short windows, pre ship arrivals or at a cost, trucking is not always possible. Clearing freight from ports quickly is therefore imperative and very effective via rail.
- Chicken and the egg scenario - we won't attract high volume business without this facility.
- High volume will create employment.
- Risk is minimised by committed volumes already in place for next 12 months, this will act as proof that the model will work.

Risk two: There is a perceived lack of access to the Road/Rail Terminal which means that it is not utilised as well as it could be.

Minimisation of risk two:

- An access and handling contract will be developed to allow anyone to access and utilise the rail siding.
- There will be communication with potential businesses who may use the Road/Rail Terminal informing them that any business is able to access and utilise the service.

Risk three: There could be a noise nuisance with neighbouring houses.

Minimisation of risk three:

- Although this land is zoned industrial the site does back onto the residential homes. Some residents may see the rail siding as having an adverse effect on their properties by the noise generated from the trains and the loading and unloading of containers.
- Trains already run past this location so this would help minimise that risk. However there would be short prolonged times of additional noise while a shunt takes place. Unless there was an extremely heavy period of container loading and unloading activity the rail siding would not operate any longer than the current bulk store does at present. This is from approximately 5.30am until approximately 8.30pm. To date RJL have had no complaints from surrounding neighbours.
- Council staff has investigated this issue. An acoustic consultant needs to be employed. If the acoustic consultant determines that the noise generated from the rail siding will comply with the District Plan then no further actions will be necessary. If the rail siding will not comply with the requirements of the District Plan, then a resource consent will be required. Obtaining the resource consent would require obtaining written approvals from affected property owners and/or mitigating the noise effect.

Risk four:

Failing to proceed with the rail siding project will have at least two impacts:

- The lost opportunity of attracting new and expanding business to Tokoroa. Tokoroa has a real opportunity to become a major transport hub. The rail siding is key to making this a reality.
- There will be increases in road use that could have been converted to rail use.

9. What are the alternatives to this project?

The only potential alternative to this project is to continue to transport the goods via trucks.

Although the rail siding requires and investment of $2.5 million relying on trucks will also require financial investment. The cost of purchasing a new truck can be in the vicinity of $600,000 each.

As identified earlier in the report there is a skill shortage of professional truck drivers.

Increasing the number of trucks on our roads will result in increased wear and tear on results which will increase maintenance costs. There are also impacts on road safety and increases to the serious crash risk.

10. Summary

The main beneficiary of the proposed Road/Rail Terminal is the South Waikato community who will have an increase in the number of jobs available and the ability to improve the image of their district.

It will provide a much needed new opportunity for economic growth in one of the district's key areas of opportunity - the development of a logistics hub for dairy, forestry and engineering. This will capitalise on the district's strategic advantages of central location for farming and forestry, access to state highway one and rail, low cost and available industrial land, proximity to ports, a thriving and innovative engineering sector and a willing and business-friendly Council. What more could you want…

South Waikato District Council
22 May 2014

References

Infometrics, 2014 - The Annual Economic Profile South Waikato 2013

Work and Income New Zealand, 2014 - www.workandincome.govt.nz