

TE HUIA REVIEW

The service has been operating since 2021. This report is the latest in a series produced by The Waikato Chamber of Commerce. It considers the projects results to 31 March 2024.

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Total Commuter & Other Passengers

160,919

Total Capex & Opex Budget

\$98m

Spend per Month

\$508,000

Commuter Rail Review

The objective of this service was to connect with a commuter service, Auckland, New Zealand's business hub and biggest city, to New Zealand's fastest growing city, Hamilton.

Te Huia has transported a total of 160,919 passengers between the two hubs, an average of 5,029 per month, removing the effect of Covid-19 lockdowns. 85% of these passengers were commuters, the target market for this service.

Originally \$68.7 million was invested in capital infrastructure to support Te Huia, this included building train stops and bus depots in Hamilton which helped to enable the services to operate.

There was \$29.3 million approved for spending on operational costs for the five years following launch.

The average annual spend has been \$6.1 million, which equates to \$508,000 per month or \$101 per passenger, excluding capital costs. 2023/24 financial data will be released in July 2024.

Te Huia been fully funded through tax/rate payer dollars, 75% from Waka Kotahi, 21.2% through Waikato Regional Council and 3.3% through Waikato District Council.

NZ CHAMBERS OF COMMERCE

W A I K A T O

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Te Huia
Connecting **Waikato & Auckland**

Te Huia Wider Impacts

Cost Model

Te Huia currently operates on a **no-risk** to KiwiRail, cost-plus contract. Waikato Regional Council (WRC) pays a 'Service Fee' monthly which is a percentage of the 'Operating Cost Amount'. Therefore if the operational costs for Te Huia are higher, then KiwiRail will receive an increased 'Service Fee'.

Operational Efficiency

Te Huia currently offers four services per day, which equates to 50 commuters per trip per day. There are 147 standard seats available per train, which means on a work day there is an average of 34% usage of Te Huia's capacity.

Generously assuming all passengers per month (5,029) paid for a return trip from Hamilton to The Strand (\$36), this would equate to \$181,044, resulting in an operational shortfall of \$326,956 per month.

The above figures have been adjusted for closures over COVID-19.

Substitute Options

The main competition for Te Huia is The Waikato Expressway, which itself transports 20,000 vehicles a day; **conservatively** assumed to represent one passenger each.

The total project costs for the Waikato Expressway was \$1.5 billion (not including land costs) with \$1.4 million in operational costs per annum. If comparing the two projects over the three year period that Te Huia has been operating then;

Te Huia: Served 160,919 passengers and incurred \$87 million of costs (assumed \$6.1 million for 23/24). Inferring a cost per passenger of \$540.

Waikato Expressway: Served 21.9 million at a cost of \$1.5 billion. Inferring a cost per person of \$99.86.

Noting that this disparity will increase given the magnitude of passengers served by the Waikato Expressway versus Te Huia.

It is worth highlighting that the per month operational expenditure for the Waikato Expressway is \$116,000 compared to the \$508,000 for Te Huia.

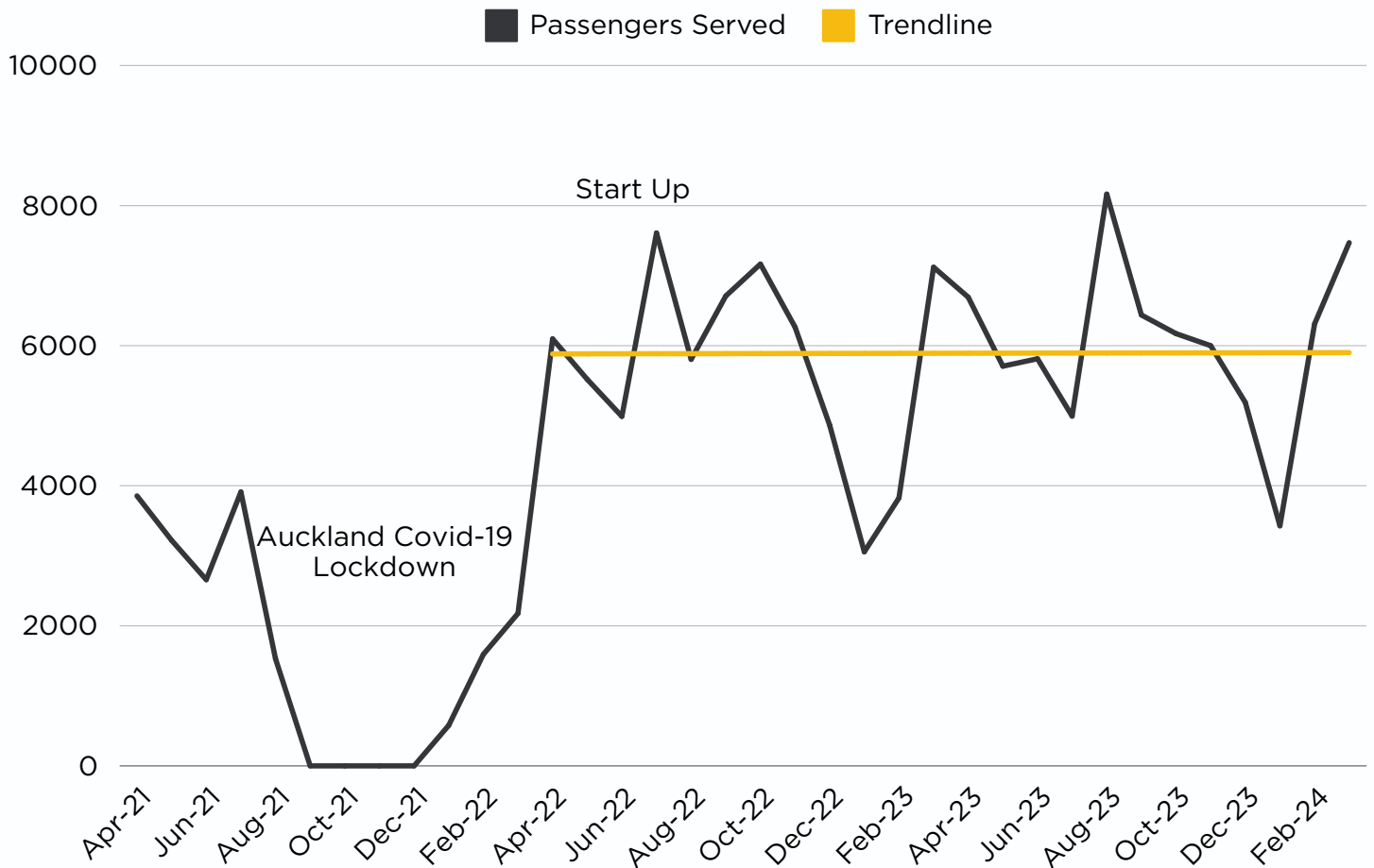


Te Huia Utilisation

34%



Monthly Passenger Numbers (Apr 21 to Mar 24)



Passenger Trends

The number of passengers on Te Huia has grown over time, but has plateaued post Covid-19 lockdowns being removed, at ~5,900 per month on average.

There has been an increase in services offered, which serves to increase expenses, therefore KiwiRail's income. Simultaneously lowering utilisation as overall capacity is raised.

The additional services result in the cost disparity between Te Huia and the alternative of Waikato Expressway increasing further.

Conclusion

Te Huia is currently not competitive as a commuter option compared to alternatives such as The Waikato Expressway, with significant cost per passenger differences apparent. Noting stagnant average passenger numbers since April 2022 on Te Huia.

This update has not covered variance in time and convenience between the substitutes. Highlighting that to get Te Huia to a truly competitive position it would require an estimated investment of \$5 billion, reducing travel time to 1.5 hours (calculated in 2010).

Sources

[Te Huia official website](#)

[Waikato expressway cost](#)

[Rapid rail scenarios](#)

[Opening of Waikato Expressway](#)

[Waikato Expressway daily vehicles](#)