

The Treasury

Budget 2017 Information Release

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

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| [1] | to prevent prejudice to the security or defence of New Zealand or the international relations of the government | 6(a) |
| [4] | to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial | 6(c) |
| [11] | to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements. | 6(e)(vi) |
| [23] | to protect the privacy of natural persons, including deceased people | 9(2)(a) |
| [25] | to protect the commercial position of the person who supplied the information or who is the subject of the information | 9(2)(b)(ii) |
| [26] | to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied | 9(2)(ba)(i) |
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| [29] | to avoid prejudice to the substantial economic interests of New Zealand | 9(2)(d) |
| [31] | to maintain the current constitutional conventions protecting collective and individual ministerial responsibility | 9(2)(f)(ii) |
| [33] | to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials | 9(2)(f)(iv) |
| [34] | to maintain the effective conduct of public affairs through the free and frank expression of opinions | 9(2)(g)(i) |
| [36] | to maintain legal professional privilege | 9(2)(h) |
| [37] | to enable the Crown to carry out commercial activities without disadvantages or prejudice | 9(2)(i) |
| [38] | to enable the Crown to negotiate without disadvantage or prejudice | 9(2)(j) |
| [39] | to prevent the disclosure of official information for improper gain or improper advantage | 9(2)(k) |
| [40] | Not in scope | |

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

From: John Marney [TSY]
Sent: Friday, 17 March 2017 3:35 p.m.
To: ^Parliament: David Kidson
Cc: Ben McBride [TSY]
Subject: Terranova, quick update

[SEEMAIL][SENSITIVE]

David,

Here's a quick update on Terranova, to keep you in the loop.

The 5-year envelope agreed in November last year is \$1.879 billion. The offer discussed by Joint Ministers on 7 March was costed at \$1.851 billion. This costing has since been revised downwards slightly (technical adjustments to the model), to \$1.785 billion, leaving a small amount of headroom within the envelope (\$0.094 billion).

The offer discussed by Joint Ministers has been made to the unions. The unions came back with a counter offer, provisionally costed at around \$2.1 billion (that is a ball-park estimate only). This is lower than their previous offer of \$2.24 billion, but still outside the mandate. I haven't seen the details of the union's latest offer, but I am told that the main increase in costs relative to the Crown's proposal comes from front-loading the wage increases, rather than having more gradual increases over 5 years. The negotiating team pushed back and are now awaiting a revised counter-offer from the unions, expected on Wednesday next week. I am told that it is unlikely to be below \$2.0 billion. Once the offer is in, the Ministry of Health will aim to get a briefing to Ministers ahead of next weekend (probably on Friday – this may slip). If things play out as described, Ministers will then need to decide how they want to respond.

The Ministry has started talking about implementation costs now. No firm numbers yet, but they should be marginal in the overall scheme of things [38]. My understanding is that they relate to the cost of backfilling for network staff needed to manage the contract renegotiations with providers. In one sense, this is reassuring as it indicates that the Ministry is now focusing on this stage of the process, which is critical to implementing a deal on time and within the agreed envelope.

Happy to discuss.

John