

# The Treasury

## Budget 2017 Information Release

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Chair  
Cabinet

## **KAIKŌURA EARTHQUAKE - REINSTATEMENT OF SOUTH ISLAND TRANSPORT CORRIDORS**

### **Proposal**

1. I propose that Cabinet agree to reinstate State Highway 1 and the main trunk rail line along their current coastal route, with improvements to the safety and resilience of the route.
2. I propose Cabinet approve Power to Act for Relevant Ministers to submit an Order in Council to the Executive Council under the proposed Hurunui/Kaikōura Earthquakes Recovery legislation. The Order would modify existing statutes to enable the initial stages of work to clear slips and provide access along State Highway 1.

### **Executive summary**

3. State Highway 1 and the main rail trunk line north and south of Kaikōura were severely damaged by the recent Kaikōura earthquake sequence, severing a critical economic link for freight and the tourism industry of both the South Island and New Zealand.
4. I requested, and have now received advice, from the Ministry of Transport and the New Zealand Transport Agency (NZTA) and KiwiRail on the strategic options available to the Government for reinstating these vital South Island transport routes.
5. In total, 10 reinstatement options were considered. Of these, 3 would restore the coastal route, 1 would upgrade the existing Lewis Pass alternative route, and 6 would create a new inland route.
6. The options were considered against several criteria. These criteria included efficiency and reliability, resilience (economic impact of route closure), support for existing communities and tourism, cost, environmental impacts, practicality, and timeframe.
7. Officials have advised that, of the 10 options considered, only the 3 options that involve restoring the coastal route match the criteria.

8. The 3 options for the coastal route involve varying degrees of investment in the route, ranging from reinstating the route at the pre-November 2016 functionality to significantly enhancing it. The option I am recommending is to improve the route to the standard needed to provide some resilience against future Kaikōura earthquake-type events, while ensuring that this important corridor is restored to operation as soon as is possible, and at a reasonable cost.
9. Because of the urgency in re-establishing the corridor, I propose that restoration of the South Island Transport Corridor will be a Crown led and funded project. The mechanism to give effect to this decision will be to invite the Board of the New Zealand Transport Agency to manage the reinstatement of the Corridor on behalf of the Crown. The costs of restoration of the main trunk rail line can be partially met by KiwiRail (from commercial insurance), and the costs of works on Springs Junction / Lewis Pass and the Kaikōura Emergency Access route from the National Land Transport Fund.
10. Given the need to move urgently to reinstate the route in a reasonable time, the consenting and design process will be addressed by making necessary modifications to certain enactments, such as the Resource Management Act 1990. The Hurunui/Kaikōura Earthquakes Recovery legislation will provide authority to modify these enactments through an Order in Council. A Bill is currently before the House and is due to be passed soon. It is for this reason that I am proposing that Cabinet approve Power to Act for relevant Ministers to submit Order(s) in Council to the Executive Council under the proposed legislation.

## **Background**

11. State Highway 1 and the main rail trunk line north and south of Kaikōura were severely damaged by the recent Kaikōura earthquake sequence, severing a critical economic link for freight and the tourism industry of both the South Island and New Zealand.
12. Prior to the earthquake, State Highway 1 between Picton and Waipara carried around 2,700 movements per day, with around 550 heavy vehicle movements. The rail line carried one million tonnes of freight (80,000 truck equivalents per annum) and the Coastal Pacific tourism rail journey carried 45,000 tourists per annum. Kaikōura also plays an important role in New Zealand's tourism industry. The summer peak on State Highway 1 is around 5,500 vehicle movements per day.
13. Additionally, State Highway 1 also plays a vital role for the welfare of the communities along the route.

## **Strategic options considered**

14. I requested, and have now received advice, from the Ministry of Transport, the New Zealand Transport Agency (NZTA) and KiwiRail on the strategic options available to the Government for reinstating these South Island transport routes.

15. In total, 10 reinstatement options were considered. A map setting out the options considered is attached as Appendix 1. The options for reinstatement of the road and rail corridor can be categorised into the following three broad approaches:
  - 15.1. restoring the coastal route (3 options considered)
  - 15.2. upgrading the Lewis Pass alternative route
  - 15.3. a new inland route (6 options considered).

### **Options assessment**

16. The options were considered against several criteria. These criteria included efficiency and reliability, resilience (economic impact of route closure), support for existing communities and tourism, cost, environmental impacts, practicality, and timeframe.
17. A table assessing all 10 options is attached as Appendix 2.

### ***Alternative inland alignments***

18. Officials reviewed 6 possible inland routes, or partial routes to connect to existing routes. In general, new inland routes did not rate well against the criteria. New routes would have a very significant negative impact on the environment, and would be difficult to construct due to the terrain. They would be very expensive (ranging from \$2.85 billion to \$6 billion) and, critically, they would take five to six years to complete. A further consideration was that several of these alignments could not support rail, due to the gradient of the proposed routes.
19. Officials have, therefore, advised that they do not consider these options meet the criteria they were asked to consider.

### ***Improving the current Springs Junction / Lewis Pass / Murchison (State Highways 7/65/6/63) as the permanent road corridor***

20. Enhancing the current Lewis Pass / Springs Junction / Murchison alternative route is a potentially viable option in terms of functionality and cost relative to the inland routes. However, this option has some resilience and efficiency issues:
  - 20.1. it would leave only one State Highway connection between the upper South Island (Tasman, Nelson, and Marlborough) and the remainder of the South Island.
  - 20.2. the vulnerability of a single corridor was illustrated last week by a heavy vehicle crash on the Lewis Pass that closed the route for several hours.
  - 20.3. the route is approximately 90 minutes longer than the coastal route
  - 20.4. this option would also not be rail capable, and there are greater safety issues associated with a longer route.

21. Officials, therefore, have advised they do not consider that this option would meet the criteria.

### ***Reinstating the coastal transport corridor (preferred option)***

22. Officials considered a range of choices along the coastal alignment. These were:
  - 22.1. reinstatement of the current route (option 1)
  - 22.2. a reinstatement of the current route but enhancing the route where possible and sensible (option 2) and
  - 22.3. reinstatement and greatly enhancing the current route (option 3).
23. Option 2 is the preferred option. In general terms, option 2 reinstates the road and rail corridor along the coastal alignment, provides greater resilience by providing increased separation of the transport corridor from natural hazards, and delivers improved travel time and safety outcomes.
24. Design solutions are still being considered but greater resilience will be provided by raising the level of the road where it is prone to flooding and by increasing separation from the hillside, allowing a catchment area for any potential rockfall. Improved safety outcomes will be provided through shoulder widening, slow vehicle bays and creating pull-off areas for truck loads to be checked and tourists to rest.
25. This option requires the use of slip material to build the transport corridor on a more seaward alignment than its current position, and therefore resource management and environmental considerations will be important. This approach also allows work on the rail line to be bundled with work on State Highway 1. Following completion of this route, the service level of the road would be equivalent to a 3 star road under the KiwiRap Road Assessment Programme (State Highway 1 had a 2 star KiwiRap rating pre-earthquake). Importantly, this should only take around 12 months to restore restricted access to the route.
26. The estimated cost of my preferred option ranges from \$1.4 billion to \$2.0 billion with a midpoint of \$1.7 billion. Of the \$1.7 billion midpoint, <sup>1251</sup>

Clearly,

there need to be caveats around these estimates but the financial risks are less than options involving completely new routes. In addition, taking this approach only adds around \$200 million over and above the cost that would be involved in reinstating the costal route to its pre-existing functionality (i.e. option 1).

### **Consultation**

27. The Department of Conservation, the Ministry of Business, Innovation and Employment, the Ministry for the Environment, Maritime NZ, the NZTA, the Ministry for Primary Industries, KiwiRail, Te Puni Kōkiri and the Treasury have been consulted on this paper. The Department of Prime Minister and Cabinet has been informed.

## Financial implications

28. Table 1 below outlines the different components of the costs associated with the preferred reinstatement option. The NZTA has provided an initial estimate of 12 months to reinstate road and rail. Therefore, funding will likely be required in financial years 2016/17 and 2017/18. The exact amount of funding and phasing is currently uncertain. I expect that NZTA will undertake a robust Business Case process for this project, at which time we will have greater clarity of the costs.

*Table 1 - Preferred reinstatement option – estimated cost components*

Component	Estimated cost (\$ million)
<b>Road</b>	
SH1 Reinstatement	[25]
Upgrade SH1 safety and resilience	
Alternate SH route	
Local roads	
Emergency fund contribution	
<b>Total Roads</b>	
<b>Rail</b>	
Rail reinstatement cost	[25]
Potential insurance contribution	
<b>Total Rail</b>	
<b>Total Estimated Cost</b>	[25]
All Capital expenditure (local roading operating expenditure cost offset by Emergency fund contribution)	

29. Recovery Ministers met on 29 November 2016 to discuss funding options. This options included raising fuel excise and duties, full funding from the National Land Transport Fund, a mix of funding from the National Land Transport Fund and full Crown funding.
30. Funding the roading component from the National Land Transport Fund alone would mean that the NZTA would be unable to deliver the full 2015-18 National Land Transport Programme. There could also be project deferrals in the wider National land Transport Programme, and there would be a significant impact on the delivery of projects in Auckland and regionally. After discussing the options, Recovery Ministers agreed in principle that this would be Crown led and funded Project.

31. [25]

32. Officials are refining the overall cost estimates to confirm the amount of the Crown contribution. In the meantime, preparatory work including work on the Lewis Pass alternative route and the emergency inland access route, will be funded from the emergency works allocation of the National Land Transport Programme. This means that the NZTA can immediately commence work on implementing the preferred option.

### **Next steps and implementation**

33. If Cabinet agrees to my preferred reinstatement option, I propose to invite the Board of the New Zealand Transport Agency to manage the project on the Crown's behalf and coordinate with the Board of KiwiRail for the most efficient and timely reinstatement of the rail corridor.
34. It is proposed that the Hurunui/Kaikōura Earthquakes Recovery legislation provide authority to modify enactments using an Order in Council. A Bill is currently before the House and is due to be passed soon.
35. Certain enactments, such as the Resource Management Act 1991, need to be modified to allow landslip clearance to proceed rapidly, for example, the consenting process associated with the disposal of landslide debris in the coastal marine area. A list of the legislation within the scope of an Order in Council is attached as Appendix 3.
36. An Order in Council is being prepared in anticipation of the legislation being passed. The process involves a draft order being referred by Relevant Ministers to an Expert Panel and the Regulations Review Committee for review. Following consideration of comments from the Panel and the Regulations Review Committee, Relevant Ministers would submit the Order to the Executive Council. Relevant Ministers are those Ministers responsible for the legislation that the Order is modifying. There is no consultation with stakeholders or the public involved in the process.
37. There is a risk that the final Act may alter the anticipated Order in Council process. If this were to occur, the process being followed for this Order may need to be validated before the Bill leaves Parliament.
38. The intention is to have the necessary Order in place by Christmas 2016. Additional Orders in Council may be necessary as the reinstatement proceeds.

## **Risks**

### *Cost*

39. Cost estimates have been put together in a short time based on a preliminary analysis. Detailed investigation and design work has not been undertaken. As noted, officials will carry out further work to refine these cost estimates. This will be informed by additional investigation and design work to be undertaken by the NZTA in particular. Officials from the Ministry of Transport, Treasury, NZTA, and KiwiRail will provide costings so that Ministers can make a final funding decision as part of Budget 2017.

### *Timing*

40. Given the uncertainty associated with the nature of work involved, such as the clearance of large and complex landslips, the estimated timeframes for completing the project carry a significant degree of uncertainty. Further detailed investigation will provide more certainty around these figures. In the meantime, communications need to emphasise the uncertainty involved and stress the likelihood that full functionality is likely to take at least 12 months to achieve.

### *Capacity*

41. The reinstatement of the South Island transport corridors is a very large project in the context of current roading and rail infrastructure operations in the South Island. The NZTA considers that it has the capacity to meet the demands of this project. Capacity issues will be closely monitored as the project proceeds.

## **Treaty of Waitangi implications**

42. Treaty of Waitangi implications will be considered further as part of the drafting of the Order(s) in Council. The Hurunui/Kaikōura Earthquakes Recovery Bill 2016 proposes that iwi are represented on the expert panel that will consider any Orders in Council made under the proposed Act.

## **Human rights implications**

43. There are no human rights implications.

## **Legislative implications**

44. As noted earlier in this paper, the Hurunui/Kaikōura Earthquakes Recovery Bill 2016 is currently before the House and is expected to be passed in December 2016. This will provide powers to modify certain enactments to expedite clearance processes and the preferred reinstatement option using an Order in Council.



## **Regulatory Impact Analysis**

45. No regulatory impact statement is required.

## **Gender implications**

46. There are no gender implications.

## **Disability perspective**

47. There are no disability issues.

## **Publicity**

48. A press statement will be issued announcing this decision. I note that the details of KiwiRail's insurance position are commercially sensitive and any public disclosure may prejudice KiwiRail's ability to maximise its insurance claim.

## **Recommendations**

49. The Minister of Transport recommends that Cabinet:

1. **note** that several strategic options have been considered for the reinstatement of the critical South Island transport routes damaged by the Kaikōura earthquake sequence
2. **agree** to reinstate State Highway 1 and the main rail trunk line along their current coastal route, with improvements to the safety and resilience of the route, at an estimated cost in the range of \$1.4 billion to \$2.0 billion

## ***Legislative implications***

3. **note** that an Order in Council will be required under the proposed Hurunui/Kaikōura Earthquakes Recovery legislation to modify certain enactments to provide for works to clear landslips and restore access to State Highway 1
4. **agree** that the Minister of Transport, in consultation with the Acting Minister of Civil Defence, the Minister of Finance [and all Ministers responsible for legislation covered by the Order in Council], have the Power to Act in respect of submitting any Order under the proposed Hurunui/Kaikōura Earthquakes Recovery legislation to the Executive Council
5. **authorise** the Minister of Transport to instruct Parliamentary Counsel to prepare the necessary Order in Council under the Hurunui/Kaikōura Earthquakes legislation, subject to recommendation 3 above

## ***Financial implications***

6. [25]
7. [25]
8. **agree**, in principle, that the Crown fund the uninsured cost of reinstating the rail line
9. **agree** that the Crown fund the roading component of the costs of reinstatement works on the South Island Transport Corridor along the coastal alignment
10. **invite** the Minister of Transport and the Minister of Finance to report back to Cabinet with updated cost estimates and a proposed Crown-led funding approach in early 2017
11. **agree** that any Crown contribution to the reinstatement and the funding approach will be confirmed as part of the Budget 2017 process
12. **note** that officials will refine the cost estimates to confirm the required Crown contribution and that funding details will be confirmed [as part of Budget 2017].
13. **note** that the mechanism to give effect to these decisions is that the Minister of Transport will invite the Board of the New Zealand Transport Agency to lead and coordinate with the Board of KiwiRail to deliver the reinstatement of the South Island Transport corridor project on behalf of the Government
14. **note** that preparatory work for the preferred option, as well as work on the alternative Springs Junction/Lewis Pass route and the emergency inland route, will be funded from the emergency works allocation of the 2015-18 National Land Transport Programme

## ***Next steps***

15. **note** that the New Zealand Transport Agency and KiwiRail expect to begin work immediately and that it is hoped that restricted access to Kaikōura from the south will be available prior to Christmas and that restricted access will be available from the north in approximately 12 months

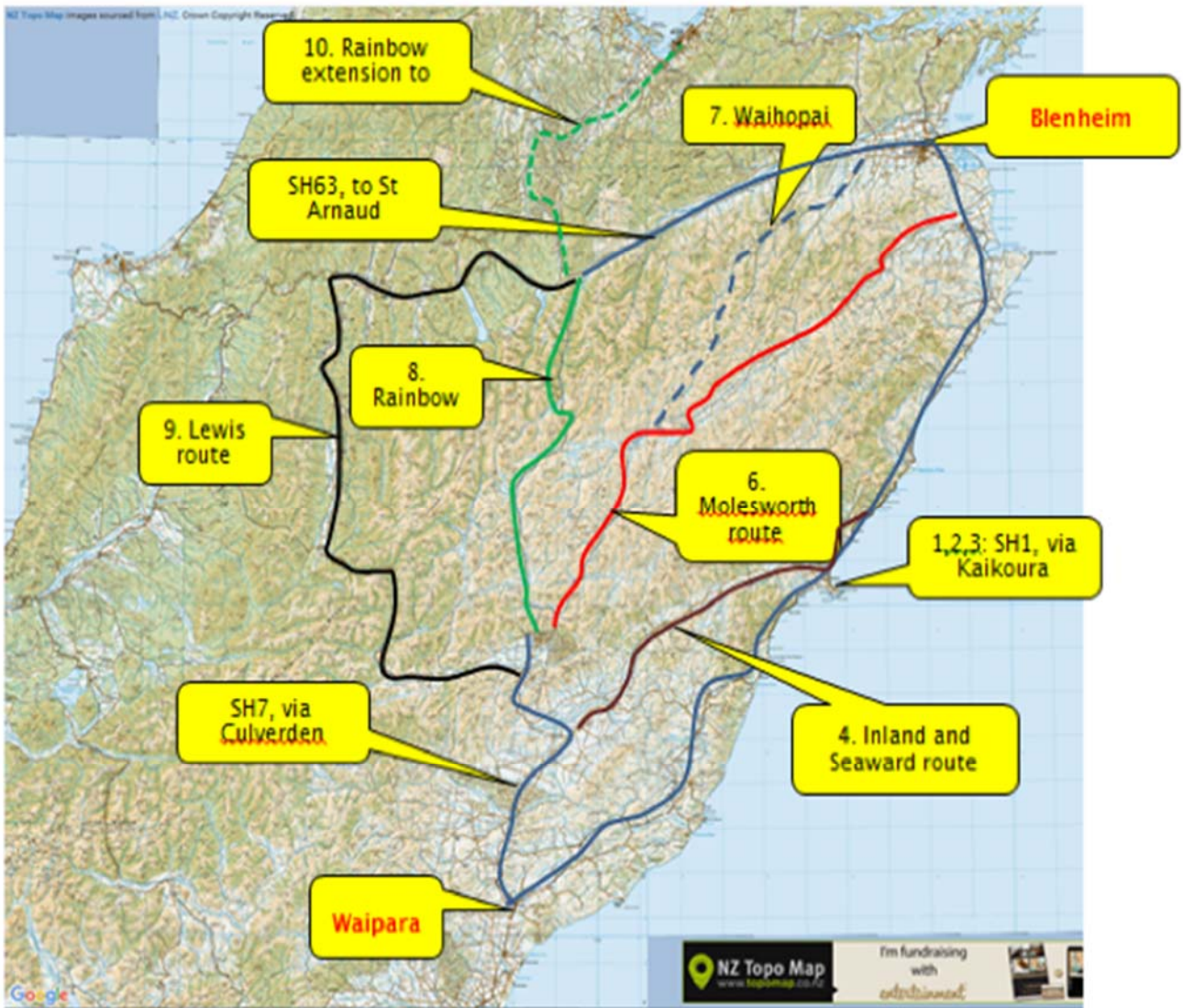
**Publicity**

16. **note** that a press release will be issued announcing decisions in this paper.

Hon Simon Bridges  
**Minister of Transport**

Dated: \_\_\_\_\_

## Appendix 1



## Appendix 2

### Assessment of Strategic Options for Reinstating South Island Transport Routes

	Reinstate coast route functionality	Improved coast route functionality	Enhanced coast route functionality	Route 70+ seaward valley	Tourist on coast / freight elsewhere (rail and inland)	Molesworth	Waihopa	SH63 / Rainbow	Lewis Pass, SH7 / 65 / 6 / 63	Rainbow route to Nelson +SH6
Benefit	1	2	3	4	5	6	7	8	9	10
Predictability of travel times (efficiency and reliability)	Yellow	Green	Green	Green	Green	Red	Red	Red	Red	Red
Economic impact of route closure (resilience)	Yellow	Green	Green	Yellow	Green	Red	Red	Red	Yellow	Red
Route user safety	Yellow	Green	Green	Yellow	Green	Yellow	Yellow	Yellow	Green	Yellow
Support existing communities and tourism	Green	Green	Green	Green	Green	Red	Red	Red	Yellow	Red
Cost	Green	Green	Yellow	Yellow	Red	Red	Red	Red	Green	Red
Environment	Yellow	Offset required	High risk	Greenfield	Greenfield	Offset required	Greenfield	Greenfield	Existing route	Greenfield
Constructability	Green	Green	Red	Yellow	Red	Red	Red	Red	Yellow	Red
Timeframe (years)	1	1	4	4	6	5	5	6	3	

### **Appendix 3**

#### **List of Acts within scope of the proposed Order in Council under the Hurunui/Kaikōura Earthquakes Recovery legislation**

Resource Management Act 1991

Conservation Act 1987

Wildlife Act 1953

Marine Reserves Act 1971

Kaikōura (Te Tai o Marokura) Marine Management Act 2014

Public Works Act 1981

Marine and Coastal Area (Takutai Moana) Act 2011

Marine Mammals Protection Act 1978

Heritage New Zealand Pouhere Taonga Act 2014

Railways Act 2005