

# The Treasury

## Budget 2017 Information Release

### Release Document July 2017

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[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.



# Cabinet

## Minute of Decision

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### November 2016 Earthquake: Funding the Reinstatement of the South Island Transport Corridors

**Portfolios**                      **Finance / Transport**

On 18 April 2017, following reference from the Cabinet Economic Growth and Infrastructure Committee, Cabinet:

#### Background

- 1        **noted** that the earthquake in November 2016 severely damaged State Highway 1 and the Main North Line (MNL) north and south of Kaikoura;
- 2        **noted** the progress and expenditure to date on the initial recovery works on SH1 and the MNL, as outlined in the paper under CAB-17-SUB-0170;
- 3        **noted** that:
  - 3.1      the original cost estimates for the reinstatement work ranged between \$1.4 billion to \$2.0 billion;
  - 3.2      the total cost of reinstating State Highway 1 and the MNL has been refined down to between \$1.1 billion to \$1.33 billion;

#### Rail reinstatement funding

- 4        **noted** that on 5 December 2016, Cabinet agreed in principle, subject to Budget 2017 decisions, to fund the uninsured cost of reinstating the MNL along the Kaikoura coast [CAB-16-MIN-0675];

5        [37]

6        [37]

7        [37]

8 [37]

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### Roading reinstatement funding

10 **noted** that on 5 December 2016, Cabinet agreed to fund the roading component of the South Island transport corridors reinstatement [CAB-16-MIN-0675];

11 **noted** that the cost of reinstating SH1 will be in the range of \$812 million – \$912 million;

12 **agreed** to Crown funding of \$394 million to fund the cost of reinstating SH1 in 2016/17 and 2017/18;

13 **agreed** to establish the following appropriation to give effect to paragraph 12 above:

Vote	Appropriation Minister	Title	Type	Scope
Transport	Minister of Transport	Reinstatement of South Island State Highway 1	Non-departmental Capital Expenditure	This appropriation is limited to the reinstatement of State Highway 1 between Picton and Christchurch.

14 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 12 above, with a corresponding impact on net debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears
Non-departmental Capital Expenditure: Reinstatement of South Island State Highway 1	69.000	325.000	-	-	-

15 **agreed** that the changes to appropriations for 2016/17 in paragraph 14 above be included in the 2016/17 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

16 **agreed** that the changes to appropriations in paragraph 14 above be managed as a charge against the Budget 2017 Capital Allowance;

17 **authorised** the Minister of Finance and the Minister of Transport (Joint Ministers) to make changes to the appropriation established under paragraph 13 above, if required by construction progress on the reinstatement;

18 **agreed** to set aside a tagged capital contingency of \$418 million for the estimated 2018/19 estimated roading reinstatement;

19 **agreed** that any drawings on the tagged capital contingency in paragraph 18 above be managed as a charge against the Budget 2017 Capital Allowance;

- 20 **authorised** Joint Ministers to approve drawings on the tagged capital contingency referred to in paragraph 18 above, subject to the completion of detailed design and refinement of cost estimates;
- 21 **agreed** that the expiry date of the roading tagged capital contingency referred to in paragraph 18 above will be 30 June 2018;
- 22 **noted** that the difference between the lower and upper bounds of the roading reinstatement cost range will be recognised as a fiscal risk in the Budget and Economic Fiscal Update 2017;

### Risks

- 23 **noted** the risks to the reinstatement, particularly the risks around costs and timing, and that these risks will be managed through strong project governance and regular reporting to Joint Ministers;

### Improvements

- 24 **noted** that the New Zealand Transport Agency (NZTA) has also identified between \$195 million – \$240 million of improvements that will be funded from the National Land Transport Fund, if the improvements go ahead;

### Next steps

- 25 **noted** that the NZTA and KiwiRail will report back to Joint Ministers on progress by 30 June 2017, and that NZTA will confirm its final plans for the improvements work;
- 26 **noted** that communications about the reinstatement will be handled by Joint Ministers, and that an announcement on an update on the situation is intended to be made through the Minister of Finance's pre-Budget speech.

Michael Webster  
Secretary of the Cabinet

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#### Hard-copy distribution:

Prime Minister  
Minister of Finance  
Minister of Transport