

The Treasury

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Aide Memoire

To: Cody Davidson (Minister of Transport's Office)
Samantha Aldridge (Minister of Finance's Office)

From: Fiona Macmaster (Ministry of Transport)
David Taylor (The Treasury)

Date: 10 April 2017

Subject: Funding the Reinstatement of the South Island Transport Corridors
Cabinet Paper: Speaking Notes

MOT OC Number: OC04978 **TY Report Number:** T2017/730

Funding the Reinstatement of the South Island Transport Corridors

1. On Wednesday 12 April 2017, the Cabinet Committee on Economic Growth and Infrastructure (EGI) will consider a joint paper from the Minister of Transport and the Minister of Finance on funding the reinstatement of the South Island transport corridors.
2. Attached to this note are speaking points that the Minister of Transport and the Minister of Finance may wish to use when EGI discusses the paper.
3. Officials planning to attend EGI's meeting are:

Ministry of Transport	Fiona Macmaster Manager Strategic Finance
	Gareth Chaplin General Manager Sector Performance
The Treasury	[23] Senior Analyst
New Zealand Transport Agency	[23] Group Manager Highways and Network Operations

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Speaking Points

NOVEMBER 2016 EARTHQUAKE: FUNDING THE REINSTATEMENT OF THE SOUTH ISLAND TRANSPORT CORRIDORS

Background

- This paper sets out a funding package to continue the momentum in rebuilding the rail and road corridors severely damaged by the November 2016 earthquake. The aim is to get these corridors reopened by the end of December 2017.
- Last December, Cabinet agreed to fund the reinstatement of the South Island transport corridors, subject to this report back on the detailed funding arrangements.
- Since then, the New Zealand Transport Agency (NZTA) and KiwiRail have made good progress on initial recovery works and design.
- NZTA and KiwiRail have also narrowed their previous cost estimate range to \$1.1 billion to \$1.33 billion as a result of experience to date with the rebuild and design processes.
- There are still some uncertainties around projected costs due to the scale of the damage, particularly towards the middle of the corridors where the worst damage occurred. These uncertainties will reduce as the work and design process proceeds. The current design involves realigning around 2.5 km of road corridor into the coastal marine area, bypassing some of larger slips.

Rail funding arrangements

[37]

Road funding arrangements

- The estimated road reinstatement costs range from \$812 million ^[33]
- We are proposing that Government allocate \$812 million against the 2017 Capital Allowance, with \$394 million as an appropriation and \$418 million as a tagged capital contingency.
- This funding will be phased over three financial years as follows:

	2016/17 \$m	2017/18 \$m	Subtotal \$m	2018/19 \$m	Total \$m
Reinstatement of SH1	69	325	394	418	812

- The tagged capital contingency applies to 2018/19 and reflects the uncertainties in the cost estimates that far out. The Minister of Transport and the Minister of Finance will need to approve any drawdown from the tagged capital contingency.

- [33]

Roading improvements

- The NZTA has identified between \$195 million - \$240 million of potential improvements to State Highway 1. If these go ahead, they will be funded from the National Land Transport Fund.
- The work would include widening curves, edge protection, slow vehicle bays, pull over areas, parking areas, a cycle-walk path (Okiwi to Half Moon) and toilets. This would take place in the Clarence to Oaro section of the corridor.

Cycle facilities

- Where practical, NZTA will include improved facilities for cyclists but installing dedicated cycleways is difficult due to the terrain and road width. The improvements identified by NZTA include a cycle-walk path from Okiwi to Half Moon.

Risks

- The reinstatement has considerable risks. Slip clearance, design and construction are occurring concurrently, within a tight deadline to reopen the corridors. The risks will be mitigated through:
 - strong project governance – NZTA and KiwiRail have set up North Canterbury Transport Infrastructure Recovery (NCTIR) to manage the work and optimise costs. NCTIR includes NZTA, KiwiRail and contractors. An oversight group of senior officials from NZTA, KiwiRail, the Ministry of Transport, the Treasury and an independent observer will also be established.
 - regular reporting to Joint Ministers.

Next steps & communications

- NZTA and KiwiRail will report back to Joint Ministers at the end of June 2017 with an update on progress, detailed design and updated cost estimates. At this stage, we expect NZTA will also confirm its plans for funding the improvements.
- We will announce Cabinet’s decisions as part of Budget 17.

Fiscal implications

- The total of [37] for the proposed roading appropriation (\$394 million) and the road and rail tagged capital contingency [37] will be recorded as a pre-commitment against the Budget 2017 Capital Allowance. [37]

Summary of Kaikoura reinstatement funding decisions

	2016/17 \$m	2017/18 \$m	2018/19 \$m	Total \$m	Comment
Road reinstatement					
Appropriation	69	325			
Tagged contingency			418	812	Lower bound of range
Specific fiscal risk			[33]		
[37]				[37]	
		x			