



Cabinet

CAB Min (08) 14/1(21)

Minute of Decision

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2008 Budget Package: Vote Finance

On 14 April 2008, Cabinet:

1. **approved** the Budget initiatives for the above Vote for inclusion in the 2008 Budget package, as listed in the summary below and detailed in the attached initiative documents;

Summary of initiatives included in the attached initiative documents:

Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
4946	ONTRACK Operating and Maintenance	-	28.000	-	-	-
4961	ONTRACK Wellington Network Upgrades	-	-	-	-	-
4980	Government Superannuation Fund and National Provident Fund Annuitants Cost of Living Indexation	33.200	-	-	-	-
5220	Management of Crown Obligations for Geothermal Wells	-	-	-	-	-
Total Operating		33.200	28.000	-	-	-

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2007/08	2008/09	2009/10	2010/11	2011/12& Outyears
4942	ONTRACK Loans	40.000	25.000	-	-	-
4956	ONTRACK Equity Injection	-	-	-	-	-
5221	Hawke's Bay Airport Corporatisation	-	-	-	-	-
5296	Reserve Bank Equity Injection	-	-	-	-	-
Total Capital		40.000	25.000	-	-	-

2. **agreed** to establish new appropriations where required to implement these initiatives, as described in the attached initiative documents;
3. **approved** the changes to appropriations and/or projected balances of net assets of the administering department (where applicable) to implement the initiatives, as set out in the attached initiative documents;

4. **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
5. **agreed** that the proposed changes to appropriations and/or projected balances of net assets for 2007/08 above be included in the 2007/08 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
6. **authorised** the Minister of Finance and the Vote Minister to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2007/08 Supplementary Estimates, the 2008/09 Estimates and the fiscal forecasts;
7. **noted** that all communications relating to the 2008 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office.

Secretary of the Cabinet

Reference: 2008 Budget package tabled
by the Minister of Finance

Distribution:

Prime Minister
Chief Executive, DPMC
Director PAG, DPMC
Minister of Finance
Secretary to the Treasury
Hon Jim Anderton
Associate Minister of Finance (Hon Trevor Mallard)
Controller and Auditor-General

Vote: Finance

Title: ONTRACK Loans

Description: Crown loans to ONTRACK in 2008/09 only. The loans would be at market rates and would be used to fund:

- 1) Renewals of the tracks;
- 2) Land release costs.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Text

Shareholding Ministers of ONTRACK have set a primary expectation that it will run the rail network "effectively, efficiently and safely". ONTRACK's business plan includes key performance indicators for the renewals programme, including laying 35 km of new rail per annum and 115,000 new sleepers in 2008 and reducing the backlog of maintenance on structures (bridges, tunnels etc).

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	40.000	25.000	-	-	-
No Impact	-	-	-	-	-
Total	40.000	25.000	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: ONTRACK Loans	40.000	25.000	-	-	-
Total Operating	-	-	-	-	-
Total Capital	40.000	25.000	-	-	-

Additional Recommendations

agreed that the scope of the Non Departmental Capital Expenditure item ONTRACK Loans will, from 1 July 2008, be "This appropriation is limited to loans to ONTRACK, to fund a range of rail infrastructure capital projects";

noted that there may be delays in the rail infrastructure capital projects, and as a result, funding may be required in 2008/09 rather than 2007/08;

Initiative No: 4942

approved in principle a maximum transfer of appropriations from 2007/08 to 2008/09 for rail infrastructure capital projects with no impact on the operating balance or debt:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: ONTRACK Loans	(40.000)	40.000	-	-	-

authorised the Minister of Finance and the Associate Minister of Finance (Hon Trevor Mallard) to determine the final amount to be transferred following the presentation of the 2007/08 audited financial statements;

agreed that the actual amount of the in principle capital transfer be included in the 2008/09 Supplementary Estimates;

agreed that until the 2008/09 Supplementary Estimates are enacted, any changes to the 2008/09 appropriations required under the relevant recommendation above be made under Imprest Supply.

Vote: Finance

Title: ONTRACK Operating and Maintenance

Description: Provide ONTRACK with funding for operating costs and track renewal and upgrades that it can not recover from Toll NZ through the track access charge.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Text

The funding in this initiative is required for ONTRACK to continue to operate the rail network, including complying with its obligations under the Health and Safety in Employment Act and the Railways Act, and ONTRACK's business plan includes key performance indicators in relation to this.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	28.000	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	28.000	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Other Expenses to be Incurred by the Crown:					
ONTRACK Operating and Maintenance Costs	-	28.000	-	-	-
Total Operating	-	28.000	-	-	-
Total Capital	-	-	-	-	-

Vote: Finance

Title: ONTRACK Equity Injection

Description: This initiative is to provide equity to ONTRACK to fund the purchase of Wellington Railway Station from the Crown.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Text

The purchase of the station from the Crown by ONTRACK will simplify administration, management and increase transparency. The purchase is fiscally neutral.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	10.000	-	-	-	-
Total	10.000	-	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: ONTRACK Equity Injection	10.000	-	-	-	-
Total Operating	-	-	-	-	-
Total Capital	10.000	-	-	-	-

Additional Recommendations

noted that there may be delays in the purchase of the Wellington Railway Station, and as a result funding may be required in 2008/09 rather than 2007/08;

approved in principle a maximum transfer of appropriations from 2007/08 to 2008/09 for the purchase of Wellington Railway Station in addition to those approved by Joint Ministers through the 2008 March Baseline Update, with no impact on the operating balance or debt:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: ONTRACK Equity Injection	(10.000)	10.000	-	-	-

Initiative No: 4956

agreed that the Minister of Finance and the Associate Minister of Finance (Hon Trevor Mallard) be delegated authority to determine the final amount to be transferred following the presentation of the 2007/08 audited financial statements;

agreed that the actual amount of the in principle capital transfer be included in the 2008/09 Supplementary Estimates;

agreed that until the 2008/09 Supplementary Estimates are enacted, any changes to the 2008/09 appropriations required under the relevant recommendation above be made under Imprest Supply.

Initiative No: 4961

Vote: Finance

Title: ONTRACK Wellington Network Upgrades

Description: Upgrade of Wellington urban network to cater for the Greater Wellington Regional Council's (GWRC) new rolling stock.

Theme: Economic Transformation

Theme Objective: World class infrastructure: other action

Performance Information

Performance Text

Funding will improve the standard of the Wellington network so that the new rolling stock that GWRC has ordered can operate.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Other Expenses to be Incurred by the Crown:					
National Rail Network Improvements	-	-	(25.000)	-	-
Urban Rail Development	-	-	25.000	-	-
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Initiative No: 4980

Vote: Finance**Title:** Government Superannuation Fund (GSF) and National Provident Fund (NPF) Annuitants Cost of Living Indexation**Description:** Currently around 17,000 or 30% of all GSF and 2,100 or 40% of NPF annuitants receive between 90 and 100% of the Consumer Price Index (CPI) as an annual cost of living adjustment to their GSF pensions. The initiative would ensure that all annuitants receive 100% of the CPI as a cost of living adjustment.**Theme:** Other**Theme Objective:** Other**Performance Information****Performance Text**

This initiative will ensure that all GSF and NPF annuitants are treated consistently by receiving 100% of the CPI as a cost of living adjustment.

New Appropriation Approvals

Type	Period	Name	MCOA Output Class	Scope
Other Expenses to be Incurred by the Crown	Annual	Government Superannuation Fund and National Provident Fund Cost of Living Indexation	N/A	This appropriation is limited to the initial increase in the Crown's Government Superannuation Fund and National Provident Fund liabilities from providing an increased annual cost of living adjustment on all benefits paid from these funds, based on 100% of the Consumer Price Index.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	33.200	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	33.200	-	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Other Expenses to be Incurred by the Crown: Government Superannuation Fund and National Provident Fund Cost of Living Indexation	33.200	-	-	-	-
Total Operating	33.200	-	-	-	-
Total Capital	-	-	-	-	-

Vote: Finance

Title: Management of Crown Obligations for Geothermal Wells

Description: The Crown is obligated to fund remedial work on redundant geothermal assets at Wairakei.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

The Crown is obligated to meet the costs of this work due to either being the legal owner or via an indemnity within the Sale and Purchase agreement to Contact (ECNZ).

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
Total	-	-	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Non-Departmental Output Expenses: Management of the Crown's Obligations for Geothermal Wells	<i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>				
Other Expenses to be Incurred by the Crown: Crown Residual Liabilities					
Total Operating	-	-	-	-	-
Total Capital	-	-	-	-	-

Additional Recommendations

approved in principle a maximum transfer of appropriations from 2007/08 to 2008/09 for the Management of Crown Obligations for Geothermal Wells, with no impact on the operating balance or debt:

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Non-Departmental Output Expense: Management of the Crown's Obligations for Geothermal Wells	<i>[information deleted in order to enable the Crown to carry out commercial activities without disadvantage or prejudice]</i>				

Initiative No: 5220

authorised that the Minister of Finance and the Associate Minister of Finance (Hon Trevor Mallard) to determine the final amount to be transferred following the presentation of the 2007/08 audited financial statements;

agreed that the actual amount of the in principle expense transfer be included in the 2008/09 Supplementary Estimates;

agreed that until the 2008/09 Supplementary Estimates are enacted, any changes to the 2008/09 appropriations required under the relevant recommendation above be made under Imprest Supply.

Initiative No: 5221

Vote: Finance**Title:** Hawke's Bay Airport Corporatisation**Description:** It will allow the transaction required for the corporatisation of Hawke's Bay airport to proceed.**Theme:** Economic Transformation**Theme Objective:** Non-specific**Performance Information****Performance Text**

Corporatisation will clarify the ownership of the airport and allow it to operate more independently. This initiative is fiscally neutral.

New Appropriation Approvals

Type	Period	Name	MCOA Output Class	Scope
Capital Expenditure	Annual	Hawke's Bay Airport Equity Injection	N/A	This appropriation is limited to the purchase of equity in a new Hawke's Bay airport company.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	8.000	-	-	-
Total	-	8.000	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: Hawke's Bay Airport Equity Injection	-	8.000	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	8.000	-	-	-

Initiative No: 5296

Vote: Finance

Title: Reserve Bank Equity Injection

Description: To provide additional capital to enable the Reserve Bank to carry out its existing statutory obligations.

Theme: Other

Theme Objective: Other

Performance Information

Performance Text

To provide additional capital to enable the Reserve Bank to carry out its existing statutory obligations.

Appropriation Changes

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	600.000	-	-	-
Total	-	600.000	-	-	-

	\$m - increase/(decrease)				
	2007/08	2008/09	2009/10	2010/11	2011/12 & Outyears
Capital Expenditure: Reserve Bank of New Zealand Equity Injection	-	600.000	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	600.000	-	-	-