4

Specific Fiscal Risks

Introduction

This chapter describes the specific fiscal risks to the Crown, including contingent liabilities. The Public Finance Act 1989 (PFA) requires disclosure of all Government decisions and other circumstances that may put pressure on the forecast spending amounts, and/or have a material effect on the fiscal and economic outlook.

Criteria for Disclosure of Specific Fiscal Risks

To ensure a practicable and consistent disclosure approach, fiscal risks are disclosed based on the following criteria, consistent with the principles of the PFA:

- *Reasonable certainty criterion* – risks have not been included in the fiscal forecasts because they reflect Government decisions or legislative commitments with uncertain fiscal consequences or timing.
- Materiality criterion – risks have an impact on the fiscal forecasts (operating balance, net worth or gross debt) of $10 million or more in any one forecast year.
- Active consideration criterion – risks are being actively considered by the Minister of Finance and responsible Ministers (eg, are the subject of written reports) or are decisions that have been deferred until a later date.

Exclusions from Disclosure

The PFA requires that all specific fiscal risks be disclosed, except where it is determined by the Minister of Finance that disclosing a risk is likely to:

- prejudice the substantial economic interests of New Zealand
- prejudice the security or defence of New Zealand or international relations of the Government
- compromise the Crown in a material way in negotiation, litigation or commercial activity, or
- result in a material loss of value to the Crown.

Specific fiscal risks do not include:

- normal forecasting risks, such as uncertainty around welfare benefits, State-Owned Enterprise/Crown entity surpluses, the impact of regular revaluations of physical assets, finance costs or fluctuations in external markets
- possible changes to the interpretation of accounting policies, such as the changes to revenue recognition rules and recognition of liabilities, or
- discussion documents containing proposals that the Minister of Finance and responsible Ministers will not actively consider until the consultation process has been completed.

In addition, the Minister of Finance has to determine that there is no reasonable or prudent way the Government can avoid this prejudice, compromise or material loss by making a decision on the fiscal risk before the finalisation of the forecasts, or by disclosing the fiscal risk without reference to its fiscal implications.

Contingent liabilities are also included according to materiality. Contingent liabilities below $10 million are included in the "other quantifiable contingent liabilities" total. Comparatives have been adjusted where appropriate to align with the disclosure of new "material" contingent liabilities. The total amount of prior years' contingent liabilities remains unchanged.

Information Relating to All Disclosed Risks

- The risks disclosed may not eventuate into Government policy and the final cost or saving may differ from the amount disclosed if the policy is developed.
- All risks, should they eventuate, would impact on the Government's forecast operating and/or capital spending amounts. There are new spending amounts already incorporated into the forecasts to accommodate policy initiatives on which decisions have yet to be made. Most risks outlined in this chapter, if they eventuate, would be covered by these amounts and therefore have no impact on the overall level of the forecasts. The risks have been disclosed to indicate the pressure the risks place upon the forecast spending amounts.
- If the total of all risks considered exceeds the forecast new operating spending amounts in the forecasts, this would impact on the operating balance.
- There are a number of other pressures on the fiscal position that have not been included as risks. These pressures comprise proposals largely generated within individual departments and not yet considered by the Minister of Finance and responsible Ministers. Such items are expected to be managed within forecast spending amounts noted above.

Charges against Future Budgets

As part of its Budget strategy, the Government has put in place some longer-term funding paths for particular sectors. This aids long-term planning and demonstrates the Government's commitment to specific policies.

Charges against future Budgets do not meet the definition of a 'risk' under the PFA, as these items are incorporated in the fiscal forecasts. This section is provided to increase transparency about the provisions for future Budgets.

Business Tax Reform

In Budget 2007 the Government announced the Business Tax Review, a package of reforms to business taxation. This included:

- reducing the company tax rate from 33% to 30%
- reducing the maximum tax rate that applies to widely-held savings vehicles and the top portfolio investment entity cap in line with the reduced company tax rate, and
- introducing a tax credit for research and development.

The package exceeds the $1 billion per annum allowance set aside in Budget 2008 for the Business Tax Review by $129.5 million in outyears. This extra cost is being met by increasing the Budget 2008 allowance.

Charge against Budget 2008 ($million)	**2008/09**	**2009/10**	**2010/11**	**2011/12 and Outyears**
Operating	1,056.3	1,135.4	1,129.5	1,129.5
Capital	3.2	-	-	-

Defence Funding Package

The Defence Funding Package (DFP) is designed to provide the New Zealand Defence Force (NZDF) with the funding required to address issues identified by the Defence Capability and Resourcing Review, including capability, and maintaining equipment and reserves. Budget 2007 included $58 million per annum as the second tranche of the 10-year plan. The following table shows the additional tranches to be charged against future Budgets.

Budget to be Charged ($million)	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Budget 2008	69.1	69.1	69.1	69.1	69.1	69.1	69.1
Budget 2009		85.7	85.7	85.7	85.7	85.7	85.7
Budget 2010			108.1	108.1	108.1	108.1	108.1
Budget 2011				66.9	66.9	66.9	66.9
Budget 2012					14.2	14.2	14.2
Budget 2013						58.6	54.2
Budget 2014							0

Health – Pre-commitment

The Government has agreed that the indicative Health allocation of $750 million for Budget 2008 may be pre-committed by $53 million per annum in 2011/12 and outyears. This is to allow for Budget 2007 initiatives that may be further developed in 2007/08 and have a rising profile.

Budget to be Charged ($million)	2008/09	2009/10	2010/11	2011/12 and Outyears
Budget 2008	34	48	53	53

Transport Capital Decisions

The Government has made several long-term capital commitments relating to Transport. This table notes the implications for the capital allowances beyond the forecast period.

Transport Project ($million)	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Auckland	25	-	-	-	-	-
Wellington	20	20	20	20	-	-
Western Corridor	125	200	195	10	5	-
Bay of Plenty	25	15	10	10	-	-
Waikato	22	22	22	22	22	22

Time-limited Funding

Time-limited funding does not meet the definition of a 'risk' under the PFA, but is further information that is prepared to increase transparency about initiatives with funding profiles that cease or decrease during the forecast period.

The following table outlines those areas where initiatives have time-limited funding that decreases or ceases at some point and may potentially be extended, using a $5 million materiality threshold. Time-limited funding often relates to pilot programmes, and in some cases Multi-Year Appropriations (MYAs) if they are likely to require further funding in the future.

Vote	Description of Initiative	Operating Impact ($million)
Community and Voluntary Sector	Digital Strategy – Community Partnerships Fund	17 from 2005/06 to 2008/09 (MYA)
Communications	Digital Strategy – High-speed Connectivity for Growth	20 from 2005/06 to 2008/09 (MYA)
Internal Affairs	Significant Community-based Projects Fund	40 from 2005/06 to 2008/09 (MYA)
Sport & Recreation	Children's and Young People's Lifestyles	8 in 2006/07, 10 in 2007/08, 6 in each of 2008/09 and 2009/10

The following table shows the impact on the operating balance if funding were to be appropriated to maintain funding levels for these initiatives (ie, extend the initiatives beyond their current scheduled completion dates). These amounts would need to be managed within the forecast operating spending.

Operating Impact ($million)	2007/08	2008/09	2009/10	2010/11	2011/12 and Outyears
Funding to Extend Initiatives	10	10	21	27	27

Quantified Risks

The risks outlined in these tables would, if they eventuated, impact on the Government's forecast new operating and/or capital spending amounts.

The Minister of Finance has yet to fully consider the quantum of these risks.

Quantified Risks as at 2 May 2007	**Operating Balance**	**Gross Debt**	**Value of Risk ($ million)**	**Funding in Budget 2007 ($million)**
New Risks				
Foreign Affairs and Trade – Additional Baseline Funding	Decrease	Increase	440 from 2007/08 to 2010/11	
Health – National Systems Development Programme Tranche 2	Decrease	Increase	80 operating from 2007/08 to 2010/11 and 50 capital	
Justice Sector and Other Agencies – Effective Interventions	Decrease	-	150 per annum	
Justice Sector Agencies – Potential Flow-on Impact of Extra Police	Decrease	Increase	119 operating from 2007/08 to 2010/11 and 19 capital	
Police – International Deployment Capability	Decrease	-	30 per annum	-
Revenue – Taxation of Redundancy Payments	Decrease	-	19 per annum	-
Education – School Staffing Review	Decrease	Increase	15 per annum operating and 7 capital	-
Changed Risks				
Corrections – Capital Projects	Decrease	Increase	1,200 capital through to 2014 and operating implications of 123 through 2010/11, 89 operating ongoing	
Culture and Heritage – Broadcasting Initiatives	Decrease	-	24 per annum	3 per annum
Education – School Property	Decrease	Increase	260 capital in each of the next 4 years and operating of 14 per annum	203 capital and 11 operating ongoing
Education (Tertiary) – Vocational Training	Decrease	-	2.5 in 2008/09, 7.5 in 2009/10, 15 in 2010/11, and 20 in 2011/12 and outyears	71 from 2007/08 to 2010/11
Finance – National Rail Network – Obligations of Rail Agreement	-	Increase	60 to 70 per annum capital from 2007/08	56 capital in 2007/08 to 2010/11
Finance – National Rail Network – Reconfiguration of Land	-	Increase	31 capital beyond 2007/08, unclear thereafter	48 capital in 2007/08
Health – Indicative Funding for Budgets 2008, 2009, and 2010	Decrease	-	716 in 2008/09, 1,502 from 2009/10, and 2,347 per annum from 2008/09	-

Quantified Risks as at 2 May 2007	Operating Balance	Gross Debt	Value of Risk ($ million)	Funding in Budget 2007 ($million)
New Zealand Defence Force – Defence – Capital Injections	-	Increase	213 capital from 2008/09 to 2010/11	44 capital
Police – Increases to Police Staff	Decrease	Increase	Operating of 63 in 2007/08, 105 in 2008/09, 116 in 2009/10 and 117 per annum from 2010/11 and capital of 122 from 2007/08 to 2010/11	32 per annum operating and 49 capital from 2006/07 to 2010/11
Research, Science and Technology – Multi-year Funding Profile	Decrease	-	30 in 2008/09 and 60 per annum from 2009/10	55.5 over three years from 2007/08
Unchanged Risks				
Economic Development – Venture Investment Fund	-	Increase	40 capital in 2009/10 and 2010/11	-
Education – Early Childhood Education Ratio Changes	Decrease	-	90 per annum	-
Education (Tertiary) – Centres of Research Excellence	Decrease	Increase	20 capital in 2007/08 and 10 per annum operating	-
New Zealand Defence Force – Sale of Skyhawks and Aermacchi Trainers	-	Decrease	US$110 capital	-

Unquantified Risks

The risks outlined in these tables would, if they eventuated, impact on the Government's forecast new operating and/or capital spending amounts.

Unquantified Risks as at 2 May 2007	Operating Balance	Gross Debt	Funding Received in Budget 2007 ($million)
New Risks			
Corrections – Collective Employment Contract Negotiations	Decrease	-	-
Economic Development – Shanghai Expo 2010: New Zealand Participation	-	Increase	-
Health – Strengthening Child and Adolescent Oral Health Services	Decrease	-	-
Housing – Shared Equity Home Ownership	-	Increase	-
Housing – Wellington City Council Social Housing Assistance	Decrease	-	-
Police – Wage Negotiations	Decrease	-	-
Revenue – Reducing Compliance Costs for Small and Medium-sized Enterprises	Unclear	-	-

Unquantified Risks as at 2 May 2007	**Operating Balance**	**Gross Debt**	**Funding Received in Budget 2007 ($million)**
Revenue – International Tax Review	Decrease	-	-
Revenue – Management of Inland Revenue Lease Portfolio in Auckland and Wellington	Decrease	-	-
Revenue – Renegotiation of Double Tax Agreements	Decrease	-	-
Revenue – Tax Treatment for Relocation Expenses	Unclear	-	-
Social Development – New Zealand Superannuation and Veteran's Pension	Unclear	-	274 from 2006/07 to 2010/11
Transport – Cost Guarantee for the State Highway Programme	-	Increase	-
Transport – Regional Transport Projects	-	Increase	-
Transport – Investment in Transport Infrastructure	Decrease	Increase	-
Changed Risks			
Economic Development – Increasing Stadium Capacity for the Rugby World Cup	-	Increase	-
Economic Development – Radio Spectrum Rights	Increase	-	-
Education (Tertiary) – Vocational Training	Decrease	-	71 from 2007/08 to 2010/11
Education – Year One Class Sizes	Decrease	Increase	-
Environment – Climate Change Policies	Unclear	Increase	14 from 2007/08 to 2010/11
Health – District Health Board Deficits	Decrease	Increase	-
Housing – State Housing Project at Hobsonville	-	Increase	-
Immigration – New Immigration Service Delivery Strategy	Decrease	Increase	-
National Library – National Library Building Extension	-	Increase	-
Revenue – Life Insurance	Unclear	-	25 per annum (reduced revenue)
Revenue – Tax Incentives for Giving to Charities and Other Non-Profit Organisations	Unclear	-	15 in 2008/09, 25 per annum from 2009/10 (reduced revenue)
Social Development – New Zealand Superannuation and Veteran's Pension – Rate Adjustment	Decrease		
Transport – Extending the State Highway Construction and Revenue Guarantee	-	Increase	-

Unquantified Risks as at 2 May 2007	Operating Balance	Gross Debt	Funding Received in Budget 2007 ($million)
Unchanged Risks			
Conservation – Lease of Taupo Property Rights from Tuwharetoa	Decrease	-	-
Education – Schools ICT Network Infrastructure Upgrade	Decrease	Increase	-
Education (Tertiary) – Wananga Capital Injections	-	Increase	-
Education (Tertiary) – Tertiary Education Institutions – Capital Injections	-	Increase	-
Education (Tertiary) – Tertiary Student Support Changes	Decrease	Increase	Operating expenditure of 29 from 2007/08 through to 2010/11; capital savings of 16 through 2007/08 to 2010/11
Finance – Crown Overseas Properties	-	Increase	-
Finance – Development of Rail Land	Decrease	Increase	-
Finance – National Rail Access Agreement Amendments	Unclear	Unclear	-
Finance – SOE Long-term Hold Reviews	-	Decrease	-
Fisheries – Civilian Maritime Aerial Surveillance	Decrease	Increase	-
Fisheries – Māori Interest in Marine Farming	Decrease	-	-
Justice – Strengthening the National Court Infrastructure	Decrease	Increase	-
Revenue – Rebuild of the Student Loan IT System	Decrease	Increase	-
Revenue – Working for Families Tax Credits Indexation and Review of Rates	Decrease	-	-
Social Development / Housing – Accommodation Supplement Review	Decrease	Increase	-
Social Development – Working New Zealand: Work-focused Support	Decrease	-	-
Social Development – New Zealand Superannuation – International Portability Issues	Unclear	-	-

Risks Removed Since the 2006 Half Year Update

The following risks have been removed since the 2006 *Half Year Economic and Fiscal Update:*

Expired Risks	Reason	Funding Received ($million)
Economic Development – Radio Spectrum Rights	This is now a risk in Vote Communications and is incorporated in that Vote below.	-
Education (Tertiary) – Tertiary Education Expenditure Review	Review process now complete	-
Education (Tertiary) – Partnerships for Excellence	Ministers decided to reprioritise the contingency set aside for another Partnerships round	-
Justice – New Supreme Court – Cost Escalation	This initiative has now been funded	45 capital; 4 per annum operating
Revenue – Extending the Specified Superannuation Contribution	This initiative has now been funded	17 in 2007/08, 18 in 2008/09, 19 in 2009/10, and 20 in 2010/11 and outyears
Revenue – International Financial Reporting Standards	There are no material fiscal impacts	-
Revenue – Business Tax Review	This is being funded through Budgets 2007 and 2008	-
Revenue – Taxation of Partnerships Review	There are no material fiscal impacts	-
State Services Commission – State Sector Retirement Savings Scheme	Superseded by decisions taken regarding KiwiSaver	-
Social Development – Child, Youth, and Family Services – Reviewing Levels of Funding and Service Delivery	Any risk will be managed within baselines	-

Statement of Fiscal Risks

Conservation - Lease of Taupo Property Rights from Tuwharetoa (unchanged, unquantified risk)

On 18 May 2005, the Government agreed to enter into negotiations with Tuwharetoa Māori Trust Board following legal clarification of property rights relating to Lake Taupo. The Crown is considering leasing certain property rights from the Tuwharetoa Māori Trust Board in order to resolve current disputes. Negotiations are ongoing and the outcome is not yet known. This would decrease the operating balance.

This risk is unquantified as disclosure could compromise the Crown in negotiations.

Corrections - Capital Projects (changed, quantified risk)

The Government is considering the asset management of current Corrections facilities, and requirements for increased capacity to meet the continued forecast prisoner growth in the foreseeable future, including the replacement of Mt Eden Prison. Estimated costs of upgrade and expansion are $1.2 billion capital through to 2014, with operating implications of $123 million over the forecast period, and ongoing operating implications of $89 million from 2013/14. These estimates are based on the 2006 Justice Sector Prisoner Forecast which includes the impact of 1,000 Police and Effective Intervention decisions to date, and in response to the 2006 Capital Asset Management Review. Capital injections would increase gross debt while operating funding would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Department of Corrections

Corrections - Collective Employment Contract Negotiations (new, unquantified risk)

The Government will be entering into negotiations with the Public Service Association and the Corrections Association of New Zealand to settle six new collective employment agreements. Any additional funding would decrease the operating balance. This risk is unquantified as disclosure may compromise the Crown in negotiations.

Culture and Heritage - Broadcasting initiatives (changed, quantified risk)

On 3 February 2005, the Government released a Public Broadcasting Programme of Action. The Programme contains a set of priorities to guide public broadcasting policy over the six-year period to 2009/10, and a series of proposals to give effect to these priorities. The Programme as a whole (if fully implemented) would have total ongoing operating costs rising to around $44 million in 2009/10. Broadcasting initiatives totalling $11 million, $6 million and $3 million per annum have been included in Budgets 2005, 2006 and 2007, respectively. The Government may consider individual proposals relating to the Programme for the remaining $24 million per annum over the next three Budgets. If funded, these would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry for Culture and Heritage

Economic Development - Venture Investment Fund (unchanged, quantified risk)

In Budget 2006, the Government agreed to additional investment commitments in the Venture Investment Fund of $60 million from 2006/07 to 2008/09. The Government is also considering further commitments of $40 million over two years (2009/10 and 2010/11) in Budget 2009. This depends on the results of the evaluation of the Venture Investment Fund scheduled for completion by 31 March 2009. This would increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Economic Development

Economic Development - Increasing Stadium Capacity for the Rugby World Cup (changed, unquantified risk)

Eden Park in Auckland requires redevelopment in order to increase stadium capacity ahead of the Rugby World Cup in 2011. The latest proposal is estimated to cost $170 to $190 million. The Government is considering meeting a portion of the redevelopment costs, which would increase gross debt.

Economic Development - Radio Spectrum Rights (unchanged, unquantified risk)

The Government sets the processes for the renewal or auction of property rights to radio spectrum in consultation with industry. Any revenue from sale of rights would increase the operating balance by the full amount of the new sales. Offers for rights of renewal to existing owners of spectrum rights are set approximately five years in advance of rights expiring from 2010 onwards. Owners of spectrum rights will have a choice about whether to renew them after 2010, so expected revenue from sale of renewal rights is not reflected in current forecasts of revenue.

Economic Development - Shanghai Expo 2010: New Zealand Participation (new, unquantified risk)

The Government has announced New Zealand's participation in the Shanghai Expo 2010 and officials are in the process of developing a detailed proposal for the design and construction of a pavilion to be used at the agreed site for New Zealand at the Expo. The Government is considering meeting part of the overall cost of New Zealand's participation. However, the amount that the Government contributes will depend on the level of industry contribution obtained and the development of a more definitive budget for New Zealand's participation at the Expo. Any contribution from the Government would increase gross debt.

Education - Early Childhood Education Ratio Changes (unchanged, quantified risk)

The Government has committed to improving adult to child ratios as part of the Early Childhood Education Strategic Plan, and consulted on options for new ratios in 2004 and 2005. In October 2006, Cabinet agreed to initial changes to ratios to implement part of one option consulted on, to take place from July 2009 and 2010. The Government has also communicated that further changes are being considered, through a Ministry of Education newsletter. The current funding is thought to be insufficient for further changes so additional funding of approximately $90 million per annum will be considered as part of the budget process. Any increased funding would reduce the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Education

Education (Tertiary) - Centres of Research Excellence (unchanged, quantified risk)

The Government is considering providing additional capital funding of up to $20 million and operating funding of $10 million per annum to establish up to two new Centres of Research Excellence and provide further funding to existing centres. This would decrease the operating balance and increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Tertiary Education Commission

Education (Tertiary) - Vocational Training (changed, quantified risk)

The Government is considering a number of policies regarding the expansion of vocational training. One of these is to have 250,000 people participating in industry training. The total number of people participating in industry training in 2005 was around 160,000. The cost of funding the additional 90,000 places required to meet the target would decrease the operating balance.

In Budget 2007, the Government provided around $4.5 million a year from 1 January 2008 for a tertiary education organisation component for ITO funding. The Government is also allocating an additional $53 million over four years for industry training volume growth to enhance the skills of the workforce as part of the Business Tax Review. This additional funding would support industry training participation of approximately 220,000 trainees in 2011. To achieve a participation of 250,000 trainees in 2011, the Industry Training Fund baseline would need to increase by approximately $2.5 million in 2008/09, $7.5 million in 2009/10, $15 million in 2010/11 and $20 million in 2011/12 and outyears.

Education - Schools ICT Network Infrastructure Upgrade (unchanged, unquantified risk)

Budget 2006 provided $4 million in capital and $0.6 million in associated operating funding for a partial roll-out of the Schools ICT Network Infrastructure Upgrade, as part of the School Property Business Case 2006/07. The roll-out is intended to assist schools to meet the costs of upgrading their computer networks to meet the new IT infrastructure standards. The Government will consider further roll-out in future budgets. This would decrease the operating balance and increase gross debt.

This risk is unquantified as disclosure could compromise the Crown in negotiations.

Education (Tertiary) - Wananga Capital Injections (unchanged, unquantified risk)

The Government is currently negotiating with Te Wananga o Raukawa over settlement of its Waitangi Tribunal claim. The Waitangi Tribunal has recommended that the Wananga be compensated for capital expenditure it has incurred on facilities to date, and be provided with funding to bring its facilities up to a standard comparable with other tertiary institutions, and meet additional capital requirements. Negotiations are also taking place with Te Whare Wananga o Awanuiarangi in relation to an outstanding item from an original settlement.

This risk is unquantified as disclosure could compromise the Crown in negotiations with the Wananga, but any capital injections would increase gross debt.

Education - School Staffing Review (new, quantified risk)

The Government is considering this initiative, based on the recommendations of the School Staffing Review Group. Most of the recommendations have been implemented in previous budgets. The cost of implementing the remaining component would cost up to $15 million per annum in operating funding and around $7 million in capital funding. The Government will consider implementation of the remaining component in future budgets.

This proposal would increase gross debt and decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Education

Education - Year One Class Sizes (changed, unquantified risk)

The Government will consider providing more teachers to further reduce Year 1 class sizes in future budgets. Any future increase in teachers for this purpose would decrease the operating balance and increase gross debt, but the precise costs have yet to be quantified as the phasing has yet to be determined.

Education - School Property (changed, quantified risk)

Additional capital injections for school accommodation will be required in future years to meet roll growth and to establish new schools, and could cost up to $260 million in each of the next four years with a corresponding increase in debt. In addition to capital injections, consequential operating costs building up by approximately $14 million per annum are likely to be incurred, which would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Education

Education (Tertiary) - Tertiary Education Institutions – Capital Injections (unchanged, unquantified risk)

The Government may consider making loans or capital injections to tertiary education institutions where ongoing educational provision or financial viability are at risk.

The Government may also consider making capital injections to tertiary education institutions when a strategic investment to support the development of their infrastructure is warranted.

The provision of capital injections would increase gross debt, but the precise impact is unclear as it would depend on progress made by institutions in managing their pressures, and decisions taken by Government.

Capital injections were appropriated for a number of Tertiary Education Institutes in 2006/07 to address immediate viability or long-term sustainability issues, including $14.5 million to merge the remaining two Colleges of Education with their universities, $7 million in additional loans to WITT to manage its cash flow pressures until the end of 2007, and $10 million to UCOL (of which $7.2 million may be converted to equity). Some existing Crown loans were also restructured to be converted to equity, including $12.8 million for WelTec and $20 million for Te Wananga o Aotearoa to address a Treaty of Waitangi settlement.

Education (Tertiary) - Tertiary Student Support Changes (unchanged, unquantified risk)

The Government is considering increasing eligibility for student allowances over the parliamentary term. The impact of these changes is likely to reduce the operating balance and increase gross debt, but the quantum is unclear as it would depend upon the options chosen.

Budget 2006 provided operating funding of $10.6 million and capital savings of $85.4 million over four years to increase the number of bonded merit scholarships to 1,000, increase the student allowances parental income thresholds, add PhDs and professional doctorates to the list of recognised long programmes and align student support with funded qualifications.

Budget 2007 provided around $29 million in operating funding and around $16 million in capital savings over the forecast period to inflation adjust the student allowance personal income threshold, increase the student allowance parental income threshold, expand the Step Up scholarship programme, and strengthen the Ngariumu VC and 28th Māori Battalion Memorial Scholarships.

Further proposals to increase eligibility for student allowances are likely to be considered in future budgets.

Environment - Climate Change Policies (changed, unquantified risk)

Work on climate change policies is currently underway. The impact on the operating balance and debt is unclear, as it will depend on the outcomes of the various work streams underway.

The forecasts make provision for New Zealand's liability under the Kyoto Protocol, currently estimated at 41.2 million tonnes of carbon dioxide equivalent. The Government has not, at this point, taken a decision on whether to finance part of this liability through purchase of Kyoto-compliant emission units on the international market. However, should a purchasing policy be pursued, the commensurate funding required would increase gross debt while having a neutral effect on net worth.

Finance - Crown Overseas Properties (unchanged, unquantified risk)

The Government is considering options relating to the continued use of certain Crown overseas properties.

The risk is unquantified as disclosure could compromise any negotiations the Crown may enter, but any additional operating funding would decrease the operating balance, and/or any additional capital funding would increase gross debt.

Finance - Development of Rail Land (unchanged, unquantified risk)

The Government is considering options for the development of rail land.

The risk is currently unquantified as disclosure could damage the Government's financial interests, but any additional operating funding would decrease the operating balance, and/or any additional capital funding would increase gross debt.

Finance - National Rail Access Agreement Amendments (unchanged, unquantified risk)

The Government is considering options for amending the National Rail Access Agreement between Toll and ONTRACK. Any impact on the operating balance or gross debt would depend on the option chosen.

This risk is unquantified as disclosure could compromise the Crown in negotiations.

Finance - National Rail Network - Obligations of Rail Agreement (changed, quantified risk)

The Government has committed $306 million between 2004/05 and 2007/08 to upgrade and renew the national rail network (including $56 million agreed in Budget 2007). Additional funding for as yet un-scoped projects may be required in 2007/08. Beyond this, expenditure of around $60 to $70 million per annum may also be required from 2008/09 for renewals, with additional funding on top of this for upgrades, but the exact amount will depend on decisions yet to be made. Under the National Rail Access Agreement, additional funding of this nature would generally be recovered through track access fees. Any additional funding would increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: The Treasury

Finance - National Rail Network – Reconfiguration of Land (changed, quantified risk)

The Agreement for Sale and Purchase of Rail Network and Associated Assets between the Crown and Toll provides for Toll to reconfigure its operations to enable the release of land it occupies to the Crown (ONTRACK) for other uses. ONTRACK requires funding from the Crown for the reconfiguration costs and the settlement of the land value with Toll. Funding of approximately $48 million to ONTRACK for land release in 2007/08 was agreed in Budget 2007. Further funding of around $31 million may be required in 2008/09, with unquantified amounts in years beyond that. The exact amounts of funding will depend on decisions yet to be made, but any additional funding would increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: The Treasury

Finance - State-Owned Enterprise Long-term Hold Reviews (unchanged, unquantified risk)

To implement its long-term hold ownership policy, the Government is conducting reviews of each State-Owned Enterprise (SOE). These reviews are examining the strategic direction for each SOE and therefore the appropriate capital structure to support the individual SOE's strategy. One possible outcome of current reviews is that some capital could be returned to the Crown. This may be in the form of a special dividend, which would decrease gross debt.

Fisheries - Māori Interest in Marine Farming (unchanged, unquantified risk)

The Māori Commercial Aquaculture Claims Settlement Act 2004 addresses Māori claims in commercial marine farming space from 21 September 1992 to 31 December 2004 (pre-commencement space) by providing Iwi with 20% equivalent space. This obligation is to be met through three possible options: the provision of additional new space; Crown purchase of existing farms from 2008; or provision of the financial equivalent of space from 2013.

Under the Act, any Māori claim relating to new aquaculture space after 31 December 2004 will be met by the provision of 20% of the new space.

To the extent that financial compensation or Crown purchase of existing farms is necessary to address Māori interests in pre-commencement space (as opposed to using new space), this would decrease the operating balance. This risk is unquantified as the amount or timing of any funding is unclear. In addition, disclosure could compromise the Crown in negotiations with either commercial marine farm owners or Iwi.

Fisheries - Civilian Maritime Aerial Surveillance (unchanged, unquantified risk)

The Government is considering options to provide increased maritime aerial surveillance for civilian agencies in the short to medium range. Options include delivery of a range of different surveillance capabilities by either military or commercial providers. The amount of funding required would depend on the option chosen, if any. Any capital injections required would increase gross debt, while operating funding would decrease the operating balance.

The risk is unquantified as the amount or timing of any funding is unclear.

Foreign Affairs and Trade - Additional Baseline Funding (new, quantified risk)

The Government is considering funding an additional $440 million of operating funding and associated capital funding related to the 'Response to Foreign and Trade Policy Changes' bid, including the opening of new posts. The additional operating funding would decrease the operating balance and associated capital funding would increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Foreign Affairs and Trade

Health - National Systems Development Programme Tranche 2 (new, quantified risk)

The Ministry of Health is developing and implementing the National Systems Development Programme (NSDP). NSDP is a four-year information technology project for the central health payment systems and national data collections. The project has been divided into two tranches with a decision on whether to proceed with Tranche 2 expected in July 2008. It is anticipated that implementation of Tranche 2 will require additional capital funding of around $50 million and operating funding of $80 million over four years from 2008/09 to 2011/12. This would decrease the operating balance and increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Health

Health - Indicative Funding for Budgets 2008, 2009 and 2010 (changed, quantified risk)

The Government is considering indicative operating allocations of $750 million, $800 million and $850 million for Budgets 2008, 2009 and 2010 respectively. These amounts indicate the likely level of increased funding to be provided to Vote Health in future budgets and to assist the Minister of Health to plan spending priorities over the period. The final allocations will depend on economic and fiscal conditions at the time of each budget. Finalising the amounts and details of how these allocations will be spent will be subject to normal budget processes.

The Government has also agreed that the indicative allocation for Budget 2008 above may be pre-committed up to $53 million per annum in 2010/11 and outyears. This was shown in the Charges against Future Budgets section of this chapter. The operating balance would be decreased by the totals as follows:

Budget to be Charged ($million)	2008/09	2009/10	2010/11	2011/12 and Outyears
Budget 2008	716	702	697	697
Budget 2009	-	800	800	800
Budget 2010	-	-	850	850

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Health

Health - Strengthening Child and Adolescent Oral Health Services (new, unquantified risk)

The Government has agreed to provide capital funding to District Health Boards for new infrastructure for strengthening child and adolescent oral health services. This capital investment is likely to result in additional operating expenditure, which may be sought from funding to be agreed in Budget 2008.

Health - District Health Board Deficits (changed, unquantified risk)

Draft District Annual Plans from Whanganui, West Coast, Southland and Waitemata District Health Boards (DHBs) indicate projected operating deficits in 2007/08. The Government does not view DHB deficits as acceptable and cost containment strategies are in place.

Any deficits would potentially decrease the operating balance and/or increase gross debt. Specific potential pressures for DHBs include wage bargaining and financing costs of capital projects.

This risk has changed since the *2006 Half Year Economic and Fiscal Update* to take into account the new projections of DHB deficits.

Housing - Hobsonville: Additional Land Purchase (changed, unquantified risk)

The Minister of Finance and Minister of Housing have approved the business case for the development of land at Hobsonville. For the development to be completed a further section of land needs to be acquired from the Waitakere City Council and the New Zealand Defence Force. This initiative is for a loan on commercial terms from the New Zealand Debt Management Office which will have market interest and be repaid as the lots of land are sold off. This would increase gross debt.

Housing - Shared Equity Home Ownership (new, unquantified risk)

The Government has announced it will look into possibilities for assisting home ownership in areas that appear unaffordable. It has been investigating the possibility of a shared equity scheme and has announced it is likely to make a decision in 2008. It is currently proposed that the Government would take a 10% to 30% stake in a property and would receive an equivalent portion of the sale proceeds when the owners move. This initiative is for a pilot study of 500 loans over two years to assess the impact of a shared equity scheme on potential home buyers and the housing market as a whole. This would increase gross debt.

Housing - Wellington City Council Social Housing Assistance (new, quantified risk)

The Government is currently in negotiations with the Wellington City Council to provide financial assistance for improving the quality of its social housing portfolio. High-level parameters were agreed by Cabinet, including a funding limit of $220 million over a 10 to 15-year development period, and the details of the assistance are now being worked through by Council and government officials. This would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Department of Building and Housing

Immigration - New Immigration Service Delivery Strategy (changed, unquantified risk)

The Government is in the process of developing options for a new immigration service delivery strategy that would allow better management of the risk surrounding immigration decision-making and delivering immigration services. Options are still being developed, and are likely to be considered later in 2007. A portion of the additional funding is expected to be funded by third party revenue and the rest would reduce the operating balance and increase gross debt.

Justice - Strengthening the National Court Infrastructure (unchanged, unquantified risk)

The Government is considering options to ensure that Christchurch's court facilities are able to adequately deliver court and associated justice services to the region. This risk is unquantified as disclosure could compromise any commercial property negotiations the Crown may enter into. Any additional operating funding would decrease the operating balance and any additional capital would increase gross debt.

Justice Sector and Other Agencies - Effective Interventions (new, quantified risk)

As part of a comprehensive approach to reducing crime and the pressures on the prison population, the Government is considering measures to address the precursors of crime, and measures to reduce re-offending. The measures focus on early interventions for vulnerable children, youth offending, restorative justice, preventing crime in local communities, reintegrating offenders, and drug and alcohol treatment for offenders.

Funding of $37 million per annum was approved in 2006. Further operating funding to implement the approach could be up to $150 million per annum, depending on the specific options chosen. This would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Justice

Justice Sector Agencies - Potential Flow-on Impact of Extra Police (new, quantified risk)

The addition of 1,000 Police will result in additional activity in other justice sector agencies (eg, the Ministry of Justice and the Department of Corrections). Excluding the costs associated with additional prison beds, the Government estimates additional operating costs of $119 million over the forecast period with an ongoing cost of $34 million per annum, and capital cost of $19 million over the forecast period. This would decrease the operating balance and increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Justice

National Library - National Library Building Extension (changed, unquantified risk)

The Government is considering funding an extension to the National Library building, subject to a fully developed and costed proposal.

This risk remains unquantified as disclosure could compromise the Crown in negotiations, but any additional funding would increase gross debt.

New Zealand Defence Force - Capital Injections (changed, quantified risk)

Implementing the Government's decisions on the future structure of the NZDF will involve a series of capital acquisitions across all three armed services and for HQNZDF to achieve the required capability upgrades. The Government has agreed to a capital injection of up to $1.244 billion over the 10-year period from 2002 to 2012.

Of the $1.244 billion, $1.031 billion has been agreed with the remaining $213 million likely to be required within the forecast period. The actual expenditure profile will depend on the specification and timing of the individual projects, the contracted prices, and the prevailing exchange rate at the time of purchase.

Any further capital injections would increase gross debt.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: New Zealand Defence Force

New Zealand Defence Force - Sale of Skyhawks and Aermacchi Trainers (unchanged, quantified risk)

As a result of the Government's decisions on the future structure of the NZDF, NZDF has signed an agreement with Tactical Air Services Inc for the sale of the Skyhawks and Aermacchi trainers for US$110 million. A formal contract has yet to be signed, but proceeds from the sale would decrease gross debt and increase the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: New Zealand Defence Force

Police - Wage Negotiations (new, unquantified risk)

The Police collective employment agreements expire on 30 June 2008. The Government will be entering into negotiations with police service organisations to settle new collective employment agreements prior to the expiration date of the current agreements. Any additional funding would decrease the operating balance. This risk is unquantified as disclosure may compromise the Crown in negotiations.

Police - International Deployment Capability (new, quantified risk)

The Government is considering options to ensure that the New Zealand Police has sufficient capability to manage requests for assistance overseas. The funding required depends on the quantity of personnel and the funding structure associated with the option chosen, but could be in the order of $30 million operating per annum. Any additional operating funding would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: New Zealand Police

Police - Increases to Police Staff (changed, quantified risk)

The Government has committed to funding an additional 1,000 sworn Police and 250 non-sworn Police staff over Budgets 2006 to 2008. The Government will consider further increases in future Budgets with a view to achieving police officer ratios comparable with those of Australia by 2010. Budget 2007 included $49 million per annum operating in outyears; and $10 million capital over the forecast period to provide for the second tranche of additional police (including 90 non-sworn staff and some associated infrastructure costs). The Government intends to roll out the third tranche in Budget 2008. The indicative operating costs are $45 million in 2009/10 and out years. Indicative additional capital costs associated with the second and third tranches are $97 million. Additional capital injections would increase gross debt and additional operating funding would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: New Zealand Police

Research, Science and Technology - Multi-year Funding Profile (changed, quantified risk)

As part of Budget 2006, the Government signalled its broad intention to move towards a medium-term focus for investment in research, science and technology by indicating increases in the order of $30 million per annum in Budgets 2008 and 2009, subject to the context of each Budget and the Government's overall fiscal strategy. In Budget 2007, there is $55.5 million of new investment in research, science and technology over the three years from 2007/08 to 2009/10. These increases would decrease the operating balance.

The Minister of Finance has yet to fully consider the quantum of this risk.

Source: Ministry of Research, Science and Technology

Revenue - Rebuild of the Student Loan IT System (unchanged, unquantified risk)

The Government is considering options for redesigning the student loans IT system. The redesign will enable greater efficiency and enhanced student services while delivering increased integrity of the system, produce greater information to inform policy decisions and increased flexibility for future policy changes. This risk is unquantified as disclosure could compromise the Crown in negotiations. This would decrease the operating balance and/or increase gross debt.

Revenue - Working for Families Tax Credits Indexation and Review of Rates (unchanged, unquantified risk)

The Working for Families package included a commitment to index Working for Families Tax Credit rates and abatement thresholds, once inflation beyond 1 April 2007 cumulatively exceeds 5%. Legislation also requires a review of the amounts of the In-Work Tax Credit and Parental Tax Credits to be undertaken no later than June 2008. This policy cannot be costed with sufficient accuracy until the reviews are completed, but the indexation changes would reduce the operating balance.

Revenue - Reducing Compliance Costs for Small- and Medium-sized Enterprises (new, unquantified risk)

The Government is considering measures to simplify the tax rules for small- and medium-sized enterprises, with a view to issuing a discussion document later in 2007. The potential impact on the operating balance is unknown at this stage, as it would depend on the nature and scope of any measures that are subsequently pursued.

Revenue - Taxation of Redundancy Payments (new, quantified risk)

The Government will be considering changes to the taxation of redundancy payments. The reduction in the operating balance would depend on what proposals are finally approved, the details of the legislation, and the date of application. However, the estimated fiscal costs of the options considered thus far range from $10 to $19 million per annum. This would decrease the operating balance.

The Minister of Finance is yet to fully consider the quantum of this risk.

Source: Inland Revenue Department

Revenue - International Tax Review (new, unquantified risk)

In Budget 2007 the Government announced the major features of the international tax reform package, which would introduce a tax exemption for the active income of Controlled Foreign Companies. These announcements followed the release of a Government discussion document in December 2006. The cost of the reform package is uncertain as many detailed design decisions have yet to be made but it would reduce the operating balance.

Revenue - Management of Inland Revenue Lease Portfolio in Auckland and Wellington (new, unquantified risk)

Inland Revenue is currently exploring options to consolidate its lease portfolio in both Wellington and Auckland. As a large tenant in each market, consolidation provides an opportunity to realise organisational efficiencies. Inland Revenue has identified a number of options following a formal request for proposals however the Government has not yet considered these. This risk is unquantified as disclosure could compromise the Crown in negotiations. This would decrease the operating balance.

Revenue - Renegotiation of Double Tax Agreements (new, unquantified risk)

A Government discussion document released in December 2006 considered the case for negotiating lower rates of Non-Resident Withholding Tax (NRWT) in New Zealand's Double Tax Agreements (DTAs). Subsequently, it has been announced that the renegotiation of the New Zealand and Australia DTA is expected to commence shortly. Although any effect on the operating balance will depend on the outcome of bilateral treaty negotiations, to the extent that lower rates are agreed, this will likely have the effect of decreasing the operating balance.

Revenue - Tax Treatment for Relocation Expenses (new, unquantified risk)

The Government is currently reviewing the tax treatment of employees' relocation expenses. The potential impact on the operating balance is unclear.

Revenue - Life Insurance (changed, unquantified risk)

The Government is considering changes to the tax rules in respect of life insurance, including ensuring consistency of the taxation of life insurers' savings products with similar products of other savings vehicles. The Government has agreed and funded the first phase of the proposals, which relate to partially extending the Portfolio Investment Entity (PIE) tax rules to the unit-linked savings products of life insurers, and correcting an anomaly in the fair dividend rate rules as they apply to life insurers. The estimated reduction in the operating balance in respect of this first phase is $25 million per annum. The second phase of reform of the life insurance tax rules, relating to risk insurance and further integration of life products into the PIE rules, is still under development. Accordingly, the impact on the operating balance of this second phase cannot yet be quantified.

Revenue - Tax Incentives for Giving to Charities and Other Not-for-profit Organisations (changed, unquantified risk)

Under the Confidence and Supply Agreement with United Future the Government is considering further issues related to encouraging giving, including pre-tax giving, a gift aid scheme, and deductibility of non-monetary donations. Budget 2007 includes increases to tax relief received by individuals, companies, and Māori authorities for charitable donations made. The Government is also considering the tax treatment of reimbursements and honoraria paid to volunteers. The impact on the operating balance is unclear and would depend upon the proposals that are finally developed and approved.

Social Development - New Zealand Superannuation and Veteran's Pension – Rate Adjustment (changed, unquantified risk)

The Government has ensured that the net married couple rate of New Zealand Superannuation (NZS) applying for the tax year from 1 April 2007 is equivalent to 66% of the net average ordinary time weekly wage (known as the 66% wage floor). This also applies to the Veteran's Pension, which is set at the same rates as NZS. The Government will review each year the level to be set for the following tax year. Under the *2007 Budget Update* forecasts CPI-indexation of NZS rates is predicted to be enough to maintain the 66% wage floor next year. However, because the rates of NZS applied on 1 April 2008 will depend on the actual CPI and wage statistics that occur, there is a risk that maintaining the 66% wage floor at that time will exceed the cost of CPI-indexing. This would decrease the operating balance.

Social Development - New Zealand Superannuation – International Portability (unchanged, unquantified risk)

The Government is considering the results of a review of arrangements for the payment of New Zealand Superannuation (NZS) to New Zealanders residing overseas and the treatment of overseas pensions paid to recipients of New Zealand pensions and welfare benefits. The impact on the operating balance is unclear, as proposals are still being developed. Any additional funding would decrease the operating balance.

Social Development - Working New Zealand: Work-focused Support (unchanged, unquantified risk)

Working New Zealand: Work-focused Support is a package of policy and operational changes aimed at simplifying the benefit system and enhancing the opportunities for beneficiaries to participate in the labour market. The first stage, already underway, focuses on getting services and support in place to help people move into work and stay employed. The Government is considering further options and costs to simplify the benefit system. The next stages will be submitted for consideration in future Budgets. The remaining proposals are still being developed, but any additional funding would decrease the operating balance.

Social Development / Housing - Accommodation Supplement Review (unchanged, unquantified risk)

The Government is reviewing the Accommodation Supplement to assess how well it is performing as an income support and housing assistance policy. If the review identifies a need to adjust the Accommodation Supplement, the Government will consider policy options in future Budgets. While the amounts are unclear and would depend on the policy options chosen, any additional operating funding would decrease the operating balance.

Transport - Extending the State Highway Construction and Revenue Guarantee (unchanged, unquantified risk)

The Government has agreed to extend the revenue guarantee for the National Land Transport Programme and the State Highway Plan guarantee from five years to six. The Crown is still considering how and when to add a sixth year to the current five-year State Highway Plan guarantee and National Land Transport Programme revenue guarantee.

Transport - Cost guarantee for the State Highway Programme (new, unquantified risk)

In Budget 2006 the Government agreed to provide a cost guarantee for a five-year State Highway Construction Programme. In Budget 2007 funding is being provided to cover estimated cost escalation in the State Highway Construction Programme between 2006/07 and 2007/08. Decisions on funding for 2008/09 and beyond have been deferred until Budget 2008, pending an update of the State Highway Construction Programme (including extension to a six-year guarantee period) which is scheduled to be undertaken in 2007/08.

Transport - Regional Transport Projects (new, unquantified risk)

The Government is considering providing funding for a number of regional transport projects in Auckland and Wellington. It is envisaged that these projects will be debt funded and repaid via a regional fuel tax in those regions. This would increase gross debt.

Transport - Investment in Transport Infrastructure (new, unquantified risk)

The Government has commissioned a review looking at the ‘Next Steps in the Transport Sector’. One of the objectives of this review is to look at ways to better link demand and expenditure. Officials have been asked to consider a range of options, including changes to Fuel Excise Duty as a possible option to achieve this. This would decrease the operating balance and increase gross debt.

Contingent Liabilities

Contingent liabilities are costs that the Crown will have to face if a particular event occurs. Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims, and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation. In general, if a contingent liability were realised it would reduce the operating balance and net worth, and increase Crown debt. However, in the case of contingencies for uncalled capital, the negative impact would be restricted to Crown debt.

Where contingent liabilities have arisen as a consequence of legal action being taken against the Crown, the amount shown is the amount claimed and thus the maximum potential cost. It does not represent either an admission that the claim is valid or an estimation of the possible amount of any award against the Crown.

Only contingent liabilities involving amounts of over $10 million are separately disclosed. Contingent liabilities below $10 million are included in the “other quantifiable contingent liabilities” total. Comparatives have been adjusted where appropriate to align with the disclosure of new “material” contingent liabilities. The total amount of prior years’ contingent liabilities remains unchanged.

Contingent liabilities have been stated as at 31 March 2007, being the latest set of published contingent liabilities.

Details of each of the following contingent liabilities can be accessed from the Treasury website at www.treasury.govt.nz/forecasts/befu/2007/.

Quantifiable Contingent Liabilities

Guarantees and indemnities	**Status[10]**	**($ million)**
Cook Islands – Asian Development Bank loans	Changed	13
Indemnification of receivers and managers – Terralink Limited	Unchanged	10
Indemnification of touring exhibitions	Unchanged	349
Ministry of Justice – Treaty settlement, tax liabilities	Unchanged	105
Ministry of Transport – funding guarantee	Unchanged	10
Post Office Bank – guaranteed deposits	Unchanged	10
Guarantees and indemnities of SOEs and Crown entities	Unchanged	19
Other guarantees and indemnities	Changed	5
		521
Uncalled capital		
Asian Development Bank	Changed	1,039
European Bank for Reconstruction and Development	Unchanged	13
International Bank for Reconstruction and Development	Changed	1,151
		2,203
Legal proceedings and disputes		
Health – legal claims	Unchanged	90
Tax in dispute	Changed	715
Other legal claims against SOEs and Crown entities	Unchanged	25
Other legal claims	Unchanged	101
		931
Other quantifiable contingent liabilities		
International finance organisations	Changed	1,749
Reserve Bank – demonetised currency	Unchanged	22
Social Development – claim for judicial review	Changed	93
Transpower New Zealand Limited	Unchanged	98
Other quantifiable contingent liabilities of SOEs and Crown entities	Unchanged	37
Other quantifiable contingent liabilities	Changed	20
		2,019
Total quantifiable contingent liabilities		**5,674**

[10] Relative to reporting in the 31 December 2006 *Financial Statements of the Government of New Zealand*.

Unquantifiable Contingent Liabilities

Guarantees and indemnities	Status
Asure New Zealand Limited	Unchanged
At Work Insurance Limited	Unchanged
Auckland Rail lease	Unchanged
Bona Vacantia property	Unchanged
Building Industry Authority	Unchanged
Contact Energy Limited	Unchanged
Crown Research Institutes (CRIs)	Unchanged
District Court Judges, Justices of the Peace, Coroners and Disputes Tribunal	Changed
District Health Boards – director indemnity – (DHBs)	Unchanged
Earthquake Commission (EQC)	Unchanged
Electricity Corporation of New Zealand Limited (ECNZ)	Unchanged
Ministry of Fisheries – indemnity provided for delivery of registry services	Unchanged
Genesis Power Ltd (Genesis Energy)	Unchanged
Geothermal carbon tax indemnity	Unchanged
Housing New Zealand Corporation (HNZC)	Unchanged
Indemnities against acts of war and terrorism	Unchanged
Maui Partners	Unchanged
National Provident Fund	Unchanged
New Zealand Railways Corporation	Unchanged
Persons exercising investigating powers	Unchanged
Ports of Auckland	Unchanged
Public Trust	Unchanged
Purchasers of Crown operations	Unchanged
State Insurance and Rural Bank – tax liabilities	Unchanged
Synfuels-Waitara Outfall Indemnity	Unchanged
Tainui Corporation	Unchanged
Toll NZ Ltd – purchase of rail network assets	Unchanged
Works Civil Construction	Unchanged
Works Consultancy Services	Unchanged
Other unquantifiable contingent liabilities	
Abuse claims	Unchanged
Accident Compensation Corporation (ACC) litigations	Unchanged
Environmental liabilities	Unchanged
Rugby World Cup 2011	Unchanged
Sale of Crown assets	Unchanged
Treaty of Waitangi claims	Unchanged
Treaty of Waitangi claims – settlement relativity payments	Unchanged
Other contingencies	
Foreshore and seabed	Unchanged