

## INITIATIVE TEMPLATE FOR CAPITAL PROPOSALS

**Vote:** Transport

**Co-Votes:** NA

**Title:** NZRC Loans – rollover of existing loan

**Brief Description:** NZRC wishes to roll over a Crown loan due in June 2010 rather than repaying it.

**Initiative Type:** Capital

**Priority Area:** 2010

**PA Objective:** Meet demand

**Initiative Ranking:** [N/A]

**Funding sought (\$ thousands):**

| \$000*                    | 2009/10        | 2010/11  | 2011/12  | 2012/13  | 2013/14 & outyears |
|---------------------------|----------------|----------|----------|----------|--------------------|
| <b>Net capital impact</b> | <b>170,000</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>           |

### Recommended Decision in Budget 2010

Approve

### Risk if Budget 2010 Decision is not made

NZRC does not have the working capital available to repay the loan. At this point in the NZRC development, it is considered preferable that any working capital surpluses are reinvested in capital infrastructure to increase its rail base. Requiring repayment would limit NZRC's ability to meet its other obligations.

### Gateway Number

Not applicable

### Whole of Life Cost

Not applicable

### Detailed Costings

Not applicable

### Problem Definition

NZRC has several Crown loans. Early in 2009/10 NZRC indicated that they did not have the funds to repay \$170 million (\$30 million due July 2009 and \$140 million due in September 2009).

Cabinet agreed to roll this balance until June 2010 as this could be done without impacting on the fiscal forecast and between-Budget contingency. It was also agreed then that any refinancing beyond June 2010 would form part of Budget 2010 (CBC (09) 69).

NZRC now wishes to refinance the loan beyond June 2010.

NZRC has prepared a ten year Strategic Plan and this has been presented to Ministers. The plan makes no assumption of capital structuring or interest repayments. These will be the subject of ongoing work by the Treasury and the Ministry of Transport. Additional funding for the freight business to secure its long term future is the subject of a separate budget bid.

### **Scaling options**

Scaling is not feasible in this situation.

### **Funding Options**

Legislative constraints inhibit NZRC from borrowing privately, as a normal State-Owned Enterprise would. Thus if they cannot repay the loan, they have no option but to request a rollover.

### **How do we know this initiative will deliver the outcomes (intervention logic)?**

Rolling the loan will enable NZRC to continue its operations as planned.

### **Evaluation of initiative's contribution to outcomes**

NZRC is the subject of other bids within Budget 2010. If the other bids proceed, a detailed monitoring and audit regime is proposed. This will include the cash balances and debt of the organisation.