



Cabinet

Amended Minute
CAB Min (10) 13/10

Copy No:

Minute of Decision

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Metro Rail Network Costs

Portfolio: Transport

On 19 April 2010, Cabinet:

- 1 **noted** that the government's expectation on the KiwiRail Turnaround Plan and the metro rail operating model policy adopted in September 2009 [CAB Min (09) 35/5] is that the different businesses within KiwiRail Group should not cross subsidise one another;
- 2 **noted** that the government's expectation policy for the KiwiRail Turnaround Plan is that there should be a greater share of revenue sourced from stakeholders and users of the services, and this policy applies equally to the metro network;
- 3 **noted** that usage and renewal of the metro track network is shared by both metro and freight users;
- 4 **noted** that over the previous four years, the funding shortfall for metro renewals has been met by significant Crown funding through the Auckland Rail Development (Project DART: \$600 million) and the Wellington Rail Development (Project WARP: \$125 million) upgrade work, as well as operating losses for the network division (ONTRACK);
- 5 **noted** that it is the government's intention that the metro rail network users and the regional councils and New Zealand Transport Agency pay their fair share of the renewal costs for the network in Auckland and Wellington;
- 6 **noted** that the transfer of responsibility of costs for metro rail cannot be achieved immediately because:
 - 6.1 regional councils would have to significantly increase rates;
 - 6.2 the New Zealand Transport Agency has already fully committed its public transport activity class in the National Land Transport Fund;
 - 6.3 passenger service levels do not yet support fare increases that contribute to costs;
- 7 **noted** that officials have begun negotiations with the two regional councils and the New Zealand Transport Agency to determine their share of the metro costs, and that the amount of these projected costs as provided by the KiwiRail Group is also being tested;

8 **noted** that the immediate issue is the ability of the regional councils and the New Zealand Transport Agency to meet the shortfall in the 2010/11 year;

9 9.1 **noted** that the Ministry of Transport has sought funding of \$21.139 million in 2010/11 which, according to KiwiRail, is a full year of unrecovered costs;

information deleted negotiate without prejudice

10 **agreed** to establish a new Non-departmental Other Expense “Metro Rail Network Costs” in Vote Transport;

11 **agreed** that the output class scope shown in the Estimates will be “This appropriation is limited to the costs unrecovered from third parties in relation to the Auckland Wellington metropolitan rail networks”;

12 **approved** the following changes to appropriations, with a corresponding impact on the operating balance:

Vote Transport Minister of Transport	\$m - increase/(decrease)				
	2009/10	2010/11	2011/12	2012/13	2013/14 & outyears
Non-departmental Other Expense:					
Metro Rail Network Costs	-	7.046	-	-	-

13 **agreed** that the changes to appropriations be included in the 2010/11 Estimates and that, in the interim, the increases be met from Imprest Supply;

14 *information deleted in order to enable the Crown to negotiate without disadvantage or prejudice*

15

Secretary of the Cabinet

Reference: CAB (10) 186

Secretary’s note: This minute has been amended, on the advice of the Ministry of Transport and with the agreement of the Treasury, to correct the figures in paragraph 4 carried over from the original paper.

Distribution: (see over)

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