

The Treasury

Budget 2014 Information Release

Release Document

July 2014

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [5] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [7] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [9] 9(2)(h) - to maintain legal professional privilege
- [10] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [11] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [12] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [13] Not in scope
- [14] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [3] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Budget 2014 Package: Vote Transport

On 14 April 2014, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2014 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)					
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 Only
8005	Auckland Transport Package	-	2.462	6.772	10.082	13.369	18.651
Total Operating		-	2.462	6.772	10.082	13.369	18.651

Capital Initiatives (Impact on Debt)

Initiative ID	Initiative Name	\$m - increase/(decrease)					
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 Only
8005	Auckland Transport Package	-	55.000	90.000	65.000	65.000	100.000
8004	KiwiRail Turnaround Plan	-	198.000	-	-	-	-
8222	Maritime New Zealand – Information Technology System	-	2.900	-	-	-	-
Total Capital		-	255.900	90.000	65.000	65.000	100.000

- 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 the capital injections to 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 changes to appropriations and/or projected balances of net assets for 2013/14 above be included in the 2013/14 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 6 **authorised** the Minister of Finance and the Minister of Transport to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2013/14 Supplementary Estimates, the 2014/15 Estimates and the fiscal forecasts;
- 7 **authorised** the chief executives of departments that monitor Crown entities directly affected by decisions in this minute to inform the chair and/or chief executive of a Crown entity, on a budget-in-confidence-until-budget-day basis, of decisions that directly affect that Crown entity for the purpose of planning and preparation of their Statement of Intent;
- 8 **noted** that all communications relating to the 2014 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: CAB (14) 174

Vote: Transport

Title: Auckland Transport Package

Description: Provides for a loan to the New Zealand Transport Agency to accelerate projects in the Auckland Transport Package.

New Appropriation Approval

Type	Period	Name	Multi-class Appropriation (MCA)	Scope
Non-Departmental Other Expense	Annual	Auckland Transport Package – Fair Value Write-down of Loan	N/A	This appropriation is limited to fair value write-down of Crown debt associated with the Auckland Transport Package, in accordance with generally accepted accounting practice.
Non-Departmental Capital Expenditure	Annual	Auckland Transport Package Loan	N/A	This appropriation is limited to a loan to the New Zealand Transport Agency to accelerate projects in the Auckland Transport Package.

Appropriation Changes

	\$m - increase/(decrease)					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 Only
Operating Balance Impact	-	2.462	6.772	10.082	13.369	18.651
Debt Impact	-	55.000	90.000	65.000	65.000	100.000
No Impact	122.000	-	-	-	-	-
Total	122.000	57.462	96.772	75.082	78.369	118.651

	\$m - increase/(decrease)					
	2013/14	2014/15	2015/16	2016/17	2017/18	2017/18 & Outyears
Non-Departmental Other Expense:						
Auckland Transport Package – Fair Value Write-down of Loan	122.000	-	-	-	-	-
Non-Departmental Capital Expenditure:						
Auckland Transport Package Loan	-	55.000	90.000	65.000	65.000	100.000
Total Operating	122.000	-	-	-	-	-
Total Capital	-	55.000	90.000	65.000	65.000	100.000

Additional recommendations

- 9 **noted** the content of the Auckland Transport Package as presented to the Cabinet Economic Growth and Infrastructure Committee on 9 April 2014 [EGI Min (14) 6/1];
- 10 **agreed** that financial assistance to accelerate the projects in the Auckland Transport Package be provided to the New Zealand Transport Agency by way of a \$375 million Crown loan to be repaid by the National Land Transport Fund during the period 2019/20 to 2026/27;
- 11 **noted** that the indicative profile of the loan draw downs and repayments is shown in the table below:

Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
(\$m)	55	90	65	65	100	(20)	(66)	(60)	(76)	(75)	(27)	(36)	(15)

- 12 **authorised** the Minister of Finance and the Minister of Transport, if required, to transfer forward the capital appropriation established in the New Appropriation Approval table above, within the total loan amount of \$375 million;
- 13 **agreed** that the loan will be interest free, as this will minimise the negative impact on the New Zealand Transport Agency's ability to deliver the government's other transport priorities;
- 14 **noted** that in accordance with generally accepted accounting practice, the amount of interest written-off (present value estimated at \$122 million) requires a corresponding Non-Departmental Output Expense appropriation in Vote Transport which has no impact on the operating allowance;
- 15 **noted** that the financing cost to the Crown of the loan of approximately \$131 million (present value \$99 million) will impact on the Non-Departmental Borrowing Expense Debt Servicing Permanent Legislative Authority;
- 16 **noted** that the forecast debt financing cost is shown in the table below:

Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
(\$m)	2	7	10	13	19	19	18	15	12	8	4	3	1

- 17 **agreed** that the financing cost to the Crown of the loan is charged against the operating allowance;
- 18 **noted** that the capital expenditure arising from the loan will have an initial impact on Crown debt but as it is repaid over time will be fiscally neutral;

Vote: Transport

Title: KiwiRail Turnaround Plan

Description: Provides for \$844 million over 2010/11 to 2013/14 as a further investment in The KiwiRail Turnaround Plan Turnaround Plan, a ten year plan to put the freight business on a commercially viable footing.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	198.000	-	-	-
No Impact	-	-	-	-	-
Total	-	198.000	-	-	-

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Non-Departmental Capital Expenditure:					
Rail - KiwiRail Turnaround Plan Funding	-	198.000	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	198.000	-	-	-

Additional recommendation

19 **agreed** that the drawdown of this funding by KiwiRail in 2014/15 is subject to approval by shareholding Ministers.

Vote: Transport

Title: Maritime New Zealand – Information Technology System

Description: Provides for Maritime New Zealand’s information technology system to support the new Maritime Operator Safety System and the Seafarer Certification (Qualifications and Operating Limits) Rules.

Appropriation Changes

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Operating Balance Impact	-	-	-	-	-
Debt Impact	-	2.900	-	-	-
No Impact	-	-	-	-	-
Total	-	2.900	-	-	-

	\$m - increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Non-Departmental Capital Expenditure:					
Maritime New Zealand	-	2.900	-	-	-
Total Operating	-	-	-	-	-
Total Capital	-	2.900	-	-	-

Additional recommendation

20 **agreed** to amend the scope of the Non-Departmental Capital appropriation Maritime New Zealand, from 1 July 2014 to: “This appropriation is limited to capital injection to Maritime New Zealand”.