



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Provincial Growth Fund: Regional Rail Investments in 2019/20	Date to be published	10 February 2020

List of documents that have been proactively released		
Date	Title	Author
10 February 2020	Provincial Growth Fund: Regional Rail Investments in 2019/20	Office of Minister for Regional Economic Development
10 February 2020	Provincial Growth Fund: Regional Rail Investments in 2019/20 DEV-19-MIN-0213	Office of Minister for Regional Economic Development

Information redacted

YES / NO (please select)

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In Confidence

Office of the Minister for Regional Economic Development
Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

PROVINCIAL GROWTH FUND: REGIONAL RAIL INVESTMENTS IN 2019/20.

Purpose

- 1 This paper seeks Cabinet approval to the Provincial Growth Fund (PGF) investment of \$^{Commercial Information} in four regional rail projects.

Executive Summary

- 2 The Government announced a \$300 million allocation to regional rail in Budget 2019/20. This is the second phase of investment in rail by the PGF. Cabinet signed off an initial package of investments in October 2018 and agreed a set of investment principles for rail. The first phase of investment related largely to the South Island and the lower North Island.
- 3 This paper sets out an investment strategy for the \$300 million allocation by proposing a number of projects for investment. The investment strategy is consistent with the investment principles agreed by Cabinet. It sets out investments across the lower and upper North Island and the South Island, with the greatest emphasis in the upper North Island.
- 4 Given PGF timerrames, we propose investing \$^{Commercial Information} in 4 projects. These projects are consistent with the PGF rail investment principles and can be underway before the end of 2019. These investments will improve the rail networks and individual rail lines, as well as KiwiRail engineering and maintenance capability. Proposed investments include:
 - a) Lower North Island: investment in rail hubs to improve efficiency of freight movements:
 - Dannevirke logging siding, as approved in principle by Cabinet in June 2019 (\$4.4m);
 - **Commercial Information**
 - b) Upper North Island: investment in essential repairs and maintenance to the NAL south of Whangarei (\$94.8m); and
 - c) South Island: investment in upgrading KiwiRail's Hillside heavy engineering facility (\$20m).
- 5 A key consideration for the unspent balance of the \$300 million PGF investment in rail will be the Government's response to the Upper North Island Supply Chain Strategy (UNISCS) Working Group's recommendations for improvements to rail to support effective freight movement in the upper North Island. This will consider, among other things, investment in a Marsden Point Link (MPL) between Northport

and the North Auckland Line (NAL). This investment was noted by Cabinet in October 2018. Within the PGF investment strategy, we propose that further decisions relating to the unspent balance of \$^{Commercial Information} be deferred until after the UNISCS report is submitted in September 2019.

- 6 While the proposed investment in the NAL is related to decisions being taken in the UNISCS, there is value in undertaking investment in maintenance now ahead of decisions in relation to the working group's recommendations for the following reasons:
- The risk of premature line closure is mitigated.
 - It will enable the work to be started immediately and completed by September 2020, on a best endeavours basis by KiwiRail
 - Immediate regional investment is expected to have positive social and regional economic development multiplier effects.
 - It will deliver basic transport options for Northland producers and freight operators by contributing to greater service reliability.
 - The Working Group's interim report in April noted that investment in NAL was a fundamental and inevitable element of investment in Northport.

Background

- 7 The Government agreed to establish the Provincial Growth Fund in November 2017 to invest in activities that would raise the productivity potential of regional New Zealand. A core element of the PGF's investment portfolio was to be infrastructure investment, enabling regions to be well connected from an economic and social perspective, including rail, road and communications. The PGF has now made significant investments in infrastructure, as an enabler of wider economic activity in the regions.
- 8 In October 2018, Cabinet committed to PGF investment in rail to strengthen its role in New Zealand's transport system, and to support other objectives such as the transition to a low carbon economy. Cabinet acknowledged the role that the PGF could play in bringing forward investments that would otherwise need to wait until the Future of Rail Review and alternative funding mechanisms were achieved. PGF investment has enabled the Government to invest more immediately in aspects of the rail network that bring near-term benefits to the regions. Cabinet agreed to a set of principles for PGF investment in rail and to a number of specific, early investments over 2017/18 and 2018/19 that were of sufficient scale that they would benefit regional economic development.
- 9 In February 2018 Cabinet agreed to undertake the Upper North Island Supply Chain Strategy (UNISCS) study. This study will guide the development and delivery of a freight and logistics strategy for the Upper North Island, focussed on the future development and role of the three ports in the area. This work is also considering priorities for investment in rail, roads and other infrastructure to support the ports, with the goal of creating a robust supply chain over the next 30 years. The UNISCS Working Group released an interim report in April 2019, and is set to provide Ministers with an options report in August 2019, followed by a final report and recommendations in September 2019.

10 In October 2018, Cabinet agreed to a set of principles for investment in rail and to a number of specific, early investments over 2017/18 and 2018/19 that would benefit regional economic development. Commercial Information

11 This paper sets out phase 2 of the PGF's rail investment strategy over 2019/20 and 2020/21. It describes the key considerations for rail over the remaining lifetime of the PGF and identifies a number of investments for Cabinet to consider now and over the next six months.

12 The recommendations of the UNISCS final report will be an important element of the PGF's investment in Phase 2. When Phase 1 of the investment strategy was agreed by Cabinet, it included a Marsden Spur project, now known as the Marsden Point Link (MPL). This related to the construction of a new railway line connecting the North Auckland Line with Northport to provide multi-modal access to Northport, enable expansion at the port and facilitate other private investment. At that time we expected UNISCS to report back in April 2019.

13 Given the delayed start to the UNISCS working group's deliberations and consequential delay to the date of final report, we recommend Cabinet also consider investments that can be initiated now for more immediate impact in the regions. A proviso for this is that these investments will not undermine the likely recommendations of the working group and will ideally complement the investments that Government choose to make following the UNISCS report.

14 There are two parts to the Phase 2 rail investment strategy:

- Rail investments that deliver on the findings of the UNISCS to support the effective functioning of New Zealand's port system
- Specific rail investments that can be underway before the end of 2019, to deliver benefits to the regions and to rail and road users.

16 These investments will meet the investment principles agreed by Cabinet. This will ensure investments are made in a way that is consistent with longer-term objectives for rail and contribute to the overall development of the network, but with a focus on surge regions and the potential to lift regional productivity:

- Meets PGF requirements: contribution to PGF's objectives, additionality, fit with regional economic development priorities, good project management and governance
- Ensures the durability of rail grows in the regions as a result of investment
- Can make demonstrable progress on initiatives within the timeframes of the PGF
- Will have a significant impact on the productivity of the key sectors in the relevant regions
- Strengthens distribution/logistics hubs that support regions' key sectors and exports
- Projects enable improved access for communities

- Where projects are national in scale, can be started in surge regions to ensure they receive benefits early
- Prioritises regions where key roading infrastructure (i.e. state highways) is deleterious and unlikely to receive sufficient funding through the GPS to make substantial improvements to connectivity.

Distribution of PGF investments across the country

17 A total investment of \$^{Commercial Information} has been made by the PGF into regional rail (see Table 1). The focus in Phase 1 of the PGF’s rail investment has been on remedial improvements to the rail network and on strengthening facilities that will support growth in sectors that utilise rail in the surge regions. This has largely taken place in the South Island and the lower North Island. To date, PGF has invested \$130m in undertaking remedial work and essential repairs to the rail network across all regions. In October 2018, Cabinet agreed to PGF investment in tourism in the South Island (\$80m) and a logistics and distribution hub in the lower North Island (\$40m). In addition, RED Ministers had previously signed off a number of smaller rail projects and feasibility studies.

Table 1. PGF allocation of funds to regional rail from 2017/18 (\$m)

South Island		Lower North Island		Upper North Island		Total
^{Commercial Information}	^{Commercial}	^{Commercial Information}	^{Commercial}	^{Commercial Information}	^{Commercial}	^{Commercial Info}
Feasibility studies	0.5	Feasibility studies	1.1	Northland Rail Business Case	0.5	
Tourism Rail	80.0	Central North Island Freight Hub	40.0	Studies to support Northland Rail Business Case	2.2	
		Napier to Wairoa line reinstatement	6.2			
		Whanganui rail upgrade	3.0			
	^{Commercial Info}		^{Commercial}		^{Commercial}	^{Commercial Info}

- 18 We recommend that the focus of investment in Phase 2 be:
- continued improvements to the rail network in the lower and upper North Island
 - essential repairs and maintenance of the rail lines in the upper North Island
 - enhanced rail maintenance capability in the South Island.
- 19 There are significant potential benefits from network improvements in both the upper and lower North Island. In the lower North Island, distribution hubs and intermodal will increase the efficiency and timeliness of freight movements. For the upper North Island, PGF investment will be determined following the findings of the UNISCS working group. Essential repairs and maintenance in the Upper North Island are also a priority for the PGF. In the South Island, the focus for investment will be on building our domestic capability to build and maintain rolling stock, to improve the depth and resilience of our rail support system.

Rail investments underway in the next six months (Approximately \$^{Commercial Info})

20 A number of rail projects are being considered for the PGF that will provide immediate improvements to the interregional transport and logistics network. These projects are consistent with the PGF rail investment principles and can be underway before the end of 2019.

21 Investing \$^{Commercial Information} in these projects will provide benefits in terms of:

- Improved interaction between transport modes
- Greater speed of delivery to markets and more freight options for customers
- More capacity and resilience in the transport system
- Strengthened platform for rail to provide a meaningful alternatives to trucking and benefits rail brings for road safety, congestion and emissions.

22 In addition, there is a proposal related to improvements in New Zealand's rail capability. This would enable KiwiRail to enhance its heavy engineering operations, to build and better maintain rolling stock in New Zealand.

23 The projects that we recommend Cabinet progress through Phase 2 of the PGF's rail investment strategy for funding include:

Lower North Island

- Dannevirke logging siding (Cabinet approved in principle funding through the PGF's Hawke's Bay package) (\$4.4m)
- ^{Commercial Information}

Upper North Island

- Essential repairs to the North Auckland Line (\$94.8m)

South Island

- Investment in Hillside heavy engineering capability (\$20.0m)

Lower North Island

24 The key focus of investment in the lower North Island is continued investment in hub arrangements that facilitate more efficient movement of freight around the region, related to both logging and containers.

Dannevirke Rail Hub (\$4.4 million)

29 On 4 June 2019, Cabinet agreed to delegate to Regional Economic Development Ministers responsibility for approving investment of up to \$4.4 million in a Dannevirke rail hub [CAB-19-MIN-0267 refers]. We considered the opportunities for intermodal freighting of these logs and produce through a rail hub at Dannevirke because it could remove a considerable amount of logging and other freight from roads.

30 There are two components to the project:

- **An evaluation of the impacts of the rail hub (up to \$400,000)** – this will assess the flow on effects of the rail hub on the local roading network and the impact of Route 52 improvements on logging traffic and the rail hubs. It will explore the wider requirements of freight movement and hubs in Hawke's Bay and surrounding regions, similar to the Tairāwhiti Integrated Transport Plan. It will explore the inter-modal and funding impacts of investing in Route 52 and a Dannevirke rail hub.

- Commercial Information

31 The funding for the rail hub would be subject to the outcomes of the evaluation, which is due before the end of the year. The evaluation will ensure the investment in rail will provide good value in terms of getting trucks off the road in a sustainable and economically efficient way, and will determine the impact of the investment in rail on the use of surrounding roads, including whether HPMV upgrades to those roads would also be necessary.

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Upper North Island

36 The key rail line investment in the upper North Island relates to repair and maintenance of the NAL. This type of investment proposed here does not preempt the UNISCS Working Group's report given the focus on repair and maintenance. The intention of the UNISCS Working Group is to identify investments that can improve the wider supply chains and benefit both the upper North Island and the rest of New Zealand.

North Auckland Line (\$94.8 million)

37 The NAL is the one of the most degraded lines across the KiwiRail network. Without maintenance and repair, the NAL is expected to close. The most northern sections are closed and the Auckland to Whangarei section (Whangarei South) that is open needs immediate repair if it is to stay operational. The NAL has been in a state of managed decline for many years. It is now becoming essential to deal with these issues if KiwiRail is to ensure a base level of service to elsewhere in New Zealand, including ports in Tauranga and Auckland.

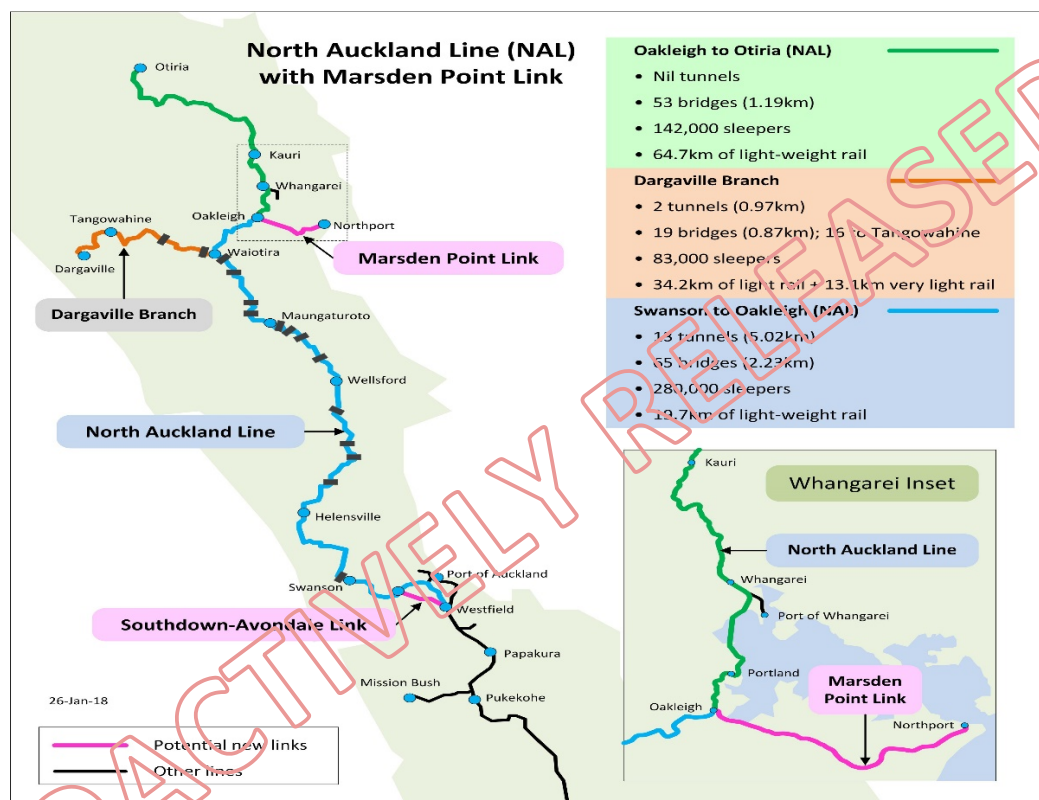
Essential Repairs and Maintenance

38 We propose the PGF invest \$94.8m in undertaking deferred maintenance on the NAL as detailed in Table 2 below. This table represents the indicative spread of costs at this early planning stage and actual investment allocation. This investment will ensure the NAL can continue to provide the existing level of service and will arrest further decline in the quality or reliability of service. Significant maintenance activities have not been undertaken on the NAL under the managed decline approach and have not been included in the Future of Rail 'Reliable and Resilient' package of works across New Zealand. However, the UNISCS working group's interim report noted general consensus among stakeholders about the value of upgrades of the rail and road network in Northland.

Table 2. Repairs and Maintenance Requirements of the North Auckland line

Description	Project Details /Stages	Est. Cost (\$m)
Bridges	Renewal x 7	\$ Commercial
Track and Corridor	82km track, 85,000 sleepers, 51,000m ³ ballast	\$ Commercial
Embankments	9 x embankments	\$ Commercial
Vegetation	Clearance and ongoing maintenance works	\$ Commercial
Drainage	Clearance and re-instatement of existing capacity. Investigation of upgrade	\$ Commercial
Signals / yards	Loops	\$ Commercial
Total Programme		\$94.8 m

39 The \$94.8 million investment would enable KiwiRail to undertake essential repairs and maintenance of the Whangarei South section of the NA¹L. This would involve replacing sleepers and bridges and other corridor repairs to allow 18 tonne axle loading so that modern locomotives could operate on the line. It would provide a more reliable and regular service, enabling track speeds to be lifted and reducing travel times. Currently it takes 7½ hours to move freight by rail between Whangarei and Auckland.



40 This work would not involve upgrades to the line north of Whangarei or the reinstatement of the currently mothballed line from Kauri to Otiria. Decisions on these parts of the North Auckland line will be made following the UNISCS final report. In maintaining the existing corridor, some works will be necessary to improve tunnels. At this time, this will not involve changes to the size of the tunnels to accommodate larger rolling stock, unless the nature of remedial works necessitate expansion.

41 While the NAL is currently in a degraded state, maintaining the section of the NAL south of Whangarei would ensure the line remains open and operative. In the event that further investments are recommended, then the UNISCS interim findings and the AECOM business case indicate that support for a rail-connected Northport would strengthen the rationale for investing in the NAL as well as underpinning any eventual investment in MPL and Northport.

¹ The PGF cannot invest in Auckland, Wellington or Christchurch unless this investment is primarily for the benefits of the regions. Given the benefits of this investment to Northland, this investment meets that criteria.

Findings of the Business Case for Investment in Northland Rail

- 42 The PGF funded a business case to assess the value of investing in NAL. The business case found that the case for investment in NAL was strongest if it included a rail connected Northport that would position Northport within the Upper North Island growth triangle. The business case considered the value of investing in the NAL without the MPL and Northport development and found the 40-year net present value of costs of the upgrade (\$^{Commercial Info}) exceeded the benefits (\$^{Commercial}) with a benefit cost ratio of 0.11. On this basis, any decisions on upgrading the line will be made after the Government has considered the UNISCS Report.
- 43 This proposal does not pre-empt the UNISCS Report, but provides the essential funds to secure the degraded Whangarei South section of the NAL for the future. This repair and maintenance funding is likely to produce the following benefits:
- **Contain future costs:** this proposal addresses the most essential repairs and maintenance and arrests future potential cost increases. Accordingly, any future investment may cost less overall.
 - **Freight benefits:** The Whangarei south section of the NAL is currently freighting 116,000 tonnes. While the greatest uplift is likely to occur should the UNISCS Report recommend that Northport be better utilised and the NAL is upgraded overall, essential repairs are likely to improve reliability and therefore market share for rail in this corridor.
 - **Wider economic benefits:** The business case was unable to quantify the regional economic development that would flow from improved connectivity of Northland with Auckland and the rest of New Zealand. However, spending \$94.8 million in Northland may reduce unemployment and increase local GDP at least in the short-term.

Investment prior to receiving UNISCS working group recommendations

- 44 Given our initial intent to make decisions about NAL as part of the response to the UNISCS recommendations, we are delaying decisions about investment in upgrading NAL until after the working group reports in September 2019. However, essential repairs and maintenance should be started immediately and could be completed by September 2020, on a best endeavours basis by KiwiRail (noting there are operational risks associated with meeting this deadline). We are comfortable that the benefits of investing in repair and maintenance of the NAL are sufficient in and of themselves to make the decision to invest now. The interim report of the UNISCS working group noted that investment in NAL was fundamental element of investment in Northport and, given this investment is for maintenance purposes to secure the line for the future, we believe the risk of a stranded investment is low.
- 45 We recommend proceeding with this work now, to maintain basic transport options for Northland producers and freight operators. This investment would also lay the foundations for any investments that do follow our decisions on the UNISCS recommendations.
- 46 The repair and maintenance work would take 13 months to complete, from design and procurement through to opening the repaired line, with a fundamental component of the work taking place over winter months. KiwiRail would close the

rail line for a number of months through winter to undertake the work intensively. Line closure would be possible at this time of year because Fonterra shipments are at a lower level during the dairy off-season.

- 47 Agreement to undertaking this work now would see investment disbursed into the regions over 2019 and 2020, bringing economic stimulus to Northland through local procurement of material supply and construction (with materials such as concrete rail sleepers, bridge beams, track ballast, and small to medium contractors for drainage works and vegetation clearance). KiwiRail would also take the opportunity to build up its skilled rail and engineering capability in Northland, which could be deployed in the upcoming programme of rail investment in the Upper North Island, including projects such as metro rail capacity development in Auckland. KiwiRail would also invest in developing skills and training programmes with the PGF through Te Ara Mahi funding, for people who currently find it difficult to enter the workforce.

Governance and assurance

- 48 KiwiRail have recent experience of managing major capital projects including large scale investment in the Auckland network that was delivered on time and on budget. KiwiRail advises that it is confident its management and governance systems for major capital investments are well placed to manage this project.
- 49 This project has objectives related to "NZ Inc" and wider regional economic and social benefits that go beyond KiwiRail's commercial and delivery imperatives. To provide Ministers with assurance around these aspects of the investment, we would appoint a Provincial Development Unit representative onto KiwiRail's existing Northland Programme Governance Board. KiwiRail already has equivalent governance arrangements with NZTA and Regional Councils for its two Metro Programme Governance Boards. The Government's representative would ensure these are progressed through the investment process and would facilitate enhanced communication on the programme between KiwiRail as the programme delivery organisation, the PDU, other agencies and Ministers. This PGF funding of KiwiRail is one of a number of Crown funding streams. Further advice to Cabinet is likely in future on how business as usual Crown capital provision, Future of Rail capital and PGF funding oversight can be best achieved.
- 50 The Ministry of Transport and the Treasury would receive assurance over project and risk management through the funding agreement and reports to be agreed with KiwiRail in line with the agencies' Memorandum of Understanding for Roles and Responsibilities relating to PGF funding of transport related projects.
- 51 The other regional rail projects making up the investment strategy, which are smaller in scale, would be subjected to usual PGF oversight processes.

South Island

Hillside heavy engineering capability

- 52 Capital investment of \$20m would re-establish Dunedin's Hillside Workshops as a mechanical hub and heavy-engineering facility for KiwiRail. This will enable job creation at a site that was once one of Dunedin's biggest employers, and now employs just 23 people. The site is impaired by aged buildings, contamination and subsidence. Through the investment, KiwiRail will upgrade heavy lift facilities,

develop office spaces for training and staff that are currently spread across different sites, and fund some decontamination of old buildings and end of life assets. Site consolidation would enable KiwiRail to free up land for improved freight operator access to rail and for commercial business opportunities. Commercial Information

- 53 Hillside is currently KiwiRail's only operational heavy-engineering maintenance facility in the South Island. The Christchurch depot has not yet been replaced following major earthquake damage. Investment at Hillside contributes significantly to South Island rail resilience.
- 54 Benefits to KiwiRail of investment in Hillside include:
- Dependable domestic heavy-engineering servicing facilities for rolling-stock refurbishment which extend the life of New Zealand's rail assets
 - Efficiencies through consolidation and strategic land use
 - Investment in staff and staff facilities to build technical and specialist capability
 - Increased South Island capacity to service New Zealand's growing freight demands
- 55 Benefits to the Dunedin community include:
- Secures Dunedin as a core manufacturing hub, creating high value jobs
 - Removes the liability of a contaminated site and provides industrial and commercial zoned sites opportunities and urban renewal opportunities
 - Unlocks opportunity for redevelopment of the remaining site to support allied and other industries
 - Unlocks training, apprenticeship and employment opportunities in operational engineering work and allied industries
 - Flow-on work and investment through local businesses
 - Development partnership opportunity with Ngāi Tahu (discussions are well advanced)
 - Alignment with New Zealand's transition to a low-carbon future
- 56 Initial site clearance will be undertaken within 12 weeks. Design and consenting for two heavy lift buildings will be completed over 6-12 months. Contractor procurement and onsite works will commence by September 2020 with construction over 12-18 months.
- 57 The \$20 million Hillside PGF proposal is potentially the first stage of a number of stages of investment in Hillside that could total \$50 - \$60m for the KiwiRail components. The PGF's investment is limited to this \$20m investment.

Rail investments for delivery of UNISCS recommendations (Approximately \$ Commercial Info)

- 58 The UNISCS working group's deliberations are focused on the ports in the upper North Island, associated land-based freight services and coastal shipping. Rail is a key element of the transport system that supports the effective functioning of the ports.

59 The interim report of the working group set out the rail investments it is considering, which the PGF could invest in. These include upgrading the NAL to allow for containerised freight, investment in the Marsden Point Line, inland hubs for logs and exports within Northland and a second route between Auckland and Tauranga.

60 The UNISCS working group noted in its April 2019 interim report that it saw the MPL and upgrades to NAL as having an important part to play in changes to the upper North Island supply chain. The working group anticipate the greatest growth in horticulture and agriculture production and freight will come from Northland in the future, given the mature stage of production in Waikato and the Bay of Plenty.

61 Free and frank opinions

Consultation

62 KiwiRail and the Treasury have been consulted on this paper. The Department of Prime Minister and Cabinet and NZTA were informed of this proposal.

Financial Implications

63 PGF funding is expected to be delivered to KiwiRail on the basis of the following principles:

- Investments expected to make a commercial return would be funded by equity injection or debt.
- Investments made in order to deliver a mix of commercial return and wider regional and social development would be funded by operating grant.

64 Investment in the North Auckland line will be by way of an operating grant. The form of investment will be determined based on business case for Dannevirke, and Hillside.

65 Commercial Information

Human Rights and Gender Implications

66 There are no human rights or gender issues or implications associated with this paper.

Legislative Implications

67 There are no legislative implications associated with this paper.

Regulatory Impact Analysis

68 A regulatory impact statement is not required for the proposals in this paper.

Treaty of Waitangi Implications

69 There are no Treaty of Waitangi implications associated with this paper.

Disability Perspective

70 There are no disability implications associated with this paper.

Proactive Release

71 This Cabinet paper will be released following announcements on the projects.

Recommendations

The Minister of Regional Economic Development and the Minister of Transport recommend that the Committee:

- 1 **note** that Cabinet agreed to PGF investment in rail in October 2018 and approved a number of regional rail projects;
- 2 **note** that \$300 million of the PGF was ringfenced for regional rail and announced through Budget 2019/20;
- 3 **note** this paper seeks approval for Commercial Information allocation for four regional rail projects;
- 4 **note** that these investment are consistent with the investment principles Cabinet approved in October 2018:
 - Meets PGF requirements: contribution to PGF's objectives, additionality, fit with regional economic development priorities, good project management and governance
 - Ensures the durability of rail grows in the regions as a result of investment
 - Can make demonstrable progress on initiatives within the timeframes of the PGF
 - Will have a significant impact on the productivity of the key sectors in the relevant regions
 - Strengthens distribution/logistics hubs that support regions' key sectors and exports
 - Projects enable improved access for communities
 - Where projects are national in scale, can be started in surge regions to ensure they receive benefits early
 - Prioritises regions where key roading infrastructure (i.e. state highways) is deleterious and unlikely to receive sufficient funding through the GPS to make substantial improvements to connectivity;
- 5 **note** that up to \$4.4 million will be invested for Dannevirke logging, as agreed by Cabinet in June 2019;

6 Commercial Information

- 7 **agree** to invest \$94.8 million to provide essential repairs and maintenance to the Auckland to Whangarei section of the North Auckland Line, by operating grant, into KiwiRail;
- 8 **agree** that a representative of the Provincial Development Unit will be appointed onto KiwiRail's arrangements for the governance of the NAL investments to ensure the government's regional economic development objectives are progressed;
- 9 **note** that the Ministry of Transport and Treasury will receive assurance over project and risk management through the funding agreement and reports to be agreed with KiwiRail in line with Agencies' Memorandum of Understanding for Roles and Responsibilities relating to PGF funding of transport related projects;
- 10 **agree** in principle to invest \$20 million to upgrade Hillside heavy engineering facilities in Dunedin to KiwiRail;
- 11 **note** that the Hillside heavy engineering facility, as primarily an industrial and skills development project will be funded from Vote BSi;
- 12 **delegate** the final sign off in relation to Dannevirke, Commercial Information and Hillside investments to RED Delegated Ministers once detailed information on the proposals has been received;
- 13 **agree** that further rail investment decisions for the unspent balance within the PGF \$300 million regional rail allocation will be deferred until after the Government has considered the UNISCS recommendations;
- 14 **approve** the following changes to appropriations, to give effect to the policy decision in the recommendations, with no impact on the operating balance or net core Crown debt:

- 15 **agree** that the proposed changes to appropriations for 2019/20 be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply; and
- 16 **agree** that the Minister of Transport/Minister of Regional Economic Development and the Minister of Finance can jointly approve re-phasing of expenditure between years to align with the timing of the project if required.

Authorised for lodgement

Hon Shane Jones

Minister of Regional Economic Development

Hon Phil Twyford

Minister of Transport