



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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Some information has been withheld to protect the confidentiality of advice tendered by ministers and officials, to protect the commercial position of the person who supplied the information, and to maintain the effective conduct of public affairs through the free and frank expression of opinions.



Cabinet Economic Development Committee

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.

Provincial Growth Fund: Regional Rail Investments in 2019/20

Portfolios **Transport / Regional Economic Development**

On 7 August 2019, the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that on 17 October 2018, DEV agreed to the principles to guide Provincial Growth Fund (PGF) investment in rail, and approved an initial package of regional rail projects [DEV-18-MIN-0235];
- 2 **noted** that \$300 million of the PGF was ring-fenced for regional rail and announced through Budget 2019 [CAB-19-MIN-0174.41];

Proposed funding for four regional rail projects

- 3 **noted** that the paper under DEV-19-SUB-0213 seeks approval for the allocation of Commercial Information from the PGF for four regional rail projects;
- 4 **noted** that these investments are consistent with the investment principles referred to in paragraph 1 above:
 - 4.1 meets PGF requirements: contribution to PGF's objectives, additionality, fit with regional economic development priorities, good project management and governance;
 - 4.2 ensures the durability of rail grows in the regions as a result of investment;
 - 4.3 can make demonstrable progress on initiatives within the timeframes of the PGF;
 - 4.4 will have a significant impact on the productivity of the key sectors in the relevant regions;
 - 4.5 strengthens distribution/logistics hubs that support regions' key sectors and exports;
 - 4.6 projects enable improved access for communities;
 - 4.7 where projects are national in scale, can be started in surge regions to ensure they receive benefits early;

4.8 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 **noted** that up to \$4.4 million will be invested for Dannevirke logging, as agreed by Cabinet on 4 June 2019 [CAB-19-MIN-0267];

6 Commercial Information

6.1 the rail component of the project is smaller in scale than anticipated when it was initially considered by Cabinet;

6.2 an application for further non-rail components, totalling \$^{Commercial Information}, is expected later in 2019;

7 **agreed** 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 **agreed** that a representative of the Provincial Development Unit be appointed onto KiwiRail's arrangements for the governance of the North Auckland Line investments to ensure the government's regional economic development objectives are progressed;

9 **noted** 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 **agreed in principle** to invest \$20 million to upgrade Hillside heavy engineering facilities in Dunedin to KiwiRail;

11 **noted** that the Hillside heavy engineering facility, as primarily an industrial and skills development project, will be funded from Vote Business, Science and Innovation;


12 **agreed** to delegate the final sign-off in relation to Dannevirke, ^{Commercial Information} and Hillside investments to Regional Economic Development Delegated Ministers once detailed information on the proposals has been received;

13 **agreed** that further rail investment decisions for the unspent balance within the PGF's \$300 million regional rail allocation be deferred until after the government has considered the Upper North Island Supply Chain Strategy Working Group's recommendations;

Financial implications

- 14 **approved** the following changes to appropriations, to give effect to the above policy decisions, with no impact on the operating balance or net core Crown debt:

Commercial Information



- 15 **agreed** that the 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;
- 16 **agreed** that the Minister of Transport, Minister for 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.

Janine Harvey
Committee Secretary

Hard-copy distribution: (see over)

Present:

Rt Hon Winston Peters
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr Megan Woods
Hon David Parker
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Shane Jones
Hon Kris Faafoi
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard-copy distribution:

Minister of Transport
Minister for Regional Economic Development

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