



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Regional Economic Development
<b>Title of Cabinet paper</b>	Provincial Growth Fund: Upper North Island Supply Chain Strategy and Northland Rail Investment	<b>Date to be published</b>	10 February 2020

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
10 February 2020	Provincial Growth Fund: Upper North Island Supply Chain Strategy and Northland Rail Investment	Office of Minister for Regional Economic Development
10 February 2020	Provincial Growth Fund: Upper North Island Supply Chain Strategy and Northland Rail Investment DEV-19-MIN-0339	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: Upper North Island Supply Chain Strategy and Northland Rail Investment

**Portfolios**                      **Transport / Regional Economic Development**

On 4 December 2019, the Cabinet Economic Development Committee (DEV):

- 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];
- 3        **noted** that on 7 August 2019, DEV agreed:
  - 3.1        to a \$128.4 million PGF investment in regional rail projects, including \$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;
  - 3.2        that further rail investment decisions for the unspent balance within the PGF regional rail allocation be deferred until after the government has considered the Upper North Island Supply Chain Strategy Working Group's recommendations;

[DEV-19-MIN-0213]
- 4        **noted** that the Upper North Island Supply Chain Strategy Working Group (the Working Group) has recommended that Northport be developed to take over much or all of Auckland's existing and projected future freight business, supported by a rejuvenated North Auckland rail line and spur to Northport;
- 5        **noted** that implementing the Working Group's recommendations would involve the following rail investments totalling \$<sup>Commercial Information</sup>, alongside further investments from the Crown and others:
  - 5.1        upgrading the North Auckland line, including increasing the size of tunnels to allow for IMEX (import-export) containers and re-opening the line from Kauri to Otiria (\$<sup>Commercial Information</sup> in total; \$69.7 million in 2019/2021);
  - 5.2        purchasing land for the Marsden Point Line connection (\$40 million);
  - 5.3        **Commercial Information**

## 5.4 Commercial Information

6 Commercial Information

7 **noted** that some investments in Northland require Cabinet decision before the end of 2019 to secure lower costs and faster delivery;

8 **agreed** to PGF funding of \$109.7 million for Northland rail for those time critical investments, including raising North Auckland Line IMEX capability (\$69.7 million) and purchasing land for the Marsden Point Line (\$40 million);

9 **noted** that this investment is consistent with the PGF's regional rail investment principles approved by Cabinet in October 2018 [DEV-18-MIN-0235]:

9.1 meets PGF requirements: contribution to PGF's objectives, additionality, fit with regional economic development priorities, good project management and governance;

9.2 ensures the durability of rail grows in the regions as a result of investment;

9.3 can make demonstrable progress on initiatives within the timeframes of the PGF;

9.4 will have a significant impact on the productivity of the key sectors in the relevant regions;

9.5 strengthens distribution/logistics hubs that support regions' key sectors and exports;

9.6 projects enable improved access for communities;

9.7 where projects are national in scale, they can be started in surge regions to ensure they receive benefits early;

9.8 prioritises regions where key roading infrastructure (i.e. State highways) is deleterious and unlikely to receive sufficient funding through the Government Policy Statement to make substantial improvements to connectivity;

10 **noted** that if Cabinet agrees to the above investments of \$109.7 million, \$61.9 million will remain of the \$300 million PGF regional rail contingency, and that decisions on the allocation of this funding will be made in 2020;

11 Commercial Information

12 **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;

13 Commercial Information

**Financial implications**

14 Commercial Information

Commercial Information

15 Commercial Information

16 **authorised** the Minister of Finance, the Minister of Transport and the Minister of Regional Economic Development to jointly approve the re-phasing of expenditure between years to align with the timing of the project, if required.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Nanaia Mahuta  
Hon Jenny Salesa  
Hon Kris Faafoi  
Hon Shane Jones  
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