



RED MINISTERS

KiwiRail Provincial Development Fund application: North Auckland Rail: Knowledge, Land and Asset Upgrade

Date:	29 June 2018	Priority:	High
Security classification:	Sensitive	Tracking number:	4006 17-18

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Economic Development	Note: 1) Early advice on KiwiRail's request for \$ <small>Commercial Information</small> of funding; and 2) Once subsequent information has been provided and further investigation completed an out of cycle paper will be presented seeking approval for funding.	2 July 2018
Hon Grant Robertson Minister of Finance		2 July 2018
Hon Phil Twyford Minister of Transport		2 July 2018
Hon David Parker Minister for Economic Development		2 July 2018
Fletcher Tabuteau Parliamentary Under-Secretary to the Minister for Regional Economic Development		Note the contents of this briefing for the RED Ministers on 2 July 2018

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Ben Dalton	Acting Head of Provincial Development Unit	<small>Privacy of natural persons</small>	<small>Privacy of natural persons</small>	
Robert Pigou	Head of Investment management	<small>Privacy of natural persons</small>	<small>Privacy of natural persons</small>	✓

The following departments/agencies have been consulted
Ministry of Transport



BRIEFING

KiwiRail Provincial Development Fund application: North Auckland Rail: Knowledge, Land and Asset Upgrade

Date:	29 June 2018	Priority:	High
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Purpose

KiwiRail has submitted a paper seeking \$^{Commercial Information} from the Provincial Development Fund for investigative knowledge work, a land purchase, and some works on the tracks south of Whangarei. This briefing advises Ministers how the PDU and Ministry of Transport are considering the application.

Executive summary

1. Our initial review of the application from KiwiRail against the PGF criteria suggests that
 - a. The knowledge component, or aspects of the knowledge component, could be consistent with the business case, which has previously been considered against the PGF criteria.
 - b. The land component would require further discussion with the Regional Council, and Ministry of Transport and KiwiRail to understand why we need to acquire it now, given the land appears to be owned by the Regional Council for this purpose.
 - c. The works element would require further information to be assessed, KiwiRail are collating this.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

Note:

- a. Early advice on KiwiRail's request for \$^{Commercial Information} of funding; and
- b. Once subsequent information has been provided and further investigation completed an out of cycle paper will be presented seeking approval for funding. Noted

Agree / Disagree



**PROVINCIAL
DEVELOPMENT
UNIT**

Robert Pigou
Acting Head of Investment
Provincial Development Unit, MBIE

29 / 06 / 2018

Hon Grant Robertson
Minister of Finance

..... / /

Hon Shane Jones
Minister for Regional Economic Development

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Hon Phil Twyford
Minister for Transport

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Hon David Parker
Minister for Economic Development

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PROACTIVELY RELEASED

Background

2. In April 2018 Ministers agreed that investment in Northland rail infrastructure should be further explored in a business case.
3. The Provincial Growth Fund (PGF) is providing \$0.5 million to fund that business case, which is being managed by the Ministry of Transport (the Ministry).
4. The Ministry expects the business case to be available in December 2018 for Ministers decisions. The Ministry notes the viability of the North Auckland Line (NAL) will depend on other decisions on upper North Island transport infrastructure, in particular, future investment in ports. These are being explored by the Upper North Island Supply Chain Study.
5. KiwiRail has advised Ministers (in a meeting on 28 June) that in order to accelerate work on the NAL they need \$ Commercial Information from the PGF. KiwiRail submitted a paper to the PGF on 29 June, (See Appendix One) with further information likely 2 or 3 July.

The KiwiRail Application.

6. KiwiRail's application notes to accelerate the NAL project they require funding to conduct knowledge work, land purchase and repair work.
7. In summary, KiwiRail seek

Item	Value
Knowledge	
High level review	\$ <small>Commercial Information</small>
Tunnels	\$ <small>Commercial Information</small>
Geotechnical	\$ <small>Commercial Information</small>
Māta Hill	\$ <small>Commercial Information</small>
Coastal reclamation	\$ <small>Commercial Information</small>
Oakliegh	\$ <small>Commercial Inform</small>
Consolidated estimate	<small>Commercial Inform</small>
Land due diligence	\$ <small>Commercial Informa</small>
Land	
Land Purchase	\$ <small>Commercial Information</small>
Works	
Track South of Kauri	\$ <small>Commercial Information</small>
Total application	\$ <small>Commercial Information</small>

8. Our initial review of the application from KiwiRail against the PGF criteria suggests that
 - a. The knowledge component, or aspects of the knowledge component, could be consistent with the business case, which has previously been considered against the PGF criteria.
 - b. The land component would require further discussion with the Northland Regional Council, and Ministry of Transport and KiwiRail to understand why we need to acquire it now, given that much of the land appears to be owned by the Regional Council for this purpose.
 - c. The works element would require further information to be assessed, and KiwiRail are collating this.

Knowledge Component

9. KiwiRail have requested \$^{Commercial Information} to finance a High Level Review and the following investigation work: Tunnels, Geotechnical, Mata Hill, Coastal Reclamation, Oakleigh Junction Preferred Option, Estimate consolidation and Land Due Diligence.
10. To the extent that this work will support the business case that is being developed by the Ministry of Transport, our evaluation would likely be consistent with our previous review undertaken to support the funding of that business case.
11. To the extent that it could not be used to support the business case, we will work with KiwiRail and the Ministry of Transport to understand how the work is going to contribute to the PGF's objectives.

Land

12. It is not clear why early acquisition of the land from the Regional Council affects timing or certainty for the spur line. Information from the Ministry is that the Regional Council has acquired some of the land for a transport corridor, has the necessary planning authority and is actively seeking transfer of the land to the Crown either for a rail or road route. We need further information from KiwiRail on why purchase is necessary before Ministers consider the NAL business case.

Works

13. KiwiRail are providing further information this week to support their application for funding to complete track work south of Whangarei so that this element can be assessed.

High-level Ministry of Transport view.

14. The Ministry of Transport advises it would support KiwiRail being given a grant from the PGF for tunnel investigation, geotechnical investigation and other engineering design and preparatory work. This would assist the business case process and lead to better decisions around timing and funding if it is decided to upgrade the North Auckland Line (NAL).
15. The Ministry does not see an immediate need for funding for the purchase of land for a proposed Marsden Point branch line. Purchase of the land at this time would pre-empt decisions about construction of the branch line, which the business case is intended to inform. The Ministry suggests that Ministers wait for the outcome of the business case before committing to capital expenditure on the NAL.
16. We would agree with the Ministry of Transport's view absent any strong correlation with the PGF's criteria.

Next steps

17. We will work with KiwiRail and Ministry of Transport, who are leading the business case and discussions with the Northland Regional Council on Land Transfers, to provide full advice for Ministers on the Application.

Annexes

Annex One: KiwiRail Provincial Growth Fund Northland Rail information paper.

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