

The Treasury

Budget 2011 Information Release

Release Document

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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] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 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
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

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, an [8] appearing where information has been withheld in a release document refers to section 9(2)(h).

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

Responsible Person: Emma Quigley^[1]

1. The Minister of Transport requests that the Committee (with power to Act) authorise him to proceed with negotiation of a rail package for Metro Rail in Wellington. He also seeks agreement to delegate final approval of the negotiations to a sub-committee comprising himself, the Prime Minister, Minister of Finance and the Minister of State Owned Enterprises.
2. There is a Treasury comment in the paper which reads:

“Treasury supports the policy intent of the proposal. However, the fundamental issue for Ministers to consider is whether the benefits of the proposal can be realised which relies on:

- *the region assuming ongoing responsibility for metro rail operations*
- *the region funding metro rail operations without seeking further assistance from the Crown.*

[6]

Treasury notes that allowing the negotiations to proceed implicitly commits the Crown to fund the proposal (without providing the funding to do so). The proposal represents an early call on the Budget 2011 capital allowance which is oversubscribed. Deciding to fund this proposal in advance of assessing all other capital proposals makes it harder for Ministers to prioritise the capital allocation.”

Comment

3. Substance of the proposal:

The Minister of Transport seeks funding to implement the Metro Rail Operating Model in Wellington. The model states that all ongoing operating and capital funding for metro rail should be met from user charges, ratepayer funding (and debt), alongside operating subsidies from the NZTA. Treasury supports the model, and acknowledges that the proposal outlined in this paper (some amount of Crown funding to ‘zero-base’ the asset) is a pre-requisite to get the Greater Wellington Regional Council (GWRC) to assume responsibility in perpetuity. However, the success of the proposal hinges not only on whether the GWRC draft Annual Plan, funding through which will fulfil its side of the agreement, is supported, but also on whether the GWRC ultimately assumes ongoing responsibility, and that no further funding is sought for upgrades in future years.

The success of the proposal is also reliant on whether the assets and liabilities associated with Metro Rail operations can be successfully transferred to the region without unduly impacting on KiwiRail’s balance sheet. In the event that

there is write-down in the value of the Crown's equity in KiwiRail as a result of the asset transfer, then an equivalent appropriation will be required. Although this would not impact on the operating allowance, it would have a fiscal impact.

4. Process:

Cabinet agreement to this paper will give the Minister of Transport authorisation to negotiate the spending of Crown funding, and is therefore an early call on the Budget 2011 capital allocation. The Minister cannot negotiate in good faith without this guarantee. This proposal will therefore reduce the already over-subscribed capital allocation by \$88.4 million. Our preferred option is to delay consideration of the paper until Budget Ministers meet at the end of February, so that the merits of this proposal can be considered alongside other capital bids.

However, we understand from the Ministry of Transport that the negotiations will be adversely affected by delaying the paper until Budget Ministers meet. We recommend that the Minister of Transport confirm that consideration of the proposal cannot be delayed. If the proposal has to be considered now, and the Minister of Finance is inclined to support that decision, then we recommend that the Minister of Transport be requested to provide assurance that the risks associated with the proposal will be appropriately managed. In addition, we recommend that the Minister inform his colleagues that this decision will need to be recorded as part of Budget Ministers' decisions on the 2011 capital allocation.

Treasury Recommendation

5. We recommend that you

Note that support of this proposal will reduce the capital allocation by \$88.4 million, and that the allocation is already heavily oversubscribed.

Note that support for this paper will need to be recorded as part of Budget Ministers' decisions on the 2011 capital allocation.

Do not support the recommendations in this paper *unless* the Minister of Transport can confirm:

- that the funding decision cannot be delayed until Budget Ministers meet
- that the risks associated with the proposal will be managed.

Title	P g	Recomm end	Fiscal Implications (\$m GST excl.)					Treasury Comment
			10/1 1	11/1 2	12/1 3	13/1 4	Out Yea rs	
Wellington Metro Rail Package		Do not support	<i>Operating</i>					There are no stated fiscals in the paper, but support of the proposal will guarantee spending of up to \$88.4 million, and will need to be recorded as part of Budget Ministers' decisions on the 2011 capital allocation. If the proposal has to be considered now, we recommend that the Minister of Transport be requested to provide assurance that the risks associated with the proposal will be managed.
			-	-	-	-	-	
			<i>Capital</i>					
			-	-	-	-	-	