



# Cabinet Economic Development Committee

## Minute of Decision

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### The Future of Rail: New Planning and Funding Framework for Heavy Rail in New Zealand

**Portfolios**                      **State Owned Enterprises / Finance / Transport**

On 28 August 2019, the Cabinet Economic Development Committee (DEV):

#### Background

1        **noted** that on 22 May 2019, DEV agreed in principle to a resilient and reliable rail system, subject to a report back on a new planning and funding framework for rail [DEV-19-MIN-0123];

#### Crown funding for a resilient and reliable rail network

2        [REDACTED]

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[REDACTED]

[REDACTED]

3        **noted** that:

3.1      under the new planning and funding framework, the Crown will need to continue to provide substantial funding for rail activities;

3.2      funding is likely to increase in future years in comparison to historical levels where rail was in a state of managed decline, including providing funding into the National Land Transport Fund;

4        [REDACTED]

5        [REDACTED]

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[REDACTED]

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[REDACTED]

6

[REDACTED]

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7

[REDACTED]

**Contribution from users to the costs of the rail network**

8 **agreed in principle**, subject to the report referred to in paragraph 32 below, that a track user charge be used to ensure that rail users also contribute towards rail maintenance and renewals in a fair and transparent way;

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[REDACTED]

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[REDACTED]

**New planning and funding framework for rail under the Land Transport Management Act 2003**

11 **agreed** that a new rail planning and funding framework is needed to:

11.1 improve coordination between road and rail network planning and investment;

11.2 improve transparency of government capital expenditure in the rail network;

11.3 allow decision-making and investments in road and rail to be made on a mode-neutral basis;

11.4 support value for money in rail network investments;

11.5 allow national benefits of rail to be captured;

11.6 provide longer-term funding certainty for KiwiRail;

11.7 preserve KiwiRail’s commercial functions and allow it to focus on its commercial markets and customers;

12 **agreed** to implement a new rail planning and funding framework, which will give responsible Ministers decision-making rights on funding rail network investments and channel funding from the National Land Transport Fund to the rail network;

13 **agreed** that the National Land Transport Fund and land transport revenue be used to directly fund KiwiRail’s rail activities;

14 **agreed** to include rail activities in the Government Policy Statement on Land Transport;

**Rail Network Investment Programme**

- 15 **agreed** that, every three financial years, KiwiRail must prepare a three-year programme of rail activities, to be called the Rail Network Investment Programme, for which it seeks funding from the National Land Transport Fund;
- 16 **agreed** that the Minister of Transport approve the Rail Network Investment Programme after consulting with KiwiRail's shareholding Ministers (the Minister of Finance and the Minister for State Owned Enterprises);
- 17 **agreed** that the Minister can only approve or decline the Rail Network Investment Programme after considering the recommendation of the New Zealand Transport Agency;
- 18 **noted** that the Minister is not bound by the New Zealand Transport Agency's recommendation;
- 19 **agreed** that the New Zealand Transport Agency's recommendation include:
- 19.1 whether the Rail Network Investment Programme is consistent with the purpose of the Land Transport Management Act 2003 and with the Government Policy Statement on Land Transport;
- 19.2 whether it is satisfied that the Programme includes:
- 19.2.1 the funding contribution for rail activities from the National Land Transport Fund;
- 19.2.2 a programme of rail activities that are proposed to be funded or partially funded from the National Land Transport Fund;
- 19.2.3 the revenue to be received by KiwiRail from other operators applicable to these activities;
- 19.2.4 a long-term financial forecast that contains a forecast of anticipated revenue and expenditure on any rail activities for the following 10 years;
- 19.2.5 any other information that the Minister may require;
- 20 **noted** that, in practice, the Rail Network Investment Programme is likely to include:
- 20.1 a three year rolling maintenance and renewal programme;
- 20.2 a set of improvements under a certain value that are approved as a package;
- 20.3 a number of significant improvement projects to be assessed and approved on a case by case basis as they become ready for funding;

**Funding approval for activities in the Rail Network Investment Programme**

- 21 **agreed** that, once the Rail Network Investment Programme is approved, the Minister of Transport, in consultation with the KiwiRail shareholding Ministers, can approve or decline the payment for any activities, or combinations of activities, included in the Rail Network Investment Programme after considering the recommendation of the New Zealand Transport Agency;

- 22 **agreed** that the New Zealand Transport Agency’s recommendation include:
  - 22.1 whether the activities are consistent with the purpose of the Land Transport Management Act and the Government Policy Statement on Land Transport;
  - 22.2 an assessment of the activities based on its usual funding approval approach, amended as necessary for rail;
- 23 **agreed** that the Minister of Transport notify KiwiRail, the New Zealand Transport Agency and shareholding Ministers of any funding approval;
- 24 **agreed** that the Rail Network Investment Programme can be varied during its term on the same basis as approving the Programme;

**Procurement processes**

- 25 **agreed** that the delivery of rail activities funded from the National Land Transport Fund be the responsibility of KiwiRail, and be subject to procurement policies that are consistent with all-of-government procurement practices;
- 26 **agreed** that KiwiRail must approve, after consultation with the New Zealand Transport Agency, the procurement policies outlined in paragraph 25 above, and publish those policies;

**Regional Land Transport Plans**

- 27 **agreed** that proposed rail activities in the Auckland and Wellington regions that are significant be included in the Regional Land Transport Plans for those regions;
- 28 **agreed** that KiwiRail be included in the Regional Transport Committees for the Auckland and Wellington regions as a non-voting member, and that the Minister of Transport have the discretion to include KiwiRail in other Regional Transport Committees as a non-voting member on a case by case basis;
- 29 **agreed** that exclusion of a rail activity from a Regional Land Transport Plan does not preclude that activity being included in the Rail Network Investment Programme and funded from the National Land Transport Fund;

**Amendments to section 9 of the Land Transport Management Act**

- 30 **noted** that activities carried out by the Ministry of Transport to protect the land transport revenue base and maintain the integrity of the revenue system are funded through a mechanism provided under section 9(2)(b) of the Land Transport Management Act;
- 31 **agreed** to minor amendments to section 9(2)(b) of the Land Transport Management Act to clarify that activities to protect the land transport revenue base and maintain the integrity of the revenue system include both revenue and investment driven activities, to better reflect the nature of activities currently undertaken by the Ministry of Transport, and to support the successful implementation of the Future of Rail change programme;

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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**New Zealand Rail Plan**

- 33 **noted** that the New Zealand Rail Plan will be a 10-year strategic document that will provide greater clarity on the government's intentions for rail;
- 34 **agreed** that the New Zealand Rail Plan be issued following Budget announcements, currently anticipated for September 2019;
- 35 **agreed** to delegate the approval and publishing of the New Zealand Rail Plan to Joint Rail Ministers;

**Land Transport Management Amendment Bill**

- 36 **agreed** to amend the Land Transport Management Act to implement the new planning and funding framework for rail;
- 37 **noted** that the Land Transport Management Amendment Bill has a category 4 priority on the 2019 Legislation Programme (to be referred to a select committee in 2019);
- 38 **noted** that:

38.1 the Bill needs to be in force by July 2020

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- 39 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;
- 40 **authorised** the Minister of Transport to make final decisions, consistent with the overall policy intent of the paper under DEV-19-SUB-0225, on details that arise during the drafting of the Land Transport Management Amendment Bill without reference to Cabinet.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Carmel Sepuloni  
Hon David Parker  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Willie Jackson  
Hon James Shaw  
Hon Julie Anne Genter  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

**Hard-copy distribution:**

Minister for State Owned Enterprises  
Minister of Finance  
Minister of Transport