


OC241371

20 December 2024



Tēnā koe 

I refer to your email dated 23 November 2024, requesting the following under the Official Information Act 1982 (the Act):

*Please provide all advice / reports prepared by the Ministry of Transport, and its consultants or advisors, to Ministers of the Crown, other Government entities (including to KiwiRail) on proposed policy settings that may impact the future of rail in New Zealand. For the avoidance of doubt this includes any advice that discusses plans to abandon, mothball, wind down or close any parts of the national rail freight and passenger network or services thereon.*

*Please provide the basis for any conclusions reached on the viability or otherwise of the rail network including any external advice or consultants' reports on this matter taken into account in the Ministry's advice.*

*I seek all advice provided in the above context to the Coalition government since 1 November 2023 to the present time.*

There are five documents that fall within the scope of your request and are detailed in the document schedule attached as Annex 1. The schedule outlines how the documents you requested have been treated under the Act.

Two documents have information withheld under the following sections of the Act:

- |             |                                                                                                                                                                                                                                                                                    |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9(2)(a)     | to protect the privacy of natural persons                                                                                                                                                                                                                                          |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information                                                                         |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials                                                                                                                         |
| 9(2)(g)(i)  | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty. |

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.


Three documents are being withheld in full under the following sections:

- 9(2)(a) to protect the privacy of natural persons
- 9(2)(b)(ii) to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
- 9(2)(f)(iv) to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
- 9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
- 9(2)(i) to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz)

The Ministry publishes our Official Information Act responses, and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Bev Driscoll  
**Manager, Rail**

## Annex 1: Documents in scope of the request

Doc #	Title of Document	Proposed decision on request
1	Attachment 2 – Budget 2024 rail portfolio view	Proposal partially withheld on the grounds of: <ul style="list-style-type: none"> <li>9(2)(f)(iv) – Under active consideration</li> <li>9(2)(g)(i) – Free and frank</li> </ul>
2	Rail Funding Capital Pipeline Review	Proposal partially withheld on the grounds of: <ul style="list-style-type: none"> <li>9(2)(a) – Protect the privacy of natural persons</li> <li>9(2)(b)(ii) – protect commercial position of the information supplier</li> <li>9(2)(f)(iv) – Under active consideration</li> <li>9(2)(g)(i) – Free and frank</li> </ul>
3	Document 3	Proposal withheld in full on the grounds of: <ul style="list-style-type: none"> <li>9(2)(a) – Protect the privacy of natural persons</li> <li>9(2)(b)(ii) – protect commercial position of the information supplier</li> <li>9(2)(f)(iv) – Under active consideration</li> <li>9(2)(g)(i) – Free and frank</li> <li>9(2)(i) – Prevent disadvantage to government’s commercial activities</li> </ul>
4	Final RNIP 2024-27 advice for your approval – Briefing – Policy	Proposal withheld in full on the grounds of: <ul style="list-style-type: none"> <li>9(2)(a) – Protect the privacy of natural persons</li> <li>9(2)(b)(ii) – protect commercial position of the information supplier</li> <li>9(2)(f)(iv) – Under active consideration</li> </ul>
5	Document 5	Proposal withheld in full on the grounds of: <ul style="list-style-type: none"> <li>9(2)(a) – Protect the privacy of natural persons</li> <li>9(2)(b)(ii) – protect commercial position of the information supplier</li> <li>9(2)(f)(iv) – Under active consideration</li> <li>9(2)(i) – Prevent disadvantage to government’s commercial activities</li> </ul>

# ATTACHMENT 2: Budget 2024 rail portfolio view

## Metro

### Current funding position

- Government funding of significant metro rail projects completed or approved over the last 6-8 years equates to ~\$1,600 million in Wellington, and ~\$4,800 million in Auckland.

### KiwiRail Budget Request

- KiwiRail have put up bids for the metro networks totalling s 9(2)(f)(iv) comprising the following:

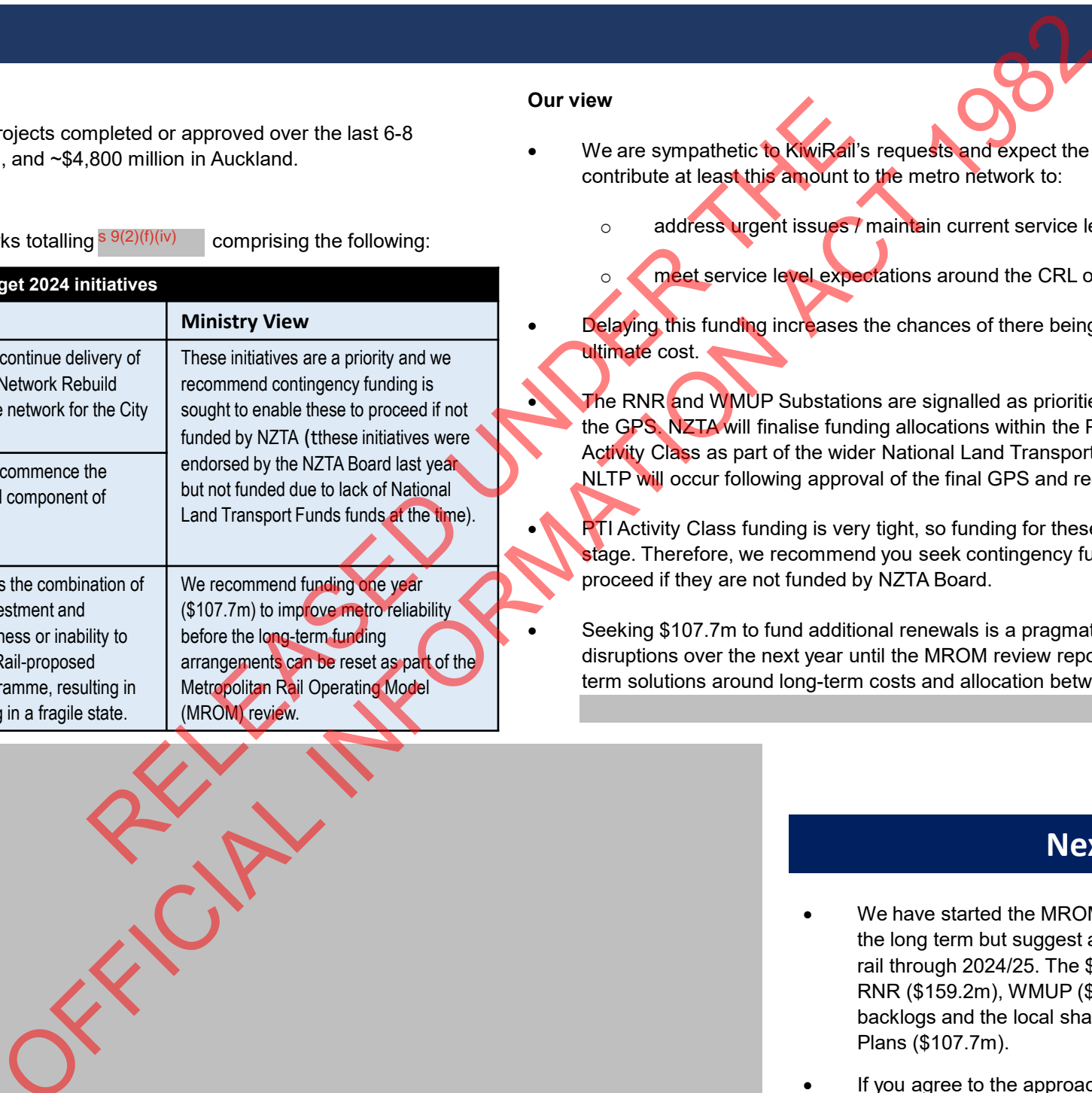
Metro rail Budget 2024 initiatives			
Initiative	\$ sought	Description	Ministry View
Rail Network Rebuild	\$159.2m	Allows KiwiRail to continue delivery of the Auckland Rail Network Rebuild (RNR) to ready the network for the City Rail Link (CRL).	These initiatives are a priority and we recommend contingency funding is sought to enable these to proceed if not funded by NZTA (these initiatives were endorsed by the NZTA Board last year but not funded due to lack of National Land Transport Funds funds at the time).
Wellington Metropolitan Upgrade Programme (WMUP) Substations	\$137.2m	Allows KiwiRail to commence the substation renewal component of WMUP.	
Metropolitan Rail Backlogs and Network Management Plans	<span style="background-color: #cccccc;">s 9(2)(f)(iv)</span>	Funding to address the combination of previous underinvestment and council's unwillingness or inability to fully fund the KiwiRail-proposed maintenance programme, resulting in the networks being in a fragile state.	We recommend funding one year (\$107.7m) to improve metro reliability before the long-term funding arrangements can be reset as part of the Metropolitan Rail Operating Model (MROM) review.

### Our view

- We are sympathetic to KiwiRail's requests and expect the Government will ultimately have to contribute at least this amount to the metro network to:
  - address urgent issues / maintain current service levels
  - meet service level expectations around the CRL opening, for example.
- Delaying this funding increases the chances of there being network disruptions and increases the ultimate cost.
- The RNR and WMUP Substations are signalled as priorities for the Government and reflected in the GPS. NZTA will finalise funding allocations within the Public Transport Infrastructure (PTI) Activity Class as part of the wider National Land Transport Programme (NLTP). Finalisation of the NLTP will occur following approval of the final GPS and receipt of Regional Land Transport Plans.
- PTI Activity Class funding is very tight, so funding for these projects can't be assumed at this stage. Therefore, we recommend you seek contingency funding to enable these projects to proceed if they are not funded by NZTA Board.
- Seeking \$107.7m to fund additional renewals is a pragmatic approach to reduce risks of service disruptions over the next year until the MROM review reports back to you in November with long term solutions around long-term costs and allocation between users and funders. s 9(2)(f)(iv)

## Next Steps

- We have started the MROM Review to resolve the funding issue in the long term but suggest at least \$404.1 million to support metro rail through 2024/25. The \$404.1 million includes full funding for RNR (\$159.2m), WMUP (\$137.2m) and one year of funding for backlogs and the local share shortfall of Network Management Plans (\$107.7m).
- If you agree to the approach to metro funding, it should be made clear to Councils that this is a one-off arrangement to find a practical way forward while longer term affordability is worked through and that councils will be expected to pay their share in the future.



s 9(2)(f)(iv)

# ATTACHMENT 2: Budget 2024 rail portfolio view

## Freight

### KiwiRail Budget Request

- KiwiRail's Budget bid outlined a § 9(2)(f)(iv) rail freight network investment programme, which would allow it to implement a § 9(2)(f)(iv) Rail Network Investment Programme (RNIP).
- KiwiRail's Budget bid was based of the previous government's "future of rail" plans. However, as illustrated in the graph below, cost increases have pushed the average per annum cost up from ~\$440m pa in 2021 to ~\$600m pa in 2024.

### Current funding position and phasing options

- KiwiRail has current available funding of around \$800m for future investment in the rail freight network. There are options for how this funding can be phased that could be worked through in your approval of the next three-year RNIP 2024/25 – 2026/27.<sup>^</sup>

§ 9(2)(f)(iv)

§ 9(2)(f)(iv)

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### KiwiRail concerns

- KiwiRail are concerned about having a reduced level of funding certainty. We appreciate that longer-term funding certainty allows KiwiRail to more efficiently plan and run its business. However, more work is required before officials could advise on an appropriate long term funding level that would be consistent with the Government's transport priorities.
- We are aware that KiwiRail have some long term RNIP commitments of § 9(2)(f)(iv). KiwiRail have also built up plant and equipment, and a workforce of around 1,400 to work on the network infrastructure (both metro and freight). § 9(2)(g)(i)

### Our views on these concerns

- KiwiRail have had to operate with limited funding certainty in the past, and like any business, needs to be able to manage with uncertainty. KiwiRail should not have been planning on the expectation that cost increases would be automatically funded. § 9(2)(g)(i)
- In addition, around \$1.7b worth of new rolling stock is now coming on stream which should improve freight service levels. § 9(2)(f)(iv)

## Next Steps

### Savings proposal and our recommendations

- KiwiRail have offered up § 9(2)(f)(iv) of savings proposals to help fund its § 9(2)(f)(iv) request. We recommend that \$200m of savings is allocated to KiwiRail, resulting in circa \$1b funding envelope for the RNIP. The \$1b identified reflects a balanced judgement between giving KiwiRail enough certainty to revise their business plans in a timely manner, while signalling a lower level of funding long term.
- § 9(2)(f)(iv)  
Ultimately the KiwiRail Board will decide what course of action it will take with respect to its business within any funding envelope and level of certainty provided at this juncture.
- Regardless of Budget decisions, KiwiRail will need to get your approval for the investment profile over the next three years (through RNIP 2024/25 – 2026/27). We understand KiwiRail is preparing a range of investment scenarios to discuss with you at the end of the month based on GPS signals and prior discussions with you.
- If you decide to frontload funding in the first year of the 2024/25 – 2026/27 RNIP, § 9(2)(f)(iv) we will provide you with a process, timeframes, and engagement programme to support this.



14 February 2024

OC240125

**Hon Simeon Brown**

**Action required by:**

Minister of Transport

Tuesday, 21 February 2023

## RAIL FUNDING INCLUDING THE CAPITAL PIPELINE REVIEW

### Purpose

This briefing provides an update on the various budget and planning process in relation to rail and discusses the bids KiwiRail have provided for you to submit to the Minister of Finance as part of the budget “Capital Pipeline Review” process.

This briefing provides further context and detail for the rail related components of the briefing you have received on the overall Transport Capital Pipeline (OC240117 refers).

### Key points

- Several budget and funding processes are underway across the transport sector. This briefing provides you with a consolidated view across the rail portfolio.

#### *Rail freight*

- KiwiRail’s current plans for the freight network require an ongoing funding commitment of around <sup>s 9(2)(f)</sup><sub>(iv)</sub> per annum.
- Given your transport priorities and the current fiscal climate, we expect that you consider <sup>s 9(2)(f)(iv)</sup>  
[REDACTED]
- Following consultation with Shareholding Ministers, we recommend you give KiwiRail a clear set of funding expectations <sup>s 9(2)(g)(i)</sup>  
[REDACTED]
- In the short term, <sup>s 9(2)(f)(iv)</sup>  
[REDACTED] <sup>s 9(2)(b)(ii)</sup>  
[REDACTED]
- <sup>s 9(2)(f)(iv), s 9(2)(g)(i)</sup>  
[REDACTED]

s 9(2)(g)(i)

*Metro funding*

- KiwiRail have put up bids for the metro networks totalling s 9(2)(f)(iv) . We are sympathetic to KiwiRail's request, and to a large extent s 9(2)(g)(i)
- s 9(2)(f)(iv)
- We have started a Metro Operating Model Review to resolve the funding issue in the long term but suggest at least \$404million to support metro rail through 2024/25.
- Please note that depending on the finalisation of underspend estimates, s 9(2)(f)(iv) We will provide you with advice on reprioritisation opportunities on 9 March 2024.

**Recommendations**

We recommend you:

- |   |                                                                                                                                                       |          |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
|   |                                                                                                                                                       | Yes / No |
| 1 | <b>Agree</b> to meet with officials to discuss s 9(2)(f)(iv)                                                                                          |          |
| 2 | <b>Note</b> we consider some level of additional funding for the metro networks in the short term is required to reduce the risk of network failures. |          |

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Siobhan Routledge  
**Acting Deputy Chief Executive**  
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Hon Simeon Brown  
**Minister for Transport**  
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- Minister's office to complete:**
- |                                              |                                               |
|----------------------------------------------|-----------------------------------------------|
| <input type="checkbox"/> Approved            | <input type="checkbox"/> Declined             |
| <input type="checkbox"/> Seen by Minister    | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events |                                               |

**Comments**

**Contacts**

Name	Telephone	First contact
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Siobhan Routledge, Acting Deputy Chief Executive	s 9(2)(a)	✓
Bev Driscoll, Manager Rail	s 9(2)(a)	

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## RAIL FUNDING INCLUDING THE CAPITAL PIPELINE REVIEW

### Several parallel funding- and planning-related processes are underway for rail

- 1 Several budget-related funding and planning process are underway that relate to rail:
  - 1.1 Initial Baseline Exercise (IBE) – leading to invitations to submit budget savings to generate savings of 7.5% to be returned to the centre.
  - 1.2 The Ministry-led process to advise you of savings beyond the IBE process that could help offset cost pressures in the Transport Sector (i.e. these savings are not returned to the centre).
  - 1.3 Budget 2024 Capital Pipeline Review process (giving the opportunity for capital intensive agencies to submit both savings, cost pressures and new spending initiatives).
  - 1.4 The budget process for new spending (operating), which the Minister of Finance has not invited KiwiRail to submit into.
  - 1.5 Consultation and finalising Government Policy Statement (GPS) 2024 that set out the Government priorities for rail and the funding range for the rail activity class.
  - 1.6 The preparation of the 2024-27 Rail Network Investment Programme (RNIP) that KiwiRail need to submit to you by June 30 2024 which will be based on your direction given in the GPS.
- 2 This advice provides a consolidated view of rail investment and is in two parts – covering rail freight and metro rail. We have also attached as Annex A, a table setting out the range of funding sources for Rail.

### Rail freight

Table 1 – Rail freight overview across the funding and planning processes underway

Process	Status for rail freight
Initial Baseline Exercise (IBE)	s 9(2)(f)(iv)
The Ministry led process to advise you of savings beyond the IBE process that could help offset cost pressures in the Transport Sector	KiwiRail have proposed a s 9(2)(f)(iv)
Budget 2024 Capital Pipeline Review process	s 9(2)(f)(iv)

Process	Status for rail freight
	s 9(2)(f)(iv)
The Budget 2024 process for new spending (operating)	The Minister of Finance did not invite KiwiRail to submit into this process. <sup>1</sup>
Consultation and finalising GPS 2024	<p>The release of the draft GPS to KiwiRail on Friday 3 February was the first indication provided to KiwiRail that:</p> <ul style="list-style-type: none"> <li>• Road users would no longer be paying for the rail freight network.</li> <li>• The government focus for investment in the rail freight network would be on the golden triangle.</li> </ul>
The preparation of the 2024-27 Rail Network Investment Programme (RNIP)	KiwiRail need to submit to you a RNIP by June 30 that reflects the GPS and funding allocated to it.

### The rail freight network in New Zealand requires a large ongoing subsidy

3 On 20 December 2023, we briefed you on KiwiRail and the national rail network [OC23081 refers]. The briefing outlined some of the reasons government supports rail and outlined some significant funding challenges.

4 s 9(2)(g)(i)

5 KiwiRail has been planning based on the previous Government's direction following the 'Future of Rail' work which proposed a resilient and reliable rail network. Achieving this would require ongoing funding of around s 9(2)(f)(iv) per annum.

6 Over the last 5 years, in line with the previous Government's plans, KiwiRail has been building up its business including ramping up its workforce, building confidence with

<sup>1</sup> KiwiRail is inherently a "capital heavy" business. However, the funding it receives from a government budget perspective is treated as a mix of capital and operating. Funding of KiwiRail's commercial activities is usually treated as capital, as it represents an equity injection into the company, "investment" in the rail network is seen as an operating grant into "public benefit" infrastructure.

customers and entering a range of contracts with long lead times, and long-life assets such as rolling stock.

7 The previous Government had increased funding up to around \$450m per annum for the national freight network (and \$1.7billion for a rolling stock program), however it had not committed all the funding required to implement its plans.

8 In addition, cost pressures have escalated. In 2021, the RNIP programme was initially costed at about \$4.4 billion, but has since faced around \$1 billion of additional cost. We also expect that actual costs will rise further as KiwiRail discover more about the current state of its freight network (as they have recently discovered with the Metro Networks).

s 9(2)(g)(i)

9 You have indicated in the draft GPS that the Government does not want road users to pay for rail s 9(2)(f)(iv) In addition, given the fiscal constraints and the Government's transport priorities, s 9(2)(g)(i)

10 s 9(2)(f)(iv)

11

Table 2 – Potential funding gap

s 9(2)(f)(iv)

12 KiwiRail have identified \$569 million of savings that are available from existing rail projects to meet part of the \$974 million funding gap. This includes:

12.1 Not proceeding with the purchase of coal hopper wagons (saving \$38 million).

2 s 9(2)(f)(iv)

<sup>3</sup> Track User Charges paid into the National Land Transport Fund by KiwiRail's freight business.

12.2 Reprioritising NIWA funding for minor improvements (saving \$180.7 million).

12.3 Reducing the assembly programme at Hillside (saving \$5.75 million).

12.4 Utilising the funding set aside for building the Marsden Point Spur (saving \$345 million<sup>4</sup>).

13 We consider the first three savings listed above (totalling \$220 million) are legitimate for KiwiRail's use as they require KiwiRail making trade-offs and stopping investments it was going to make.

14 We consider the \$345 million for the Marsden Point Rail link is a legitimate savings opportunity. However, there is not a strong justification for this to be made available to KiwiRail to internally reprioritise as this project has been driven by Government, not KiwiRail. KiwiRail still has funding to complete detailed design work, which is required under the New Zealand First coalition agreement.

15 Through the other cost savings exercises underway (Table 1 refers), we recommend that \$13.45 million of the \$220 million of savings identified be offered up as KiwiRail's contribution to wider transport baseline savings exercises. This would leave \$207 million for KiwiRail to utilise.

16 If you approve \$207 million of the reprioritisations identified, then this would mean KiwiRail would have funding for the freight network of around \$1,008 million for the next three years (or about \$335 million per annum).

### **We suggest you communicate your funding intentions to KiwiRail**

17 In conjunction with KiwiRail's Shareholding Ministers, <sup>s 9(2)(g)(i)</sup> [REDACTED]

18 Expectations should have started to shift with KiwiRail reading the draft GPS, but it would be good to back this up with more explicit guidance around the likely level of funding support. <sup>s 9(2)(g)(i)</sup> [REDACTED]

### **Resetting funding expectations would mean KiwiRail changes how it runs its business**

19 In the short term, i.e. in the period up to 30 June 2024 when KiwiRail has to submit to its next RNIP to you, your expectation would be that KiwiRail <sup>s 9(2)(f)(iv)</sup> [REDACTED] This would likely

<sup>4</sup> <sup>s 9(2)(f)(iv)</sup> [REDACTED]

<sup>5</sup> We acknowledge that KiwiRail only had a few days to consider the draft GPS and the direction it provides in terms of the Government's priorities before submitting their Budget templates. Hence, it was not possible for KiwiRail to reflect the draft GPS in their templates. The templates show that KiwiRail is still aiming to achieve the full 'resilient and reliable' scenario with the associated funding required to achieve this.

s 9(2)(f)(iv)

20

s 9(2)(f)(iv)  
s 9(2)(b)(ii), s 9(2)(g)(i)

21

s 9(2)(b)(ii), s 9(2)(g)(i)  
s 9(2)(f)(iv)

22

23

s 9(2)(b)(ii)  
Instead, the previous Government made a strategic decision based on indicative scenarios supported by high level estimates of the potential externalities.

**Immediate next steps – freight network**

24

We would like to meet with you to discuss rail freight, and your views on:

24.1 the likely long-term level of funding support KiwiRail could expect,

24.2 what level of funding you want reflected in the next RNIP, and

24.3 the work you want officials and KiwiRail to carry out to better inform decisions for Budget 2025.

25

After meeting with you, s 9(2)(f)(iv)

s 9(2)(f)(iv)

26.2 s 9(2)(f)(iv)

## Metro passenger rail

27 Like rail freight, metro rail is also subject to multiple budget and planning-related processes, which are summarised in the table below.


Table 2: Metropolitan rail funding

Process	Status for metro rail
Initial Baseline Exercise	KiwiRail has not proposed any savings from metro rail initiatives.
Budget 2024 Capital Pipeline Review process	<p>KiwiRail has identified several cost-pressures for metro rail in both Wellington and Auckland including:</p> <ul style="list-style-type: none"> <li>• \$159m for the Auckland Rail Network Rebuild (support in full)</li> <li>• \$137m for Wellington substation renewals (support in full)</li> <li>• s 9(2)(f)(iv) Auckland and Wellington Network Management Plan shortfalls (support \$22.7m for 24/25)</li> <li>• s 9(2)(f)(iv) 'catch up' renewals in Auckland and Wellington (support \$85m for 24/25 only)</li> </ul>
The Budget 2024 process for new spending (operating)	The Minister of Finance did not invite KiwiRail to submit into this process.
Consultation and finalising GPS 2024	The draft GPS signals metro rail operating costs will continue to be co-funded from the public transport infrastructure activity class.
The preparation of the 2024-27 Rail Network Investment Plan	KiwiRail needs to submit to you a RNIP by June 30 that reflects the GPS and funding allocated to metro rail

**Additional funding is required to ensure reliability of metro rail services**

- 28 KiwiRail has submitted four cost-pressure bids via the Capital Pipeline Review that relate to the metro passenger network. All four are focused on reducing the risk of future service disruption, and are summarised below:
- 28.1 Completing the Auckland Rail Network Rebuild would avoid further line closures to carry out this work following City Rail Link (CRL) opening and will enable the benefits of CRL to be realised.
  - 28.2 Completing the Wellington metro substation renewals would avoid potential service disruptions from substation failures and will enable future improvements to service levels.
  - 28.3 Meeting local funding shortfalls for Rail Network Management Plans would avoid deterioration of infrastructure and future service disruption.
  - 28.4 Meeting the cost of 'catch up' renewals in Auckland and Wellington would avoid operational restrictions, mitigate the risk of line closures in Wellington, and avoid service disruptions.

**The Auckland Rail Network Rebuild and Wellington substations cost pressures may be priorities for funding from the National Land Transport Fund**

- 29 Funding the Auckland Rail Network Rebuild (RNR) and Wellington substations projects are required to reduce the risk of network failure. In the case of the Auckland RNR there is also benefit of doing the work before CRL opens.
- 30 KiwiRail has provided scaled options for both, which would mean s 9(2)(b)(ii), s 9(2)(f)(iv)  

- 31 Last year, the New Zealand Transport Agency (NZTA) endorsed these investment proposals - signalling the work is urgent and warrants funding. However due to funding constraints they could not fully fund these investments, hence these budget requests from KiwiRail.
- 32 We understand these investments are still priorities for funding from the public transport infrastructure activity class under the 2024/27 National Land Transport Programme. This could negate the need for additional Crown funding for these initiatives. You may wish to discuss this with NZTA in the context of developing the GPS.

**KiwiRail has identified the possibility of widespread service disruptions in Auckland and Wellington in the absence of funding for catch up renewals**

- 33 Given end-of-life assets on the Auckland and Wellington metro rail networks, KiwiRail has identified network risks and operating restrictions to ensure safe operation on the metro rail network that would be required in the absence of additional funding for renewals.

34

s 9(2)(b)(ii), s 9(2)(f)(iv)

35

In Wellington the risks identified include:

s 9(2)(b)(ii), s 9(2)(f)(iv)

36

**There is a possibility for some reprioritisation from the wider wellington passenger rail programme**

37

We understand that the GPS will indicate ongoing support to the upgrades for the 18 new passenger trains on the lower north island (Wairarapa and Manawatu lines). This project is referred to as the 'Lower North Island Rail integrated mobility programme' (LNIRIM) and received \$455.4m of crown funding in Budget 2023.

38

s 9(2)(f)(iv), s 9(2)(g)(i)

39

We will shortly brief you on the funding agreement you will need to sign in order for the LNIRIM project to proceed, and we will provide you more detail on the reprioritisation possibilities in that briefing.

**The Metro Rail Operating Model (MROM) settings review will develop a sustainable funding model for metro rail**

40

You recently endorsed a terms of reference for the MROM settings review, which includes developing a sustainable funding model for metro rail, identifying how costs should be shared between the parties and how the metro rail system governance can be strengthened so all the parties work better together. We will progress this review over the course of 2024.



### Immediate next steps – metro funding

41 We will look to refine our advice in the lead up to your budget bilateral with the Minister of Finance. Our current advice would be to seek at least \$404 million to support metro rail through 2024/25. This reflects:

41.1 That it makes sense for certain works to be completed before the CRL is opened.

41.2 The growing risk that without more funding, there may be significant service disruptions on the metro systems in both Auckland and Wellington.

41.3 <sup>s 9(2)(g)(i)</sup>

41.4 That although we have commenced a MROM review to develop a sustainable funding model, this work will not be completed until the end of the year, <sup>s 9(2)(g)(i)</sup>

42 The budget bids for metro funding have been useful for identifying issues and risks and establishing a potential overall funding envelope. However, we think there is merit in a process to bring all relevant parties (i.e. KiwiRail, NZTA, Auckland Transport, Greater Wellington Regional Council) together to refine Metro priorities within whatever funding envelope is agreed. It would also be important that we structure any additional crown funding in manner that reduces the risk of setting a precedent or expectation that the crown continue to fund shortfalls in funding. We will prepare further advice to you on this in the lead up to your budget bilateral meeting.

### Longer-term working leading into Budget 2025

43 <sup>s 9(2)(f)(iv)</sup>

## ANNEX 1

## RAIL FUNDING SNAPSHOT

Category	Incorporating	How It Is Currently Funded	
		Capital Costs	Operating Costs
<b>Above rail operations</b>			
<b>Freight rail services</b>	KiwiRail's freight operations including capital (e.g. locomotives <sup>^</sup> , wagons, etc) and operating costs.	<ul style="list-style-type: none"> <li>• Crown capital budget<sup>+</sup></li> <li>• KiwiRail revenue</li> </ul>	<ul style="list-style-type: none"> <li>• KiwiRail revenue</li> </ul>
<b>Tourist passenger services</b>	KiwiRail's TranzAlpine, Northern Explorer and Coastal Pacific operations including capital (locomotives <sup>^</sup> , passenger rail cars, etc) and operating costs.	<ul style="list-style-type: none"> <li>• Crown capital budget<sup>+</sup></li> <li>• KiwiRail revenue</li> </ul>	<ul style="list-style-type: none"> <li>• KiwiRail revenue</li> </ul>
<b>Regional passenger services</b>	KiwiRail operated Capital Connection and Te Huia operations including capital (e.g. locomotives <sup>^</sup> , passenger rail cars, etc) and operating costs	<ul style="list-style-type: none"> <li>• Council contribution (Ratepayers)</li> <li>• NLTF (Public Transport Infrastructure Activity Class)</li> <li>• Crown operating budget</li> </ul>	<ul style="list-style-type: none"> <li>• Farebox</li> <li>• Council contribution (Ratepayers)</li> <li>• NLTF (Public Transport Services Activity Class)</li> </ul>
<b>Metro passenger services</b>	Council operated commuter services in Auckland and Wellington including capital (EMU* trains, ticketing infrastructure, etc) and operating costs	<ul style="list-style-type: none"> <li>• Council contribution (Ratepayers)</li> <li>• NLTF (Public Transport Infrastructure Activity Class)</li> <li>• Crown operating budget</li> </ul>	<ul style="list-style-type: none"> <li>• Farebox</li> <li>• Council contribution (Ratepayers)</li> <li>• NLTF (Public Transport Services Activity Class)</li> </ul>
<sup>^</sup> Locomotives used across different rail services <sup>*</sup> EMU = Electric Multiple Units (passenger trains) <sup>+</sup> Crown capital budget contribution direct to rail, or via rail through other programmes, for example the NZ Upgrade Programme and the Provincial Growth Fund			
<b>Below rail infrastructure</b>			
National network – maintenance and operations, renewals and upgrades	Land, rail formation, bridges, tunnels, track, signals, power outside Auckland & Wellington metro networks	<ul style="list-style-type: none"> <li>• NLTF – (Rail Network Activity Class)</li> <li>• Crown operating budget</li> </ul>	<ul style="list-style-type: none"> <li>• NLTF – (Rail Network Activity Class)</li> <li>• Crown operating budget</li> </ul>
Metro network – maintenance, renewals, and upgrades	Land, rail formation, bridges, tunnels, track, signals, power in Auckland & Wellington metro networks	<ul style="list-style-type: none"> <li>• Farebox</li> <li>• Council contribution (ratepayers)</li> <li>• NLTF (Public Transport Infrastructure Activity Class)</li> <li>• Crown operating budget + NLTF (Rail Network Activity Class) - paying for KiwiRail's ~20% share of metro costs</li> </ul>	<ul style="list-style-type: none"> <li>• Farebox</li> <li>• Council contribution (ratepayers)</li> <li>• NLTF (Public Transport Services Activity Class)</li> <li>• Crown operating budget + NLTF (Rail Network Activity Class) - paying for KiwiRail's ~20% share of metro costs.</li> </ul>
Metro network – catch-up renewals	Land, rail formation, bridges, tunnels, track, signals, power in Auckland & Wellington metro networks	<ul style="list-style-type: none"> <li>• Crown operating budget<sup>#</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Crown operating budget<sup>#</sup></li> </ul>
<sup>#</sup> Auckland Transport and Greater Wellington Regional Council have an expectation that under the existing Metropolitan Rail Operating Model (MROM) the Crown will meet the cost of 'deferred renewals' to bring the network up to a level of serviceability. This expectation has played out in funding decisions since the Metropolitan Rail Operating Model was agreed by the Government in 2009. Early work on the MROM Review has confirmed the 2009 MROM policy decisions did not include a commitment to meet the costs of deferred renewals, and we have not identified any subsequent commitment to this effect by the Minister of Transport or Crown.			