

8 October 2021

[Redacted]

Withheld to protect personal privacy

Dear [Redacted] Withheld to protect personal privacy

I refer to your request dated 3 September 2021, pursuant to the Official Information Act 1982 (the Act), seeking:

*"Hello, could I please OIA these documents,
Thank you very much.*

*Reply 32908 (2021) has been answered
Portfolio: Transport (Hon Michael Wood)
Question: In relation to Reply 28112 (2021), what reports, briefings, memos, aides-memoire, notes or other written advice, if any, did the Minister receive relating to the upgrades necessary for accommodating KiwiRail's new ferries, between 1 October 2020 and 22 July 2021, by title and date?
Reply: I refer the member to the attachment.*

*WPQ-32908 Attachment
Advice received on the upgrades necessary for accommodating KiwiRail's new ferries, between 1 October 2020 and 22 July 2021:*

Title	Date
KiwiRail's Interisland Ferry Replacement and the Wellington Ferry Terminal	10/11/2020
Advice requested on KiwiRail's iReX project (interisland ferry replacement)	10/02/2021
Ferry Replacement Programme Update – March 2021	08/03/2021
Roading cost implications of Kiwirail moving the interisland ferry terminal	11/03/2021
Joint Report: Project iReX: Delegated Authority for Potential Further Crown Funding	14/05/2021
Aide Memoire: Project iReX: Delegated Authority for Potential Further Crown Funding – speaking notes	01/06/2021
Cabinet paper: Delegated Authority for Potential Further Crown iReX Funding	03/06/2021
Project iReX – Interislander and Ferry Replacement	03/06/2021
Interislander Ferries and Terminals – Detailed Business Case	03/06/2021
Aide Memoire: Meeting with KiwiRail on 9 June 2021 to discuss Project iReX	08/06/2021
Interislander and Terminals Replacement	09/06/2021
New Interislander ferries contribute to a zero-carbon future	18/06/2021
Treasury Report: KiwiRail – advice on Project iReX	21/06/2021

Doc No.	Title	Date	Approach
1	KiwiRail's Interisland Ferry Replacement and the Wellington Ferry Terminal	10/11/2020	Refused under s18(d) – soon to be publicly available
2	Advice requested on KiwiRail's iReX project (interisland ferry replacement)	10/02/2021	Refused under s18(d) – soon to be publicly available
3	Ferry Replacement Programme Update – March 2021	08/03/2021	Released, with information withheld under s9(2)(i)
4	Roading cost implications of Kiwirail moving the interisland ferry terminal	11/03/2021	Released
5	Joint Report: Project iReX: Delegated Authority for Potential Further Crown Funding	14/05/2021	Refused under s18(d) – soon to be publicly available
6	Aide Memoire: Project iReX: Delegated Authority for Potential Further Crown Funding – speaking notes	01/06/2021	Refused under s18(d) – soon to be publicly available
7	Cabinet paper: Delegated Authority for Potential Further Crown iReX Funding	03/06/2021	Refused under s18(d) – soon to be publicly available
8	Project iReX – Interislander and Ferry Replacement	03/06/2021	Refused under s18(d) – soon to be publicly available
9	Interislander Ferries and Terminals – Detailed Business Case	03/06/2021	Refused under s18(d) – soon to be publicly available
10	Aide Memoire: Meeting with KiwiRail on 9 June 2021 to discuss Project iReX	08/06/2021	Refused under s18(d) – soon to be publicly available
11	Interislander and Terminals Replacement	09/06/2021	Refused under s18(d) – soon to be publicly available

Doc No.	Title	Date	Approach
12	New Interislander ferries contribute to a zero-carbon future	18/06/2021	Refused under s18(d) – soon to be publicly available
13	Treasury Report: KiwiRail – advice on Project iReX	21/06/2021	Refused under s18(d) – soon to be publicly available

Your request for documents **1 – 2**, and **5 – 13** is refused under Section 18(d) of the Act, as these documents will soon be publicly available. These documents are due to be published on the Treasury's and Ministry's external websites within the next 30 days.

Document **3** is released, with advice withheld under Section 9(2)(i) of the Act, and document **4** is also released.

In regard to the information that has been withheld under section 9 of the Act, I am of the opinion that there are no countervailing considerations that make it desirable, in the public interest, to make the information available.

You have the right under section 28(3) of the Official Information Act to make a complaint about the withholding of information to the Ombudsman, whose address for contact purposes is:

The Ombudsman
Office of the Ombudsmen
P O Box 10-152
WELLINGTON

Yours sincerely



Withheld to protect personal privacy

Harriet Shelton
Manager, Supply Chain



Ferry Replacement Programme Update - March 2021

KIWRIL CAN REPHASE AND REDUCE PROJECT IREX TO SCALE THE BID BY \$308M

The full Project IREX estimate when the Budget initiatives were finalised was \$1.758 billion. We have interrogated the costs and rephased investments and have confidence that the Project can be delivered for \$1.450 billion. **This would reduce the Budget 2021 initiative from \$565 million to \$257 million without compromising quality for this strategic national asset.**

Withheld under section 9(2)(i)

COST INCREASES \$M				
	BUDGET 2019 & 2020	BUDGET 2021 – PER ORIGINAL BID	ADVERSE CHANGE	KIWRIL FOCUS
FERRIES				Cost control through build
WELLINGTON TERMINAL				Cost reduction and some scope deferral
PICTON TERMINAL				Scope deferral and some cost reduction
OTHER COSTS				Scope reduction
	1,362	1,758	396	Financing options

REASONS FOR COST INCREASES

Ferries – The brief did not change

- Remains two large, rail-enabled ships to replace the existing fleet of three (1 rail and 2 non-rail) reaching the end of their safe and economic lives
- Price increase due to the selection of a Korean shipyard following competitive tender which will provide better quality ships, lower risk and better whole-of-life reliability. Previous budgets assumed costs for ship builds by a Chinese shipyard.

Wellington Terminal – The brief materially changed

- Original estimates assumed an interim build at Kaiwharawhara followed by a full build at Kings Wharf. Kaiwharawhara site selection reflects the preference of key stakeholders and introduced a full build cost estimate (including substantial engineering and land reclamation for long-term resilience). Budget 2021 estimates were based on extrapolated Picton cost estimates.



Picton Terminal – The brief did not change

- Increase due to basic design development and construction cost escalation, and some additional costs imposed by Marlborough District Council for roading and local amenity.

WHY KIWRIL IS CONFIDENT THAT WE CAN DELIVER DAY 1 FOR \$1,450M – AND WHAT IS BEING SACRIFICED

In order of materiality, the initiatives we are currently pursuing include:

Ships

- Changing rail deck to have turnouts on the ship as opposed to on the land which flows through to:
 - Ability to have single track on the linkspan
 - This means we can have floating rather than fixed rail linkspans – deleting major seismic/structural costs in Wellington and, to a lesser extent, in Picton
 - Reduces the length of the linkspans

Note: Linkspans, which are the ramps that join the ship to the shore, are currently costed, pre fees and contingency, at

- Inserting side facing ramps (like in ships that transport cars) on the ship eliminates the needs for back-up linkspans and improves resilience in a seismic event
- Putting the boarding gate on a lower deck reduces the length and height of elevated walkways needed at both terminals
- Potential to lock in FX currency once Budget decisions are confirmed. Current rates are better than they were when the original Business Plan was done

Picton Terminal

- Changing rail operating model to 2 x 20 wagon trains arriving and departing for each sailing vs the original brief of 1 x 40 wagon trains arriving and departing
- This flows through to:
 - Reduced rail infrastructure
 - Fewer and shorter loading ramps for vehicles
 - Ability to move terminal away from seawall, reducing marine protection works and leaves most of the current roading and parking intact



Ferry Replacement Programme Update - March 2021



Wellington Terminal

- Challenge to seismic design criteria focusing on light, more readily repairable structures (which still protect life safety) vs current design which is a “beefed up” version of Picton
- Modifying the existing terminal, rather than building new. Also flows through to reducing the amount of pavement work
- Integration with State Highway 1, and possible Waka Kotahi contribution and/or earlier win for Let’s Get Wellington Moving

General – Both Terminals

- Challenge conservatism of below line contingency, risk and design allowances, particularly in Wellington
- General Value Engineering testing of build concepts and assumptions on contractor margins

Comment

- KiwiRail’s view is that if all the initiatives came through, the savings are greater than [REDACTED] – but we want to avoid optimism bias in the Budget 2021 bid
- Many of the changes are deferrals to deal with cost pressure and to match the starting asset with the underlying business years 1-10; we will need to invest further once business grows beyond this point
- The reductions are not free, in the sense they will impact on the P&L through additional costs and revenue loss, and the NPV of that is being tested concurrently.

POSSIBLE FINANCING OPTIONS

	\$m		
PROJECT IREX FUNDING COMPONENTS	A. Current Budget Initiative	B. Scaled Budget Initiative	B. Scaled Budget Bid plus more debt
Existing committed Government equity	435	435	435
Ship debt (current proposed Balance Sheet)	320	320	320
Ship debt (additional Balance Sheet stretch)			
Sales of existing ferries			
Investment by Port Companies			
Investment by Institutional Funds			
Budget 2021 IREX Initiative	565	257	197
	1,758	1,450	1,450

Budget 2021 Implications

- Column B: This is the revised base case for Budget 2021 being \$257M as opposed to \$565M in the original Budget bid

2. [REDACTED]

Additional potential financing options

3. [REDACTED]

4. [REDACTED]

Other considerations

5. [REDACTED]

6. [REDACTED]

MIN-3557 Roothing cost implications of Kiwirail moving the interislander ferry terminal

11 March 2021

Update on the roading cost implications of Kiwirail moving the interislander ferry terminal

Roothing implications:

- The new Cook Strait ferries will result in a change in the use and performance of the transport network both in Wellington and Picton. Projects to accommodate these changes are in the Business Case phase.
- All costs provided are indicative and are expected to change. The timing of construction of the road-related components and the appropriate split of costs between parties has not yet been confirmed.

Wellington terminal:

- A draft version of the Programme Business Case (PBC) for the Wellington Multi-User Ferry Terminal was completed in July 2019 and identified Kaiwharawhara as the preferred location. The work was carried out through a collaborative agreement between Greater Wellington Regional Council, CentrePort, Waka Kotahi, Wellington City Council, KiwiRail, and Strait Shipping/BlueBridge.
- The 2019 PBC estimated the capital cost of the Kaiwharawhara option is \$390m to \$730m, including an allocation of at least \$140m for land transport improvements. These costs were provisionally drawn up in 2019 and will require a more detailed review.
- The timing of the land transport improvements in Wellington that were included in the PBC are likely to be after 2025.

Picton terminal:

- Waka Kotahi is in the late stages of a collaborative Single Stage Business Case with KiwiRail, Marlborough District Council, and Port Marlborough.
- We have yet to secure approvals from the different organisations but the current cost estimate for outside port interventions (road improvements) that have been identified as a day 1 requirement total \$32m. The project team has established a position around funding shares, but this is still subject to approval by each of the relevant organisations