



Will be considered for release in full

## MINISTERIAL BRIEFING NOTE

<b>Subject</b>	Further update to advice on the 2021-24 Rail Network Investment Programme
<b>Date</b>	10 May 2023
<b>Briefing number</b>	BRI-2743

Contact(s) for telephone discussion (if required)				
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### Action taken by Office of the Minister

- Noted
- Seen by Minister
- Agreed
- Feedback provided
- Forwarded to
- Needs change [please specify]
- Withdrawn
- Overtaken by events

10 May 2023

**Hon Michael Wood – Minister of Transport**

## **FURTHER UPDATE TO ADVICE ON THE 2021-24 RAIL NETWORK INVESTMENT PROGRAMME**

### **Purpose**

1. This briefing provides you with an update to our advice on the 2021-24 Rail Network Investment Programme (RNIP) for the purpose of considering the final planned requests for funding, and for the first variation to the RNIP to add two new activities that were approved through Budget 23.

### **Background**

2. On 29 June 2021 you approved KiwiRail's first RNIP after considering advice from Waka Kotahi and consulting with KiwiRail's shareholding Ministers. At that time, you approved the RNIP, in accordance with section 22B of the Land Transport Management Act (LTMA), and eight of the eleven activities within the RNIP in accordance with section 22F of the LTMA.
3. Subsequently, on 10 December 2021 you approved two further activity phases in accordance with section 22F of the LTMA.
4. Following those approvals, the status of the RNIP approvals was:
  - a final two new activity phase approvals remained outstanding
  - the funding for one activity remained only partially approved (with only \$7 million of the signalled \$12 million having been requested by KiwiRail).

### **Current status of RNIP**

5. The RNIP continues through its implementation, and we continue to monitor its delivery to ensure KiwiRail is implementing appropriate processes and methodologies, and that the programme is on track to deliver the outcomes sought.
6. We have updated you with our first Annual Report on RNIP delivery and can confirm that delivery to date in the 2022/23 financial year is progressing well, with both delivery metrics and expenditure largely progressing to plan. We also note the ongoing work on KiwiRail's Continuous Improvement Programme and that work is progressing on the development of the second RNIP for the 2024-27 period.

### **First variation to the RNIP**

7. This advice also outlines the first variation of the RNIP to add two new activities, as allowed for under section 22D of the LTMA. The activities both sit within the wider Rail Network continuous programme funding.

8. The first new activity proposed by KiwiRail is for works to reinstate critical rail infrastructure that was damaged during Cyclone Gabrielle and the Auckland Floods. The activity is funded through the Budget 23 North Island Weather Events Omnibus Phase 1 process, providing \$40 million in 2022/23 and placing an additional \$160 million in a tagged contingency for 2023/24.
9. The second activity sits within the improvement's element of the Rail Network funding and is for the Golden Triangle Electrification Detailed Business Case. Funding for this activity was also approved through Budget 23.
10. We have assessed the new activities in line with the requirements of S22 of the LTMA and our standard emergency works procedures. Our advice is included in Appendix 2.
11. The inclusion of this new activity will require you to approve a variation to the RNIP in accordance with section 22D of the LTMA.

#### **Activities to be funded from the NLTF**

12. Our previous advice included a table showing the eleven activities included in the RNIP and their funding status. We have updated the table to show the new Golden Triangle Electrification Business Case, to include a new twelfth activity, and to show the activities that have received funding approval to date. We have also updated their 3-year total costs in line with current estimates. The table is shown in Appendix 1.
13. The remaining activity phases KiwiRail signalled it would be seeking approval for during the RNIP period and the new activities, also shown in bold text in the table below, are:
  - #3 Freight network improvements, and recommends the approval of an initial \$4 million (of a total of \$10 million) identified for the business case phase of the golden triangle electrification project
  - #5 European Train Control System Upgrade, and recommends the approval of the \$4 million identified for the business case phase
  - #7 Metro Infill Signalling and recommends the approval of \$3.5 million for the implementation phase (noting the original estimate in the RNIP was \$14 million).
  - #9 KiwiRail Strategic Future Planning, and recommends the approval of the remaining \$5 million for the implementation phase
  - #12 Cyclone Gabrielle Emergency Works and recommends the approval of \$40 million and notes that an additional \$160 million is placed in a tagged contingency for 2023/24.
14. Appendix 2 includes updated analysis to confirm that the activities comply with the requirements of Section 22G to support your decision making.
15. With these approvals, all RNIP activities will now be funded.

#### **Projects requesting funding**

##### Golden Triangle Electrification – National

16. The Golden Triangle Electrification Business Case is ready to commence.

17. Funding of \$10 million was included in Budget 23. The Budget advice showed a proposed cashflow of \$4 million in 2023/24 and \$6 million in 2024/25. This advice recommends the approval of the initial \$4 million for work in the 2021-24 RNIP period. The remaining \$6 million will be requested as part of RNIP 2024-27.
18. We will continue to work with KiwiRail to ensure that the scoping of the business case adequately addresses the matters that need to be covered.

#### European Train Control System Upgrade - Auckland

19. The European Train Control System Upgrade is ready to commence its business case.
20. While this project was initially signalled to commence in year 3 of the RNIP, we recommend that funding is approved and released slightly earlier than planned. This is because there are strong synergies between this project and both the Wellington Rail Network Re-signalling business case (which includes the installation of the European Train Control System) and with the Infill Signalling project.
21. We are satisfied that the scoping document adequately addresses the matters that need to be covered and the inter-dependencies between the projects as noted above.

#### Metro Infill Signalling - Auckland

22. The Metro Infill Signalling project has now completed its business case and is ready to move into implementation.
23. The identified preferred option provides the functionality needed to support the Day 1 operation of the City Rail Link and is the lowest cost option of those analysed. The expected cost estimate for implementation is \$3.5 million, which is below the amount signalled in the RNIP.
24. An option selection process has been undertaken but we note the investment profile and economics of the preferred option are marginal due to the relatively short life of the assets which will become redundant when the European Train Control System Upgrade is implemented.

#### KiwiRail Strategic Future Planning - Auckland

25. We recommend the release of the remaining signalled funding for this activity. This funding will enable KiwiRail to contribute to strategic programme development such as future designation planning, input into ATAP and the development of the Auckland Rail programme business case.
26. We are satisfied that the activities will contribute to the overall goals of the Rail Plan and that there is sufficient resourcing within KiwiRail that the additional expenditure can be delivered.

### Cyclone Gabrielle Emergency Works - National

27. An emergency works request has been submitted by KiwiRail for Cyclone Gabrielle and the Auckland Floods. The request is aligned with qualifying activities under our Emergency Works work category and fulfils the requirements for funding.
28. We note that Cabinet has approved scaled funding for the KiwiRail Rail Reinstatement Initiative, providing \$40 million in 2022/23 and placing an additional \$160 million in a tagged contingency for 2023/24. In the context of the RNIP, we recommend you approve \$40 million for this activity for 2022/23 and note the tagged contingency can be accessed in line with the requirements outlined in the 'Outcomes of Budget 2023' letter to KiwiRail on 24 April 2023. This will be confirmed by KiwiRail next financial year and supported by advice from Waka Kotahi.

### **Changes to total cost of the RNIP**

29. We note that while the emergency works activity is funded through Budget, the funding flows through the NLTF and therefore changes the maximum contribution from the NLTF to the RNIP.
30. With the final approvals sought from this advice, the maximum contribution from the NLTF for the RNIP increases from \$1,351.7 million to \$1,385.2 million (an increase of \$33.5 million). This is due to:
  - the reduction in the estimate for the Infill Signalling activity of \$10.5 million (from \$15 million to \$4.5 million)
  - the addition of the Emergency Works activity of \$40 million
  - the addition of the golden triangle electrification project of \$4 million.

### **NLTF Funding Position and Next Steps**

31. As noted in our previous advice to you, there is pressure on the NLTF to deliver the Government's transport priorities as set out in GPS 2021. The European Train Control System Upgrade, Metro Infill Signalling, and Strategic Future Planning projects are being funded through the Public Transport Infrastructure Activity Class. This activity class is under significant pressure.
32. The proposed cashflows for both the European Train Control System Upgrade and Metro Infill Signalling extend into the 2024-27 NLTP period. We have received internal legal advice that there are no impediments to you approving activities that create a commitment in a future NLTP period.
33. We have also confirmed with the Ministry of Transport that any unspent appropriated funding for Public Transport Infrastructure activities can be carried forward to the RNIP 2024-27 appropriation for re-investment.
34. Before making your decision on whether to approve funding for these activities the LTMA requires that you consult with KiwiRail's Shareholding Ministers (Hon Grant Robertson, Minister of Finance and Hon Dr Duncan Webb, Minister for State Owned Enterprises).

**It is recommended that you:**

1. **Note** the contents of this briefing.
2. **Note** our recommendation to approve activities as shown in Appendix 2.
3. **Note** the updated maximum contribution from the NLTF of \$1,385.2 million.



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**Brett Gliddon**

Group General Manager – Transport Services

Date: 10 May 2023

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**Hon Michael Wood, Minister of Transport**

Date:                                  2023

Proactively released

## Appendix 1 – Activities within the RNIP and total costs

#	Region	Activity	Phase	Activity Class	RNIP 3-year NLTF total (\$m)	Approved funding to date	Updated 3-year NLTF total (including these requests) (\$m)
1	National	Freight Network Renewals	Implementation	Rail Network	789.9	789.9	789.9
2	National	Freight Network Maintenance and Operations	Implementation	Rail Network	361.0	361.0	361.0
3	National	Freight network improvements	Including the Golden Triangle electrification Business Case	Rail Network	49.5	49.5	53.5
4	Auckland	Additional Traction Feed (West)	Implementation	PT Infrastructure	57.0	57.0	57.0
5	Auckland	European Train Control System Upgrade	Business Case	PT Infrastructure	4.0	0.0	4.0
6	Auckland	Integrated Rail Management Centre	Implementation	PT Infrastructure	35.7	35.7	35.7
7	Auckland	Metro Infill Signalling	Business Case & Implementation	PT Infrastructure	15.0	1.0	4.5
8	Auckland	Progressive fencing and security	Business Case / Implementation	PT Infrastructure	6.0	6.0	6.0
9	Auckland	KiwiRail Strategic Future Planning	Implementation	PT Infrastructure	12.0	7.0	12.0
10	Wtgn	Wellington Rail Network Re-signalling	Business Case	PT Infrastructure	20.6	20.6	20.6
11	Wtgn	Wellington Network Capacity Improvements	Business Case	PT Infrastructure	1.0	1.0	1.0
12	National	Cyclone Gabrielle Emergency Works	Implementation - operating funding 2022/23	Rail Network	0.0	0.0	40.0
		TOTAL NLTF			1,351.7	1,328.7	1,385.2
12	National	Cyclone Gabrielle Emergency Works	Implementation - tagged contingency funding 2023/24	Rail Network	0.0	0.0	160.0

## Appendix 2 – Update to advice on the Rail Network Investment Programme

### Update to advice on the Rail Network Investment Programme (Section 22C)

- Our previous advice on the Rail Network Investment Programme (Section 22C) remains unchanged and we reconfirm that the initial activities, and the new proposed activity in the RNIP:
  - contributes to the purpose of the LTMA (to contribute to a safe, efficient and effective land transport system)
  - is consistent with the Government Policy Statement on land transport
  - takes into account any relevant regional land transport plan (RLTP).
- We note that the work now being undertaken through the Continuous Improvement Programme continues to provide us with increased confidence on the efficiency and effectiveness of the continuous maintenance and renewal programme proposed for the freight network.

### Update to advice on individual activities (Section 22G)

- Section 22G of the LTMA requires us to provide you with advice on the individual activities for which KiwiRail is requesting funding from the NLTF, and a view on whether we consider that you should approve the NLTF request.
- As part of our advice on each activity under s22G we are required to evaluate whether:
  - the activity is included in the proposed RNIP
  - the activity takes into account the relevant RLTP, any national energy efficiency and conversation strategy and any relevant national or regional policy statements in effect under the Resource Management Act 1991 (RMA)
  - the activity will contribute to the purpose of the LTMA and is consistent with the GPS
  - the activity is efficient and effective.
- The table below updates the activities for which funding is being requested, details compliance with the relevant provisions of the LTMA and provides our advice as to whether you should approve funding or not. You may approve partial or full contributions from the NLTF for each activity.



Title of activity or combination	Overview	Compliance with Section 22G(1)(b)	Referenced in RNIP?	Consistent with, and referenced in relevant RLTP?	Contributes to the LTMA purpose and is consistent with the GPS	Is the activity efficient and effective?	Funding requested	Recommendation
<b>Freight network improvements</b>	Varying the improvements activity to increase the approved funding by \$4 million for the golden triangle electrification detailed business case, which is funded through Budget 2023.	Yes	Yes	N/A	Activity contributes to the LTMA purpose because investing in rehabilitation of the national rail network will enable it to operate more effectively, efficiently and safely.  Activity aligns to the Improving Freight Connections strategic priority in the GPS.	Waka Kotahi supports the proposed investment.  We note that there is no investment profile and BCR at this stage in the project's lifecycle, and this will be developed to support the completed business case.	A maximum of \$4 million to commence business case development.  Noting the Budget approval of \$10 million shows a further \$6 million in RNIP24-27.	<b>Approve</b>
<b>Auckland Metro Network – ETCS Upgrade</b>	Upgrade of the Auckland metro train control system to the European Train Control System level 2.	Yes	Yes	Consistent with, and referenced on page 11 of the Auckland RLTP, Appendix 3.	Activity contributes to the LTMA purpose by displaying signalling and movement authorities in the train cab, improving safety and optimising train movements on the network.  Activity aligns to the Better Travel Options strategic priority in GPS 21/31.	The activity has been assessed and has an indicative profile of: <ul style="list-style-type: none"> <li>• GPS Alignment – High</li> <li>• Scheduling – Medium</li> <li>• Efficiency – N/A</li> </ul>	A maximum of \$4 million for business case development.  Noting a proposed cashflow of \$1.5 million this RNIP period, and \$2.5 in RNIP24-27.	<b>Approve</b>
<b>Auckland Metro Infill Signalling</b>	Investment in improvements to the existing European Train Control System (ETCS) Level 1 rail signalling system to make the Auckland rail network better capable of supporting the level of service and performance required when the Auckland City Rail Link (CRL) opens.  The preferred option will provide an improvement in technical headway (the time between following trains) and runtime capacity for passenger services.	Yes	Yes	Consistent with, but not specifically included in the Auckland RLTP.	Contributes to the LTMA purpose because adding more signals allows for more efficient operation of the network. Without these additional signals, the 20 trains per hour envisaged as part of the CRL project cannot be realised.  Aligns to the Better Travel Options strategic priority in GPS 21/31.	The activity has been re-assessed based on the completed business case. As a result, the investment profile for the stand-alone project is: <ul style="list-style-type: none"> <li>• GPS Alignment – Medium</li> <li>• Scheduling – High</li> <li>• Efficiency – Low</li> </ul> The evaluation showed that the preferred option can be expected to deliver economic benefits associated with improved reliability with a net present value of approximately \$8.1 million over a 40-year evaluation period. This equates to a Benefit-Cost Ratio (BCR) of 2.9.  However, as ETCS Level 2 is planned to be implemented between 2030 and 2035, the BCR would reduce to between 0.6 and 1.1 due to the shorter period to accrue benefits from the investment.  The assessment also recognises that the project is an enabler of the CRL programme, and thus contributes to broader mode shift, safety and climate change objectives. If assessed as part of the broader CRL programme it would achieve High results alignment.  With the CRL revised profile, the project would remain above the funding threshold for public transport infrastructure projects, noting the marginal benefits delivered.	A maximum of \$3.5 million for implementation.  Noting a proposed cashflow of \$2.1 million this RNIP period, and \$1.4 in RNIP24-27.	<b>Approve</b>

<b>KiwiRail Strategic Future Planning</b>	Funds to support KiwiRail to undertake strategic planning for future investments in the Auckland network.	Yes	Yes	Consistent with, and referenced on page 11 of the Auckland RLTP, Appendix 3.	<p>Contributes to a more effective and efficient network by providing funding to ensure that rail projects are considered within the broader transport and land use planning context.</p> <p>For example, this funding will enable KiwiRail to better integrate with ATAP, the Strategic Growth Alliance, the Regional Land Transport Committee and other planning forums in and around Auckland.</p> <p>Aligns to the Better Travel Options strategic priority in GPS 21/31.</p>	<p>Waka Kotahi supports the proposed investment. A Project Brief has been assessed and has a profile of:</p> <ul style="list-style-type: none"> <li>• GPS Alignment – High</li> <li>• Scheduling – High</li> <li>• Efficiency - Low</li> </ul>	<p>A maximum of \$5 million.</p> <p>Noting this increases the total to \$12 million.</p>	<b>Approve</b>
<b>Cyclone Gabrielle Emergency Works</b>	Immediate work to reinstate critical rail infrastructure that was damaged during Cyclone Gabrielle and the Auckland Floods	Yes	Yes	N/A	<p>Activity contributes to the LTMA of an effective, efficient, and safe land transport system in the public interest and that the requirements of section 20 have been met.</p> <p>Activity aligns to the Improving Freight Connections strategic priority in the GPS.</p>	<p>Waka Kotahi supports the proposed investment.</p> <p>We note that an investment profile and BCR is not required for an emergency works funding request.</p>	<p>A maximum of \$40 million for implementation in 2022/23.</p> <p>Noting a tagged contingency for 2023/24.</p>	<b>Approve</b>