

Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
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)(h)	to maintain legal professional privilege
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
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)



TE TAI ŌHANGA
THE TREASURY

OC230199

16 March 2023

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 20 March 2023

ADDITIONAL FUNDING FOR THE AUCKLAND CITY RAIL LINK PROJECT CABINET PAPER

Purpose

Agree to enter into Ministerial consultation by Monday 20 March 2023, on the **attached** Cabinet paper: *Additional Funding for the Auckland City Rail Link project* (the Cabinet paper), to ensure additional funding can be considered as a pre-commitment against Budget 2023.

Key points

- The Cabinet paper **attached at Appendix One** was drafted by Te Manatū Waka and Te Tai Ōhanga.
- The paper proposes that Cabinet agree to provide Crown funding for the City Rail Link (CRL) project of **\$566.370 million** to enable delivery of the functionality, benefits, and customer experience expected by Sponsors. This proposal is largely in response to a recent funding request from City Rail Link Limited (CRL).
- The \$566.370 million comprises the draw-down of a **\$360.000 million** tagged capital contingency established in Budget 2022, and new funding of **\$206.370 million**.
- To settle the Link Alliance variation claims, CRL is required to sign the negotiated Heads of Agreement (HoA) on behalf of the Crown, and for amendments to be made to the Project Delivery Agreement and Project Alliance Agreement (PAA) that reflect the project's updated *practical completion date* of November 2025, and **\$5.493 billion** *reforecast total project cost*.
- **s 9(2)(g)(i)** the negotiated "re-set" with the Link Alliance is consistent with the intended approach that CRL discussed with Sponsors in December 2022.

Practical Completion of the Link Alliance works in November 2025 is when major elements of CRL will be substantially complete. Testing, commissioning, integration and training will be underway. The CRL will open to passengers when required work is completed, expected in 2026.

s 9(2)(ba)(i), s 9(2)(g)(i)

s 9(2)(ba)(i), s 9(2)(g)(i)

- Officials recommend that the funding request is approved to ensure that the CRL project can proceed, s 9(2)(h) Te Manatū Waka has requested a letter of comfort as quickly as possible from the CRLL Chair. This letter should provide Sponsors and Officials with assurance on CRLL's ability to manage residual risks (should they arise), its approach to additional funding (if required), s 9(2)(ba) We have also requested that Ministers, and Officials, review the PAA variation before it is finalised, to address any concerns before its approval.

• s 9(2)(g)(i)

- We propose that the next steps for the Cabinet paper be as follows:
 - Ministerial feedback provided to Officials: **Monday 20 March 2023**
 - Ministerial Consultation: Monday 20 – Thursday 23 March 2023
 - Lodge paper for DEV: Thursday 23 March 2023
 - DEV consideration of paper: Wednesday 29 March 2023
 - Cabinet consideration of paper: Monday 3 April 2023
- We will provide you with suggested talking points for Cabinet following Ministerial consultation and the lodgement of the paper.

- We note that Auckland Council, as the other CRL project Sponsor, has received the same funding request, and is scheduled to make decisions on it at their Governing Body meeting on 23 March 2023. The above Cabinet timeframe has been designed to be responsive to the commercial considerations of the funding request and to, where practicable, align the timeframes of the two CRL project Sponsors.

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TE MANATŪ WAKA MINISTRY OF TRANSPORT

Recommendations

We recommend you:

	Minister of Finance	Minister of Transport
1 agree to enter into Ministerial consultation on the attached Cabinet paper: <i>Additional Funding for the Auckland City Rail Link (CRL) project to Cabinet</i> from 20 – 23 March 2023.	Yes / No	Yes / No

s 9(2)(a)

Brent Johnston
Acting Deputy Chief Executive – System Performance & Governance, Te Manatū Waka – The Ministry of Transport
 16 / 03 / 23

s 9(2)(a)

Ann Webster
Manager, Commercial and Institutional Performance, Te Tai Ōhanga – The Treasury
 16 / 03 / 23

Hon Grant Robertson
Minister of Finance
 / /

Hon Michael Wood
Minister of Transport
 / /

- Minister’s office to complete:**
- Approved
 - Declined
 - Seen by Minister
 - Not seen by Minister
 - Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Brent Johnston, Acting Deputy Chief Executive – System Performance & Governance, Te Manatū Waka – The Ministry of Transport	s 9(2)(a)	
Sarah Polaschek, Manager, Governance, Te Manatū Waka – The Ministry of Transport		✓
Daniel Madley, Senior Analyst, Te Tai Ōhanga – The Treasury		✓
Ann Webster, Manager, Commercial and Institutional Performance, Te Tai Ōhanga – The Treasury		



Document Two

21 March 2023

Brent Johnston, Acting Deputy Chief Executive, Ministry of Transport
Barry Potter, Director Infrastructure & Environmental Services, Auckland Council

Commercial-in-confidence

Dear Sirs

Re: City Rail Link Limited – Project Funding Request

We write in response to your letter dated 17 March 2023 requesting comfort from CRLI in relation to certain matters related to the Heads of Agreement between CRLI and the Other Alliance Participants. Defined terms in this letter shall have the meaning ascribed to them in your letter.

CRLI confirms by this letter that, having made due enquiry and on the basis of current and known issues:

1. Nothing in the Heads of Agreement will prevent CRLI from achieving timely completion of all necessary activities for the CRL project to function as an operating railway capable of commercial operation for public use.
2. CRLI has the arrangements in place to manage the residual risks if transferred, in partnership with Auckland Transport and KiwiRail as appropriate, such that an operational and integrated railway will be delivered.
3. As between Sponsors and CRLI, the requirements of the Project Delivery Agreement in relation to funding requests continue to apply.

s 9(2)(ba)(i)

5. CRLI will finalise the PAA Variation (to reflect the Heads of Agreement) and submit this for Sponsors' approval as soon as reasonably practicable.

We trust that having received the above confirmations, you may now both finalise your respective recommendations to Ministers and the Governing Body.

Yours sincerely,

s 9(2)(a)



Dr Sean Sweeney

Chief Executive, City Rail Link Limited

s 9(2)(a)



Sir Brian Roche

Chair, City Rail Link Limited

PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT

Office of the Minister of Finance
Office of the Minister of Transport

Chair
Cabinet Economic Development Committee

ADDITIONAL FUNDING FOR THE AUCKLAND CITY RAIL LINK PROJECT

Proposal

1. We propose that Cabinet agree to provide Crown funding for the Auckland City Rail Link (CRL) project of \$566.370 million. This amount comprises:
 - 1.1. the drawdown of a \$360.000 million tagged capital contingency established in Budget 2022 (CAB-22-MIN-0129 refers);
 - 1.2. new funding of \$206.370 million (\$197.000 million capital and \$9.370 million operating). Cabinet's agreement to this new funding is sought in this paper as a pre-commitment against Budget 2023.

Background

2. The CRL project is New Zealand's largest infrastructure project. It is a complex project, with the main work on the project to date (civils construction) being delivered by a partnership called the Link Alliance.
3. The project is funded equally by its two Sponsors: the Ministers of Finance and Transport on behalf of the Crown, and Auckland Council.
4. Since 2020, City Rail Link Limited (CRL) and the Link Alliance have been in the process of assessing and negotiating all unresolved variation claims made by the Link Alliance. Primarily the claims relate to the effects of COVID-19 on the project.
5. A thorough and robust process was required to determine what variations were attributable to COVID-19 and which variations were not. This involved input from an independent estimator that assessed the validity of the Link Alliance's claims, assurance of the claims from the Sponsors' Assurance Managers, and independent advice on the resulting settlement from CRL's independent advisor.

6.

s 9(2)(6a)(i), s 9(2)(g)(i)

7.

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Practical Completion of the Link Alliance works in November 2025 is when major elements of CRL will be substantially complete. Testing, commissioning, integration and training will be underway. The CRL will open to passengers when required work is completed, expected in 2026.

8. A Heads of Agreement has now been negotiated and signed by all Link Alliance parties, and CRL has subsequently presented Sponsors with:
 - 8.1. a *funding request* comprising costs for the Heads of Agreement with Link Alliance and other outstanding funding requirements for the project that have arisen since 2019, including cost and scope updates;
 - 8.2. a request to adjust the *project's practical completion date* from December 2024 to November 2025, enabling public operations to potentially commence from mid-2026; and
 - 8.3. a reforecast total project cost of \$5.493 billion from \$4.484 billion.

s 9(2)(ba)(i), s 9(2)(g)(i)

10. Sponsors have received a letter of comfort from the CRL Chair (attached at Appendix One), which details CRL's ability to manage residual risks (should they arise), its approach to additional funding (if required), s 9(2)(ba)(i)
We will also review the PAA variation before it is finalised, and address any concerns before its approval.
11. Crown Sponsors are satisfied with the additional information provided by CRL, and seek Cabinet's agreement to authorise:
 - 11.1. CRL signing the negotiated Heads of Agreement on behalf of the Crown;
 - 11.2. the Ministers of Finance and Transport (as Crown Sponsors) to amend the Project Delivery Agreement (PDA) and (PAA) to reflect changes to the project's practical completion date and reforecast total project cost.
12. These actions are required to settle the Link Alliance variation claims, enable CRL and the Link Alliance to focus on the completion of this important project. If the additional funding and authorisation sought from Cabinet are not supported, then CRL would be unable to fulfil its obligations under the negotiated Heads of Agreement with the Link Alliance. This could result in the agreement lapsing.

s 9(2)(g)(i)

14. Should Cabinet's agreement be provided, officials will actively monitor the schedule, cost, and quality of the CRL project by working closely with CRL, Auckland Transport,

IN CONFIDENCE

KiwiRail and the CRL Board to meet Sponsors' expectations. In instances where Sponsors' expectations cannot be met, officials will be required to work with the agencies to identify mitigations and trade-offs to ensure the project can mitigate cost increases and delays.

15. This work would be supported by continuing the services of the Sponsors' Assurance Manager, and levers for Crown Sponsors such as the Letter of Expectations, performance measures in CRL's compliance documents, and approval of CRL's Statement of Performance Expectations.

Benefits of the CRL

16. We are confident that this project represents value for money and that once open to public operations, the CRL will generate significant benefits by:
 - 16.1. reducing travel times
 - 16.2. improving access to employment and education opportunities
 - 16.3. decreasing traffic congestion
 - 16.4. providing opportunities for commercial and residential development around stations
 - 16.5. future-proofing the Auckland rail network by doubling capacity to handle peak-time passenger movements, and running longer trains more frequently.
17. This view is supported by PwC, which determined that the benefit-cost ratio for the CRL project will generate total benefits, including wider economic benefits (WEB), of \$11.930 billion present value (in 2021 dollars) over a 60-year assessment period (\$7.699 billion excluding WEB). This value is substantially higher than the reforecast total project cost of \$5.493 billion.

Detail of the funding request received from City Rail Link Limited

18. The new reforecast project cost (P50 mid-point estimate¹) is \$5.493 billion, a cost increase of \$1.074 billion (of which the Crown's share is \$537.000 million). To fund the Crown's share of this increase, an additional \$537.000 million, capital is required.
19. We also seek an additional \$20.000 million in capital funding to provide contingency for unexpected cost variations and discretionary changes to scope in 2025/2026; and an additional \$8.870 million in operating funding for KiwiRail and Te Manatū Waka | Ministry of Transport's monitoring activities (outlined further at paragraphs 20 and 21).
20. The tables below provide further information on the funding sought.

Figure one: Breakdown of capital funding sought

s 9(2)(g)(i)

Funding item	\$(m)	Crown's share (\$m)
Funding request: Settlement of claims	s 9(2)(b)(ii), s 9(2)(ba)(i)	
All unresolved past, current and future, COVID-19 related, Link Alliance claims		
Non-Link Alliance COVID-19 related claims		
Total for Settlement of claims		
Funding request: Cost and scope updates		
C8 Henderson – upgrades to increase capacity including a third platform and entrance to enable train services to terminate or start at Henderson	s 9(2)(b)(ii), s 9(2)(ba)(i)	
C8 Strand – upgrades to improve the customer experience including the construction of permanent mobility ramp and widening of pedestrian footpaths		
C9 Britomart East (pre-Day 1 opening) – completion of the junction layout to increase capacity, and integrate required signalling changes	66	33
C9 Britomart East (post-Day 1 opening) – upgrades to increase capacity and improve the customer experience	s 9(2)(b)(ii), s 9(2)(ba)(i)	
Albert Street Business Hardship Retailer Scheme	0.6	0.3
Property valuation and claim costs	s 9(2)(b)(ii), s 9(2)(ba)(i)	
Total		
Increased costs to support project		
Auckland Transport's support for the project through "Be Involved"	s 9(2)(b)(i), s 9(2)(ba)(i)	
KiwiRail's support for the project through "Be Involved"		
CRL Ltd Corporate and Delivery team costs		
Total		
Total amount	1,074	537

Figure two: Breakdown of total funding sought

Funding item	Capital	Operating	Total funding request (\$m)
Funding request amount	537.000		537.000
Contingency	20.000		20.000
KiwiRail's "Be Ready" project		6.870	6.870
Te Manatū Waka Ministry of Transport		2.500	2.500
Total amount	557.000	9.370	566.370

Reforecast plans for C8 (Henderson) and C9 (Britomart)

21. The funding request contains the P50 estimates for construction works at the Henderson and Strand stations, completion of the Britomart East junction layout, and upgrades to Britomart station. This increased funding would accommodate cost and scope changes to increase the frequency, capacity, and reliability of passenger rail services (in and around) the Auckland Metro, enabling the CRL project to deliver the levels of functionality, benefits, and customer experience expected by Sponsors.

Maungawhau and Karanga-a-Hape site development

22. Completion of the project will make available several parcels of land for development. Income from this land was originally estimated as \$182.000 million, and offset against the forecast cost of the project. ^{s 9(2)(f)(iv)}

^{s 9(2)(f)(iv)}

23. The funding request contains ^{s 9(2)(b)(ii), s 9(2)(f)(iv)}

^{s 9(2)(b)(ii), s 9(2)(f)(iv)}

and the Crown's \$0.300 million share of the Albert Street Business Hardship Retailer Scheme.

Contingency for unexpected cost variations and discretionary changes to scope

24. Realisation of the benefits of the CRL project is dependent on the successful integration of the completed assets into the existing network. To enable KiwiRail to support the handover of the CRL project, and receive the completed assets by the practical completion date requires the continuation of its "Be Ready" project in the intervening years. This requires additional operating funding of \$6.870 million.

25. As the project enters its complex second phase, it is important to maintain project monitoring, oversight, and assurance at an appropriate level by continuing Te Manatū Waka | Ministry of Transport's internal monitoring activities and the services of the Sponsors' Assurance Managers, and legal advisor to 2025/26. This requires additional operating funding of \$2.500 million.
26. In order to provide shareholding Ministers with additional flexibility to respond to emerging risks without undue delay, we are seeking additional funding of \$20.000 million as project contingency for unexpected cost variations and discretionary changes to scope to 2025/2026. s 9(2)(f)(iv)
[REDACTED]
27. Subject to approval, we would provide access to the contingency to address specific policy decisions or scope changes as appropriate. Any unspent funding would return to the centre upon completion of the project.

Overall, we consider the funding request is comprehensive and the project represents value for money

28. CRL procured the services of independent advisors to provide assurance to the updated practical completion date and additional funding set out in its funding request, and in the drafting of the supporting Cost Benefit Analysis. The Sponsors' Assurance Managers have also had visibility of the commercial agreement with the Link Alliance. The resulting funding request and Heads of Agreement have been reviewed by the Sponsors' legal advisor, and Assurance Managers, who are satisfied that the project's practical completion date and reforecast total project cost are reasonable.
29. We have considered the funding request, as well as the impact of the new estimated practical completion date, the reforecast total project cost, and changes to the project environment on Crown funded activities outside of CRL's scope including costs to support the completion of the project identified by Te Manatū Waka | Ministry of Transport, KiwiRail and Auckland Transport.
30. We are confident that even at this increased cost, this project still represents value for money. As noted above, PwC determined the benefit-cost ratio for the CRL project will generate total benefits, including wider economic benefits (WEB), of \$11.930 billion present value (in 2021 dollars) over a 60-year assessment period (\$7.699 billion excluding WEB). This value is substantially higher than the reforecast total project cost of \$5.493 billion.

Practical Completion of the Link Alliance works in November 2025 is when major elements of CRL will be substantially complete. Testing, commissioning, integration and training will be underway. The CRL will open to passengers when required work is completed, expected in 2026.

Next steps for the CRL project

31. With the majority of the civil works completed, the CRL project is now moving into a complex second phase comprising the fit out of tunnels and stations, and the integration of rail systems.
32. The new practical completion date of November 2025 would potentially enable public operations to commence by mid-2026. The revised date considers that a range of testing, technical, safety and operational factors (including procurement of rolling stock,

Practical Completion of the Link Alliance works in November 2025 is when major elements of CRL will be substantially complete. Testing, commissioning, integration and training will be underway. The CRL will open to passengers when required work is completed, expected in 2026.

recruitment, and training) need to be satisfied before day one operations can commence. It also reflects the impact of the COVID-19 pandemic on the project's schedule, including impacts to the supply chain and resourcing, operational work procedures, and staff illness totalling 3.2 million hours lost.

- 33. It is not currently possible to estimate the time to undertake the remaining work with confidence, and it may take longer than anticipated, which could delay day one operations. s 9(2)(ba)(i) Officials will assess and monitor any implications from the schedule on the practical completion date and report-back to Sponsors with mitigations, as required.
- 34. Once open to passenger services, the CRL is expected to generate significant benefits by increasing the frequency, capacity and reliability of passenger and rail services (in and around) the Auckland Metro (as outlined at paragraphs 16 and 17).

Risks

- 35. There is a significant risk that inadequate funding in the short-term will result in the CRL project failing to deliver the anticipated benefits and/or service to the required standard when it commences public operations.
- 36. As noted above, we consider that the funding request's reforecast total project cost is robust. However, there remains a risk that project costs may increase in the future, and that further funding from Sponsors could be required. s 9(2)(g)(i)
- 37. Notably the project's second phase introduces increased complexity, and requires significant engagement and investment by delivery partners Auckland Transport and KiwiRail to mitigate the risks of delay and cost increases. This is addressed by:
 - 37.1. the level of additional funding requested by Auckland Transport and KiwiRail for the "Be Involved" project, to ensure there is sufficient resource to meet its obligations in the testing and commissioning phase; and
 - 37.2. s 9(2)(ba)(i)
- 38. Sponsors will seek to mitigate increases in cost by setting expectations that CRL maximise value for money and pursue all possible cost savings. s 9(2)(f)(iv)

Next steps for the Heads of Agreement

- 39. s 9(2)(ba)(i), s 9(2)(f)(iv)

s 9(2)(b)(ii), s 9(2)(ba)(i), s 9(2)(g)(i)



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- 42. Sponsors are satisfied by the letter of comfort we received from the CRLL Chair on its ability to manage residual risks (should they arise), its approach to additional funding (if required), s 9(2)(ba)(i) We will also review the PAA variation before it is finalised, and address any concerns before its approval.
- 43. We seek Cabinet's agreement that CRLL sign the negotiated Heads of Agreement on behalf of the Crown; and the PDA and PAA are amended to reflect changes to the project's practical completion date and reforecast total project cost. These actions are required to settle the Link Alliance variation claims, and enable CRLL and the Link Alliance to focus on the completion of this important project.

Financial implications

- 44. As co-sponsors, Auckland Council and the Crown are committed to funding CRLL to complete CRL project works as detailed in the PDA in equal (50/50) shares. Outside the scope of the PDA costs, each Sponsor is responsible for ensuring that the delivery partners they control are adequately prepared to receive and operate the CRL post completion.
- 45. In total, we request funding of \$566.370 million to meet the Crown's share of CRL project costs to deliver the anticipated functionality, benefits, and customer experience that the project is expected to achieve.
- 46. We propose that of this amount \$360.000 million be funded via drawdown of the CRL tagged contingency established as part of Budget 2022, and new funding of \$206.37

million (\$197.000 million capital and \$9.370 million operating) be provided as a pre-commitment against Budget 2023.

47. Once updated the PDA will bind the Crown and Auckland Council to the reforecast total project cost of \$5.493 billion, but should costs rise again, CRLI may need to seek additional funding from Sponsors.

Legislative Implications

48. There are no legislative implications associated with the proposals in this paper.

Impact Analysis

Regulatory Impact Analysis

49. Impact analysis does not apply as this proposal does not involve the potential introduction of new legislation, or changes to, or the repeal of, existing legislation.

Climate Implications of Policy Assessment

50. A Climate Implications of Policy Assessment is not required as this paper does not include proposals that impact have climate change impacts.

Population Implications

51. There are no population implications from the proposals in this paper.

Human rights

52. There are no human rights implications from the proposals in this paper.

Consultation

53. Treasury and Te Manatū Waka | Ministry of Transport officials and Auckland Council officials have consulted with KiwiRail and Auckland Transport on relevant details of the funding request, respectively.

Communications

54. Following receipt of the funding request, Auckland Council made a disclosure to the NZX on 15 March 2023, in advance of a decision by the Auckland Council Governing Body. This disclosure, and the desire to respond to CRLI in a timely manner given the commercial negotiation process with the Link Alliance, has influenced our intention to make a pre-Budget announcement, should Cabinet's agreement be provided.
55. The communications will frame the new funding of \$206.370 million as a pre-Budget commitment.

Proactive release

56. This paper and any associated papers will be released as part of the Budget 2023 proactive release.

Recommendations

We recommend that the Committee:

1. **note** that City Rail Link Limited wrote to Sponsors in March 2023 confirming that the total project cost has increased to \$5.493 billion (P50), that practical completion of the project is now scheduled for 26 November 2025, and sought Sponsors' support for increased funding;
2. **note** that negotiations between City Rail Link Limited and the Link Alliance on all cost variations have now concluded, and a formal funding request has been received and reviewed by the Sponsors' Assurance Manager and legal advisor, who are satisfied that the project's practical completion and reforecast total project cost are reasonable;
3. **note** that the Auckland Council Governing Body is scheduled to meet on 30 March 2023 to consider, subject to the Crown's agreement, supporting City Rail Link Limited's request in full;
4. **agree** that City Rail Link Limited be authorised to sign the negotiated Heads of Agreement with Link Alliance partners;
5. **authorise** the Minister of Finance and the Minister of Transport (as Crown Sponsors) to amend the Project Delivery Agreement between Sponsors and City Rail Link Limited, and other associated agreements, including to reflect the increased total project cost and updated Practical Completion date;
6. **note** that \$566.370 million of additional funding is proposed to be allocated to the City Rail Link project through this paper, comprising:
 - 6.1. \$537.000 million of capital funding to provide for the Crown's 50% share of the updated cost of the project per the Project Delivery Agreement;
 - 6.2. \$20.000 million of capital funding (appropriated) as a project contingency to provide Crown Sponsors with the flexibility to respond to emerging project related risks as they arise;
 - 6.3. \$6.870 million of operating funding to ensure KiwiRail has sufficient funding for its 'Be Ready' project, to support City Rail Link Limited in the completion and handover of the project; and
 - 6.4. \$2.500 million of operating funding to the Ministry of Transport to extend existing funding provided to cover the Crown's share of the Sponsors' Assurance Manager's assurance activities aligned to the new practical completion date and other associated monitoring costs;

Drawdown of the tagged capital contingency

7. **note** that as part of Budget 2022 on 11 April 2022, and in detailed Budget 2022 financial recommendations agreed by the Minister of Transport and the Minister of Finance on 14 April 2022, Cabinet and the Ministers of Finance and Transport:

7.1. **agreed** to establish a tagged operating contingency of up to the following amounts to provide the current projected and future cost pressures on the City Rail Link project as a result of COVID-19, which the project has been significantly affected by. The funding tagged for this purpose will also cover some non-COVID cost pressures

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Capital contingency	-		180.000	100.000	80.000

7.2. **agreed** that the contingency may be drawn down by the Minister of Transport and the Minister of Finance (establishing any new appropriations as necessary) subject to their joint satisfaction with the following further work:

7.2.1. completion of negotiations on the COVID-19 related cost increase claims between City Rail Link Limited and the Link Alliance

7.2.2. a review of the City Rail Link Limited funding request (expected to be received in late 2022) by the Sponsors independent assurance manager, and

7.2.3. that Auckland Council confirm through their budget process to funding their half share of the additional funding to enable the timely delivery of the City Rail Link project

8. **agree** that, as the further work described in recommendation 7 above has been satisfactorily completed, drawdown of the tagged contingency in full can now proceed;

9. **approve** the following changes to appropriations to provide for the decision in recommendation 8 above, with a corresponding impact on net debt:

	\$m – increase/(decrease)				
Vote Transport Minister of Transport	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expense: Auckland City Rail Link		360.000		-	-

10. **agree** that the capital expenditure incurred under recommendation 9 above be charged against the Enabling Timely Delivery of City Rail Link – Tagged Capital Contingency described in recommendation 7 above;

11. **note** that, following the adjustment detailed in recommendation 10 above the tagged capital contingency described in recommendation 7 above is now exhausted and therefore closed;

Requests for new funding

12. **note** that as the total amount of additional funding required for the City Rail Link project, as described in recommendation 6 above, exceeds the amount of the tagged contingency described in recommendation 7 above, it is appropriate for Cabinet to consider a request for additional funding alongside drawdown of the tagged contingency;
13. **agree** to provide new capital funding (over and above the tagged contingency amount) of \$177.000 million, to enable the Crown to meet it's 50% share of the updated cost of the project per the Project Delivery Agreement;
14. **agree** to provide \$20.000 million of new capital funding on top of the amount agreed in recommendation 13 above, as a project contingency to provide Crown Sponsors with the flexibility to respond to emerging project related risks as they arise;
15. **approve** the following changes to appropriations to provide for the decisions in recommendations 13 and 14 above, with a corresponding impact on net debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expense: Auckland City Rail Link		197.000		-	-

16. **agree** that the capital expenditure incurred under recommendation 15 above be charged as a pre-commitment against the Budget 2023 capital allowance;
17. **agree** that use of the \$20.000 million project contingency described in recommendation 14 and appropriated in recommendation 15 above will be subject to the joint agreement of the Minister of Finance and the Minister of Transport'
18. **agree** to provide \$9.370 million of operating funding for KiwiRail and the Ministry of Transport to support the timely delivery of the City Rail Link project;
19. **approve** the following changes to appropriations to provide for the decision in recommendation 18 above, with a corresponding impact on the operating balance and net debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Output Expense: Auckland City Rail Link - Operating		6.870			

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Departmental Output Expense: Transport - Policy advice, ministerial servicing, governance, and other functions (funded by revenue Crown)	-	-	1.250	1.250	-
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20. **agree** that operating expenditure incurred under recommendation 19 above be charged as a pre-commitment against the Budget 2023 operating allowance;
21. **agree** that the proposed changes to appropriations in recommendations 9, 15 and 19 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
22. **note** that a portion of the amounts appropriated into multi-year appropriations in recommendations 15 and 19 above are likely to be spent in the 2025/26 year, which is beyond the period of the existing multi-year appropriations, therefore prior to the expiration of the current multi-year appropriations, the remaining funding will need to be transferred to new appropriations as appropriate;

Risks

23. **note** that failure to provide adequate funding for the City Rail Link project will result in a reduction in functionality, benefits, and customer experience;
24. **note** that, although we consider that the independent reforecast of total project cost is robust, there remains a risk that project costs may increase in the future and further funding from project Sponsors may be required; s 9(2)(g)(i)
25. **note** the fit-out, integration and commissioning stage introduces increased uncertainty and complexity and related potential for delays;
26. **note** success with these stages requires significant engagement and investment by delivery partners Auckland Transport and KiwiRail to mitigate these risks in partnership with City Rail Link Limited and Link Alliance.

Authorised for lodgement

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

IN CONFIDENCE



Cabinet Economic Development Committee

Minute of Decision

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Auckland City Rail Link Project: Additional Funding

Portfolios **Finance / Transport**

Practical Completion of the Link Alliance works in November 2025 is when major elements of CRL will be substantially complete. Testing, commissioning, integration and training will be underway. The CRL will open to passengers when required work is completed, expected in 2026.

On 29 March 2023, the Cabinet Economic Development Committee:

- 1 **noted** that in March 2023, City Rail Link Limited wrote to Sponsors (the Ministers of Finance and Transport on behalf of the Crown, and Auckland Council):
 - 1.1 confirming that the total project cost has increased to \$5.493 billion (P50);
 - 1.2 advising that practical completion of the project is now scheduled for 26 November 2025;
 - 1.3 seeking Sponsors' support for increased funding;
- 2 **noted** that negotiations between City Rail Link Limited and the Link Alliance (the partnership delivering the main work on the project) on all cost variations have now concluded, and that a formal funding request has been received and reviewed by the Sponsors' Assurance Manager and legal advisor, who are satisfied that the project's practical completion and reforecast total project cost are reasonable;
- 3 **noted** that the Auckland Council Governing Body is scheduled to meet on 30 March 2023 to consider, subject to the Crown's agreement, supporting City Rail Link Limited's request in full;
- 4 **agreed** that City Rail Link Limited be authorised to sign the negotiated Heads of Agreement with Link Alliance partners;
- 5 **authorised** the Minister of Finance and the Minister of Transport (as Crown Sponsors) to amend the Project Delivery Agreement between Sponsors and City Rail Link Limited, and other associated agreements, including to reflect the increased total project cost and updated Practical Completion date;

- 6 **noted** that \$566.370 million of additional Crown funding is proposed to be allocated to the City Rail Link project, comprising:
- 6.1 \$537.000 million of capital funding to provide for the Crown’s 50 percent share of the updated cost of the project per the Project Delivery Agreement;
 - 6.2 \$20.000 million of capital funding (appropriated) as a project contingency to provide Crown Sponsors with the flexibility to respond to emerging project-related risks as they arise;
 - 6.3 \$6.870 million of operating funding to ensure KiwiRail has sufficient funding for its ‘Be Ready’ project, to support City Rail Link Limited in the completion and handover of the project;
 - 6.4 \$2.500 million of operating funding to the Ministry of Transport to extend existing funding provided to cover the Crown’s share of the Sponsors’ Assurance Manager’s assurance activities aligned to the new practical completion date and other associated monitoring costs;

Drawdown of the tagged capital contingency

7 **noted** that on 11 April 2022, as part of Budget 2022, and in detailed Budget 2022 financial recommendations agreed by the Minister of Transport and the Minister of Finance on 14 April 2022, Cabinet and the Ministers of Finance and Transport:

7.1 agreed to establish a tagged operating contingency of up to the following amounts to provide the current projected and future cost pressures on the City Rail Link project as a result of COVID-19, which the project has been significantly affected by (the funding tagged for this purpose will also cover some non-COVID cost pressures):

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Capital contingency	-	-	180.000	100.000	80.000

7.2 agreed that the contingency may be drawn down by the Minister of Finance and the Minister of Transport (establishing any new appropriations as necessary), subject to their joint satisfaction with the following further work:

7.2.1 completion of negotiations on the COVID-19-related cost increase claims between City Rail Link Limited and the Link Alliance;

7.2.2 a review of the City Rail Link Limited funding request (expected to be received in late 2022) by the Sponsors’ independent assurance manager;

7.2.3 that Auckland Council confirm through their budget process to funding their half share of the additional funding to enable the timely delivery of the City Rail Link project;

8 **agreed** that, as the further work described in paragraph 7 above has been satisfactorily completed, drawdown of the tagged contingency in full can now proceed;

9 **approved** the following changes to appropriations to provide for the decision in paragraph 8 above, with a corresponding impact on net debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expense: Auckland City Rail Link		360.000		-	-

10 **agreed** that the capital expenditure incurred under paragraph 9 above be charged against the Enabling Timely Delivery of City Rail Link – Tagged Capital Contingency described in paragraph 7 above;

11 **noted** that, following the adjustment detailed in paragraph 10 above, the tagged capital contingency described in paragraph 7 above is now exhausted and therefore closed;

Requests for new funding

12 **noted** that as the total amount of additional funding required for the City Rail Link project, as described in paragraph 6 above, exceeds the amount of the tagged contingency described in paragraph 7 above, it is appropriate for Cabinet to consider a request for additional funding alongside the drawdown of the tagged contingency;

13 **agreed** to provide new capital funding (over and above the tagged contingency amount) of \$177.000 million, to enable the Crown to meet its 50 percent share of the updated cost of the project per the Project Delivery Agreement;

14 **agreed** to provide \$20.000 million of new capital funding on top of the amount agreed in paragraph 13 above as a project contingency to provide Crown Sponsors with the flexibility to respond to emerging project-related risks as they arise;

15 **approved** the following changes to appropriations to provide for the decisions in paragraphs 13 and 14 above, with a corresponding impact on net debt:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Non-Departmental Capital Expense: Auckland City Rail Link		197.000		-	-

16 **agreed** that the capital expenditure incurred under paragraph 15 above be charged as a pre-commitment against the Budget 2023 capital allowance;

17 **agreed** that use of the \$20.000 million project contingency described in paragraph 14 and appropriated in paragraph 15 above will be subject to the joint agreement of the Minister of Finance and the Minister of Transport;

- 18 **agreed** to provide \$9.370 million of operating funding for KiwiRail and the Ministry of Transport to support the timely delivery of the City Rail Link project;
- 19 **approved** the following changes to appropriations to provide for the decision in paragraph 18 above, with a corresponding impact on the operating balance and net debt:

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Transport Minister of Transport Non-Departmental Output Expense: Auckland City Rail Link - Operating		6.870		-	-
Departmental Output Expense: Transport - Policy advice, ministerial servicing, governance, and other functions (funded by revenue Crown)	-	-	1.250	1.250	-

- 20 **agreed** that operating expenditure incurred under paragraph 19 above be charged as a pre-commitment against the Budget 2023 operating allowance;
- 21 **agreed** that the changes to appropriations in paragraphs 9, 15, and 19 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 22 **noted** that a portion of the amounts appropriated into multi-year appropriations in paragraphs 15 and 19 above are likely to be spent in the 2025/26 year, which is beyond the period of the existing multi-year appropriations, and that, therefore, prior to the expiration of the current multi-year appropriations, the remaining funding will need to be transferred to new appropriations as appropriate;

Risks

- 23 **noted** that failure to provide adequate funding for the City Rail Link project will result in a reduction in functionality, benefits, and customer experience;
- 24 **noted** that, although the independent reforecast of total project cost is considered to be robust, there remains a risk that project costs may increase in the future and that further funding from project Sponsors may be required, s 9(2)(g)(i)
- 25 **noted** that the fit-out, integration and commissioning stage introduces increased uncertainty and complexity and related potential for delays;
- 26 **noted** that success with these stages requires significant engagement and investment by delivery partners Auckland Transport and KiwiRail to mitigate these risks in partnership with City Rail Link Limited and Link Alliance.

Jenny Vickers
Committee Secretary

Present:

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon Michael Wood
Hon Dr Ayesha Verrall
Hon Willie Jackson
Hon Kiri Allan
Hon Damien O'Connor
Hon David Parker
Hon Peeni Henare
Hon Priyanca Radhakrishnan
Hon Ginny Andersen
Hon Dr Duncan Webb
Hon Rino Tirikatene
Hon Dr Deborah Russell

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

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Cabinet

Minute of Decision

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Report of the Cabinet Economic Development Committee: Period Ended 31 March 2023

On 3 April 2023, Cabinet made the following decisions on the work of the Cabinet Economic Development Committee for the period ended 31 March 2023:

Out of Scope

DEV-23-MIN-0030 **Auckland City Rail Link Project: Additional Funding** CONFIRMED
Portfolios: Finance / Transport

Out of Scope

Out of Scope



Rachel Hayward
Secretary of the Cabinet

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