

Reference: 20150353



7 October 2015

Andrew Riddell  
fyi-request-3048-d0139df0@requests.fyi.org.nz

Dear Andrew Riddell

Thank you for your Official Information Act request, received on 14 August 2015. You requested the following:

*"This request arises from the answer to my Official Information Request on Treasury's cost benefit on rail that was answered on 11 August 2015. Please provide a copy of Treasury Report T2014/1805. This is a December 2014 Treasury report on Kiwirail. The answer to my previous request included a schedule of all documents used in the creation of the cost benefit assessment. Of those listed please provide copies of the following:*

- Option values Kiwirail Public Policy Case, DRAFT Ministry of Transport Assessment paper on the option value of New Zealand's rail network, 27 November 2014*
- Rail Impacts version 6.2, NZTA Rail freight public value project (RAH 2045). Estimation of the State highway impacts arising from mode shift of rail freight, December 2014*
- Kiwirail CBA calculations, Treasury spreadsheet analysis determining costs and benefit from shifting rail transport onto road, no specific date*
- Project Brief: 2014 Review of Kiwirail, 9 June 2014*
- History and Future of Rail in NZ, Research report prepared by NZIER on the history and future of rail in NZ, June 2009."*

Two of the documents requested were transferred to other agencies. These were:

- *Option values Kiwirail Public Policy Case, DRAFT Ministry of Transport Assessment paper on the option value of New Zealand's rail network, 27 November 2014: This was transferred to MoT, and*
- *Rail Impacts version 6.2, NZTA Rail freight public value project (RAH 2045). Estimation of the State highway impacts arising from mode shift of rail freight, December 2014: This was transferred to NZTA.*

On 1 September 2015 an extension of 20 working days was sought. A response to the request is due by 12 October 2015.

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## Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	9 June 2009	Project Brief: 2014 Review of Public Policy Case for Rail	Release in part

I have decided to release the relevant parts of the document listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- Personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people.

## Information Publicly Available

The following information is also covered by your request and is publicly available on the Victoria University of Wellington's Research Archive website:

Item	Date	Document Description	Website Address
2.	June 2009	The History and Future of Rail in New Zealand	<a href="http://researcharchive.vuw.ac.nz/xmlui/handle/10063/4031">http://researcharchive.vuw.ac.nz/xmlui/handle/10063/4031</a>

Accordingly, I have refused your request for the documents listed in the above table under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

## Information to be Withheld

There is an additional document covered by your request that I have decided to withhold in full. This document was:

- *Kiwirail CBA calculations, Treasury spreadsheet analysis determining costs and benefit from shifting rail transport onto road, no specific date*

This is because the cost-benefit analysis table within the above document has already been released as part of a previous OIA release to you and the remaining information is commercially sensitive as per the following section of the Official Information Act:

- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Taylor', with a stylized flourish at the end.

David Taylor  
**Manager, National Infrastructure Unit**

<b>Project Brief for:</b>	<b>2014 Review of Public Policy Case for Rail</b>
	Date Last Updated: 9/06/14
<b>Drafting notes:</b>	This needs to be agreed by the working group and supported by the governance group as part of the overall rail programme of work.
<b>Purpose:</b>	To gather together the information that will be required to enable officials to give advice to Ministers regarding KiwiRail's new strategic plan in October 2014, including: <ul style="list-style-type: none"> <li>A. The economic case, if any, for supporting rail;</li> <li>B. The operational impact on other transport modes (principally road) and on business if any part of the rail network is closed down;</li> <li>C. The wider economic impacts;</li> <li>D. The funding options for KiwiRail and, if appropriate, for NZTA</li> <li>E. Recommendation</li> </ul>
<b>Background:</b>	The genesis of this project arises from Ministers requiring KR to review the Turnaround Plan and to provide options for the business that will enable the company's reliance on Crown funding to reduce over time.  Options will include alternative network configurations which will have knock on effects to the rest of the transport network. The impact of these needs to be understood as does the underlying network requirement to manage NZ's freight task.
<b>Project Scope:</b>	The scope of this project excludes suburban rail.  The analysis of the economic case and wider analysis should be undertaken as far as possible line by line or (to be determined as the work proceeds) groups of lines. It should also consider network implications.
<b>Project Objectives:</b>	<p>A. Economic case: This addresses whether there is a case in economic theory for supporting rail financially. Economic theory identifies two potential reasons for government intervention, the existence of significant externalities and competitors being unduly favoured by the legal framework or by taxes or subsidies. The research objectives are therefore to:</p> <ul style="list-style-type: none"> <li>a. Determine whether there are significant positive externalities (e.g. safety, noise, pollution) in using rail as opposed to other modes of transport and quantifying where possible.</li> <li>b. Determine whether other transport modes enjoy significant subsidies that would give them a competitive advantage over rail.</li> </ul> <p>B. Transport impact analysis: Any significant change to the extent of rail operations could have a significant impact on other modes of transport, in particular roads. The research objectives are therefore to:</p> <ul style="list-style-type: none"> <li>i. Assess spare capacity on all competing roads</li> <li>ii. Estimate additional freight volumes for each road if rail is closed down</li> <li>iii. Estimate need for additional road construction (if any)</li> </ul> <p>C. Wider impact analysis:</p> <ul style="list-style-type: none"> <li>a. Impacts on industries / businesses</li> <li>b. Resilience considerations (qualitative)</li> <li>c. Future option values under alternative scenarios (qualitative)</li> </ul> <p>D. Funding options</p> <ul style="list-style-type: none"> <li>a. Long-term funding options for KiwiRail</li> </ul>

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	<p>b. Options for funding additional road construction (if any)</p>
<p><b>Project inputs:</b></p>	<p><u>Economic case:</u></p> <ul style="list-style-type: none"> <li>• Details of RUC/FED and any other relevant methodologies, in order to determine whether or to what extent RUC is more or less than long-run marginal cost (MC).</li> <li>• Freight volumes on each railway line or group of related lines and proportion that would transfer to road if the line was closed</li> <li>• Estimate of need for additional road construction, if any</li> <li>• Estimate congestion externalities (within limits of available data),</li> <li>• Estimate other kinds of externalities (CO<sub>2</sub>, accident, noise, air pollution)</li> </ul> <p><u>Transport impact analysis:</u></p> <ul style="list-style-type: none"> <li>• Data on traffic volumes and estimates of spare capacity on competing roads</li> <li>• Freight volumes on each railway line and proportion that would transfer to road if the line was closed</li> <li>• Estimate of need for additional road construction, if any</li> </ul> <p><u>Wider impact analysis:</u></p> <ul style="list-style-type: none"> <li>• Impacts on industries / businesses</li> <li>• Resilience considerations (qualitative)</li> <li>• Future option values under alternative scenarios (qualitative),</li> </ul> <p><u>Funding options:</u></p> <ul style="list-style-type: none"> <li>• Information on what KiwiRail considers are its future funding requirements</li> <li>• Information on what NZTA's considers are the financial consequences of alternative rail scenarios</li> </ul>
<p><b>Project tasks:</b></p>	<p><u>Economic case:</u></p> <ul style="list-style-type: none"> <li>• Assemble information on RUC, FED and any related methodologies</li> <li>• Assemble information on externalities from road operations (CO<sub>2</sub>, accidents, noise, air pollution)</li> <li>• Assemble information on externalities from rail operations (CO<sub>2</sub>, accidents, noise, air pollution)</li> <li>• Consider whether externalities are significant enough to justify government intervention</li> <li>• Consider what conclusions can be drawn about relationship between RUC, MC and long-run MC</li> </ul> <p>By whom: MoT lead By when: Dependent on data from wider analysis</p> <p><u>Transport impact analysis:</u></p> <ul style="list-style-type: none"> <li>• Quantify transport impacts on a line by line basis</li> </ul> <p><u>Wider impact analysis:</u></p> <ul style="list-style-type: none"> <li>• Aggregate impact analysis into relevant scenarios (e.g. nil, short lines, groups of related lines, long lines).</li> <li>• Assess economic impacts of relevant scenarios, considering impact on infrastructure costs, freight costs, freight rates, and on industries/businesses.</li> <li>• Consider external future scenarios (e.g. big ships/freight aggregation, environmental concerns, fuel shocks, new technologies) and assess impact on comparative advantage or demand for rail vs. shipping vs. road.</li> </ul> <p>By whom: MoT / Treasury / NZTA By when: Dependant on supply of information from KiwiRail and NZTA.</p> <p><u>Funding options:</u></p> <ul style="list-style-type: none"> <li>• Identify relevant funding options</li> <li>• Describe the consequences and pros and cons of alternative funding options</li> <li>• Identify alternatives to the SOE model</li> <li>• Identify the pros and cons of alternative models</li> </ul>

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	By whom: Treasury lead, MoT NZTA and KiwiRail input By when: To be completed following Government assessment of first three aspects above.
<b>Project outputs (deliverables):</b>	By October, papers setting out: <ul style="list-style-type: none"> <li>• The economic case;</li> <li>• Transport impacts;</li> <li>• Wider impacts;</li> <li>• The funding options.</li> </ul>
<b>Policy Implications:</b>	Should enable officials to give advice to Ministers on the policy/economic issues regarding KiwiRail's new strategic plan.
<b>Working Group</b>	<b>Withheld under s9(2)(a)</b>
<b>Sponsor:</b>	
<b>Project Leader</b>	
<b>Project Team</b>	
<b>Other Stakeholders</b>	KiwiRail NZTA DPMC
<b>Related Projects</b>	Development of KiwiRail strategic Plan
<b>Constraints:</b>	Data availability
<b>Major Risks:</b>	Progress is hampered by competing responsibilities of project leaders and team members

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