



## Proactive Release

The following Cabinet paper and related Cabinet minutes have been proactively released by the Department of the Prime Minister and Cabinet, on behalf of Hon Dr Megan Woods, Minister for Greater Christchurch Regeneration:

Global Settlement with Christchurch City Council: Negotiating Parameters

The following documents have been included in this release:

***Title of paper: Global Settlement with Christchurch City Council: Negotiating Parameters (DEV-18-SUB-0285 refers)***

***Title of minute: Global Settlement with Christchurch City Council: Negotiating Parameters (DEV-18-MIN-0285)***

***Title of minute: Report of the Cabinet Economic Development Committee: Period Ended 7 December 2018 (CAB-18-MIN-0608)***

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it. In addition, some information has been withheld as out of scope of this information release.

### Key to redaction code:

- 9(2)(b)(ii): to protect the commercial position of the person who supplied the information, or who is the subject of the information;
- 9(2)(f)(iv): to maintain the confidentiality of advice tendered by or to Ministers and officials;
- 9(2)(g)(i): to maintain the effective conduct of public affairs through the free and frank expression of opinion; and
- 9(2)(i): to protect the Crown's commercial activity.

**In Confidence**

Office of the Minister of Finance  
Office of the Minister for Greater Christchurch Regeneration

Chair,  
Cabinet Economic Development Committee

**GLOBAL SETTLEMENT WITH CHRISTCHURCH CITY COUNCIL: NEGOTIATING PARAMETERS****Proposal**

1. This paper seeks delegated authority for the Minister of Finance and the Minister for Greater Christchurch Regeneration to enter into negotiations and agree a global settlement with Christchurch City Council (the Council).

**Executive Summary**

2. In the Greater Christchurch Regeneration portfolio, our goal is for Christchurch to grow, regenerate, and thrive, by unlocking its potential. We want to see a demonstrable transition, moving away from an environment where central government continues to play an extraordinary role, towards a locally-led and sustainable economy where everyone benefits from prosperity.
3. A significant challenge to such a transition is the current uncertainty about future roles and responsibilities in regeneration, particularly in relation to a significant portfolio of civic assets in Christchurch (summarised in **Attachment A**) which the Crown is currently constructing, holding and/or operating. Without certainty on future ownership and transfer processes, it will be challenging to transition to locally led regeneration in a timely manner.
4. If we are to be successful in our vision for greater Christchurch, negotiations on a 'global settlement' between the Crown and the Council are needed as an urgent priority to settle these uncertainties. While in some cases discussions with other stakeholders may also be required, it is most efficient and appropriate to approach the Council through a global settlement (particularly given the Crown's existing commitments to engage with the Council).
5. A global settlement with the Council is an opportunity to make substantive progress towards a positive, normalised relationship with the Council for the future of regeneration. It is also an opportunity for the Crown to s9(2)(i) s9(2)(i) and address future asset ownership questions, given that it is not consistent with the Crown's core roles to own these assets in the long term. As such, it will support the delivery of a number of the Government's priorities.
6. The window of opportunity for reaching a global settlement is from now to May 2019 (when the Council's focus will turn to the local body election period).

Reaching decisions within this window will enable demonstrable progress to be made in the transition to local leadership through 2019 and 2020.

7. As a result, we seek a Cabinet mandate to begin negotiations with the Council within the following parameters. In relation to **matters where there is no agreement (or final agreement) between the Crown and Council:**

Priorities	Items for negotiation	Potential expenditure
Reconfirm pre-existing in-principle agreements	Confirm transfer of ownership of <b>Bus Interchange</b> to Council	s9(2)(b)(ii), s9(2)(f)(iv), s9(2)(i)
	Confirm transfer of <b>Crown-owned residential red zone (RRZ) land</b> in the Port Hills, Brooklands, and Southshore/South New Brighton to Council (1,261 properties)	
	<b>Receive outstanding Council payments</b> of up to \$76.6 million as previously agreed	s9(2)(g)(i), s9(2)(i)
Assets needed for regeneration	Discuss ownership of the <b>Ōtākaro Avon River Corridor (OARC) RRZ</b> (5,446 Crown-owned properties)	<i>Up to \$35.9 million operating for any write-downs; alternatively, positive impacts of any recoveries (and reduced write-down)</i>
Position several large and complex assets for the future	s9(2)(f)(iv), s9(2)(i)	
Address institutional arrangements	Discuss <b>the future of Regenerate Christchurch</b> (jointly owned by Crown and Council) s9(2)(f)(iv)	s9(2)(f)(iv)

8. Additionally, there are **several outstanding matters from the 2013 Cost Sharing Agreement** which require discussion (primarily about the process and timing for implementing existing agreed transfers). The Crown will also need to address some unresolved requirements for appropriations to write down assets in this category.

9. s9(2)(b)(ii)

*Potential financial implications*

10. We cannot confirm the scope of matters the Council is likely to raise in negotiations. That said, we judge that in reaching an agreement with the Council, the Crown is likely to incur the following expenditure:

Expenditure	Purpose	Impact on allowances / net debt
s9(2)(f)(iv), s9(2)(i) operating expenditure	To reach agreement on the sale of assets where there is no final agreement – writing down the value of the assets, if transferred for below book value	The Minister of Finance has indicated this will not count against operating allowances or net debt
s9(2)(f)(iv), s9(2)(i) operating expenditure	To implement existing agreements (by writing down the value of the assets transferred for below book value)	The Minister of Finance has indicated this will not count against operating allowances (nor will it impact net debt)
s9(2)(f)(iv), s9(2)(i) capital expenditure	s9(2)(i) for the Bus Interchange and Performing Arts Precinct land	This expenditure, which is net of associated recoveries expected from Council (est. \$23 million), will impact net debt and capital allowances

11. We are seeking a tagged contingency to cover the expenditure noted above and delegated authority to agree a package within this fiscal envelope. We will work towards an agreement within this scope. However, we will not have a full sense of what may be necessary to reach an agreement with the Council until negotiations begin.
12. It is possible that reaching a final agreement may require fiscal implications beyond those for which agreement is sought in this paper. However, if this is the case, we suggest that any implications beyond those set out in this paper be considered as part of Budget 2019, informed by negotiation, or met from reprioritisation within the Greater Christchurch Regeneration portfolio. To this end, a placeholder Budget bid has been submitted for Budget 2019, noting that this would only be called upon after exhausting all feasible opportunities for reprioritisation within the portfolio.
13. It is important that the full picture of Crown funding in Christchurch (including opportunities through wider government funding programmes) is documented and clear.<sup>s9(2)(g)(i)</sup>  

We invite you to consider possible opportunities within your portfolios where initiatives in Christchurch may meet objectives for funding under existing Crown programmes, and for the Department of the Prime Minister and Cabinet's Greater Christchurch Group to be informed of any opportunities.

*Decision-making on global settlement*

14. Due to the tight timeframes and constraints around local body elections in 2019, we seek delegated authority for the Minister of Finance and the Minister for Greater Christchurch Regeneration ("joint Ministers") to agree a global settlement with the Council, provided the proposed global settlement is within the fiscal constraints set out above and the joint Ministers have updated this Committee on the progress of negotiations.

15. We note that there may be a need for joint Ministers to approve an early, in-principle decision that the Crown is prepared to transfer ownership of RRZ land in the OARC to the Council. Any such in-principle decision would be explicitly and publicly subject to finalisation of the wider global settlement package, and negotiation of detailed terms of transfer, as well as subject to joint Ministers updating this Committee on the progress of negotiations.
16. We would also report back to Cabinet if required to seek agreement to any matters that may have arisen beyond the mandate sought by this paper (such as the policy for any legislative changes required to implement the agreement).

## Background

17. In the Greater Christchurch Regeneration portfolio, our goal is for Christchurch to grow, regenerate and thrive, by unlocking its potential. We want to see a demonstrable transition, moving away from an environment where central government continues to play an extraordinary role, towards a locally-led and sustainable economy where everyone benefits from prosperity.
18. Currently, the Crown holds a significant portfolio of assets and liabilities in Christchurch city, as summarised in **Attachment A**, some of which are still in construction. These assets s9(2)(i) provide wider benefits and opportunities for the city's ongoing recovery and regeneration following the Canterbury earthquake sequence of 2010-2011.
19. Most upfront project funding and delivery questions were addressed through the 2013 Cost Sharing Agreement with the Council ("the 2013 CSA"). However, there is still uncertainty about the long-term ownership of some of these assets.
20. A global settlement with the Council is an urgent priority for Canterbury, to settle long-term questions of ownership, liabilities, opportunities and funding arrangements. Key questions that still require negotiation include:
  - 20.1. confirming whether and how some agreements-in-principle as part of the Cost Sharing Agreement refresh of 2017 ("CSA refresh") [CAB-17-MIN-0452 refers] will be implemented;
  - 20.2. long-term ownership of a number of other assets, which were not addressed as part of the 2013 CSA or CSA refresh; and
  - 20.3. some remaining unresolved project responsibilities (specifically, the Canterbury Multi-Use Arena ("the Arena")).

## Uncertainty will impede regeneration and the return to local leadership

21. Most of the assets listed in Attachment A are civic assets that require dedicated stewardship and a strong local presence to ensure they deliver the social, cultural, economic and environmental value for the people of Christchurch.
22. s9(2)(i)

23. Until decisions are made, other stakeholders who may be better placed to manage these assets are unlikely to prepare to take on responsibility or make decisions for the future. This in turn limits or delays opportunities for various parties to participate in the ongoing regeneration.
24. While in some cases discussions with other stakeholders may also be required, it is appropriate to approach the Council first as:
- 24.1. for a number of matters, the Crown has existing commitments to engage with the Council, in the context of previous cost sharing agreements or project delivery arrangements; and
  - 24.2. in other cases, there is either s9(2)(i) and/or it is most efficient and appropriate to talk to the Council initially, given its role and capabilities, and wider transition objectives.
25. Additionally, the Council expects that the Crown is willing to enter into global settlement negotiations. s9(2)(f)(iv), s9(2)(g)(i)
- There is a need to demonstrate that the Crown will engage with the Council positively, fairly, and in good faith.
26. We do not consider that continued uncertainty is good for the people of Christchurch or for the return to a normalised Crown-Council relationship. Without certainty on future ownership and stewardship of key assets:
- 26.1. regeneration of certain areas, such as the RRZs and central city, is likely to be delayed, with impacts on the wellbeing of communities;
  - 26.2. communities of Christchurch will face increased uncertainty about how regeneration will be governed and managed in future; and
  - 26.3. s9(2)(g)(i)
27. More than eight years after the earthquake sequence began, it is now critical that steps are taken to empower the Council to take its place as a strong and independent player in the wider national context. The global settlement is an opportunity to make substantive progress in taking those steps, laying the foundations for a positive, normalised relationship with the Council and enabling locally led regeneration in future. This will also support the delivery of the Government's priorities to **support healthier, safer, and more connected communities**, and **grow and share New Zealand's prosperity more fairly**.

#### The Crown is exposed to financial risks that need to be addressed

28. Overall, the Crown is forecast to incur net earthquake expenses of over \$17 billion in greater Christchurch, having incurred costs of over \$15 billion so far. Approximately \$5 billion of these costs will be incurred in relation to local infrastructure, the central city rebuild, and the RRZ. This is separate to Christchurch Regeneration Acceleration Facility ("Acceleration Facility") funding up to \$300 million which is likely to be used as suggested by the Council for identified projects.

29. By comparison, for its recent Long Term Plan for 2018-2028, the Council calculated that, to date, it has incurred increased costs of \$1.1 billion due to the earthquakes, excluding costs covered by the Crown and by insurance recoveries. It expects to spend an additional \$4.0 billion (excluding inflation) over the next 30 years to 'return assets to their pre-earthquake condition'.

30. On top of its existing commitments, the Crown is also exposed to fiscal risk in Christchurch, whether it chooses to retain assets or not. s9(2)(g)(i), s9(2)(i)

[Redacted]

30.1. s9(2)(g)(i), s9(2)(i)

[Redacted]

30.2.

31. s9(2)(g)(i), s9(2)(i)

[Redacted]

32. A global settlement with the Council is an opportunity to support the delivery of the Government's priority to **govern responsibly**, by coming to a timely decision on outstanding matters. This will allow the Crown to:

32.1. address its exposure to longer-term financial risks by divesting its extraordinary ownership interests where appropriate, and/or positioning itself to reduce the impacts of future risk; and

32.2. ensure that decisions are not made on an ad hoc basis, but can be viewed in a wider strategic framework, to ensure they are fair, equitable and fiscally responsible for the Crown, the Council, and the rest of New Zealand.

33. We note that the Council is now in a relatively advantageous financial position to take on responsibility. Compared with the other five largest councils in New Zealand, its net debt per rating unit is the lowest in the country, its asset portfolio is strong, and it has a number of options for raising additional capital.

34. We also note the global settlement negotiations are separate to new commitments that may be entered into through the Acceleration Facility. We have recently approved initial investment proposals submitted by the Council to earmark \$40 million towards future RRZ projects and \$220 million towards development of the Arena. The remaining \$40 million has not yet been earmarked, although discussions are ongoing with the Council about its proposal for this funding.

**The Crown has mixed objectives for a global settlement**

35. Overall, we consider that addressing key uncertainties through a global settlement with the Council is in the wider public interest. It is intended to:
- 35.1. **build the momentum of regeneration** in some of the areas that have been worst affected by the earthquakes, such as the residential red zones (RRZ) and the central city – helping to resolve issues that will impede progress and impact wellbeing;
  - 35.2. **provide certainty to the community and stakeholders** on how regeneration assets will be managed in future – enabling them to make decisions about how they may participate in regeneration;
  - 35.3. **advance the transition from extraordinary central government involvement to full local leadership** – with the Council in a robust position to lead into the future, and the scene set for a positive, normalised relationship with the Crown; and
  - 35.4. **enable the Crown to operate in a fiscally responsible and equitable manner** – s9(2)(i) [redacted] avoiding new exposure where possible, and ensuring a fair settlement for both the Crown and Council.
36. These objectives are mixed, and may at times need to be balanced. However, we consider this can be managed and is likely to be necessary to ensure negotiations take into account both local and national interests.

**There is a small window of opportunity to achieve a global settlement**

37. There is a narrow window for the conclusion of negotiations before the Council's focus will turn to upcoming local body elections. Ideally, negotiations would be completed before May 2019. If not, the opportunity to address outstanding issues is not likely to be available again until 2020. This would limit regeneration momentum and the ability to contribute towards achieving the Government's priorities.
38. There is also specific urgency associated with decision-making on:
- 38.1. the ownership of 5,446 Crown-owned properties in the OARC RRZ. Ministerial decision-making on a draft Regeneration Plan dealing with potential future uses of this area is likely to be sought in early 2019. If in-principle agreement on the future ownership of this land cannot be reached in early 2019, it will be very challenging to provide clarity to the community about roles and responsibilities in the OARC in future;
  - 38.2. drawing down Acceleration Facility funding. As noted by Cabinet [CAB-18-MIN-0399 refers], it has been communicated to the Council that the majority of funds available will not be appropriated until the global settlement has been executed. Decision-making on the first investment case is likely to be sought by mid-2019.
39. Overall, unless agreements can be reached in early 2019 on a range of matters, it would be very challenging to achieve the objectives for the global

settlement. We therefore consider the opportunity to enter into negotiations with the Council must be taken as soon as possible.

**Global settlement will finalise funding support for recovery and regeneration**

40. s9(2)(f)(iv), s9(2)(g)(i)

41. It will be important to clarify that the global settlement is primarily an opportunity to resolve outstanding matters relating to specific Crown and Council roles in the recovery context to date. In general, given the Council's strong financial position, the support it has already received, and other funding streams available, we do not anticipate opening up new funding channels unless there is a strong justification.

42. We propose the following approach to certain items that the Council has indicated it may wish to raise:

Items that may be raised by Council	Proposed approach
<b>Flood mitigation works</b> which have some links to the earthquakes, but more widely to pre-existing risks and climate change. They are currently ineligible for funding support from the Crown (whether in a post-disaster context or otherwise).	<b>Exclude from scope and direct to wider national policy discussions.</b> This is a core responsibility of local government and the Crown's response to flooding or climate change issues should be discussed as part of responses to be developed across New Zealand.
s9(2)(b)(ii), s9(2)(g)(i)	
<b>Additional funding for future projects</b> (e.g. in the RRZ) that may receive or apply for Crown funding elsewhere, or for repairs to Council-owned earthquake-damaged heritage buildings.	Note that <b>the Crown is unlikely to be willing to consider</b> unless there is a compelling rationale, and concessions are made in return.
<b>Ōtākaro's land holdings in central Christchurch</b> – currently being divested where they are surplus to the requirements of the anchor projects.	<b>Be prepared to discuss if the Council is willing to negotiate</b> the purchase of land holdings.

**Ministers seek authorisation for negotiating parameters and decision-making**

43. The proposed negotiations with the Council will focus on two key areas:
- 43.1. reaching agreement on assets or other matters where there is no existing agreement between the Crown and the Council; and

43.2. addressing the implementation of some outstanding matters in accordance with the 2013 CSA.

44. We anticipate other matters will arise in the course of negotiations. We will approach these in accordance with the Crown's objectives.

*Matters where there is no existing agreement*

45. We seek authority to enter into negotiations with the Council that address the matters below:

Item	Proposed negotiating parameters
<i>Confirming pre-existing agreements in principle (seeking no changes)</i>	
Agreements in principle under the CSA refresh of 2017	<p>Consistent with original CSA, receive Council payments up to \$76.6m:</p> <ul style="list-style-type: none"> <li>• up to \$40.6 million towards Crown's net costs of purchasing Port Hills RRZ properties affected by rockfall/rock roll (<i>LINZ receivable</i>); and</li> <li>• \$36 million towards delivery of Bus Interchange and public realm.</li> </ul> <p>Consistent with the CSA refresh 2017, transfer ownership of the Bus Interchange and RRZ land in the Port Hills, Brooklands and Southshore/South New Brighton to the Council at nil cost.</p>
<i>Addressing assets needed for future regeneration</i>	
Long-term ownership of Crown-owned OARC RRZ land (5,446 properties)	<p>Discuss long-term ownership of this land.</p> <p>Detailed terms and a process would need to be developed for any transfer, which should recognise the land's value to the Council (whether through a direct return, achieving benefits elsewhere in the global settlement, or other mechanisms).</p>
<i>Positioning several large and complex assets for the future</i>	
Convention Centre, Canterbury Multi-Use Arena, and Metro Sports Facility	s9(2)(i)
<i>Considering institutional arrangements</i>	
Regenerate Christchurch institutional arrangements	s9(2)(i)

46. The timing of and mechanisms for any asset transfers or payments will also need to be explored and negotiated with the Council prior to decision-making.

47. The Council may wish to propose alternative outcomes, additional conditions, or other issues for discussion (as noted above). In general, a degree of flexibility will be needed in the course of negotiations. If new proposals are raised, the Crown will need to carefully consider precedent and funding risks, and where appropriate indicate that the Crown will expect concessions to be made in return.

48. However, as discussed above, we consider certain issues (specifically flood mitigation works s9(2)(b)(ii), s9(2)(g)(i) [redacted]) should be excluded from the scope of the global settlement due to the significant precedent risk for a range of portfolios other than the Greater Christchurch Regeneration portfolio. In these and similar cases, it would be communicated to the Council that it may raise issues for discussion with the Crown more widely, but the global settlement is not the appropriate forum.

*Implementation of outstanding matters from the 2013 CSA*

49. The Crown is in the process of meeting all its obligations under the 2013 CSA. However, there are some final processes which still need to be carried out – in particular, relating to the transfer of land required for the Performing Arts Precinct, and the Crown’s contribution for the Square anchor project. s9(2)(f)(iv), s9(2)(g)(i) [redacted]

50. We note the Crown also has an existing commitment to provide land for the Arena, for which a transfer process will be required in future.

51. Additionally, while this does not require discussion with the Council, the Crown will need to address some of the appropriations required to meet a number of its existing commitments, and which were not addressed previously – for example, writing down the Crown’s investment in s9(2)(i) [redacted] the Performing Arts Precinct, and public realm in the Frames, and completing the Crown’s contribution for the Square.

52. s9(2)(f)(iv), s9(2)(g)(i) [redacted]

*Potential impacts of reaching agreement*

53. We cannot confirm what other matters the Council is likely to raise in negotiations. That said, we judge that in reaching an agreement with the Council on the parameters proposed above, the Crown is likely to incur the following costs:

Expenditure	Purpose	Impact on allowances / net debt
s9(2)(f)(iv), s9(2)(g)(i) operating expenditure	To reach agreement on the sale of assets where there is no final agreement – writing down the value of the assets, if transferred for below book value	The Minister of Finance has indicated this will not count against operating allowances or net debt
s9(2)(f)(iv), s9(2)(g)(i) operating expenditure	To implement existing agreements (by writing down the value of the assets transferred for below book value)	The Minister of Finance has indicated this will not count against operating allowances (nor will it impact net debt)
s9(2)(f)(iv), s9(2)(g)(i) capital expenditure	s9(2)(i) [redacted] for the Bus Interchange and Performing Arts Precinct land	This expenditure, net of associated recoveries from the Council (est. \$23 million), will

		impact capital allowances and net debt
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54. We are seeking a tagged contingency to cover the expenditure noted above and delegated authority to agree a package within this fiscal envelope. We will work towards an agreement within this scope. However, we will not have a full sense of what may be necessary to reach an agreement with the Council until negotiations begin.
55. It is possible that reaching a final agreement may require fiscal implications beyond those for which agreement is sought in this paper. However, if this is the case, we suggest that any implications beyond those set out in this paper be considered as part of Budget 2019, informed by negotiation, or met from reprioritisation within the Greater Christchurch Regeneration portfolio. To this end, a placeholder Budget bid has been submitted for Budget 2019, noting that this would only be called upon after exhausting all feasible opportunities for reprioritisation within the portfolio.
56. Additionally, it is important that the full picture of Crown funding in Christchurch (including opportunities through existing government funding programmes in future) is documented and clear, <sup>s9(2)(g)(i)</sup> [REDACTED]. We invite you to consider possible opportunities within your portfolios where initiatives in Christchurch may meet objectives for funding under existing Crown programmes, and for the Department of the Prime Minister and Cabinet's Greater Christchurch Group to be informed of any opportunities.

**Ministers seek delegations for decision-making**

57. We seek your authorisation to enter into a global settlement with the Council, provided the proposed global settlement is within the fiscal constraints set out below and subject to having updated this Committee on the progress of negotiations and the proposed terms of settlement. Cabinet agreement would be required to any implications outside this scope (including the policy for any legislative implications).
58. This delegation is necessary due to the timing constraints around global settlement, including the local body elections, and the need for a streamlined process. The impacts are discussed in the financial implications section below.

*Potential for early agreement-in-principle on OARC land*

59. We note that there may be a need to approve an early, in-principle decision that the Crown is prepared to transfer ownership of RRZ land in the OARC to the Council. If this were required, joint Ministers would ensure any such in-principle decision would be explicitly and publicly subject to finalisation of the wider global settlement package, and negotiation of detailed terms of transfer.
60. This is because a final draft OARC Regeneration Plan is expected to come to the Minister for Greater Christchurch Regeneration for decision-making in early 2019. This plan will set out potential future uses for the area and propose an enabling planning framework to allow for those future uses. However, it cannot provide clarity about long-term ownership.

61. Clarity on ownership is needed for the Crown and Council to answer legitimate questions about roles and responsibilities in future (e.g. who is responsible for managing the land and facilitating or delivering future uses). Communities surrounding this badly affected area have waited for certainty for a long period of time. They and wider stakeholders, such as the Council and the private sector, need this information to make decisions for the future.
62. If required, early, in-principle decisions would:
  - 62.1. complement the planning process (which provides information about potential future uses) by providing information about ownership. This means the community would have a more complete understanding about the status of the land;
  - 62.2. enable the Crown to manage expectations about its role, by demonstrating that (if agreed) the Council is likely to be the future majority landowner, and the Crown is serious about handing over regeneration responsibilities to local leadership;
  - 62.3. offer transparency, by acknowledging there is a process underway for negotiations about land ownership; and
  - 62.4. support momentum, by providing the impetus for urgency in the negotiating process.
63. As with the overall global settlement, an early, in-principle decision that the Crown is prepared to transfer ownership of RRZ land in the OARC to the Council would also be subject to joint Ministers having updated this Committee on the progress of negotiations and the proposed terms of transfer.

#### Financial Implications

64. s9(2)(f)(iv), s9(2)(g)(i) [redacted] Depending on the outcome, the direct financial benefits could include that:
  - 64.1. once the identified assets were transferred, the Crown would no longer be required to pay operating costs of up to \$3.65 million per annum; and
  - 64.2. additionally, the Crown would receive payments from the Council of approximately \$76.6 million, for commitments already agreed s9(2)(g)(i), s9(2)(i) [redacted]

#### *Authorisation sought to address these implications*

65. We seek your agreement to establish tagged operating and capital contingencies in Vote Finance, to provide for costs associated with agreeing a global settlement with the Council and meeting Crown commitments under the original CSA of 2013. Overall, we are seeking:
  - 65.1. **operating contingencies of** s9(2)(g)(i), s9(2)(i) (the Minister of Finance has indicated that this will not impact on Budget 2019 operating allowances); and

65.2. **capital contingencies of** s9(2)(i), s9(2)(f)(iv) (impacting net debt and operating allowances – to be charged against the Budget 2019 capital allowance).

66. We seek delegated authority to joint Ministers to draw down the tagged operating and capital funding, including establishing new appropriations as necessary. In relation to the global settlement initiatives, this would be subject to joint Ministers being satisfied that all appropriate savings have been made in other parts of the Greater Christchurch Regeneration portfolio.

67. This approach is necessary to ensure a global settlement is achievable within the tight timeframes. However, we have instructed officials to minimise the call on these contingencies to that necessary to each a global settlement that achieves the Crown’s objectives set out above.

68. Outside the scope of the delegation sought and global settlement, it is noted that Cabinet consideration will be required in future in relation to:

- 68.1. s9(2)(i)
- 68.2.

68.3. decision-making on investment cases for the Acceleration Facility.

**Risks**

69. The following risks are inherent in undertaking global settlement negotiations but can be mitigated and/or managed:

Delay risk	Overall, there is a risk that agreement may not be reached on the global settlement by May 2019, given the complexity of some matters s9(2)(g)(i). This risk has been somewhat mitigated by making the release of Acceleration Facility funding contingent upon global settlement, and can be mitigated further by a timely entry into negotiations.
Fiscal risk	Officials will seek to reduce the Crown’s current and ongoing fiscal exposure, while also honouring past commitments and realising value where possible.
Precedent risk	As explained in paragraphs 39-41, there are high risks with some issues that Council may wish to discuss, including precedent risk – for example, in relation to core roles/responsibilities of the Crown and local authorities. Constraining the scope of global settlement assists to mitigate this risk. However, negotiations should still take into account the challenges being faced by the Council, and by other councils around the country, to ensure that the final approach is justified and reasonable in this context.

s9(2)(b)(ii), s9(2)(g)(i), s9(2)(i)

Capacity risk	The need to leave the Council in a sound financial and institutional position to lead into the future is acknowledged in the Crown's objectives. In the course of negotiations, the Crown will need to consider the impacts on the Council in taking on increased responsibility and risk.
Risk relating to OARC RRZ land decisions	<p>An early agreement in principle on OARC land may reduce the Crown's leverage for wider negotiations. However, this risk has been mitigated by limiting the scope of the authorisation, and providing that this agreement would only be made if needed and would be subject to negotiation of detailed terms and finalisation of the wider global settlement package.</p> <p>Negotiations on future ownership of the OARC area do not pre-determine the regeneration planning process currently underway, as they do not assume an end use for the area, but focus on the potential transfer of ownership of the land from one party (the Crown) to another (the Council). However, there is a continued need to ensure that this distinction is clear in global settlement decision-making and in any communications and engagement, to avoid any perception of predetermination. There is also a need to consider the sequencing of decisions carefully, particularly in negotiating the level of pre-work required on the titles before any transfer occurs.</p>

### Consultation

70. This paper has been prepared by the Department of the Prime Minister and Cabinet (the Greater Christchurch Group) and the Treasury. It was consulted with the Department of Internal Affairs, Land Information New Zealand, the Ministry for the Environment, and the Ministry of Civil Defence and Emergency Management. The Policy Advisory Group within DPMC was consulted.

### Legislative Implications

71. There are no immediate legislative implications associated with this paper, but it is possible some may arise if the early transfer of certain functions of Regenerate Christchurch is addressed through global settlement negotiations. If so, these implications would require Cabinet consideration.

### Impact of Treaty of Waitangi principles

72. Crown-owned RRZ land which falls within scope of the global settlement negotiations is mostly held under the Canterbury Earthquake Recovery Act 2011 and the process for disposal is governed by the Greater Christchurch Regeneration Act 2016. Several properties in the OARC are subject to rights of first refusal in favour of Te Rūnanga o Ngāi Tahu. Officials are working through the implications for negotiations, and will be liaising with Te Rūnanga o Ngāi Tahu about the global settlement process in general.

### Human Rights and Gender Implications

73. There are no human rights or gender implications raised in this paper.

### Disability Perspective

74. There are no issues requiring consideration of a disability perspective in this paper.

**Timing and Publicity**

75. We propose to enter into negotiations with the Council as soon as possible. As noted above, there are time constraints due to local body elections and the current regeneration planning process underway. It is anticipated that negotiations may take a number of months. Some publicity may be required around the time of any early agreement-in-principle regarding OARC RRZ land.
76. We do not propose to proactively release this paper as it concerns matters that are subject to ongoing commercial negotiations which, if released, could undermine the Crown's negotiating position.

**Recommendations**

77. It is recommended that Cabinet:
1. **note** that, to unlock the potential of Christchurch city, a demonstrable transition is needed from the current extraordinary role played by central government towards a locally-led and sustainable regeneration;
  2. **note** that the future ownership of a significant portfolio of Crown assets in Christchurch is uncertain, and negotiating a global settlement with Christchurch City Council (the Council) is an urgent priority and a significant opportunity for the Crown;
  3. **note** that there is a narrow window for the conclusion of negotiations by May 2019, when the Council's focus will turn to upcoming local body elections;

***Global Settlement will finalise funding support for recovery and regeneration***

4. s9(2)(g)(i)

5. **note** that global settlement is intended to resolve outstanding matters relating to specific Crown and Council roles in earthquake recovery and regeneration to date;
6. **note** that the Council is in a relatively advantageous financial position, in comparison with other councils in New Zealand;
7. **note** that joint Ministers have approved the Council's initial proposals to earmark funding from the Acceleration Facility for \$40 million towards future projects in the RRZ, and \$220 million towards development of the Canterbury Multi-Use Arena, but that the remaining \$40 million in the Acceleration Facility has not yet been earmarked;

***Parameters for negotiations***

8. **authorise** the Minister of Finance and the Minister for Greater Christchurch Regeneration ("joint Ministers") to enter negotiations with the Council that:

***Confirm pre-existing commitments***

- 8.1. long-term ownership of the Bus Interchange and of Crown-owned RRZ land in the Port Hills, Brooklands, and Southshore/South New

Brighton, consistent with the Cost Sharing Refresh Agreement which the Crown and Council agreed in principle in 2017 [CAB-17-MIN-0452 refers];

- 8.2. outstanding payments expected from the Council (potentially up to \$76.6 million, s9(2)(f)(iv), s9(2)(g)(i))

*Address assets needed for regeneration*

- 8.3. long-term ownership of Crown-owned land in the Ōtākaro Avon River Corridor RRZ;

*Position several large and complex assets for the future*

- 8.4. the Crown's project delivery and ownership interests in the Convention Centre, Metro Sports Facility and the Canterbury Multi-Use Arena (the Arena) s9(2)(f)(iv), s9(2)(g)(i)

*Address institutional arrangements*

- 8.5. long-term institutional arrangements, in particular, the future of Regenerate Christchurch s9(2)(f)(iv)

*Confirm process for implementing existing agreements*

- 8.6. process for transferring the Crown contribution for the Square anchor project, and required Performing Arts Precinct s9(2)(i) land, as previously committed under the 2013 CSA;
9. **note** that the Crown will also need to address appropriations required to implement existing commitments under the 2013 CSA (in particular, the write-downs of certain assets), although this will not require discussion with the Council;
10. **agree** that Council flood mitigation works s9(2)(b)(ii) are outside the scope of the negotiations due to the significant risks for other portfolios, and that the Council is directed to wider national policy discussions on flooding and climate change issues;
11. **note** that the Council is likely to want to discuss several other matters and some flexibility will likely be needed, but that joint Ministers do not anticipate opening up new funding channels unless there is a strong justification;
12. **note** that joint Ministers are seeking the establishment of tagged contingencies to address the likely implications of the position set out above,
13. **note** that an agreement will be sought within the fiscal envelope below but that if further implications are necessary to reach an agreement, anything beyond that agreed in this paper be considered as part of Budget 2019 or from reprioritisation within the Greater Christchurch Regeneration portfolio;

*Decision making for the global settlement*

14. **invite** the Minister of Finance and the Minister for Greater Christchurch Regeneration to report back to the Cabinet Economic Development Committee on the progress of negotiations and the proposed terms of settlement;

15. **authorise** joint Ministers to enter into a global settlement with the Council, provided the proposed global settlement is within the fiscal constraints set out below and subject to having first reported back to the Cabinet Economic Development Committee in accordance with recommendation 14;

16. **note** that, if required, joint Ministers may approve an early, in-principle decision that the Crown is prepared to transfer ownership of RRZ land in the Ōtākaro Avon River Corridor – subject to negotiation of detailed terms of transfer and finalisation of the wider global settlement package for confirmation by joint Ministers and subject to having first reported back to the Cabinet Economic Development Committee in accordance with recommendation 14;

17. **note** that there may be legislative implications associated with any transfer of the functions of Regenerate Christchurch, if addressed through the global settlement negotiations, which would still require Cabinet consideration;

**Decision-making on the fiscal implications**

18. **agree** to establish tagged operating and capital contingencies of up to the amounts as follows in Vote Finance, to provide for costs associated with agreeing a global settlement with the Council:

**Operating Contingency**

Initiative name	\$m – increase (decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears
Global Settlement with Christchurch City Council – new items	s9(2)(i)		--	--	--
Meeting Crown commitments under the 2013 Cost Sharing Agreement					
<b>Total Operating</b>			--	--	--

**Capital Contingency**

Initiative name	\$m – increase (decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears
Global Settlement with Christchurch City Council – new items	--	s9(2)(i)	--	--	--
Meeting Crown commitments under the 2013 Cost Sharing Agreement	--		--	--	--
<b>Total Capital</b>	--		--	--	--

19. **note** that the Minister of Finance advises that the funds sought for the operating contingency will not impact on Budget 2019 operating allowances;

20. **agree** that the tagged capital contingency in recommendation 19 be charged against the Budget 2019 capital allowance;

21. **agree** that any undrawn contingency for 2018/19 be transferred to 2019/20;

22. **authorise** joint Ministers to draw down the tagged operating and capital funding for Global Settlement in recommendation 19, including establishing new appropriations as necessary, subject to joint Ministers being satisfied that all appropriate savings have been made in other parts of the Greater Christchurch Regeneration portfolio;
23. **authorise** joint Ministers to draw down the tagged operating and capital funding for Meeting Crown Commitments under the 2013 Cost Sharing Agreement in recommendation 19, including establishing new appropriations; as necessary;
24. **note** that there may be opportunities to reduce the scale of the fiscal impacts (both in this paper and in the proposed Budget bid) – for example, through reprioritisation of existing appropriations within the Greater Christchurch Regeneration portfolio, where feasible;
25. **note** that Ministers are invited to consider possible opportunities within Crown portfolios where initiatives in Christchurch may meet objectives for funding under existing programmes, s9(2)(g)(i)
26. s9(2)(f)(iv), s9(2)(g)(i), s9(2)(i)
27. **note** that joint Ministers have instructed officials to minimise the call on these contingencies, to that necessary to reach a global settlement.

Authorised for lodgement

Hon Grant Robertson  
**Minister of Finance**

Hon Dr Megan Woods  
**Minister for Greater Christchurch Regeneration**

Attachment A: Table: Key Crown assets

ATTACHMENT A: KEY CROWN ASSETS*		Existing agreements with Council	Crown costs	Book value	Operating liability
<i>Ownership confirmed through the Crown-Christchurch City Council Cost Sharing Agreement 2013</i>					
<b>Public realm assets/land in the North, East and South Frames</b>	Held by Ōtākaro Limited (Ōtākaro) on behalf of the Crown. Some portions still to be delivered by Ōtākaro.	In 2013, the Crown agreed to transfer public realm to the Council upon completion.	Anticipated s9(2)(i) for land, design, construct	\$110.5m BV	Rates and maintenance
<b>Metro Sports Facility anchor project (in construction)</b>	Held and being delivered by Ōtākaro on behalf of the Crown.	In 2013, Council agreed to contribute \$147m. s9(2)(i)	s9(2)(i)	s9(2)(i)	Council to own/operate upon completion.
<b>Performing Arts Precinct land</b>	Land held by Ōtākaro Limited on behalf of the Crown. Project led by Council.	In 2013, Crown agreed to provide the required land. Council agreed to commit \$158.5 million (\$127.5m of which was later committed for Town Hall repair).	\$30.7m to date for land + public realm delivery	\$12.37m BV s9(2)(i)	Rates and maintenance
<b>Stadium / Multi-Use Arena land</b>	Held by LINZ, s9(2)(i)	In 2013, the Crown agreed to provide land for the project.	To date, s9(2)(i) for land s9(2)(i) appropriated for business case	s9(2)(i)	Rates and maintenance
<i>Ownership agreed in principle through the Cost Sharing Refresh Agreement 2017 – final agreement not yet confirmed</i>					
<b>Bus Interchange anchor project</b>	Delivered by CERA. Owned and operated by Ōtākaro on behalf of the Crown.	In 2013, Council agreed to contribute \$23m towards delivery. In 2017, agreement in principle to divest to Council for its \$23m contribution (noting no private sector interest).	\$83.5m for land, design and construction	\$64.23m BV s9(2)(i)	Currently \$1.4-1.5m per annum
<b>Port Hills residential red zone (RRZ) – 597 properties</b>	Purchased by the Crown after being zoned red due to unacceptable risks to life – held and managed by Land Information New Zealand (LINZ).	In 2013, Council agreed to contribute 50% of the net costs of purchasing properties affected by rockfall/rock roll. Crown agreed to transfer up to 50% of properties in this category where they adjoined Council reserves. In 2017, agreement in principle to divest 100% of rockfall land and 100% of cliff collapse land for no additional contribution.	To date, \$208m	\$30.7m BV	Currently \$2.15m per annum operating costs across Christchurch RRZ (rates, maintenance, security)
<b>Southshore / South New Brighton and Brooklands RRZ – 664 properties</b>	Purchased by the Crown after being zoned red due to area-wide land damage – held and managed by LINZ.	In 2017, agreement in principle to divest all 664 properties to Council at nil cost.	To date, \$148.5m	\$8.0m BV	
<i>Decision-making on long-term ownership still required</i>					
<b>Ōtākaro Avon River Corridor RRZ – 5,446 properties</b>	Purchased by the Crown after being zoned red due to area-wide land damage – held and managed by LINZ.	No existing commitments re: future ownership.	To date, \$1,111.7m	\$35.9m BV	Included in above
<b>Convention Centre anchor project (in construction)</b>	Being constructed by Ōtākaro on behalf of the Crown. Surrounding Precinct land held by Ōtākaro for future development.	No existing commitments re: future ownership.	s9(2)(i)		Crown to pay operating costs while it continues to own s9(2)(i)
<i>Other matters</i>					
<b>Land holdings in the central city, surplus to requirements of anchor projects</b>	Ōtākaro owns land in the central city and is divesting on behalf of the Crown.	A process is in place for future ownership, outside the scope of Crown-Council negotiations.	Costs of acquisition (figures not held)	Figures are changing over time. Book values and vendor financing to consider.	Rates and maintenance

\* Exclusions include Crown contributions to delivery of assets held by other parties, in particular the Christchurch City Council, or other Crown assets which are in scope of the Crown's business-as-usual role (e.g. schools).



# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Global Settlement with Christchurch City Council: Negotiating Parameters

**Portfolios**                      **Finance / Greater Christchurch Regeneration**

On 5 December 2018, the Cabinet Economic Development Committee (DEV):

#### Background

- 1        **noted** that, to unlock the potential of Christchurch city, a demonstrable transition is needed from the current extraordinary role played by central government towards a locally-led and sustainable regeneration;
- 2        **noted** that the future ownership of a significant portfolio of Crown assets in Christchurch is uncertain, and that negotiating a global settlement with Christchurch City Council (the Council) is an urgent priority and a significant opportunity for the Crown;
- 3        **noted** that there is a narrow window for the conclusion of negotiations by May 2019, when the Council's focus will turn to upcoming local body elections;

#### Global settlement will finalise funding support for recovery and regeneration

- 4        s9(2)(g)(i)  

- 5        **noted** that the global settlement is intended to resolve outstanding matters relating to specific Crown and Council roles in earthquake recovery and regeneration to date;
- 6        **noted** that the Council is in a relatively advantageous financial position, in comparison with other councils in New Zealand;
- 7        **noted** that:
  - 7.1        as part of Budget 2018, the government announced a \$300 million Christchurch Regeneration Acceleration Facility [CAB-18-MIN-0158.11];
  - 7.2        the Minister of Finance and the Minister for Greater Christchurch Regeneration (joint Ministers) have approved the Council's initial proposals to earmark funding from the Acceleration Facility for \$40 million towards future projects in the residential red zone (RRZ), and \$220 million towards development of the Canterbury Multi-Use Arena;

7.3 the remaining \$40 million in the Acceleration Facility has not yet been earmarked;

### Parameters for negotiations

8 **authorised** joint Ministers to enter negotiations with the Council that:

8.1 confirm pre-existing commitments:

8.1.1 long-term ownership of the Bus Interchange and of Crown-owned RRZ land in the Port Hills, Brooklands, and Southshore/South New Brighton, consistent with the Cost Sharing Refresh Agreement which the Crown and Council agreed in principle in 2017 [CAB-17-MIN-0452];

8.1.2 outstanding payments expected from the Council (potentially up to \$76.6 million, s9(2)(f)(iv), s9(2)(g)(i) [redacted])

8.2 address assets needed for regeneration:

8.2.1 long-term ownership of Crown-owned land in the Ōtakaro Avon River Corridor RRZ;

8.3 position several large and complex assets for the future:

8.3.1 the Crown's project delivery and ownership interests in the Convention Centre, Metro Sports Facility and the Canterbury Multi-Use Arena (the Arena) s9(2)(f)(iv), s9(2)(g)(i) [redacted]

8.4 address institutional arrangements:

8.4.1 long-term institutional arrangements, in particular, the future of Regenerate Christchurch s9(2)(f)(iv) [redacted]

8.5 confirm the process for implementing existing agreements:

8.5.1 process for transferring the Crown contribution for the Square anchor project, and required Performing Arts Precinct s9(2)(i) [redacted] land, as previously committed under the 2013 Cost Sharing Agreement;

9 **noted** that the Crown will also need to address appropriations required to implement existing commitments under the 2013 Cost Sharing Agreement [CAB Min (13) 21/3] (in particular, the write-downs of certain assets), although this will not require discussion with the Council;

10 **agreed** that Council flood mitigation works and s9(2)(b)(ii) [redacted] are outside the scope of the negotiations due to the significant risks for other portfolios, and that the Council be directed to wider national policy discussions on flooding and climate change issues;

11 **noted** that the Council is likely to want to discuss several other matters and some flexibility will likely be needed, but that joint Ministers do not anticipate opening up new funding channels unless there is a strong justification;

12 **noted** that joint Ministers are seeking the establishment of tagged contingencies to address the likely implications of the position set out above;

13 **noted** that an agreement will be sought within the fiscal envelope outlined below, but that if further commitments are necessary to reach an agreement, anything beyond that agreed in the paper under DEV-18-SUB-0285 will be considered as part of Budget 2019 or from reprioritisation within the Greater Christchurch Regeneration portfolio;

**Decision making for the global settlement**

14 **invited** joint Ministers to report back to DEV on the progress of the negotiations and the proposed terms of settlement;

15 **authorised** joint Ministers to enter into a global settlement with the Council, provided the proposed global settlement is within the fiscal constraints set out below and subject to having first reported back to DEV in accordance with paragraph 14 above;

16 **noted** that, if required, joint Ministers may approve an early, in-principle decision that the Crown is prepared to transfer ownership of RRZ land in the Ōtākaro Avon River Corridor, subject to:

16.1 negotiation of detailed terms of transfer and finalisation of the wider global settlement package for confirmation by joint Ministers;

16.2 joint Ministers having first reported back to DEV in accordance with paragraph 14 above;

17 **noted** that there may be legislative implications associated with any transfer of the functions of Regenerate Christchurch, if addressed through the global settlement negotiations, which would still require Cabinet consideration;

**Decision-making on the fiscal implications**

18 **agreed** to establish tagged operating and capital contingencies of up to the amounts as follows in Vote Finance, to provide for costs associated with agreeing a global settlement with the Council:

**Operating Contingency**

Initiative name	Sm – increase (decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears
Global Settlement with Christchurch City Council – new items	s9(2)(g)(i)		--	--	--
Meeting Crown commitments under the 2013 Cost Sharing Agreement					
<b>Total Operating</b>			--	--	--

**Capital Contingency**

Initiative name	\$m – increase (decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears
Global Settlement with Christchurch City Council – new items	--	s9(2)(g)(i)	--	--	--
Meeting Crown commitments under the 2013 Cost Sharing Agreement	--		--	--	--
<b>Total Capital</b>	--		--	--	--

- 19 **noted** that the Minister of Finance advises that the funds sought for the operating contingency will not impact on Budget 2019 operating allowances;
- 20 **agreed** that the tagged capital contingency in paragraph 18 above be charged against the Budget 2019 capital allowance;
- 21 **agreed** that any undrawn contingency for 2018/19 be transferred to 2019/20;
- 22 **authorised** joint Ministers to draw down the tagged operating and capital funding for the global settlement, including establishing new appropriations as necessary, subject to joint Ministers being satisfied that all appropriate savings have been made in other parts of the Greater Christchurch Regeneration portfolio;
- 23 **authorised** joint Ministers to draw down the tagged operating and capital funding for Meeting Crown Commitments under the 2013 Cost Sharing Agreement, including establishing new appropriations, as necessary;
- 24 **noted** that there may be opportunities to reduce the scale of the fiscal impacts (both in the paper under DEV-18-SUB-0285 and in the proposed Budget bid), for example through reprioritisation of existing appropriations within the Greater Christchurch Regeneration portfolio, where feasible;
- 25 **noted** that Ministers are invited to consider possible opportunities within Crown portfolios where initiatives in Christchurch may meet objectives for funding under existing programmes. s9(2)(g)(i)
- 26 s9(2)(f)(iv), s9(2)(g)(i), s9(2)(i)
- 27 **noted** that joint Ministers have instructed officials to minimise the call on these contingencies, to that necessary to reach a global settlement.

Janine Harvey  
Committee Secretary

**Hard-copy distribution: (see over)**

**Present:**

Rt Hon Winston Peters  
Hon Grant Robertson (Chair)  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Andrew Little  
Hon David Parker  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Shane Jones  
Hon Willie Jackson  
Hon James Shaw  
Hon Eugenie Sage  
Fletcher Tabuteau MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

**Hard-copy distribution:**

Minister of Finance  
Minister for Greater Christchurch Regeneration

Proactively released by the  
Minister for Greater Christchurch Regeneration



# Cabinet

## Minute of Decision

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### Report of the Cabinet Economic Development Committee: Period Ended 7 December 2018

On 10 December 2018, Cabinet made the following decisions on the work of the Cabinet Economic Development Committee for the period ended 7 December 2018:

Not relevant to this release

DEV-18-MIN-0285

**Global Settlement with Christchurch City Council: Negotiating Parameters**

CONFIRMED

Portfolios: Finance / Greater Christchurch Regeneration

Not relevant to this release

Not relevant to this release



Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

Cabinet Economic Development Committee  
Minister of Justice  
Associate Minister of Transport (Hon Julie Anne Genter)