The Treasury

Budget 2026 Information Release

September 2026

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Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

[1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government

[2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government

[4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial

[7] 6(e)(ii) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the regulation of banking or credit

[12] 7(a)(i) - to avoid prejudice to the security or defence of the self-governing State of the Cook Islands

[13] 7(a)(ii) - to avoid prejudice to the security or defence of the self-governing State of Niue

[14] 7(a)(iii) - to avoid prejudice to the security or defence of Tokelau

[15] 7(a)(iv) - to avoid prejudice to the security or defence of the Ross Dependency

[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[26] 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 interest that such information should continue to be supplied

[27] 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

[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;

[36] 9(2)(h) - to maintain legal professional privilege

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: Budget 2026 Bilateral on Transport

Date:	Friday, 13 March 2026	**Report No:**	T2026/502
		File Number:	AD-1-183-M134879

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Discuss** the contents of this report with Minister Bishop at your Budget bilateral meeting	Monday, 16 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Lorenzo Malavisi	Analyst, Infrastructure Security and Government	[39]	[35]	
Amanda Wilson	Unit Manager, Infrastructure Security and Government			✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: Yes (Annex 3 attached)

Treasury Report: Budget 2026 Bilateral on Transport

Purpose

1. You are meeting with the Minister of Transport (Hon Bishop), at 3.30pm on Monday 16 March 2026 to discuss options for the Government Policy Statement on Land Transport 2027 as part of the Transport's Budget 2026 package.

2. **Annex 1** provides you with a proposed agenda for the meeting and supporting Treasury advice and talking points. **This version will not be provided to portfolio Ministers ahead of the meeting.**

3. **Annex 2** is agenda that has – with your office's approval – also been sent to the office of the Minister of Transport and their agency. **It is provided for your visibility only. You do not need to review it – there is no additional material in Annex 2 that is not already in Annex 1.**

4. **Annex 3** provides you with an overview of core scenario choices for GPS 27. **This will not be provided to portfolio Ministers ahead of the meeting.**

5. [33] . **This will not be provided to portfolio Ministers ahead of the meeting.**

6. **Annex 5** provides you with an annex of Treasury's assessment of each initiative. **This will not be provided to portfolio Ministers ahead of the meeting.**

7. Decisions taken at this meeting will inform the next draft Budget 2026 material.

Recommended actions

We recommend that you:

a **Discuss** the contents of this report with Minister of Transport (Hon Chris Bishop) at the bilateral meeting on Monday 16 March 2026

Agenda Item 1 – Strategic considerations for the Transport portfolio

b **Agree** with the Minister of Transport that the priority for the transport portfolio is maintaining and renewing the existing system, with prudent proactive investment to avoid higher long-term costs

c **Agree** with the Minister of Transport that Budget 2026 and GPS 27 should, at a minimum, set a credible path to NLTF sustainability

d **Agree** with the Minister of Transport that funding decisions taken through this Budget should not constrain future revenue raising decisions in ways that would delay, or make unpalatable, major investments such as the Waitematā Harbour Connection (WHC) project

[33]

[33]

Agenda Item 3 – New investment on top of minimum required funding

h **Discuss** what level of funding over and above the minimum level required to maintain the system (Agenda Item 2), if any, should be considered, noting fiscal constraints and upcoming decisions on WHC

i **(If required) Discuss** the revenue options to fund new investments, and

j **Direct** officials to package up Ministers preferred GPS 27 funding option (from Agenda Item 2 and 3) and undertake further analysis based on your indicative direction for a potential revenue versus Crown contribution mix.

Amanda Wilson
Unit Manager, Infrastructure, Security and Government

Hon Nicola Willis
Minister of Finance

_____/_____/_______

Annex 1 – Agenda and Supporting

Agenda Item 1 – Strategic considerations for the Transport portfolio

Description of key issue	The Minister of Transport has submitted Budget bids for both rail and the Government Policy Statement on land transport 2027 (GPS 27). Given the scale and future impacts of the GPS 27 initiative and noting you have provided a steer on your comfort with our rail recommendations, **Treasury recommends that this bilateral focus on GPS 27 only.** Through Budget 2026, the Ministry of Transport (MoT) submitted a placeholder bid for GPS 27 [34] Ministers therefore face unavoidable choices to return the National Land Transport Fund (NLTF) to a sustainable path – either by constraining the capital programme and ongoing maintenance or by raising additional revenue beyond increases already agreed. MoT have presented 3 options with varying levels of core maintenance activities. Ministers will need to make choices on what the minimum required level of funding to maintain the system is, before considering additional new major investments. These scenarios are presented assuming the planned Fuel Excise Duty (FED) and Road User Charges (RUC) increases (agreed by Cabinet in 2024) proceed as planned – 12, 6, 4 cents per litres commencing from January 2027. Delays to implementing these could have significant implications for ongoing operations. Decisions taken through Budget 2026 and GPS 27 will shape future revenue-raising and investment options. With fuel-price volatility heightened by the conflict involving Iran, there is likely to be limited appetite for near-term FED/RUC increases, reinforcing the need to preserve revenue-raising flexibility for future, economically significant investments.
Treasury recommended talking points	• **Agree** with the Minister of Transport that the priority for the transport portfolio is maintaining and renewing the existing system, with prudent proactive investment to avoid higher long-term costs. • **Agree** with the Minister of Transport that Budget 2026 and GPS 27 should, at a minimum, set a credible path to NLTF sustainability. • **Agree** with the Minister of Transport that funding decisions taken through this Budget should not constrain future revenue-raising decisions in ways that would delay, or make unpalatable, major investments such as the Waitematā Harbour Connection (WHC) project.
Treasury advice	Decisions now will shape the ability to fund future priorities.

[34]

	Treasury's first best advice would be that any new funding be met through revenue increases, consistent with the user-pays principle and that Ministers ensure the current system is maintained ahead of investing in new capital projects. Given the WHC project's uniqueness and significant cost, it will require access to different financing arrangements and revenue will be an important part of this. Therefore, you will need to be cognisant of this when making decisions on revenue levels and ambition for GPS 27. Deferring decisions on maintaining the current network risks higher future costs longer-term, as deferred maintenance increases the likelihood of asset failure and raises the eventual cost of remediation. Treasury recommends the priority for the transport portfolio is maintaining and renewing the existing system, with prudent proactive investment to avoid higher long-term costs.

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__Agenda Item 3 – New investment on top of minimum required funding__

Description of key issue	After making choices on the minimum level of required funding to maintain the existing system (Agenda Item 2) you may wish to consider options to expand the system through new investments. This could include capital projects from the Major Transport Projects Pipeline (MTPP). We recommend using the MTPP to guide your decisions, starting with the highest value projects, noting the MTPP has not been finalised or approved by Cabinet yet.
Treasury recommended talking points	• **Discuss** what level of funding over and above the minimum level required to maintain the system (Agenda Item 2), if any, should be considered, noting fiscal constraints and upcoming decisions on WHC. • **(If required) Discuss** the revenue options to fund new investments. • **Direct** officials to package up Ministers preferred GPS 27 funding option (from Agenda Item 2 and 3) and undertake further analysis based on your indicative direction for a potential revenue versus Crown contribution mix.
Treasury advice	We recommend that you focus any new investment on maintaining the existing core and that this is the priority for GPS27. We consider expansionary GPS options, including funding for additional MTPP projects, to exceed prudent fiscal management, in the context of wider government structural deficits, and existing pressure on further FED and RUC increases. We also caution against a package that minimises funding for core maintenance in

favour of new investments, as such, suggest considering this funding in addition to minimum required levels.

If Ministers do wish to consider additional funding for new investments, the Treasury's first best recommendation would be for funding from revenue. You could use this discussion to test the Ministers appetite for higher user paid revenue to support increased transport investment, recognising the direct impacts on households and users, and in the context of the current conflict in the Middle East.

However, in the context of the implications of significant revenue increases at this time, the Budget package currently has a placeholder for [33] . Whilst we recommend new funding goes towards core activities first, you have choices over how you direct additional capital funding.

Ministers should be cognisant of the total new funding available via revenue and/or Crown grants, noting upcoming decisions on WHC, and the need to prioritise any available additional funding into core maintenance first.

In deploying revenue levers (FED/RUC, Motor Vehicle Registration (MVR), tolling, and Infrastructure Funding and Financing (IFF) levies), Ministers should consider the implications for future investment decisions, including preserving flexibility to raise revenue for potentially higher-priority investments, even where those decisions are not yet imminent.

[33]

Failing to account for these future pressures risks constraining future revenue-raising options.

Below is an extract of the draft MTPP in order of deemed priority should new funding become available. We recommend you use this to guide any new investment decisions and effectively can decide how many projects you wish to enable funding for, should you deem that funding to be available.

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Annex 2 – Annotated Agenda that has been referred to the portfolio Minister

Agenda

The proposed agenda for this meeting is set out below. Further details on each agenda item are set out in the tables below.

1. **Agenda Item 1: Strategic considerations for the Transport portfolio**

[33]

3. **Agenda Item 3: New investment on top of minimum required funding**

***Agenda Item 1* – Strategic considerations for the Transport portfolio**

Description of key issue	The Minister of Transport has submitted Budget bids for both rail and the Government Policy Statement on land transport 2027 (GPS 27). Given the scale and future impacts of the GPS 27 initiative and noting you have provided a steer on your comfort with our rail recommendations, **Treasury recommends that this bilateral focus on GPS 27 only.** Through Budget 2026, the Ministry of Transport (MoT) submitted a placeholder bid for GPS 27 on the [34] Ministers therefore face unavoidable choices to return the National Land Transport Fund (NLTF) to a sustainable path – either by constraining the capital programme and ongoing maintenance or by raising additional revenue beyond increases already agreed. MoT have presented 3 options with varying levels of core maintenance activities. Ministers will need to make choices on what the minimum required level of funding to maintain the system is, before considering additional new major investments. These scenarios are presented assuming the planned Fuel Excise Duty (FED) and Road User Charges (RUC) increases (agreed by Cabinet in 2024) proceed as planned – 12, 6, 4 cents per litres commencing from January 2027. Delays to implementing these could have significant implications for ongoing operations for the ability to deliver programmes in current scenarios. Decisions taken through Budget 2026 and GPS 27 will shape future revenue-raising and investment options. With fuel-price volatility heightened by the conflict involving Iran, there is likely to be limited appetite for near-term FED/RUC increases, reinforcing the need to preserve revenue-raising flexibility for future, economically significant investments.

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[33]

Agenda Item 3 – New investment on top of minimum required funding

Description of key issue	After making choices on the minimum level of required funding to maintain the existing system (Agenda Item 2) you may wish to consider options to expand the system through new investments. This could include capital projects from the Major Transport Projects Pipeline (MTPP). We recommend using the MTPP to guide your decisions, starting with the highest value projects, noting the MTPP has not been finalised or approved by Cabinet yet.

[33]

[33]

[33]

Budget 2026 - Package as at 9 March 2026 (Vote Transport)

Note

1. Some initiatives have significant out year components. This alters the way operating averages are calculated and may result in misalignment between Total Opex and Opex P.A. in the Treasury Package.
2. This annex aligns to the 'low' package set out in the Budget Ministers slides
3. Treasury's VAD framework quantifies the value (weighted through benefits and costs), alignment to Government Budget 2025 priorities, and delivery feasability of an initiative, rated from 1 (low) to 4 (high).

							Dept. Submissions $(m)			Current Package $(m)			Value for Money Values		
Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Total Opex	Opex P.A.	Total Capex	Total Opex	Opex P.A.	Total Capex	V	A	D
Transport	17138	New Capital Investment	Rail Network Investment Programme (RNIP) - National Rail Freight Network	This initiative funds the maintenance, operation and renewal of the national rail freight network from 2027/28 onward. It will deliver an efficient and reliable national rail network, enabling KiwiRail to continue network services for all rail users and to support projected freight growth on rail, that offers a more productive, efficient and reliable transport network providing economic growth and productivity benefits.	Included	We recommend supporting this initiative. The Rail Network Investment Programme 2027-30 (RNIP) is being drafted in the coming months, and making funding decisions now will set expectations for KiwiRail and co-funders upfront and help drive transformation, reducing overall costs. KiwiRail has indicated that 3 years of funding certainty (rather than the current 1-year approach) would enable more efficient planning, standardised design and bulk procurement; driving costs down by 25%. Alternatively, funding could be scaled to minimum viable levels (1 year at 100%) with the rest deferred until RNIP is drafted - reducing pressure on allowances now but delaying realisation of efficiencies.	477.1	119.3	598.2	477.1	119.3	598.2	3	3	3
	17139	Investment Savings	Reprioritisation - Rail Network Investment Programme (RNIP) tagged contingency	This initiative makes available for reprioritisation $170 million from the Rail Network Investment Programme 2024-27 capital tagged contingency that was established through Budget 2024. As a result of significant savings being identified, this funding is no longer required for the current RNIP period. The funding could be used to offset the cost of other rail initiatives invited to Budget 2026, including the 2027-30 RNIP (national freight network) or RNIP metro rail network overdue renewals initiative.	Included	We recommend supporting this initiative. The final size of Rail Network Investment Programme (RNIP) for 2024-27 was confirmed last year, incorporating cost reductions, and the programme has been fully funded to that agreed level. As the residual tagged contingency funding is no longer required for its sole agreed purpose (supporting RNIP 2024-27), the full remaining amount should be returned to the centre by default. Ministers could choose to communicate this saving as being used to offset some of the cost of key rail spending pressures invited to Budget 2026, namely the 2027-30 RNIP (17138), and Metro Rail Overdue Renewals (17161).	-	-	(170.0)	-	-	(170.0)	4	4	4
	17143	Baseline Reduction	Baseline savings - Rail Grants (Hillside)	This initiative will return $7 million from the Hillside Programme to the Crown, as it is no longer needed for its intended purpose.	Included	We recommend supporting this baseline savings initiative. We have assessed the savings to be achievable and present only minor and manageable risks. We note this savings is a return of one-off/time limited funding, which therefore does not create an enduring saving/ongoing baseline reduction. We recommend returning this savings to the centre (Ministry of Transport preferred), over reprioritising for electrical infrastructure upgrades at Westfield (KiwiRail preferred), in line with the stated intention for the 2% baseline savings to be returned to the centre.	(7.0)	(1.8)	-	(7.0)	(1.8)	-	4	4	3

[33]

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Dept. Submissions $(m) Total Opex	Dept. Submissions $(m) Opex P.A.	Dept. Submissions $(m) Total Capex	Current Package $(m) Total Opex	Current Package $(m) Opex P.A.	Current Package $(m) Total Capex	Value for Money Values V	Value for Money Values A	Value for Money Values D
Transport	17161	New Capital Investment	Rail Network Investment Programme (RNIP) – Metropolitan Rail Networks Overdue Renewals	This initiative funds critical overdue renewals for the Auckland and Wellington metropolitan rail networks. Addressing the backlog of overdue renewals will improve service levels enabling better metro rail passenger services through the underlying resilience of the network infrastructure. This drives value for money, efficiency, and effectiveness from public transport investment, and increases economic growth and productivity. It also delivers wider benefits including reducing congestion on urban roads, and more efficient use of the transport network. KiwiRail has already delivered one and half years of the programme, which complements the work being completed by the Wellington Metro Upgrade Programme (WMUP) and Auckland Rail Network Rebuild (RNR).	Included	We recommend scaling this initiative, to provide full funding for 1 year only. The Crown has an obligation to fund overdue renewals - a defined programme of replacing life-expired assets. Renewals are needed for continued metro operation and to ensure the benefits of investments such as City Rail Link are realised - costs can be phased or tranched but not avoided outright. Given the volume of other metro works underway (e.g. the Wellington Metro Upgrade Programme) we recommend providing 1 year of funding for overdue renewals to avoid oversaturation, with the remainder revisited at Budget 2027. We understand 1 year would be sufficient to provide a minimum viable level of certainty; though would limit realisation of efficiencies.	-	-	211.7	-	-	106.9	3	3	3
	17244	Baseline Reduction	Baseline savings – Improving Resilience of the Roading Network (operating costs)	This initiative returns all operating funding associated with the Crown Resilience Fund (CRF) which was announced as part of Budget 2023 to improve the resilience of the roading network. This funding is for the programme management costs associated with both the local roads (LR) and state highway (SH) resilience activities. In Budget 2025, all uncommitted funding in the LR component of the CRF from 2027/28 to 2029/30 was returned. With the LR component scheduled to finish at the end of 2026/27 FY and the SH component running through to the end of 2029/30 FY the return of these operating costs would need to be absorbed by the NLTF.	Included	We recommend supporting this baseline savings initiative. The savings comprise of returning administration funding related to administering NIWE funding. We have assessed the savings to be achievable and present only minor and manageable risks. We note these programme management costs (up to $3.2m) for the completion of both the local roads (LR) and state highway (SH) resilience projects, will now be funded from the National Land Transport Fund (NLTF). However, we assess this is unlikely to have a significant impact and represents a low risk.	(3.2)	(0.8)	-	(3.2)	(0.8)	-	3	4	4
	17248	Baseline Reduction	Baseline savings - Drug and Alcohol Assessment Costs	This initiative proposes scaling funding available for drug and alcohol assessment. NZTA is required to pay for court-ordered drug and alcohol assessments in instances where people have been convicted for repeat driving offences and indefinitely disqualified from driving. NZTA receives $978k per annum for this function but historically has not spent the full allocation.	Included	We recommend supporting this baseline savings initiative. We have assessed the savings to be achievable and present only minor and manageable risks. This programme has historically underspent its available funding, and we agree that the proposed reduction is unlikely to impact delivery of this service. We note if demand for this programme were to increase above available funds (although we assess this is unlikely), the programme would need to be funded out of the National Land Transport Fund (NLTF), increasing existing pressures on the fund. We expect if this was to occur it would be unlikely to have a significant impact in isolation.	(2.0)	(0.5)	-	(2.0)	(0.5)	-	4	4	4

[33]

Vote	ID	Budget Track	Title	Description	Current Status	Treasury Recommendation and Commentary	Dept. Submissions $(m) Total Opex	Opex P.A.	Total Capex	Current Package $(m) Total Opex	Opex P.A.	Total Capex	Value for Money Values V	A	D
Transport	[33]														