

Cook Strait Ferry Replacement Programme – key decisions

Proactive Release

11 March 2026

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Date 6 November 2025

To Minister for Rail
Minister of Finance
Minister of Transport

From Ferry Holdings Limited Board

Cook Strait Ferry Replacement programme – key decisions

Purpose

1. This report seeks key decisions to progress the Cook Strait Ferry Replacement programme (programme), including agreement to the final investment decision to purchase two new ferries, funding to progress infrastructure delivery, the nature of Government ownership in port assets, and port commercial arrangements.

Summary

2. In March 2025 Cabinet agreed that Ferry Holdings Limited commence the direct procurement of two new 200-metre rail-enabled ferries for delivery by 2029 and pursue a maximum-reuse, minimum-viable infrastructure programme. Cabinet set a \$1.7 billion Government funding envelope [CAB-25-MIN-0095 refers].
3. We have certainty the ships procurement with Guangzhou Shipyard International (GSI) meets the Government's requirements, in terms of ship specifications, cost and timeframes. This has been confirmed by the proposed contract and in the business case.
4. We have worked with the port companies and KiwiRail to determine the infrastructure required to support the new ferries, and the associated time and cost of this work. [REDACTED]
[REDACTED] [s9(2)(f)(iv)] This assessment has taken significant time and effort from all parties involved.
5. Since FHL was stood-up in April 2025, we have increased understanding of the port infrastructure required to support the new ferries. [REDACTED]
[REDACTED] [s9(2)(f)(iv)] We undertook rigorous risk and assurance processes to better understand and reduce the level of risk by setting appropriate cost and delivery schedule contingencies [REDACTED]
[REDACTED] [s9(2)(f)(iv)] the new ships arrive in 2029.
6. We are continuing to work closely with our partners to reduce risk and improve the level of programme certainty, including accelerating port construction timeframes. In November 2025, the port companies' respective Boards restated their commitment to work collaboratively with FHL to deliver their infrastructure works and add float into the programme.

7. The port companies' commitments to delivering the necessary infrastructure provide us with confidence that the programme can be delivered within the total funding envelope (which includes Government and port company funding), and that port infrastructure will be ready in 2029 in time for the new ferries.
8. Therefore, we recommend Ministers approve the final decision to fund the ships. Further context and analysis is included in **Annex 1** and the interim Approval to Deliver (ATD) business case is attached in **Annex 2**.

Infrastructure requirements

9. At CentrePort we are reusing existing assets where possible, including upgrading the wharf, reusing the berthing pocket and partially upgrading the vehicle access bridge. [REDACTED] [s9(2)(f)(iv)] a new linkspan, linkspan approach structure and passenger walkway is required to safely accommodate the new ships. We are continuing to work with CentrePort on its detailed infrastructure solution, including the wharf expansion length, the final linkspan specifications [REDACTED] [s9(2)(j)][s9(2)(i)]
10. At Port Marlborough new infrastructure is required because existing assets are end-of-life. This includes a new wharf, linkspan, vehicle access bridge, passenger walkway and transition infrastructure. This will be delivered on a minimum viable product basis.
11. Infrastructure is estimated to cost [REDACTED] [s9(2)(i)][s9(2)(j)] billion. We undertook a robust quantitative risk assessment (QRA) process to assess the level of risk and to set the infrastructure contingency included at [REDACTED] [s9(2)(i)][s9(2)(j)] million. These costs are within the total funding envelope.
12. The port specifications were developed to meet the ship specifications. We are actively working with the port companies and KiwiRail to ensure the interface between the port infrastructure and ship specifications remains aligned during design and construction.
13. We are working with the port companies and KiwiRail to ensure the infrastructure is ready in time for the first ship arriving in New Zealand. We are targeting infrastructure works being completed in [REDACTED] [s9(2)(i)][s9(2)(j)] in Wellington and [REDACTED] [s9(2)(i)][s9(2)(j)] in Picton. These timeframes are acknowledged by all parties as tight.
14. To meet these timeframes, we now seek [REDACTED] [s9(2)(j)][s9(2)(i)] million of initial funding from the Government funding envelope to progress infrastructure works. This includes funding for port infrastructure design and enabling works, KiwiRail's infrastructure works (including Dublin Street), linkspan procurement and FHL operational funding. We intend to seek further funding decisions by mid-2026.

Infrastructure ownership and commercial arrangements

15. Our proposed ownership arrangements reflect the Government's relative financial contributions and provide the Government with the opportunity to earn future revenue. There are three categories of proposed infrastructure asset ownership:

15.1 [REDACTED] [s9(2)(i)][s9(2)(j)]

15.2 [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(j)][s9(2)(i)]

15.3 [REDACTED] [s9(2)(i)][s9(2)(j)]

16. Both port companies have confirmed their commitment to deliver the infrastructure and work with us to reduce risk, improve certainty and resolve outstanding commercial matters. We are currently negotiating interim development agreements (IDAs) with each port company. We aim to execute these agreements by the end of 2025. Subject to your feedback, we seek your agreement to the proposed material key terms of the commercial arrangements with the port companies. The IDAs:

16.1 set the scope, project schedule and cost estimates for infrastructure works

16.2 confirm CentrePort and Port Marlborough's financial contributions of up to [REDACTED] [s9(2)(j)][s9(2)(i)] million and \$110 million, respectively, the nature of asset ownership and the principles of operating fees related to these financial contributions

16.3 ensure FHL retains decision rights to material changes to the infrastructure scope, delivery schedule and costs to protect the Government's interests

16.4 confirm we will continue to work with KiwiRail to obtain key confirmations (e.g. lease terms, operating fees, ongoing maintenance and security arrangements), and

16.5 include assignment and change of control provisions that provide the Government with flexibility to change the ferry operator.

17. The IDA with Port Marlborough will specify Port Marlborough will use, operate and maintain co-owned assets, and on-lease use of these to the operator.

18. By mid-2026, we will negotiate final development agreements with port companies and commercial arrangements with KiwiRail to reflect that KiwiRail (as default operator) will operate the ferries and use FHL and port-owned infrastructure.

Ship procurement contracts

19. [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(i)][s9(2)(j)]

20. The ships meet the needs of freight and passenger transport systems. If you agree to fund the ships, the first ship is scheduled to arrive in New Zealand in [REDACTED] [s9(2)(b)(ii)] 2029 and the second in [REDACTED] [s9(2)(b)(ii)] 2029. This will enable the ships to be in service in [REDACTED] [s9(2)(b)(ii)] 2029. Delaying a decision would result in losing our ship building slots, meaning the ships would not be delivered in 2029.

21. The proposed ships contract terms reduce the risk of the ships not being delivered on

time because most of the delivery risk sits with GSI. The contracts include milestone payments [redacted] [s9(2)(b)(ii)] and significant penalty rates for non-delivery. We invite feedback on the proposed ship contract key terms, which are:

- 21.1 GSI is required to obtain a refund guarantee from a reputable bank
 - 21.2 [redacted]
[redacted]
 - 21.3 [redacted]
[redacted]
[redacted]
[redacted] [s9(2)(f)(iv)]
 - 21.4 a Crown guarantee will be provided to GSI covering the ships' milestone payments
 - 21.5 UK law will govern the ships contracts and refund guarantee law. New Zealand law governs the Crown guarantee of the ships' purchase, and
 - 21.6 the terms and conditions of the 24-month post-delivery warranty.
22. National security considerations were considered in the procurement process.
[redacted]
[redacted]
[redacted] [s9(2)(b)(ii)][s9(2)(i)][s9(2)(j)]
23. Cybersecurity has been incorporated into ship procurement and design development.
[redacted]
[redacted] [s9(2)(i)][s9(2)(j)][s9(2)(b)(ii)]. Ship design and operation must comply with the International Maritime Organisation's cybersecurity framework, which requires built-in cyber resilience and ensures systems are securely integrated. Our work programme includes independent verification during the ship design process.

Total investment programme

- 24. The total investment programme is expected to cost \$1.867 billion (including contingency). We have identified up to [redacted] [s9(2)(j)][s9(2)(h)] in funding to deliver the programme. There is currently [redacted] [s9(2)(i)][s9(2)(j)] in headroom across the programme.
- 25. The value of the funding decisions in this paper are major transactions for FHL under the Companies Act 1993. This requires shareholders' approval. We provided the Treasury with draft special resolutions, which they will provide you with for execution.

Next steps

- 26. Subject to your agreement, FHL will sign the ship contracts. The Minister for Rail, on behalf of shareholding Ministers, is expected to announce the ship contracts have been signed on 19 November 2025. A public ceremonial signing event is planned at GSI on 27 November 2025 with the Minister for Rail, Chair of the FHL Board and FHL's Ship Programme Director attending.

Recommendations

FHL recommends shareholding Ministers:

1. **Note** Cabinet agreed that Ferry Holdings Limited (FHL) commence the direct procurement of two new 200 metre rail-enabled ferries for delivery by 2029 and pursue a maximum reuse, minimum viable infrastructure programme [CAB-25-MIN-0095 refers].
2. **Note** Cabinet agreed to a \$1.7 billion Government funding envelope held in a tagged capital contingency and authorised shareholding Ministers to jointly drawdown the contingency.
3. **Note** in March 2025 FHL was established to procure the ships, negotiate the necessary port upgrades and deliver the programme.
4. **Note** the attached Interim Approval to Deliver (ATD) business case supports the purchase of two new rail-enabled ferries, including evidence it fulfils the Government's requirements.
5. **Note** we have increased confidence in the infrastructure requirements to support the new ferries [redacted] [s9(2)(f)(iv)]

Funding to progress infrastructure delivery

6. **Agree** that \$ [redacted] [s9(2)(i)][s9(2)(j)] million of initial funding be made available from the Government funding envelope for enabling infrastructure works, KiwiRail infrastructure works, linkspan procurement and FHL operational funding.

Agree / Disagree

Infrastructure government ownership and commercial arrangements

7. **Agree** to the nature of Government infrastructure ownership interests which the Government funds:
 - a. FHL owns port infrastructure wholly funded by the Government.
 - b. An asset owning entity be established to hold assets jointly funded by Government and Port Marlborough, in proportion to their funding contribution.

Agree / Disagree

8. **Provide** feedback on the key material terms of the interim development agreements, outlined in paragraph 16 above, to be entered into between FHL and the port companies.

9. **Agree** to the key material terms of the interim development agreement (IDA) to be entered into between FHL and the port companies, subject to feedback in recommendation 8.

Agree / Disagree

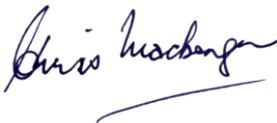
Ship procurement

[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(i)][s9(2)(j)]

Agree / Disagree

10. **Provide feedback** on the proposed key terms of the ship contracts between FHL and GSI, outlined in paragraph 21 above.

11. **Note** subject to your agreement, FHL will sign the ship contracts.



Chris Mackenzie
Chair, Ferry Holdings Limited

Rt Hon Winston Peters
Minister for Rail

Hon Nicola Willis
Minister of Finance

Hon Chris Bishop
Minister of Transport

Annexes

Annex 1: Cook Strait Ferry Replacement programme – context and analysis

Annex 2: Interim Approval to Deliver (ATD) business case

Annex 1: Cook Strait Ferry Replacement programme – context and analysis

Background

1. The Government is committed to having a resilient, safe and reliable Cook Strait ferry service.
2. In March 2025, Cabinet agreed that Ferry Holdings Limited (FHL) commence direct procurement of two new 200 metre rail-enabled ferries for delivery by 2029 and pursue a maximum reuse, minimum viable infrastructure programme. Cabinet agreed to a \$1.7 billion Government funding envelope held in a tagged capital contingency. Cabinet authorised shareholding Ministers to jointly drawdown the contingency [CAB-25-MIN-0095 refers].
3. In March 2025 FHL was incorporated and took responsibility for the work programme to procure the replacement ferries and deliver the programme in April 2025. Shareholding Ministers and FHL subsequently signed a project delivery agreement (PDA) setting out the basis on which FHL will deliver the programme.
4. FHL undertook a closed, competitive ship procurement process. This followed the Treasury shortlisting shipyards for inclusion in the procurement process. FHL provided a letter of intent to shareholding Ministers for endorsement on 25 August 2025, before entering a letter of intent with Guangzhou Shipyard International (GSI).
5. FHL has carried out commercial negotiations with GSI and worked with the port companies and KiwiRail on infrastructure requirements and commercial arrangements.

Infrastructure requirements

6. We worked with the port companies and KiwiRail to confirm the infrastructure specifications required to support the new rail-enabled ferries, taking a maximum reuse, minimum viable approach. This work included aligning the key infrastructure operational requirements and undertaking due diligence on the deliverability and viability of existing infrastructure and developing the requirements for new infrastructure where existing infrastructure cannot be reused, along with understanding the time and cost of this work.
7. Overall, we have a greater understanding of the infrastructure specifications, operational requirements, costs and delivery timeframes. [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)].
8. We remain committed to working closely with port companies and KiwiRail to provide further certainty, reduce risk and add float into the programme. In November 2025, the port companies' respective Boards restated their commitment to work collaboratively with FHL to deliver their infrastructure works.
9. Infrastructure is estimated to cost [REDACTED] [s9(2)(i)][s9(2)(j)] (including contingency). These costs are within the total funding envelope, including Government and port company funding.

10. Enabling works at both ports are expected to begin in late-2025. Major infrastructure works at both ports will commence in 2026. We are working with the port companies and KiwiRail so infrastructure is ready in advance of the ships' arrival, commissioning and commencement of ship operations in 2029.

CentrePort

11. We will reuse existing CentrePort port infrastructure where possible, including upgrading the existing wharf, reusing the berthing pocket, and partially upgrading the vehicle access bridge. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)]

12. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)]

13. CentrePort infrastructure works are expected to cost [REDACTED] [s9(2)(i)][s9(2)(j)] million (including contingency). [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(i)][s9(2)(j)]

14. We are targeting Wellington infrastructure works being completed in [REDACTED] [s9(2)(j)] 2029. [REDACTED] [s9(2)(f)(iv)]. CentrePort's current schedule estimates work is completed by [REDACTED] [s9(2)(j)] 2029 [REDACTED] [s9(2)(j)]. CentrePort's construction will primarily be carried out by marine-based methods, which will be impacted by ongoing Interislander operations. Due to CentrePort's constrained land area, there are minimal opportunities to undertake land-based construction. FHL is actively working with CentrePort and KiwiRail to add float into the programme.

Port Marlborough

15. A greater level of new infrastructure is required at Port Marlborough because existing assets are at end-of-life. Port Marlborough requires a new wharf, a new linkspan, vehicle access bridge and passenger walkway to accommodate the new ships.

16. Port Marlborough provided concept designs, and the scope of works is well defined for this stage of development. Some work remains to align infrastructure requirements, such as the location of the linkspan. This will be addressed through design development.

17. Port Marlborough requires transition infrastructure so the Interislander and other portoperations can continue during construction. Only the minimum level of transition infrastructure required to achieve this will be delivered.

18. The Port Marlborough infrastructure works are expected to cost [s9(2)(i)][s9(2)(j)] million (including contingency). This is higher than anticipated in March 2025, primarily due to increased investment in transition infrastructure.
19. We are targeting Picton infrastructure works being completed by [s9(2)(j)] 2029 and are working with Port Marlborough and KiwiRail to add float into the programme.
20. The table below summarises new and upgraded infrastructure at the ports.

	Upgrade	New
Wellington	Wharf Vehicle Access Bridge	Linkspan Linkspan approach structure Passenger Walkway
Picton	-	Wharf Linkspan Vehicle Access Bridge Passenger Walkway Transition infrastructure

KiwiRail infrastructure

21. KiwiRail is undertaking modest infrastructure works at the Wellington and Picton terminals to support the rail operations needed for the new ferries. KiwiRail will construct a rail overbridge at Dublin Street in Picton to allow for more efficient port operations and reduce local traffic congestion. KiwiRail works will be closely coordinated with port infrastructure works so they are completed in 2029.
22. KiwiRail is seeking \$ [s9(2)(i)][s9(2)(j)] million to deliver its port infrastructure works from the Government funding envelope. [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)].
23. Roading network changes are estimated to cost [s9(2)(i)][s9(2)(j)] million. Of this, KiwiRail is seeking [REDACTED]
[REDACTED] [s9(2)(i)][s9(2)(j)]
24. KiwiRail estimates at least \$ [s9(2)(j)][s9(2)(i)] million of investment in portside infrastructure undertaken during the iRex project is being reused for the programme. This includes improvements at both terminals and enabling works for the Dublin Street overbridge.

Managing the interface between port infrastructure and ship specifications

25. We are actively working to manage interface risks between port infrastructure and ship specifications, including in relation to the linkspan, shore power, automooring units, and rail geometry. We have a number of actions in place to make sure the interface is effectively managed throughout design and construction.

detailed infrastructure designs and costs, and progress procurement planning. Treasury will carryout a Gateway review in relation to port infrastructure. Updated infrastructure requirements and costs will be reflected in the final ATD business case in mid-2026.

Infrastructure ownership and commercial arrangements

Government ownership of port infrastructure

31. We worked with the port companies to determine the nature of Government ownership interests in infrastructure assets the Government funds. These arrangements reflect that the Government owns what it pays for, protects those investments and provides the opportunity to earn future revenue. [REDACTED]
32. [REDACTED]
33. [REDACTED]
34. [REDACTED] [s9(2)(i)][s9(2)(j)]
35. Transition infrastructure is required in Picton so Interislander ferry operations can continue during construction. We will be responsible for demolishing this infrastructure after the transition period because it does not currently have an enduring operational use after the transition stage. [REDACTED] [s9(2)(i)][s9(2)(j)]

Commercial arrangements with port companies

36. We are implementing a staged approach to commercial arrangements with each port company. This includes executing Interim Development Agreements (IDAs) by the end of 2025 and final Development Agreements by mid-2026.
37. We have sufficient commitments from the port companies to recommend progressing the ships procurement and infrastructure funding decisions contained in this report. We have been working with both port companies on commercial terms since FHL assumed responsibility for the programme. In October 2025, we wrote to both port companies seeking their commitment to delivering their parts of the programme. Both CentrePort and Port Marlborough have restated their commitment to delivering the programme in line with the Government's requirements and committed to continue working together to reduce risk, improve programme certainty and resolve outstanding commercial matters.
38. The IDAs will record the scope, schedule and cost estimates for infrastructure works, the

governance and assurance framework, funding and ownership arrangements, and commercial positions agreed with each port company. The IDAs will also outline conditions that need to be satisfied or agreed prior to the parties' entry into full development agreements.

39. Progression on the IDA key terms is well advanced although there are several outstanding matters that we are finalising with the port companies. We have a reasonable degree of confidence that we will resolve these outstanding matters and we aim to execute both agreements to be signed by the end of 2025.
40. There are some differences between the key terms in each IDA, which reflects the different commercial negotiations with each port company and the proposed different ownership interests of port assets.
41. We seek feedback and agreement to the key material terms of each IDA, outlined in the table below, ahead of finalising these agreements.

Key material term	CentrePort	Port Marlborough
Funding and ownership	CentrePort will fund project costs up to [s9(2)(i)][s9(2)(j)] million, [s9(2)(i)][s9(2)(j)]	Port Marlborough will fund project costs up to \$110 million, [s9(2)(i)][s9(2)(j)]
Governance and assurance	[s9(2)(i)][s9(2)(j)]	[s9(2)(i)][s9(2)(j)]
KiwiRail lease and license terms	[s9(2)(i)][s9(2)(j)]	[s9(2)(i)][s9(2)(i)]
Assignment and change of control	The agreements provide the Government with flexibility to change the ferry operator.	
Concession arrangements	Not applicable.	[s9(2)(i)][s9(2)(j)]

42. We received the confirmations from KiwiRail needed for us to enter into IDAs with each port company. KiwiRail confirmed they will enter into new license and lease terms with

the port companies [REDACTED]
[REDACTED] [s9(2)(j)][s9(2)(i)]. KiwiRail has also confirmed it will undertake necessary rail infrastructure works at both ports.

43. The second stage of commercial negotiations with port companies involves executing final development agreements with each port company by mid-2026. These agreements will specify the delivery of portside infrastructure, long-term leases of redeveloped facilities, and coordination arrangements for construction and operations. FHL will seek shareholding Ministers' agreement to key material contract terms.

Commercial arrangements with KiwiRail

44. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

45. [REDACTED]
[REDACTED]
[REDACTED] [s9(2)(i)][s9(2)(j)].

Ship procurement

46. Contract negotiations and the interim Approval to Deliver (ATD) business case confirm the purchase of two new railed enabled ships from GSI fulfil the Government's ship procurement requirements. FHL seeks shareholding Ministers' agreement to the final investment decision to fund the purchase of the ships now to ensure they are delivered in 2029.
[REDACTED]
[REDACTED] [s9(2)(f)(iv)]
47. GSI is the largest modern integrated ship building enterprise in Southern China. GSI was founded in 1954 and is listed on the Hong Kong and Shanghai stock exchanges. It received the highest overall evaluation score and offered the most technically compliant and financially competitive proposal in the procurement process.
48. Procuring the ships will cost \$ [REDACTED] [s9(2)(i)][s9(2)(j)] million, broken down by \$595.9 million to purchase the ships, [REDACTED] [s9(2)(i)][s9(2)(j)] million in ship programme delivery costs (eg site supervision and assurance), [REDACTED] [s9(2)(i)] This is within the Government funding envelope. We have a high-level of certainty in the ship costs, which have been confirmed through the competitive procurement and contract negotiations processes. The costs are supported by hedging arrangements to manage USD/NZD exchange risks.
49. The ship procurement meets the Government's requirement to purchase two 200-metre rail enabled ships as outlined in the table below. The ship specifications meet international and domestic regulatory requirements. We engaged with KiwiRail and the

harbourmasters to confirm the ship specifications are suitable for the Cook Strait and safe to use at each port, respectively. As outlined above the port infrastructure specifications were developed to meet the ship specifications.

Principal Dimensions	
Length Overall	200m
Beam	28.2m
Gross Tonnage	37,500T
Max Draught	6.50m
Service Speed	20 knots
Passenger Capacity	1,530 passengers + 70 crew

50. The first ship will arrive in New Zealand by [s9(2)(b)(ii)] 2029 and the second by [s9(2)(b)(ii)] 2029. This would enable the ships to be in service in [s9(2)(b)(ii)] 2029. If Ministers do not make a decision now, it would delay the key ship building timelines because FHL would lose its ship building slots, meaning the ships would not be delivered in 2029. The table below outlines the ships' contract and programme milestones.

Milestone		Ship 1	Ship 2
Contract	Contract execution	Nov 2025	Nov 2025
	Steel cutting	[s9(2)(b)(ii)]	[s9(2)(b)(ii)]
	Keel laying	[s9(2)(b)(ii)]	[s9(2)(b)(ii)]
	Launch	[s9(2)(b)(ii)]	[s9(2)(b)(ii)]
	Delivery at yard	[s9(2)(b)(ii)]	[s9(2)(ba)(ii)]
Programme	Arrival in New Zealand	[s9(2)(b)(ii)] 2029	[s9(2)(b)(ii)] 2029
	Entry into service	[s9(2)(b)(ii)] 2029	[s9(2)(b)(ii)] 2029

Ship procurement assurance activities

51. We engaged the McHale Group to carry out external probity into the ship procurement process. McHale was satisfied the request for proposal process was conducted in accordance with probity principles, and relevant procurement policies and procedures. McHale noted they were not aware of any outstanding significant probity issues.
52. Holman Fenwick Wilan (HFW), our maritime counsel for the ship contracts, confirmed the ship contracts are appropriate for FHL and based on common market practice, including the allocation of risk between parties and the refund guarantee requirements. HFW considered the contracts are not extraordinarily or unduly onerous for FHL.

Geopolitical and national security considerations

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)][s9(2)(i)][s9(2)(j)]

53. Cybersecurity has been incorporated into ship procurement and design development.

[REDACTED] [s9(2)(b)(ii)][s6(a)]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(j)][s9(2)(i)][s9(2)(f)(iv)]

Ship contingency

54. We included a \$ [REDACTED] [s9(2)(i)][s9(2)(j)] million contingency, as recommended by our ship brokers.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(i)]

Ship contract terms

55. We have negotiated a fixed-priced milestone-based contract with GSI based on standard international ship building contract terms.

56. The contract terms reduce the risk of GSI not delivering the ships to the agreed specifications or timeframes. The contract terms provide the necessary assurances and incentives for the ships to be delivered as required. The contract includes milestone payments [REDACTED] [s9(2)(b)(ii)] There are significant penalty rates if GSI does not meet the contracted specifications and the delivery dates.

57. We invite your feedback on the key terms of the ship contract which are:

57.1 **Refund guarantee:** GSI is required to obtain a refund guarantee from a reputable bank so they can provide a refund if they fail to meet their contractual obligations.

57.2 **Liquidated damages:** the contract specifies the circumstances GSI are required to pay liquidated damages, including for late delivery or if the ship does not meet the specifications.

57.3 **Right to termination:** The contract specifies FHL cannot cancel the contracts for convenience. FHL can terminate the contracts and receive a refund in limited circumstances, which are significant delivery delays, failure to meet performance requirements, GSI's default due to bankruptcy, GSI's failure to provide or maintain a refund guarantee or sanctions imposed on either party.

57.4 **Crown guarantee:** A Crown guarantee will be provided to GSI covering ships' milestone payments. This is subject to execution by the Minister of Finance under the Public Finance Act 1989.

- 57.5 **Governing law:** The contract specifies the laws governing the contract and refund guarantee is UK law, including for dispute resolution if arbitration or legal proceedings are necessary. New Zealand law governs the Crown guarantee.
- 57.6 **Post delivery warranty:** The contract specifies the terms and conditions warranty which has a 24-month duration after the ship is delivered by the yard.
58. Subject to your decisions, FHL will sign the ship contracts.

Assurance activities

59. We have carried out a range of assurance activities to provide confidence the programme can be delivered in line with the Government's requirements. We are incorporating key recommendations from these activities to further strengthen programme delivery. The key assurance activities carried out were:
- 59.1 **Infrastructure Advisory Group's (IAG)** assessment undertaken in August 2025, into FHL's programme readiness. IAG found that the ship procurement process was competitive and commercially robust. IAG noted further work was required to determine whether there would be sufficient certainty around port infrastructure works and associated commercial arrangements to provide the assurance required for FHL to enter the ship contract.
- 59.2 **Targeted Investment Review (TIR)** concluded the programme is capable of meeting shareholding Ministers' expectations. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [s9(2)(f)(iv)][s9(2)(g)(i)]
- 59.3 **QRA** to price in uncertainty relating to programme schedule and costs, which informed the proposed port infrastructure contingency.
60. Independent assurance is built into the programme going forward through Treasury Gateway reviews. We will carry out a Gateway review prior to shareholding Ministers' final decision in relation to port infrastructure in mid-2026.

Programme governance

61. The FHL Board is accountable for the programme and reports to shareholding Ministers. The Board will continue to oversee programme delivery and will approve future key commercial, contractual and delivery decisions. The Board will be responsible for the use of the ship procurement and infrastructure contingencies.
62. We are strengthening the programme governance as the programme moves into the detailed design and delivery phases. This will provide clarity on roles and responsibilities and improve alignment between the programme partners. It will also provide ongoing assurance to reduce programme-level risks and uncertainties.

Total investment programme and costs

63. The total investment programme is expected to cost \$1.867 billion (including contingency). We have identified up to \$ [s9(2)(i)][s9(2)(j)] billion of funding to deliver the programme, including Government, port company and other government agency funding sources. A summary of programme costs and funding sources is contained below. There is currently around \$ [s9(2)(i)][s9(2)(j)] million in funding headroom above contingency.

Programme costs	\$m
Ship procurement	[s9(2)(i)][s9(2)(j)]
Port Marlborough Port Infrastructure	[s9(2)(i)][s9(2)(j)]
CentrePort Port Infrastructure	[s9(2)(i)][s9(2)(j)]
KiwiRail works and roading including Dublin Street works	[s9(2)(i)][s9(2)(j)]
FHL operational costs	[s9(2)(i)][s9(2)(j)]
Total	1,867

Funding sources	\$m
Government funding envelope + \$4 million for initial FHL funding	1704
CentrePort	[s9(2)(i)][s9(2)(j)]
Port Marlborough	110
Port contribution financing costs	[s9(2)(i)][s9(2)(j)]
NZTA	[s9(2)(i)][s9(2)(j)]
Total	[s9(2)(i)][s9(2)(j)]

64. [REDACTED]
[s9(2)(g)(i)]. We have played a significantly greater role in developing the infrastructure requirements and negotiating commercial arrangements with port companies. We will continue to have an enhanced role in port infrastructure works to ensure successful programme outcomes, which is reflected in increased operational costs.

Major transaction

65. The value of the funding decisions contained in this paper (\$ [s9(2)(i)][s9(2)(j)] billion) exceeds 50% of FHL's total asset value. Entry into material contracts for the programme are major transactions for FHL under the Companies Act 1993. This requires approval by shareholders via a special resolution before any material contracts are entered. The key transactions are described in a special resolution which will be provided to you for execution by the Treasury. They include the ship procurement contract and funding to progress infrastructure delivery.

Next steps

66. Subject to shareholding Ministers' agreement, we will sign the ship contract on 17 November 2025. The Minister for Rail intends to announce the signing of the ship contracts on 19 November 2025 on behalf of shareholding Ministers. A public ceremonial signing event is planned at GSI on 27 November with the Minister for Rail, Chair of FHL and FHL's Ship Programme Director attending.

Proactively Released by Ferry Holdings Limited

Annex 2: Interim Approval to Deliver Business Case

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