
Transport Sector Briefing to the Incoming Minister

Introduction to Transport

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Transport Sector Briefing to the Incoming Minister

Introduction to Transport



Begin

Overview of Briefings to the Incoming Minister of Transport

The government transport agencies have prepared this joint introductory briefing on the transport system for you. This briefing focuses on the:

- ▶ role and activities of the government transport agencies
- ▶ role and responsibilities of the Minister of Transport
- ▶ key levers for the Minister to influence the operation of the transport system

The Ministry of Transport and each transport Crown entity have also prepared individual briefings for you, which set out their own key issues.



Why transport is important to the economy and society



How the government transport sector supports you



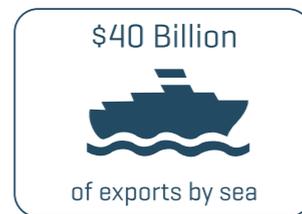
Sector coordination



Long term outcomes for the government transport agencies



Why transport is important to the economy and society



The government is one part of the transport system

Government plays an important role in the transport sector. In addition to providing regulation for the sector, it is a major investor in land transport infrastructure and services.

The government is one part of New Zealand's domestic and international transport system. Stakeholders in the transport sector are wide ranging, including private companies and individuals using transport for social and economic purposes, within New Zealand and internationally.

The transport system makes an important contribution to a thriving New Zealand and improving the welfare of its people. The goal of the government transport agencies is for the transport system to maximise economic and social benefits for New Zealand while minimising harm. Each transport agency contributes to this goal in ways that are consistent with their purpose and statutory mandate.

Transport facilitates business activity

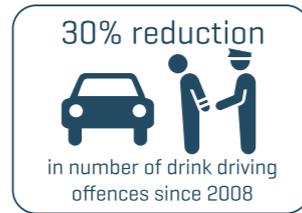
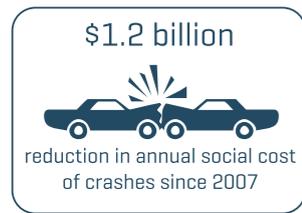
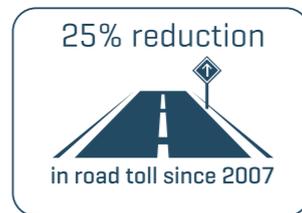
Transport is a critical component of daily life for all businesses and citizens. The transport system connects us, supporting New Zealand's \$23 billion per year tourism industry and linking businesses to their markets. Safe aviation and maritime systems provide the confidence necessary for international aviation and maritime lines to operate in New Zealand. The aviation sector is responsible for the movement of \$6.5 billion of exports annually, while more than \$40 billion of exports are moved annually by sea.

On the roading network, 18 billion tonnes per kilometre of freight is moved each year, with a further 4.6 billion tonnes per kilometre moved by rail. Light passenger vehicles travelled an estimated 31 billion kilometres in 2012, with cars accounting for 96 percent of all vehicle trips (motorcycle, car or public transport). Public transport (bus, train, ferry) provides 165 million trips annually.

Transport facilitates social activity

In addition to its economic role, transport contributes to social connectivity and the leisure pursuits of New Zealanders. New Zealand has 900,000 recreational vessels, while 100 commercial jet boats and 300 whitewater rafts carry around 450,000 passengers on our inland waterways annually. New Zealand has 5,000 registered aircraft and more than 10,000 pilots. Domestic aviation, private vehicle ownership, and public transport also play an important role in our social connectivity.





Investment in land transport

The government has over \$60 billion of land transport assets, and will invest almost \$40 billion in the system over the next 10 years. Local government will spend \$10 billion in local roads infrastructure and services over this period (with half of this coming from local government funds and the remainder from central government). The land transport sector includes State highways, local roads, public transport, walking and cycling, and road policing.

The Minister of Transport, the Ministry of Transport, and the NZ Transport Agency have a key responsibility to ensure that transport investment decisions support a thriving New Zealand. To do this, our focus needs to be on building a transport system that will not only serve New Zealand well in the short term, but more importantly, over the next 10, 20, and 30 years.

Transport impacts on the environment

Transport has negative environmental impacts that we must seek to minimise. Domestic transport is responsible for 19 percent of New Zealand's greenhouse gas emissions as well as generating noise and air pollution. Transport sector agencies have a key role in preparing for and responding to significant emergencies, such as the Rena incident in 2011.

Transport has key links to health and safety

Transport activity is inherently risky to workers in the sector. Transport Crown entities have responsibilities for regulating health and safety in their respective sectors. In particular, the fishing sector is one of the five sectors in New Zealand's economy with the highest rates of injury and disease.

Despite substantial progress over the last 30 years, New Zealand still lags behind many other countries in road safety. Every year, more than 200 people are killed on our roads and nearly 2,900 people are seriously injured. Annually approximately 13,000 New Zealanders suffer minor injuries as a result of road crashes.

These numbers reflect lives lost and affected in what are mostly preventable crashes, but they do not show the effect of these crashes on families, the wider community and the health system.

Road crashes also have an economic impact – the total social cost of crashes in 2012 is estimated to be \$3.3 billion.

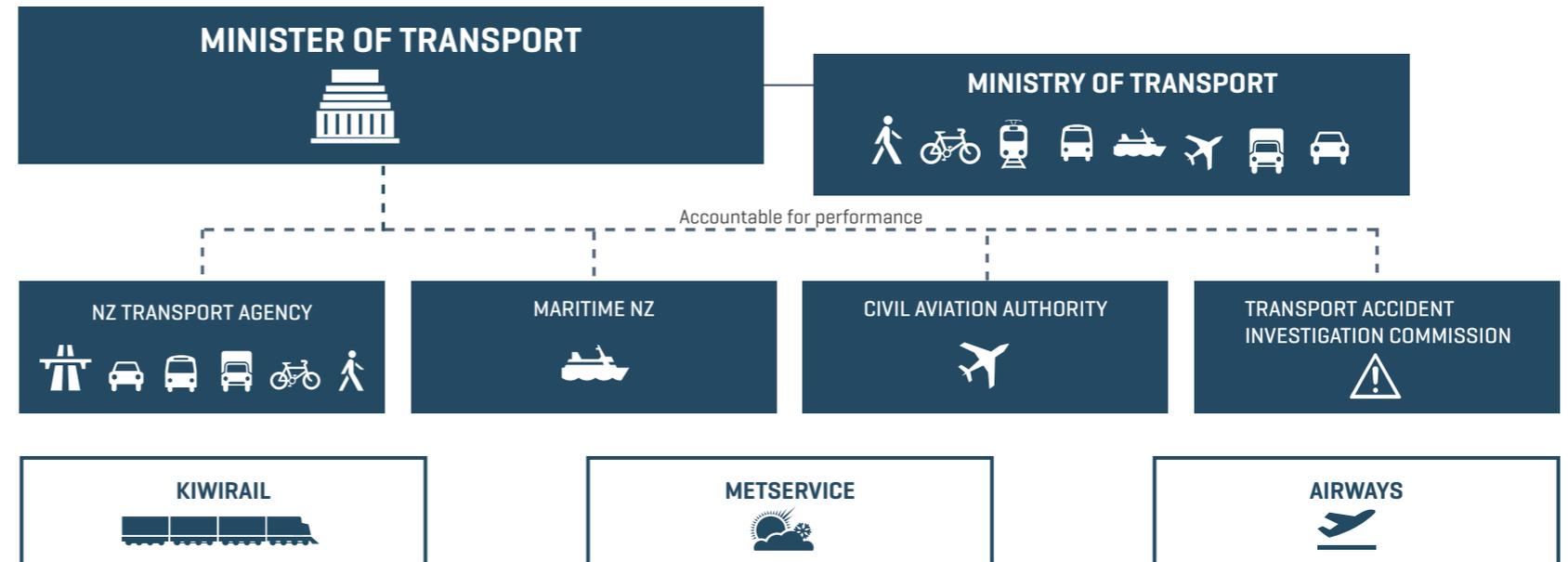


How the government transport sector supports you

Figure 1 – The government transport sector

How the transport agencies support you to achieve your transport priorities

To support you to deliver your transport portfolio responsibilities, the sector has five specialist transport agencies - the Ministry of Transport and the four Crown entities (the Civil Aviation Authority, Maritime NZ, NZ Transport Agency and Transport Accident Investigation Commission). In addition, there are three transport related State Owned Enterprises (KiwiRail, Airways Corporation of New Zealand Limited, and Metservice). Vote Transport provides Crown funding for KiwiRail and funding for services provided by Metservice under contract to the government.



The Ministry is your principal adviser on transport policy and will provide you with specialist transport policy advice and support. The Ministry will respond to your transport policy agenda, which will inform the Ministry's work programme. Your policy agenda may include both specific issues you want to advance, and more general approaches you want the sector to adopt.

The Ministry will also provide you with advice on the Crown entity boards to assist you in ensuring the boards are accountable for their performance and deliver on your priorities. The Ministry provides independent advice on performance expectations for the individual boards, and oversight of the actual performance of the Crown entities. This supports you to utilise the combined capabilities of the transport agencies to achieve your transport priorities.

How the Crown entity model supports you

The government's regulatory and operational functions within the transport sector are delivered through Crown entities with specialist functions. Crown entities are also legal entities in their own right.



Each Crown entity is governed by a Board of Directors, which you appoint. The Board is responsible for the performance of its Crown entity and is accountable to the Minister. The Ministry helps you to set expectations and hold the board to account. Boards in the transport sector exercise two main roles, which are to oversee¹ the:

1. exercise of regulatory powers by the Crown entity
2. business strategy and operation of the Crown entity on your behalf.

The major advantage of the Crown entity model is that it enables you to engage the joint expertise of a number of board members, which you appoint, to exercise the governance role for their organisations. You can have confidence that your board appointees will drive the performance of their organisation and be responsible for it.

Having the functions of the transport sector split into special-purpose Crown entities also provides for:

- ▶ greater efficiency from concentration on delivery of sector specific services
- ▶ clear identification with stakeholders from a specific sector
- ▶ specialised regulatory functions
- ▶ separation of policy and operation, regulatory, and legislative functions

You are able to set your expectations for the delivery of services from the Civil Aviation Authority, Maritime NZ, and NZ Transport Agency boards through your letter of expectations. You may direct the Transport Accident Investigation Commission to hold an inquiry into an event which does not meet the usual criteria for investigation.

Crown entities are instruments of the Crown and this should be reflected in the standards of behavior amongst board members and employees. You are responsible to Parliament for the performance of the Crown entities, and they must report on all aspects of their activities transparently.

Crown entity decision making

Crown entities operate with political neutrality and 'sufficient separation' to establish accountability and ensure there are no perceived or real conflicts of interest for Ministers. A decision to assign a government activity or function to a Crown entity indicates that the function should be carried out with distance from the government. For example, the NZ Transport Agency has statutorily independent decision-making rights on the roads it builds and maintains.

¹ Subject to the Director's statutory independence for Maritime NZ and Civil Aviation Authority .



Crown entities in the transport sector fall into two subgroups: Crown Agents (Civil Aviation Authority, Maritime NZ, and NZ Transport Agency) and Independent Crown Entities (Transport Accident Investigation Commission). Crown agents are obliged to give effect to government policy intentions as they undertake their roles, while Independent Crown Entities are statutorily independent.

Crown entities as health and safety regulators

The Civil Aviation Authority, Maritime NZ and NZ Transport Agency all have responsibilities under the Health and Safety in Employment Act 1992 for regulating work in the aviation, maritime, and land sectors [eg. Maritime NZ is responsible for the health and safety regulations for work on board ships, and where ships are places of work]. The lessons for New Zealand from work place disasters such as Pike River have significantly raised the expectations for health and safety regulators. This has necessitated an increased focus on health and safety, and the implementation of more rigorous risk management approaches.

Crown entity functions within the transport system

The aviation, maritime and land transport Crown entities have broadly similar functions of regulatory and service delivery [the NZ Transport Agency has an additional funding function for land transport]. However, there are differences between their:

- ▶ asset base
- ▶ technology drivers
- ▶ stakeholders and service providers
- ▶ funding arrangements
- ▶ domestic and international system dimensions

In particular, each Crown entity has the following responsibilities [further information on each of the Crown entities is provided **here**.]

- ▶ The Civil Aviation Authority is responsible for the regulation of civil aviation to ensure it is safe and secure. Avsec, (as a division of the Civil Aviation Authority) has responsibilities for security at airports and air navigation facilities.
- ▶ The NZ Transport Agency owns and operates State highways; regulates land safety including rail operation, driver licensing, and motor vehicle registrations; co-funds with local government local roads, public transport, walking, and cycling infrastructure and services; and hold cross-modal responsibilities including road policing, and land transport planning and research.



- ▶ Maritime NZ is responsible for promoting a safe, secure, and clean maritime environment, it is also responsible for leading responses to major maritime incidents, and coordinating major maritime and aviation search and rescue missions, and some land based missions through the Rescue Coordination Centre New Zealand.

In addition, New Zealand's international obligations require us to have an independent transport accident investigation agency. The Transport Accident Investigation Commission enables New Zealand to meet this requirement. The Transport Accident Investigation Commission is responsible for investigating significant aviation, rail, and maritime accidents and incidents to determine the circumstances and causes.

The Civil Aviation Authority, Maritime NZ, and the NZ Transport Agency are required to give effect to the policy direction set by the government. Crown entities operate according to the regulatory settings established in their empowering legislation and direction you provide, but retain independent responsibility for their own operation. The Transport Accident Investigation Commission is slightly different, in that it has a higher level of independence, which reflects its role to investigate and make recommendations, rather than to implement regulation.

The current institutional arrangements support the effective and efficient operation of the transport system. The arrangements allow each Crown entity to act as a specialist and focus on the particular regulatory, service delivery and technical requirements of their individual transport mode. This arrangement enables Ministers to distance themselves from involvement in decision-making that relates to individual persons, organisations, or regions. At the same time, the Minister of Transport has appropriate mechanisms to influence the overall direction and performance of the Crown entities.

The government transport agencies have also established a number of mechanisms to support sector coordination and improved efficiency. These include taking a sector-wide approach to leadership and capability building.

The Ministry of Transport takes an active role to promote understanding of government's priorities within the Crown entities, including the ongoing drive for improved agency performance. The transport sector has several initiatives that promote cross sector engagement.

Sector coordination



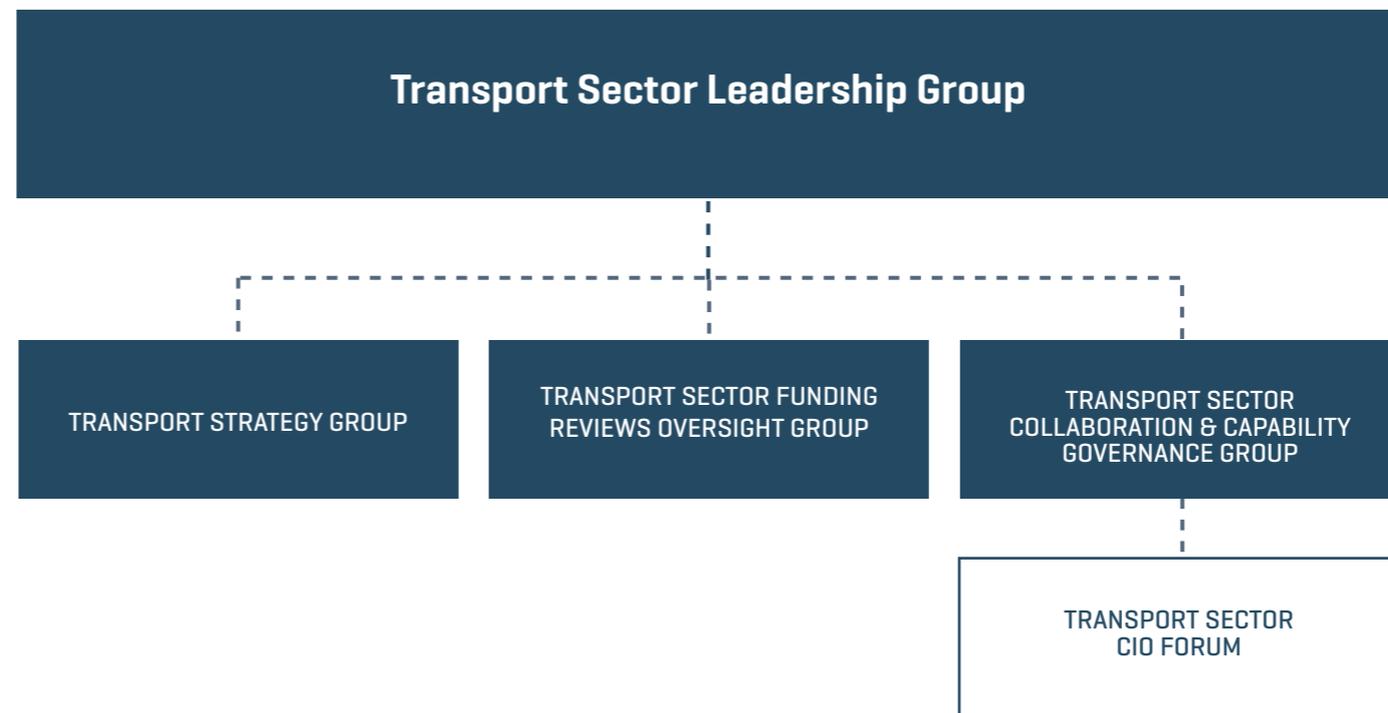
Transport Sector Leadership Group

The Ministry of Transport chairs the Transport Sector Leadership Group, which is made up of the Ministry of Transport, the transport Crown entities, and the three State Owned Enterprises. The purpose of the Group is to:

- ▶ provide leadership of joint initiatives that support effective operation of transport agencies, and the achievement of shared goals or outcomes for transport
- ▶ ensure a shared understanding of government priorities or other wider developments relevant to the operation and performance of government transport agencies

A number of other cross sector groups support the work of the Transport Sector Leadership Group. These are shown in figure 2.

Figure 2 – Transport Sector Leadership Group



Transport sector collaboration and capability

Transport sector agencies have developed a Collaboration and Capability Strategy for the transport sector. The focus of this is to find innovative ways to improve the services they deliver to New Zealanders, with the key aim to reduce cost and be more efficient.

The Transport Sector Collaboration and Capability Strategy 2014-2018 is the result of the transport sector examining the way it works together, and how it can more cost effectively and efficiently deliver business services. The agencies involved are the Civil Aviation Authority, the NZ Transport Agency, Maritime NZ, the Ministry of Transport, KiwiRail, Metservice, Airways, and the local Council Controlled Organisation Auckland Transport.



Long term outcomes for the government transport agencies

Figure 3 - Transport agencies' long-term outcomes

National Road Safety Committee

The National Road Safety Committee [NRSC] is a group of government agencies with responsibilities for road safety. The NRSC developed and is responsible for implementing the government's Safer Journeys strategy which guides New Zealand's efforts to improve road safety from 2010 – 2020. More broadly, the NRSC is the principal forum for agencies to communicate, coordinate, and agree strategy on road safety issues.

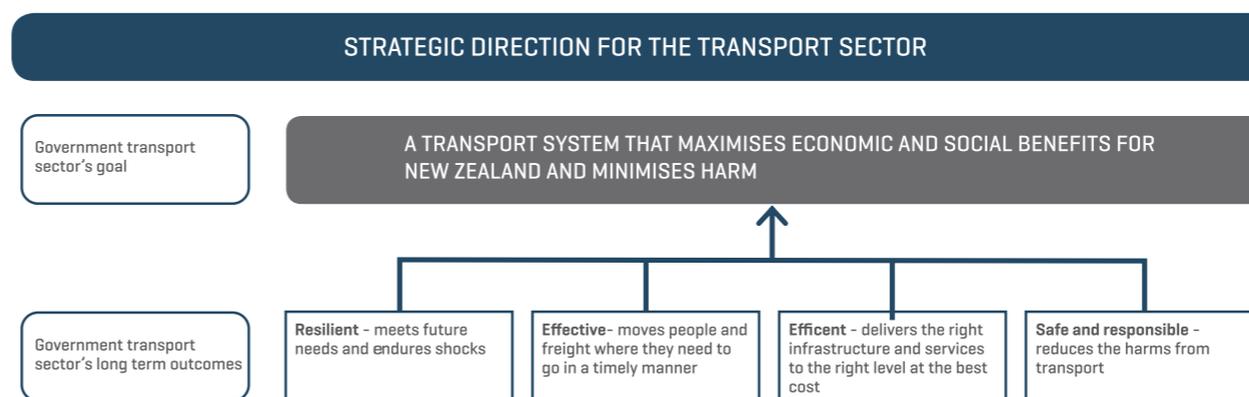
The NRSC members include: the Ministry of Transport; NZ Transport Agency; NZ Police; and the Accident Compensation Corporation. NRSC associate members include: Local Government NZ; the Energy Efficiency and Conservation Authority; the Ministries of Justice; Health; Education; and the Ministry of Business, Innovation and Employment.

New Zealand Search and Rescue Council

The New Zealand Search and Rescue [NZSAR] Council has a mandate from the government to provide strategic governance and leadership to the New Zealand Search and Rescue Sector. The Council consists of the chief executives of departments with Search and Rescue responsibilities, and includes the Ministry of Transport, Maritime NZ, Civil Aviation Authority, Department of Conservation, NZ Police and the New Zealand Defence Force. The NZSAR Secretariat is accountable to the Council, providing support services, policy advice, and assisting in delivering the Council's strategy.

The government transport agencies' outcomes framework

In 2012, the government transport agencies agreed a common outcomes framework for the sector [see figure 3 below]. The outcomes framework provides transport agencies with an understanding of their long-term collective objectives within the overall system, and promotes a joined up transport sector



Each transport agency has its own lower level interventions and initiatives through which it delivers on the four long term outcomes. Those individual interventions reflect the statutory responsibilities of each agency and its broader role within the transport system.

How the transport agencies respond to the government's and Minister's priorities

You and your incoming government colleagues will have your own immediate priorities for the development and operation of the transport system. Subject to their statutory roles and functions, transport agencies are able to respond to these by adjusting the level of resource and priority applied across the four long-term outcomes. This enables the transport agencies to maintain their internal coherence [their purpose and role], whilst at the same time recognising and responding to the changing priorities of governments over time.

The Ministry of Transport has the greatest flexibility to adjust its focus across the four long-term outcomes through the setting of its annual policy work programme, where the key elements are agreed with the Minister of Transport. The Crown entities are statutorily independent and have less flexibility because of their statutory obligations and contractual arrangements.



Your responsibilities and opportunities to influence the system as Minister of Transport

The Minister of Transport has a range of responsibilities, some of which you are required to undertake by law. These provide you with opportunities to influence the transport system to achieve the direction and outcomes that you want.

You are responsible for setting the policy direction for the Ministry of Transport and the Crown entities. Your decisions on the key elements of the Ministry's work programme, and its policy advice to you, provide an important foundation for the achievement of your objectives along with four significant opportunities to influence the transport system:

1. Establishing the investment parameters for land transport
2. Setting the regulatory framework
3. Making the Crown entities work for you
4. Advocacy in international forums

Each of these opportunities is explained in more detail in the following pages. The Ministry is able to provide policy advice to support your decision-making across all four of these areas.



Establishing the investment parameters for land transport



Setting the regulatory framework



Making the Crown entities work for you



Advocacy in international forums

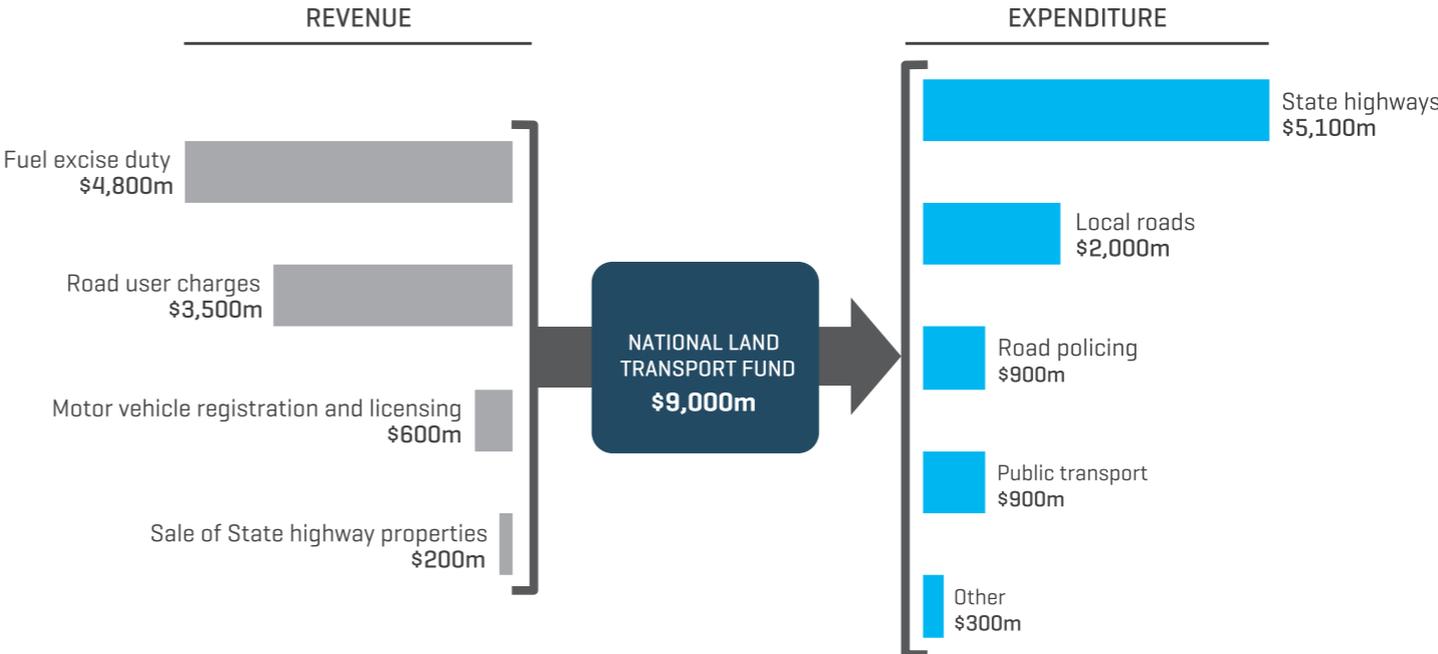


1. Establishing the investment parameters for land transport

At a high level, you are able to determine the parameters for investment in the land transport system, the levels of investment available for different kinds of activity, and how funding decisions are made. This is primarily expressed through the Government Policy Statement on Land Transport [the GPS].

The GPS is agreed by you, and reviewed at least every three years. The new GPS needs to be issued as soon as practicable [and before the expiry of the current GPS on 1 July 2015] to allow for planning of expenditure to be undertaken by the NZ Transport Agency and local authorities. It enables you to set priorities for over \$3.4 billion of annual investment from the hypothecated² National Land Transport Fund over the next 10-year period, and to identify your expectations and desired results from funding decisions. Funds for the National Land Transport Fund are collected primarily from taxes on petrol and road user charges on heavy vehicles, and light diesel vehicles, as well as motor vehicle licensing fees. You also recommend to Cabinet the rates at which funds will be collected from these sources. Figure 4 shows the revenue sources and expenditures from the National Land Transport Fund.

Figure 4 - National Land Transport Fund forecast revenue and expenditure, 2012/13 to 2014/15 *



² Hypothecation is the direct allocation of all income from a tax or charge [eg fuel excise duty or road user charges] for a particular purpose, eg to the National Land Transport Fund for the funding of land transport activities.

* Numbers have been rounded to the nearest \$100 million. The NLTF total does not equal the sum of individual revenue sources due to rounding. Expenditure often does not equal revenue in any year or over the short-term. From 2012/13 to 2014/15, forecast expenditure exceeds forecast revenue by about \$60 million. Revenue and expenditure balance over the long-term.

The GPS sets out how the government’s land transport investment will be broadly allocated across activity classes, what results the government expects to be achieved from this investment, and how the funding will be raised. The NZ Transport Agency’s role is to decide on timing, form, and level of investment in specific projects that give effect to the GPS. The NZ Transport Agency takes its specific investment decisions at a distance from government. Local government is also consistent with the GPS in their Regional Land Transport Plans.

From time to time events and opportunities arise where the government wants to exercise more control over investment than is permitted through the National Land Transport Fund. In these cases the Crown is able to appropriate and direct additional funds through the usual Budget processes.

Further information on land transport investment is provided in Appendix A - Planning and funding the land transport sector **here**.

2. Setting the regulatory framework

The transport legislative framework [Acts, regulations, and Rules] has an important role in shaping and developing the way the transport sector functions. In particular, the regulatory framework establishes, among other things, the:

- ▶ roles and functions of the transport Crown entities
- ▶ planning and funding arrangements for land transport
- ▶ role and powers of local authorities and road controlling authorities
- ▶ compliance tools available to promote adherence to safety, security, and environmental requirements across the modes

Transport rules

Many of the policy decisions that you can make would be implemented through changes to the transport regulatory framework. In regulating the transport sector, Transport Ministers are empowered³ to make ordinary rules on matters covering land transport, civil aviation, maritime safety, and marine protection. Transport rules contain detailed technical standards, requirements, and procedures governing the construction, maintenance, licensing, and operation of transport modes.

Rules are the most common form of delegated legislation for transport and you are able to sign these into effect. In practice, Ministers of Transport have sought Cabinet consideration prior to signing rules which represent substantial policy changes, or which may have a significant impact on the sector. Any associated offences, penalties, fees and charges are specified through supporting regulation and require Cabinet consideration⁴.

The Crown entities develop the majority of the transport rules with the Ministry of Transport's involvement. The Ministry of Transport provides an annual rules funding payment to the Crown entities to enable them to investigate possible rule changes and develop the rules. The Ministry of Transport prepares an annual rules programme for you, so you can advise Cabinet of the rules or amendments which are being considered.

³ By the Land Transport Act 1998, Railways Act 2005, Civil Aviation Act 1990, and Maritime Transport Act 1994

⁴ For example, changes to the Vehicle Dimensions and Mass Rule, which were signed by the Associate Minister in August 2014, and anticipate the incoming Cabinet considering consequent amendments to the Land Transport [Offence and Penalty] Regulations 1999.



3. Making the Crown entities work for you

You can influence the performance of the Crown entities by appointing board members that have the necessary range of skills and experience, by setting out your expectations of individual Crown entities, and by agreeing the Crown entities' business documents, such as the Statement of Intent. In addition, you have the ability to provide guidance and support through the performance monitoring processes and meetings with Chairs and Chief Executives.

The key to making the Crown entity arrangements work for you is to ensure that the boards are competent. A strong board will ensure the entity is governed well and will ensure the Crown entity is capable, well performing and aligned with your priorities and perspectives. The board engages specialist management staff to deliver services in accordance with their statutory roles and functions. This ensures each Crown entity provides the essential service delivery and performance outcomes to meet the needs of the transport sector.

The Crown entities are governed by statute and are legally separate from the Crown. They are specialist regulatory and procurement agencies with independent decision-making powers. The Crown entities operate at 'arms length' from Ministers, ensuring the Crown entities can make independent decisions without influence from Ministers.

You retain accountability for the performance of the Crown entities and are answerable to Parliament for them. You select each board member and set out your expectations through an annual letter of expectations. The Ministry undertakes specialist governance functions to support you in overseeing the performance of each Crown entity. The Ministry will advise you through the selection and appointment process and will conduct an induction for new board members. The Ministry will also advise you on board and Crown entity performance.

Appointment of Chairs and board members

You are responsible for appointing or reappointing members to the Crown entity boards. This provides you with an opportunity to appoint members who promote good governance and high performance⁵.

The Ministry will provide you with support and advice on appointments and has best practice guidance for the process of making board appointments. The Ministry works closely with the board Chair and with you to identify the skills required (partly to manage board composition), and potential candidates. The Ministry conducts the board appointment process, including seeking nominations, short-listing, interviewing, and reference checking. Once this process is complete, the Ministry will provide you with advice to help you to decide the final candidate, and will provide Cabinet and other papers for you to finalise the appointment.

⁵ In relation to the Transport Accident Investigation Commission, you make recommendations to the Governor General on the appointment of Commissioners, which also act as the governing board for the organisation.



Letter of expectations

Your annual letter of expectations to each of the boards of the Crown entities is an opportunity to communicate your strategic direction for the Crown entities to focus on. It also provides the basis for the Crown entities to develop their Statement of Intent and Statement of Performance Expectations. The letters of expectation provide you with opportunities to express any governance or performance issues related to the Crown entity, and your expected approach to resolve these. The Ministry of Transport will support you in the preparation of these letters.

Statements of Intent and Statements of Performance Expectations

Each Crown entity is required to prepare a draft Statement of Intent and draft Statement of Performance Expectations (previously known as the Statement of Forecast Service Performance). You have the opportunity to provide formal feedback before the documents are finalised. The Ministry of Transport will assist you in reviewing the documents and will provide you with its advice.

Statements of Intent cover four financial years and describe what the Crown entity aims to achieve at a strategic level⁶. The Statement of Performance Expectations sets out what actions the Crown entity will perform for the year and how it will finance these. Your review and feedback on these documents enables you to ensure that the proposed financial and non-financial performance of each Crown entity for the forthcoming year is appropriate.

Crown entity third party fees, charges, and levies

Your decisions on recommending changes to Cabinet on the level of Crown entity fees, charges and levies are an important opportunity to ensure that the Crown entities are delivering value for money. These are critical decisions that determine the capacity and capability that these agencies have to deliver their responsibilities. Unlike many government agencies, the key investment decisions are in effect made through the setting of fees, charges, and levies that will determine the revenue available to fund the cost of the entities.

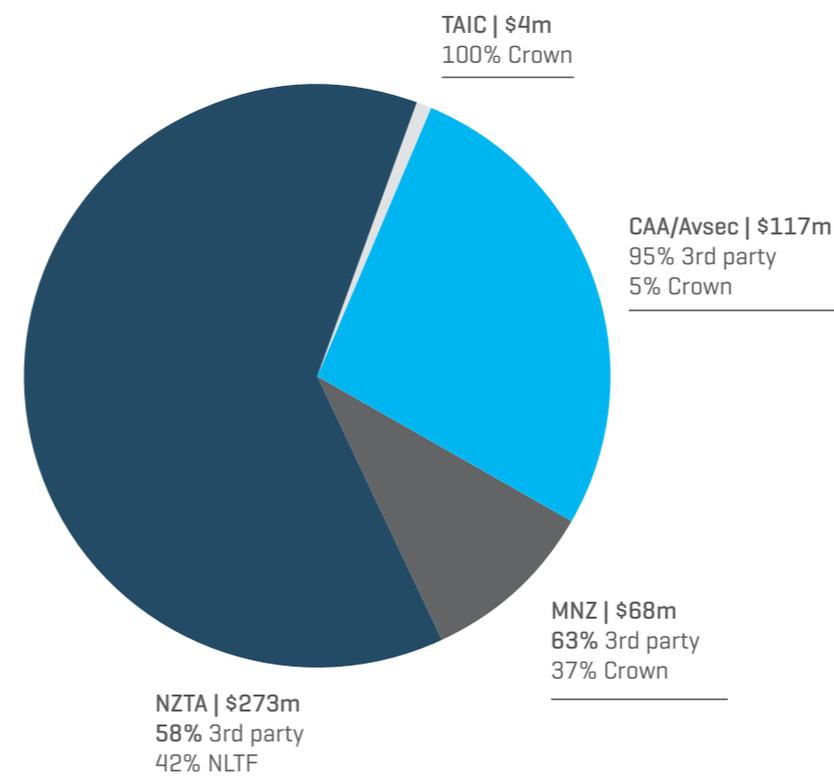
The NZ Transport Agency, the Civil Aviation Authority, and Maritime NZ together receive the majority of their operating revenue from more than 75 fees, charges, and levies on third parties, rather than through Vote funding. Across the agencies approximately \$300 million per year is raised this way. You have responsibility for the rates at which these fees, charges, and levies are set, and for seeking Cabinet's agreement before recommending any changes to the Governor General.

Figure 5 shows the 2013/14 operating costs for the Crown entities and notes how they are funded.

⁶ Maritime NZ Statement of Intent covers 6 years.



Figure 5 – Operating cost and funding of the Crown entities for 2013/14



A fee or charge must be set at a rate that only recovers the costs of providing the service or function [unless the entity is expressly authorised to do otherwise]. Each Crown entity needs to make future assumptions about the cost of providing its services and functions, and estimate the demand for them. This is done by making reasonable and logical assumptions based on the best information available, as well as taking into account any anticipated changes [such as inflation]. A full review of these assumptions, revenues, and costs is undertaken every three years. In between the triennial reviews, the Ministry of Transport monitors the memorandum accounts to ensure no significant over or under recovery occurs⁷.

A levy differs from a fee or a charge and is similar to a tax on a specific group [which is usually compulsory]. Levies are charged to a particular group for a particular purpose, rather than to a specific individual for specific goods or services provided. For example, the Maritime Levy is collected from all commercial vessels and foreign commercial vessels visiting New Zealand, and is used by Maritime NZ to maintain important services that are critical to vessel safety and protection of the marine environment. The process for reviewing levies is similar to that for fees and charges.

Performance monitoring

The Crown entities provide quarterly reports to you on their progress against their Statement of Intent and Statement of Performance Expectations. Reporting includes progress against

⁷ Three yearly reviews are in accordance with Office of the Auditor-General recommendations.



targets, budgets, and updates on any issues, challenges, or successes. Following receipt of these reports, you have an opportunity to provide feedback or direction through letters and meetings with the Crown entity boards.

There is significant value in holding a regular meeting with the Chair of each of the Crown entities. It provides a forum for discussion of ideas and enables the clarification and discussion of your intended strategic direction. The Ministry can support you in holding these meetings.

4. Advocacy in international forums

Your advocacy in international forums provides you with an opportunity to influence and represent New Zealand's interests in the development of international transport policy. It is important that New Zealand participates and is engaged in international forums to ensure global connections are retained. You have a role to represent and advocate for New Zealand's transport interests at a range of international forums and aviation negotiations. These forums also provide an important opportunity for New Zealand to learn from international experience.

International organisations

New Zealand is a member of the International Transport Forum (ITF). The ITF is an intergovernmental organisation within the Organisation for Economic Co-operation and Development, which aims to foster a deeper understanding of the role played by transport in the economy and in society. Ministers of Transport meet annually at the May Summit in Leipzig Germany. New Zealand will hold the presidency in 2015, and you will be the chair for the annual summit.

New Zealand is also a member at the Australian Standing Council of Transport and Infrastructure (SCOTI). You are responsible for attending the meetings and representing New Zealand's interests at these discussions. SCOTI is a forum on transport and infrastructure made up of Australian federal and state governments, and the New Zealand government.

Further detail on international forums that affect the transport portfolio, including the International Maritime Organization and the International Civil Aviation Organization, is provided in Appendix B.

Air services negotiations

Under a global bilateral system, airlines are only able to operate scheduled international air services when an agreement is in place between the governments involved. New Zealand currently has air services agreements in place with 62 States.



When a new agreement or an amendment to an existing agreement is required, the Ministry of Transport will provide you with advice, and will negotiate on New Zealand's behalf. The government's International Air Transport Policy Statement guides the Ministry of Transport's approach to air services negotiations.

You are responsible for seeking Cabinet's agreement to hold the negotiations, and for confirming the final outcome with Cabinet once the text of a new or amended agreement has been negotiated. Negotiations are generally held to remove specific restrictions which may be preventing airlines from operating a particular service, or to provide new opportunities which may be useful to airlines in the future.



The Government Transport Sector

This section provides an overview of the roles and functions of the government agencies involved in the transport sector. Figure 6 shows how the transport sector works and the relationships between the agencies involved.

In addition to the government transport sector, local government (regional councils and territorial authorities) own and manage transport infrastructure, develop local transport policy and provide public transport services within their own areas of responsibility. The private sector also makes a significant contribution to the operation of the transport modes and impact on the achievement of the government's policy outcomes.



The Government Transport Sector



The Ministry of Transport



The Civil Aviation Authority



Maritime New Zealand



NZ Transport Agency



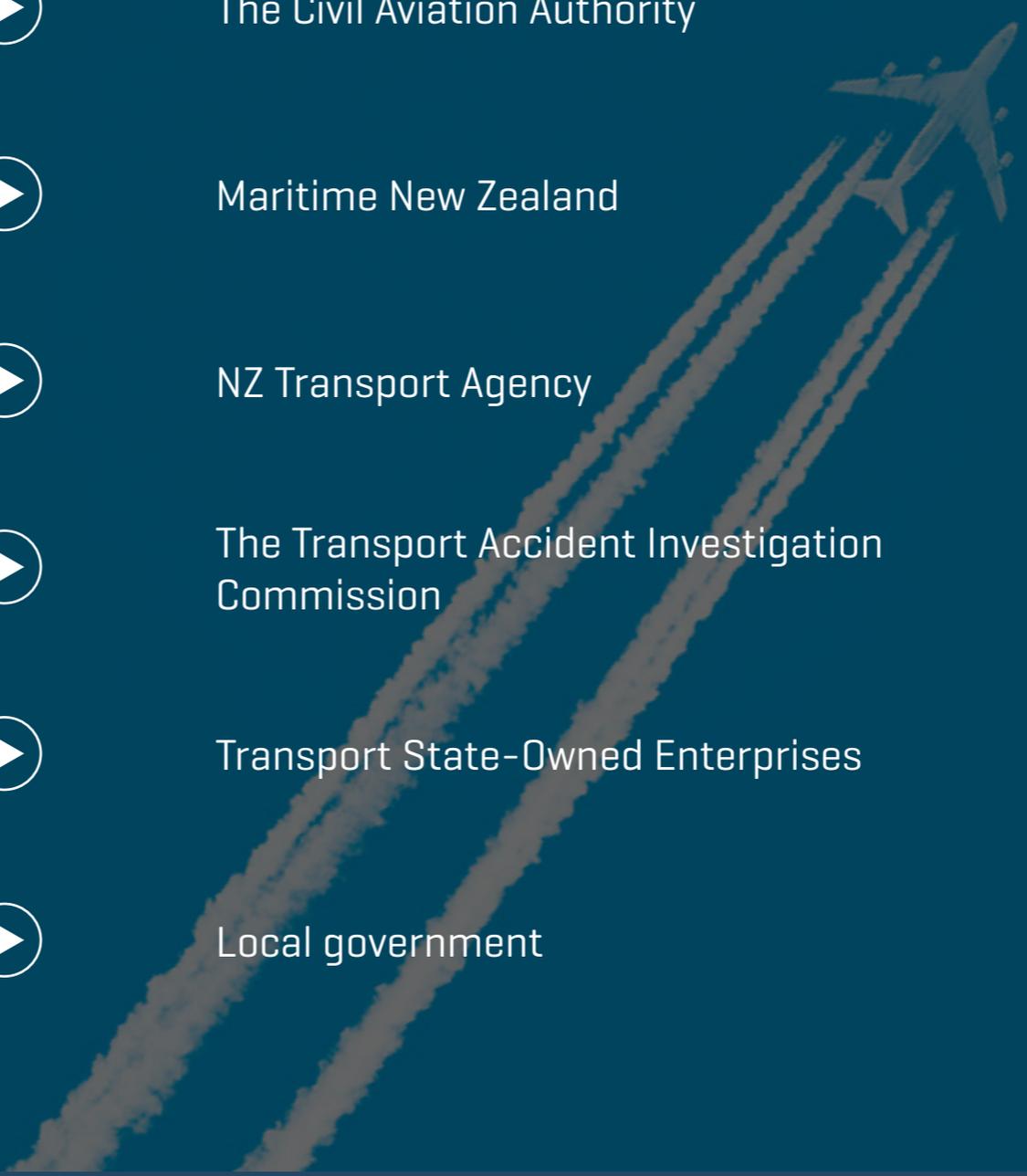
The Transport Accident Investigation Commission



Transport State-Owned Enterprises

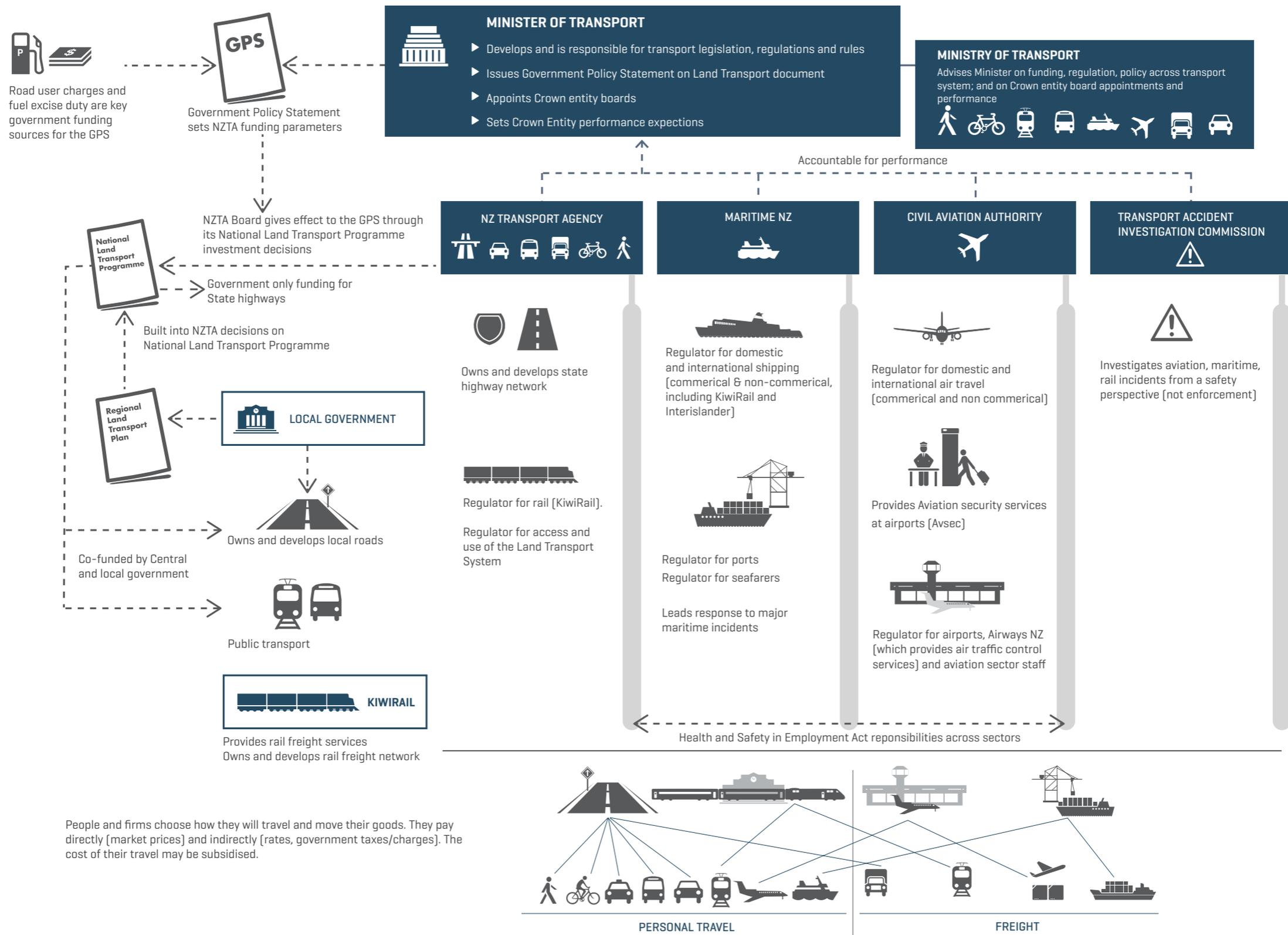


Local government



The Government Transport Sector

Figure 6 – The government transport sector



The Ministry of Transport



The Ministry of Transport is the government's principal adviser on transport policy, regulation, and investment. The Ministry of Transport will provide you with specialist transport advice and support on these matters. The Ministry of Transport will also provide you with support to promote good governance, performance, and accountability of the Crown entities in the transport sector for which you are responsible. We lead and coordinate the transport sector agencies to ensure they deliver on the government's expectations and priorities, and to achieve the results sought from them for New Zealand.

The Ministry of Transport articulates its purpose as 'ensuring our transport system helps New Zealand thrive'. To this end, it has set for itself a greatest imaginable challenge; 'to create the environment to double the value from transport initiatives'⁸ The Ministry of Transport achieves these things by working with you to deliver a programme of work that aligns with your priorities, but also by ensuring you get the best possible advice on issues and opportunities to ensure the government's policy, regulatory, and investment settings are appropriate to meet the future needs of the nation.

The Ministry's operating model

Although the Ministry of Transport plays a critical role in the transport sector, it is a relatively small organisation with a budget of \$30 million per annum and 155 full-time equivalents. This size is about 25 percent less than it was in 2008. However, the Ministry of Transport is a more capable and effective organisation than it was in 2008. Recent Performance Improvement Framework reviews have confirmed that the Ministry of Transport is a well performing organisation and that it has come a long way in the last few years.

The Ministry of Transport has achieved this in part because of its unique operating model. It works in much the same way as a consulting firm. Staff are allocated both to teams where they maintain specialist transport knowledge, build expertise, and develop their understanding of longer term strategic issues, as well as being assigned to project teams to respond to the priorities that you establish. This allows the Ministry to be expert and well informed while being flexible and responsible to changing demands.

⁸ The Greatest Imaginable Challenge is a stretch target the Ministry staff set for themselves in 2013. It is a common goal that drives the Ministry's planning and priorities, and the actions of all staff.



Establishing fit-for-purpose regulatory frameworks

The transport system is becoming increasingly technology reliant and our prescriptive regulatory frameworks are struggling to keep pace with the pace of innovation and change. There is also a need to ensure our regulatory framework can effectively respond to changing international standards and obligations. The consequences of this are that our Crown entities are not able to regulate their transport modes as effectively as they should, and New Zealand is not capturing the full benefits from the changes that are occurring in the transport operating environment. All of this needs to be seen in the context that poor regulation imposes costs on the economy and users.

To be fit-for-purpose, and meet New Zealand's needs, the transport regulatory frameworks need to be able to adapt to modern and changing environments and expectations. The legislation needs to be flexible, allowing regulations to take different approaches. This can include a prescriptive approach that specifies how the regulation is to be met, as well as a principle based approach which focuses on the outcomes that can be achieved.

It is also important to more strategically plan and prioritise transport regulatory proposals. This could include more active prioritisation of legislative bids for repair and maintenance of existing regulatory regimes, greater recognition of limited House time in setting the legislative programme, and better information about the progress of the legislative programme to enable departments and Parliamentary Counsel Office to meet circumstances.



The Civil Aviation Authority



Interesting things about the Civil Aviation Authority

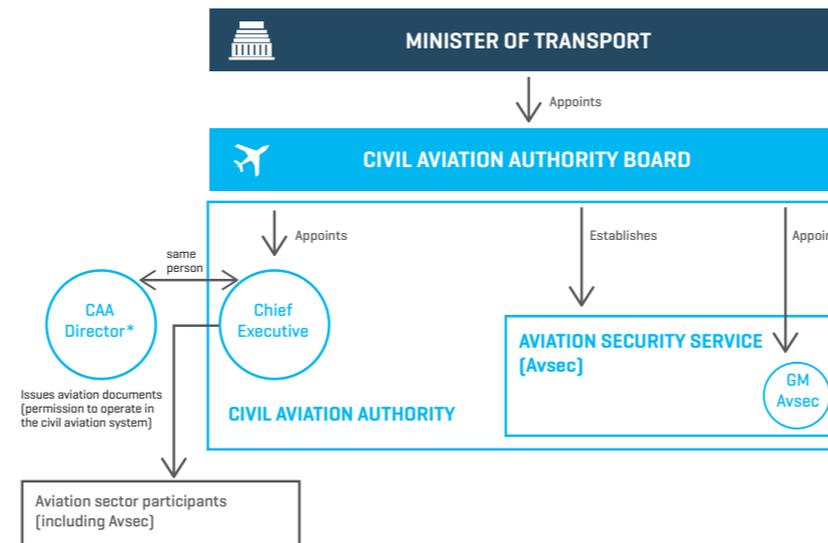
<p>7.3 million items of baggage screened for dangerous or prohibited goods annually</p>		<p>834 accidents or incidents are reported and engaged on annually</p>	
<p>10,330 pilots licensed to operate in NZ's civil aviation system annually</p>		<p>10 million passengers are processed through domestic and international screening annually</p>	

The Civil Aviation Authority is a Crown entity with two distinct roles:

- ▶ regulatory authority for civil aviation safety and security under the Director of Civil Aviation
- ▶ aviation security service provider at airports [through the Aviation Security Service - Avsec] under the General Manager of Avsec.

The Director of Civil Aviation has independent statutory authority to control entry into the civil aviation system [by granting aviation documents], and monitor and enforce regulatory requirements⁹. The governance structure of the Civil Aviation Authority is provided in figure 7 below.

Figure 7 – The Civil Aviation Authority’s governance structure



⁹ For example, the Director is not accountable to the Minister of Transport or the Civil Aviation Authority Board when he/she issues an aviation document to operator X, removes an aviation document from operator Y, or takes action against operator Z for breach of civil aviation rules.

* the Director has statutory powers that are independent from the CAA Board



Core functions

The primary objective for the Civil Aviation Authority is set out in the Civil Aviation Act 1990. It is responsible for carrying out 'safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system' [Civil Aviation Act 1990 s72AA]. The Civil Aviation Authority does this through five core functions:

1. Policy and Rules

The Civil Aviation Authority works to ensure that New Zealand's civil aviation system:

- ▶ is robust and responsive to the continually changing aviation community
- ▶ is respected internationally
- ▶ provides an appropriate level of safety and security for the New Zealand public

Civil aviation in New Zealand has minimum standards for safety and security that must be met by participants. The standards are set out in the Civil Aviation Rules, which are made by the Minister of Transport.

2. Education and safety promotion

The Civil Aviation Authority works to support civil aviation participants with aviation safety publications, courses, seminars and advice. Safety education focuses on the greatest safety concerns. The Civil Aviation Authority's aim is to influence attitudes, change behaviour and encourage aviation participants to operate well above safety minimums.

3. Certification and licensing

The Civil Aviation Authority uses certification and licensing to control entry and exit to the New Zealand civil aviation system. To operate within the civil aviation system, an individual or organisation must be granted an aviation document. Aviation documents include: a pilot licence, operating certificate, aircraft registration, engineer licence, air traffic control licence, or aerodrome certificate.

4. Monitoring and investigation

The Civil Aviation Authority monitors compliance with safety and security standards, investigates and analyses accidents and incidents, and carries out corrective action and enforcement. The Civil Aviation Authority's monitoring role includes inspecting and auditing participants in the civil aviation system. It assesses the level of risk that each operator poses to aviation safety. The level of risk is used to determine the amount of monitoring each operator receives.



The Civil Aviation Authority also administers the provisions of the Health and Safety in Employment Act 1992 for aircraft in operation. It provides information and guidance, conducts workplace inspections, audits health and safety management systems, and investigates workplace accidents and concerns.

The Civil Aviation Authority may undertake enforcement when aviation participants operate outside the rules and standards.

5. Security service delivery

Avsec is jointly responsible with the NZ Police for security at security-designated airports and air navigation facilities. All departing international passengers are screened for prohibited items and dangerous goods. All departing domestic passengers on aircraft with 90 or more seats are also screened.

Avsec screens airport workers, provides access control to restricted areas and undertakes perimeter patrols to ensure prompt interception of persons unlawfully in security areas. This includes protecting places and equipment used to aid air navigation.

Avsec contributes to New Zealand's national approach to counter-terrorism capability by participating in cross-agency planning and evaluation activities. Avsec also provides a maritime security response and works in conjunction with other government agencies on high-profile events that could be targets for terrorism. Avsec can provide other security services at the request of the NZ Police or as required by government.





Interesting things about Maritime NZ

30 million sq km
New Zealand's search
and rescue region



400 maritime incidents
and accidents followed up in
2012/13



141 aids to navigation
maintained by Maritime NZ



3,000
domestic commercial vessels
regulated by Maritime NZ



Maritime NZ is the national regulatory, compliance, and response agency for the safety, security and environmental protection of coastal and inland waterways. It is responsible for promoting a safe, secure, and clean maritime environment for all commercial and recreational activities on the water, and minimising the impact of maritime incidents and accidents on New Zealand and its people.

The maritime sector in New Zealand is complex, diverse and a major contributor to, and enabler of, the New Zealand economy. With New Zealand almost totally reliant on shipping to carry international trade, a fishing industry that generates annual export earnings of \$1.4 billion, an expanding offshore sector, a vibrant charter boat, ferry and adventure tourism sector, a large marine manufacturing industry, and around 900,000 recreational boats, its importance cannot be underestimated.

To achieve a safe, secure and clean maritime environment, Maritime NZ strives to be a professional, evidence based, intelligence-led and risk focused regulatory, compliance and response agency. Maritime NZ has three key responsibilities identified below.

1. Regulation and compliance

Maritime NZ helps to develop and maintain the national safety, security, and environmental protection regulations that govern the operation of vessels, ports, and offshore installations in New Zealand waters. It supports, encourages, and requires operator compliance with regulations through: licensing commercial operators and seafarers, education, inspections, audits, accident investigation, and enforcement. Maritime NZ also has responsibility under the Health and Safety in Employment Act 1992 for regulating work on board ships, and of ships as places of work.



2. Provision of maritime safety infrastructure

Maritime NZ maintains New Zealand's coastal navigation aids to shipping (coastal lights), the national Maritime distress and safety radio service, and an emergency locator beacon detection network for land, sea, and air.

3. Response to incidents

Maritime NZ provides a national land, sea, and air search and rescue coordination service that covers some 30 million square kilometers, from the Pacific Islands in the north to Antarctica in the south. It also manages the national maritime incident and oil spill response capability, and leads New Zealand's responses to significant maritime incidents and emergencies, including oil spills.





Things you should know about the NZ Transport Agency

4.4 million vehicles registered



50% of all vehicle kilometres travelled are on state highways

70% of all freight kilometres travelled are on state highway

3.3 million licensed vehicle drivers



12% of national roading infrastructure owned by NZ Transport Agency*

\$3 billion invested each year* in local, regional and national transport infrastructure & services

* State highways

* Approximate figure

The NZ Transport Agency is responsible for delivering land transport services. It invests in and manages the land transport network as set out in the Land Transport Management Act 2003 [LTMA].

The NZ Transport Agency provides a whole-of-network view to land transport planning, investment, and delivery. This 'one network' perspective ensures land transport investments across the regions balance major local benefits with nationwide strategic priorities. The one network perspective also enables the NZ Transport Agency to ensure value for money in National Land Transport Fund [NLTF] investment. This is achieved by maximising the value of the current network and activities, and ensures that further capital and operational investment is directed into those areas that provide the greatest value.

The NZ Transport Agency's Role

The LTMA sets out the role and functions of the NZ Transport Agency and the instruments that define the relationship between the Minister and the Agency, including the Government Policy Statement on Land Transport [GPS].

The LTMA sets out the NZ Transport Agency's statutorily independent functions, which include [among other things] the approval of procurement procedures, determining whether particular activities are to be included in a National Land Transport Programme [NLTP], and deciding which activities qualify for payments from the NLTF.

The NZ Transport Agency's functions under the LTMA

The NZ Transport Agency contributes to and delivers the land transport network through its four main functions:



1. Planning the land transport network

The NZ Transport Agency works to integrate land use and transport planning so transport users can make safe and efficient choices. The planning function enables the NZ Transport Agency to influence the development of a land use and transport network structure, which contributes to New Zealand's economic growth and productivity improvements, and ensures value for money in investments.

2. Investing in land transport

The NZ Transport Agency works to make investments that collectively represent optimal value for money, and delivers on the government priorities set through the GPS. The NZ Transport Agency also works to ensure that this investment contributes to economic growth and productivity improvements and to a thriving New Zealand. In addition, the NZ Transport Agency works with local councils to co-fund local roads, public transport, and walking and cycling services and infrastructure.

3. Managing the State highway network

The State highway network is one of New Zealand's most important pieces of economic infrastructure. The State highway network is 12 percent of New Zealand's total road network, but it carries 50 percent of the vehicle traffic and around two-thirds of the kilometres driven by heavy vehicles. The NZ Transport Agency operates the network and takes a whole-of-life approach to optimise this asset. The NZ Transport Agency also works to improve the experiences of drivers on State highways and provide levels of service according to road function, which reflect the needs and expectations of freight movers, commuters, tourists, businesses, and leisure travellers.

4. Providing access to and use of the land transport system

The NZ Transport Agency's work under this function includes regulatory, licensing, registration and enforcement activities, and the provision of information to land transport users. The NZ Transport Agency is responsible for managing the driver licensing system and issues around 190,000 drivers licenses annually. It also manages the registration of motor vehicles, with over 5.6 million motor vehicle registration transactions each year.



The Transport Accident Investigation Commission



Interesting things about the Transport Accident Investigation Commission

7 international inquiries
TAIC provided assistance to
in 2012/13



18 safety recommendations
issued 2012/13



The Transport Accident Investigation Commission was established to assist New Zealand to comply with its international aviation obligations¹⁰ of ensuring independently conducted safety-focused accident investigations. This role has since expanded to include investigation of rail and maritime accidents. Transport Accident Investigation Commission investigations are conducted to prevent reoccurrences, rather than to apportion blame or liability. The Transport Accident Investigation Commission is an independent Crown entity with the powers of a Commission of Inquiry.

The two-member Commission [with a third position currently vacant] employs a chief executive. The chief executive employs 10 investigative staff [including the Chief Investigator of Accidents] and 9 corporate staff. The Commission is Crown funded with an annual budget of \$3.9 million. The Commission anticipates that for 2014/15 it will complete 20-25 domestic inquiries and assist 4-8 overseas jurisdictions' inquiries with a New Zealand connection.

Although the Transport Accident Investigation Commission is part of the transport sector, it is independent of other public sector organisations and the government in the conduct of its inquiries.

The Transport Accident Investigation Commission has three key elements to its role, identified below.

1. Purpose

To determine the circumstances and causes of aviation, rail and maritime accidents and incidents [occurrences] to avoid reoccurrences and not to ascribe blame.

2. Functions

The Commission's principal function is to investigate aviation, rail and maritime accidents and incidents. To that end, in the case of each accident and incident it must:

- ▶ decide whether to investigate based on whether there are significant implications for transport safety or if there are likely recommendations that would improve transport safety

¹⁰ The Convention on International Civil Aviation [ICAO Convention], particularly Annex 13 which relates to independently-conducted safety-focused accident investigations



The Transport Accident Investigation Commission

- ▶ co-ordinate and direct the investigations it initiates and decide which other parties (if any) should be involved in its investigations
- ▶ consider evidence gathered by investigators, advice from experts, and the submissions of consulted people and organisations; and hold private or public hearings
- ▶ publish its findings and recommendations

3. Powers

The Commission has broad investigative powers under the Transport Accident Investigation Commission Act 1990, including the power of entry and inspection and the power to seize, remove and protect evidence. It also has wide powers under the Commissions of Inquiry Act 1908, including the power to require a person to produce any papers, documents, records or things, or to summons any person to appear before its Commissioners. Evidence the Commission gathers (including witness interviews) is protected from general disclosure except for the purposes of the investigation. The Commission may hold private or public hearings.



Transport State-Owned Enterprises

There are three transport-related State Owned Enterprises - Airways Corporation of New Zealand, KiwiRail, and MetService. The State Owned Enterprises aim to operate as successful businesses and be profitable and efficient, in a similar fashion to businesses that are not owned by the Crown. State Owned Enterprises have two shareholding Ministers, the Minister of Finance and the Minister of State Owned Enterprises.

Airways Corporation of New Zealand Limited (Airways)

Airways provides air navigation services which enable safe, reliable and efficient air transport within New Zealand airspace, and across the Pacific Oceanic Flight Information Region, one of the largest airspace regions in the world.

Airways is regulated by the Civil Aviation Authority and provides its service in line with civil aviation rules and international standards. Airways is focused on keeping pace with international technology developments while providing an economic return on investment to the government. Airways is also contracted by the Civil Aviation Authority to provide Aeronautical Information Services [information for pilots].

Airways has created innovative best-in-class traffic management systems which enable airlines operating in New Zealand to achieve optimal efficiency while delivering those services at a price in the lowest quartile globally.

Airways is a profitable State Owned Enterprise. It has reported a net operating profit after tax of \$11.8 million for the year ended June 2014, up from the previous year's operating profit of \$9 million¹¹. Airways is fully self-funded primarily through fees and charges for its services. Airways is working with the Civil Aviation Authority on the implementation of the National Airspace and Air Navigation Plan through the New Southern Sky programme, from 2014 to 2023. The Plan is a 10-year programme to modernise New Zealand's aviation system.

Airways is certified by the Civil Aviation Authority to provide air navigation and flight information services at airports. To ensure this relationship functions without undue influence, there is a separation of role and responsibility between yourself as the responsible Minister, the Ministers of Finance and State Owned Enterprises as shareholders, the Civil Aviation Authority as regulator, and Airways as service provider.

New Zealand Railways Corporation (KiwiRail)

The national rail network consists of railway lines in both the North and South Islands. National rail services focus primarily on freight [particularly bulk and import/export freight], with tourism focused passenger services on some lines.

¹¹ The final net operating profit after tax last year of \$21.7 million was affected by an abnormal cross border lease exit.



KiwiRail is responsible for operating freight and passenger trains on the rail network and operating three interisland ferries. KiwiRail also provides the rail network for Auckland and Wellington metro rail services, and is contracted by Greater Wellington Regional Council to provide the Wellington metro rail service.

In 2010, the government agreed to provide funding to the 10-year KiwiRail Turnaround Plan, which aims to make KiwiRail's freight business commercially viable. KiwiRail is working to improve the quality of New Zealand's rail assets and to compete on even terms with other modes of transport, while cooperating with other players in the sector to create integrated transport solutions for customers. KiwiRail is currently focused on efficient movement of freight (via rail and ferry) along key freight corridors and has a secondary focus of effectively managing other parts of the business.

Your responsibility for KiwiRail covers the regulation of its operation through transport Rules. Responsibility for its funding and business decisions sit with the shareholding Ministers, although you may be involved in these issues from time to time, if funding is provided through Vote Transport. The NZ Transport Agency is responsible for enforcing the regulations to ensure the safe operation of KiwiRail.

Meteorological Service of New Zealand Limited (MetService)

MetService provides a wide range of weather information services and data to government, business, and directly to the public, to enable mitigation of weather-related risks.

MetService is contracted by the Ministry to provide: weather forecasts and warnings to support New Zealand public safety; marine forecasts and warnings across the South Pacific; and represent New Zealand at the UN World Meteorological Organization.

MetService provides specialised weather information services to the NZ Transport Agency for the parts of the State highway system that are vulnerable to weather conditions. MetService also provides commercial weather services for international aviation, and supports the Civil Aviation Authority in meeting New Zealand's obligations to the International Civil Aviation Organization, and a range of domestic aviation services.

MetService obtains 58 percent of its commercial revenue from services provided to the commercial sectors including weather dependent industry, media, retail, aviation and energy sectors in New Zealand as well as overseas. The contract with the Ministry for public good weather forecasting services represents the remaining 42 percent of its revenue.

The Ministry of Transport works to support your interest to ensure the required services are provided at an appropriate cost. The government's shareholding Ministers are responsible for the financial viability of MetService as an entity.



Local government

Land transport

Local government has a significant role in the transport sector through its funding and planning roles, in accordance with the LTMA¹². Local government is responsible for local road development and maintenance, planning and contracting for public transport services, and walking and cycling infrastructure and initiatives. In most cases, these activities are co-funded with the NZ Transport Agency from the NLTF.

Regional Transport Committees are responsible for developing Regional Land Transport Plans which set out their proposed transport activities for inclusion in the NZ Transport Agency's National Land Transport Programme. There are 16 Regional Transport Committees, which include representatives from all the councils in a region and the NZ Transport Agency. Regional councils provide local subsidies for public transport and services. City and district councils are responsible for providing and managing their local roads.

Auckland Transport

Auckland Transport was created in 2010 as a Council Controlled Organisation when Auckland Council was established as a Unitary Authority. The board of Auckland Transport is the Regional Transport Committee for the Auckland region, with the local road functions of a city or district council and the public transport functions of a regional council. The board includes two councillors and a representative of the NZ Transport Agency, which is currently this is the Chief Executive.

Aviation and maritime

Some councils have a partial ownership interest in ports and airports, as shareholders in port or airport companies.

In the maritime sector, local councils are responsible for ensuring port and harbour safety and the provision of navigation services. Local councils also have a role in oil pollution response activities.

¹² Local government also has statutory obligations under various other Acts.



Vote Transport

You are accountable for appropriations in Vote Transport totalling \$4.6 billion in 2014/15. The figures tables below are as at the Pre-election Economic and Fiscal Update.



Land Transport revenue



National Land Transport Programme and other road funding



Rail



Crown Entities



Other



Departmental outputs



Land Transport revenue

Road tax revenue (from fuel excise duty, road user charges, and motor vehicle registration licensing fees) is forecast to be \$3.1 billion in 2014/15. Of this, \$2.8 billion is hypothecated to the National Land Transport Fund, is \$297 million of road tax revenue is allocated to Vote Police for road policing, and \$8 million is allocated to search and rescue activities.

Appropriations in Vote Transport

Below is an explanation of the breakdown of the Vote by recipient:

	2014/15 \$m
Roading	
National Land Transport Programme Permanent Legislative Authority	2,850
Funding from the Crown	1,082
Rail	530
Crown entities	31
Other	63
Departmental funding	33
Total	\$4,589



National Land Transport Programme and other road funding

The road tax revenue collected is appropriated as required to deliver the National Land Transport Programme in line with the current Government Policy Statement on Land Transport. In addition, there is some short-term funding from the Crown for roading, which takes the form of loans and grants.

	2014/15 \$m
Road tax revenue appropriated under Permanent Legislative Authority	
Operating	1,914
Capital	936
Sub Total	2,850
Crown appropriations	
Capital – cash flow management loan	750
Capital – project loans	282
Other	50
Sub Total	1,082
Total	\$3,932

The National Land Transport Programme is a 3-year programme. To allow the NZ Transport Agency flexibility to manage cash flow pressures over the year, the Crown has approved a short-term loan facility, shown in the previous table, to be repaid from future road tax revenue. The loan balance may not exceed \$250 million at any one time, but because the funding can be repaid and redrawn during the year, the loan is appropriated at \$750 million per year to represent draw downs only.

The project loans of \$282 million are for the reinstatement of Christchurch [\$120 million], Tauranga Eastern Link [\$107 million] and the Auckland Transport Package [\$55 million]. The other operating funding relates mainly to the recently announced Regional State highways programme [capital of \$39.5 million], and the National War Memorial Park undergrounding project [capital of \$10 million].



Rail

	2014/15 \$m
To KiwiRail Group	
Capital - Turnaround Plan	198
Capital - loans and equity	11
Other projects	39
To Auckland Council for the Electric Multiple Unit package	
Loans	192
Other	90
Total	\$530

Since 2009/10, the government has committed \$1.042 billion to the KiwiRail Turnaround Plan. Further appropriations will be subject to a review of the Plan during 2014/15 to inform Budget 2015.

KiwiRail has \$174 million of loans from the Crown currently owing. A loan of \$10.75 million will be rolled over in 2014/15.

The project funding is mainly for various ongoing but finite metro rail projects. Projects in Auckland will be completed in 2014/15 [\$11 million] and Wellington [\$24 million]. The balance is for public policy and safety projects.



Crown entities

Appropriation	2014/15 \$000
Maritime New Zealand	21,078
Transport Accident Investigation Commission	3,865
Civil Aviation Authority [including the Aviation Security Service]	2,364
NZ Transport Agency	4,176
Total	\$31,483

The NZ Transport Agency figure above excludes funding paid into the National Land Transport Fund, and represents other appropriations from the Crown for additional activities.

Maritime NZ is receiving \$5.9 million of capital to build assets in 2014/15. It also receives annual road tax revenue of \$4.2 million to fund search and rescue activities and \$0.93 million to fund recreational boating safety.

Other

Appropriation	2014/15 \$000
MetService — weather forecasts and warnings	18,574
SuperGold card concessions	25,905
Road user charges activity	8,949
Bad debt provision — motor vehicle and road user charges	4,000
Search and rescue agencies from road tax revenue	2,789
Membership of international organisations	743
Joint venture airport funding	500
Rena/ maritime oil response	1,500
Total	\$62,960



Departmental outputs

Appropriation	2014/15 \$000
Policy advice and related outputs Class Appropriation	30,843
Search and Rescue Permanent Legislative Authority	1,201
Milford Sound / Piopiotahi aerodrome operation	230
Fuel excise duty refund administration	429
Total	\$32,703



Appendices

Each of the transport modes work in different ways. The following sections provide an overview of the key aspects of the operation of those modes.



Appendix A - Planning and funding the land transport sector



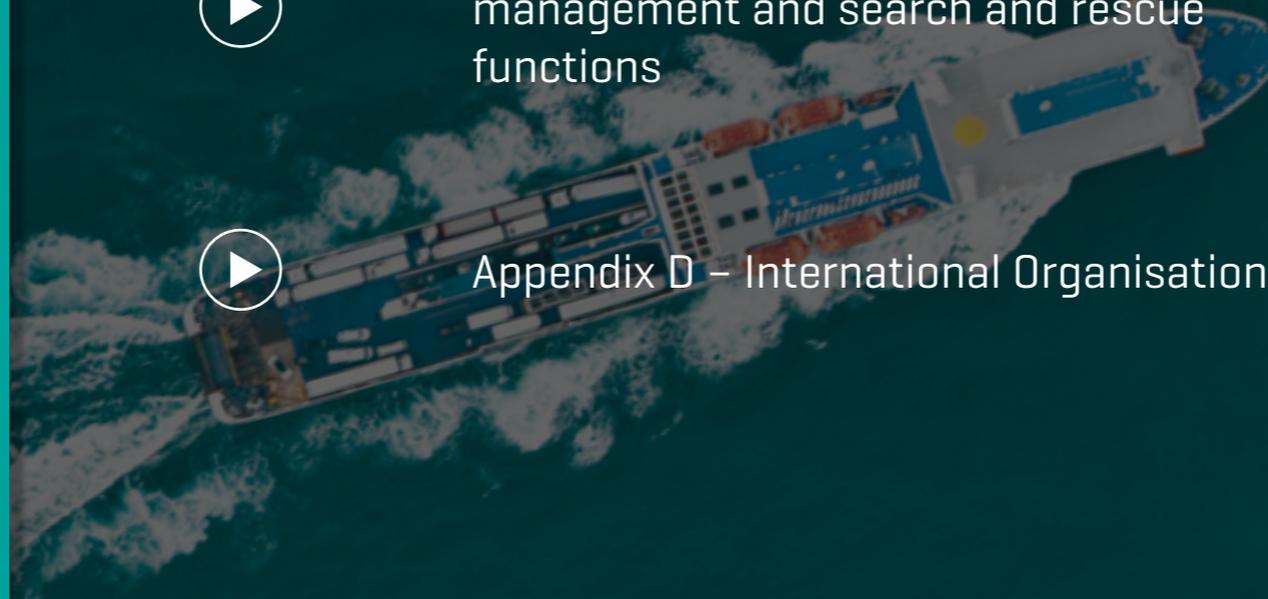
Appendix B- Roles and responsibilities by mode



Appendix C – Security, emergency management and search and rescue functions



Appendix D – International Organisations



Appendix A - Planning and funding the land transport sector

Planning

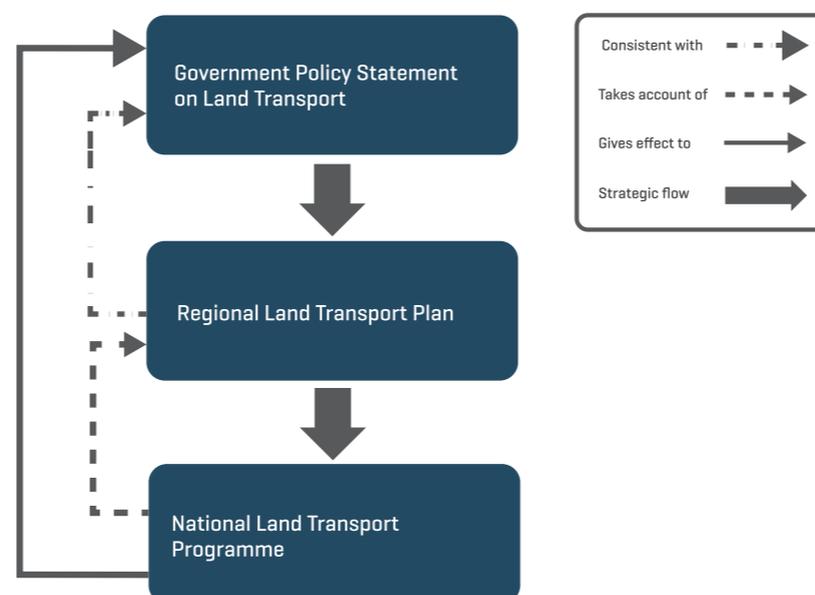
Over \$3.4 billion is spent through the National Land Transport Fund (the NLTF) each year. This investment is accompanied by a further \$1 billion of local government investment. The Government Policy Statement on Land Transport (the GPS) sets out the strategy for this investment and the results the Government wants to achieve from it over the next 10 years.

The GPS is your main lever to communicate what the government wants to achieve in land transport, and how it expects to see funding allocated between types of activity (for example, roading, public transport, road safety) across the land transport system. The GPS describes:

- ▶ what the government wishes to achieve from its investment in land transport through the NLTF
- ▶ how it will achieve this through particular areas of investment known as activity classes (for example, road policing, State highway improvements)
- ▶ how much funding will be provided
- ▶ how the funding will be raised

Regional Land Transport Plans developed by local government must be consistent with the GPS. The National Land Transport Programme takes account of the Regional Land Transport Plans, but overall, must give effect to the GPS. Figure 8 shows how these planning documents work together.

Figure 8 – Relationship between GPS and land transport planning documents.



Informing expenditure

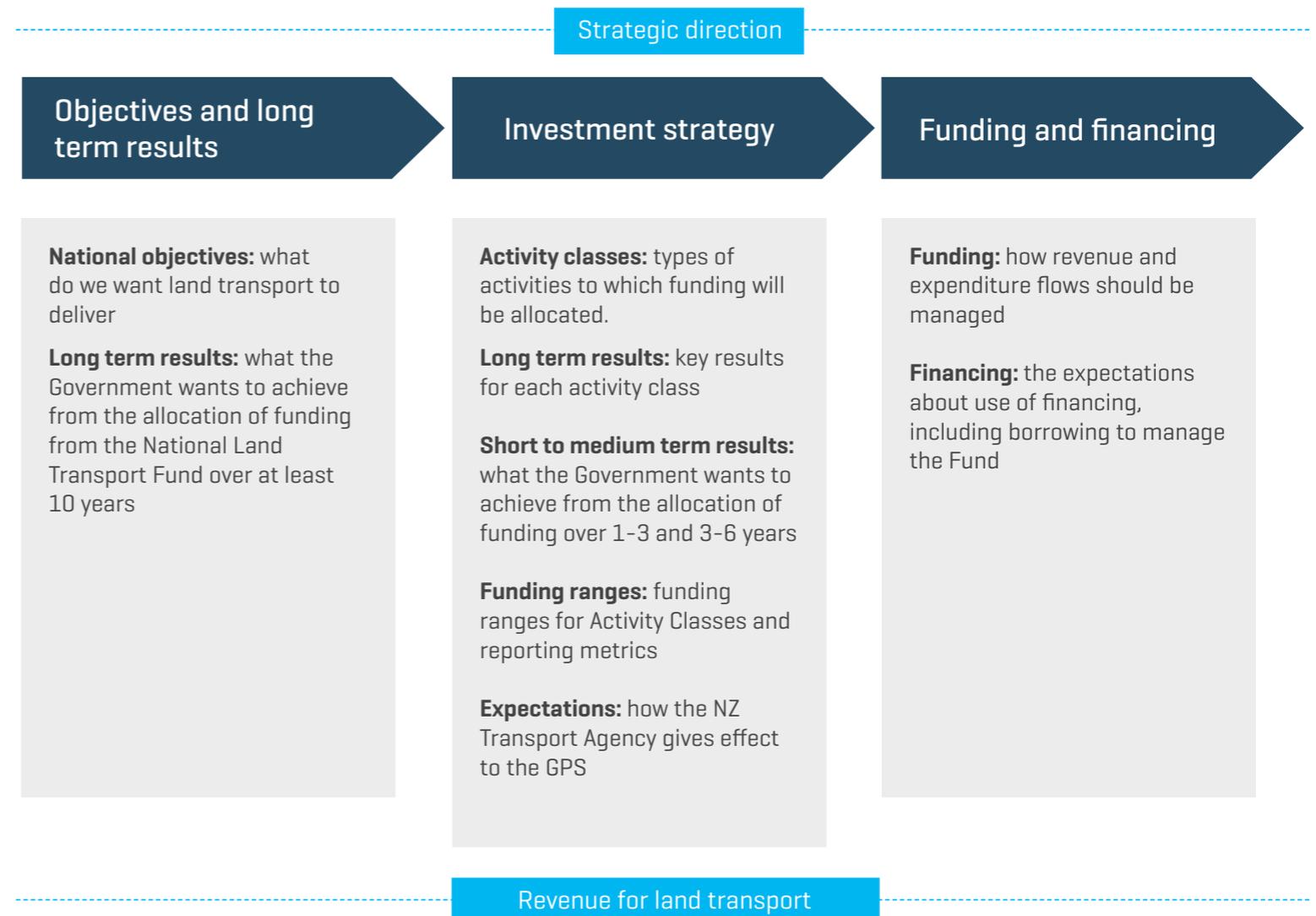
Following release of the GPS, Regional Land Transport Plans are prepared by the relevant Regional Transport Committees (and, in Auckland, by Auckland Transport). The Regional Land Transport Plans set out what transport outcomes the region seeks over the next 10 years, in a way that is consistent with the GPS.

The NZ Transport Agency then uses Regional Land Transport Plans to develop the National Land Transport Programme (the NLTP). The NLTP sets out what specific projects will be funded from the National Land Transport Fund (NLTF), and what priority each activity has.

The decisions made in the NLTP are guided by the priorities policies and funding ranges set out in the GPS. In this way, the GPS influences how funding is allocated and managed.

Figure 9 shows the strategic flow of the draft GPS 2015 and how the GPS provides the direction from government objectives to planning and funding of the land transport network.

Figure 9 – The strategic flow of the GPS



Funding

Revenue for land transport comes mostly from motorists through fuel excise duty (petrol tax), road user charges on diesel vehicles (RUC), and vehicle licensing charges. The Land Transport Management Act 2003 ring-fences (hypothecates) this revenue through the NLTF for investment in land transport. Councils also contribute to the cost of their land transport activities from rates and borrowing, in what is known as the 'local share'. About half of Council land transport expenditure is matched by grants from the NLTF.

The operating costs of public transport are funded through the NLTF¹³, council funding, and fares. The Land Transport Management Act 2003 enables regional councils to set standards for public transport services to be provided in their regions and helps them and the NZ Transport Agency obtain the value for money from subsidised services.

¹³ With some funding from Crown appropriations (for example, the SuperGold card subsidy).



Appendix B – roles and responsibilities by mode

Road - including walking and cycling

The government fully funds the State highway network, including associated walking and cycling infrastructure through the NLTF. The NZ Transport Agency is responsible for construction and maintenance of State highways.

Local roads and associated walking and cycling infrastructure are the responsibility of 74 local councils with funding from local and central government.

The NZ Transport Agency is responsible for allocating NLTF investment between the State highway system it provides and the local road and public transport systems managed by local government, within the guidance provided by the GPS.

The government sets the rules by which users can access and use the roading network. This includes driver, operator and licensing standards, and motor vehicle safety and environmental standards.

Walking is a key part of most transport journeys. Cycling makes up around 1.4 percent of travel journeys. Figure 10 shows the use of each mode in 100km, per year. Both modes contribute to initiatives to improve health and physical activity and reduce emissions

Figure 10 – 100km travelled per year, by mode

TRAVEL MODE	1989/90	1997/98	2003-06	2004-07	2005-08	2006-09	2007-10	2008-11	2009-12	2010-13
Car/van driver	183.2	251.6	290.6	296.2	299.9	302.2	294.4	287.4	291.3	295.3
Car/van passenger	115.5	132.9	150.7	148.1	148.4	149.8	149.2	142.7	146.7	145.0
Pedestrian	8.4	8.9	7.4	8.0	7.9	8.1	7.8	7.8	7.7	7.7
Cyclist	3.5	2.8	2.6	2.6	3.0	2.8	3.5	3.1	3.4	3.0
Motorcyclist	3.1	1.8	2.5	2.4	2.6	1.9	2.4	2.4	2.7	2.8
Public transport										
Bus	15.2	17.7	12.1	11.5	10.4	10.9	11.5	12.7	12.1	11.4
Train	-	-	4.0	3.9	3.3	3.3	3.3	3.2	2.7	3.5



Public transport

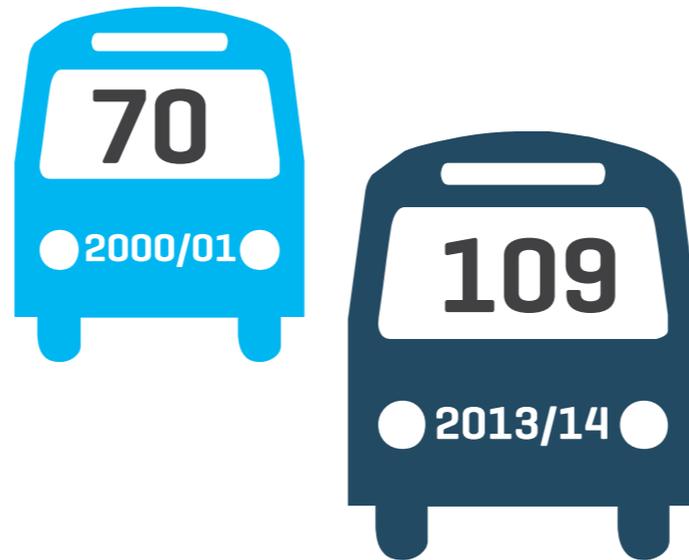
The government is responsible for the regulation of how public transport services are provided and funded. The majority of public transport services are provided by the private sector under contract to local councils. The government provides funding co-payment for local public transport services and infrastructure through the NLTF.

Separate government funding is provided for the SuperGold card travel concession scheme, which enables card holders to travel free on off-peak public transport services. Capital investment in Wellington and Auckland metro rail is funded by annual Crown appropriations.

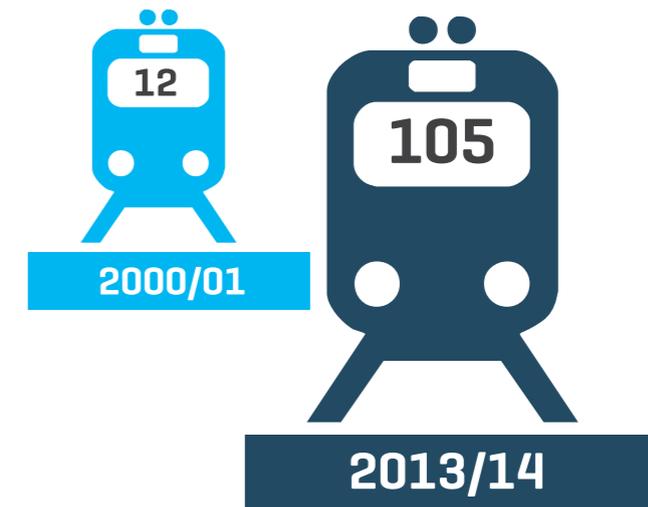
Figure 11 shows the increase in public transport use from 2000/01 to 2013/14

Figure 11 - Increase in public transport use from 2000/01 to 2013/14

BUS BOARDINGS (MILLION)



TRAIN BOARDINGS (MILLION)



Safety

Land

The National Road Safety Committee is responsible for implementing government policy on land transport safety. This is currently through the Safer Journeys programme, which is New Zealand's road safety strategy for 2010-2020. Safer Journeys guides improvements in road safety over the period 2010 to 2020. The strategy's vision is a safe road system increasingly free of death and serious injury. The Strategy also introduces the Safe System approach to New Zealand.



Aviation, maritime, and rail

The Civil Aviation Authority and Maritime NZ are responsible for the regulation of their respective modes and the NZ Transport Agency is responsible for rail safety. Safety in these sectors is managed through an outcomes based framework, where commercial operators are required to have an operation-wide plan to ensure safe operations.

Investigation

The Transport Accident Investigation Commission investigates aviation, maritime, and rail accidents and incidents to determine the circumstances and causes. The aim is to avoid similar occurrences in future, rather than to ascribe blame. It is an independent commission of inquiry and is legally separate from any other authority's investigation of the same event that may be undertaken for different purposes. The Transport Accident Investigation Commission allows New Zealand to meet relevant safety obligations under the Convention on International Civil Aviation and the International Convention for the Safety of Life at Sea [SOLAS].

Rail freight

KiwiRail's primary business focus is freight. KiwiRail is the owner of the rail infrastructure and operator of New Zealand's rail freight services. It provides a national rail freight service; Cook Strait shipping services through the InterIslander; and services to maintain and improve the rail network.

Rail carries 16 per cent of the total freight task in terms of tonne kilometres. Rail is an efficient mode for the carriage of bulk freight [that is not time-sensitive] over long distances.

KiwiRail is a State Owned Enterprise with the Crown as its sole shareholder. The KiwiRail Turnaround Plan is KiwiRail's 10-year programme to create a sustainable rail business through investment in the business' assets, rather than from an operating subsidy. To date the total Crown investment in the Plan is \$1.04 billion. Since implementing the Turnaround Plan, KiwiRail has increased its freight volumes and its operational efficiency and is working towards becoming self-sustaining.

Economic regulation

There is no economic regulation for the provision of rail freight services. KiwiRail is the sole national rail freight carrier. Rail competes with road transport and coastal shipping for the services it provides, meaning the opportunity for it to exercise any element of monopoly power is limited.



Maritime

The government's key maritime role is to promote a safe, secure, and clean maritime environment. The Ministry of Transport focuses on understanding port productivity issues, improving public information on maritime and freight transport, and improving the safety of the maritime sector.

New Zealand ports are entirely or majority owned by local government. Northland Port Corporation (Whangarei), Port of Tauranga, Lyttlelton Port Company, Primeport Timaru, and South Port (Bluff) are listed on the New Zealand Stock Exchange, with local authorities retaining majority shareholdings (50 percent in the case of Primeport). The remaining nine ports that provide international services are fully owned by the local authorities.

The majority of New Zealand's maritime sector comprises domestic fishing, charter, adventure tourism, and other non-cargo-carrying activities. Coastal sea freight is transported on a mix of New Zealand and internationally operated ships and makes up 14% of New Zealand's domestic freight. International ships can carry domestic cargo between New Zealand ports as long as the port visits are part of their international trip (trans-shipping).

Foreign ships are permitted to carry coastal cargo during their transit around New Zealand while on an international voyage.

Economic regulation

Overseas owned and operated ships provide international shipping services to New Zealand. With the exception of the KiwiRail-owned Interislander, domestic shipping services are privately owned.

The efficient operation of the port and shipping sector is crucial to New Zealand's economic performance. Current arrangements are generally compatible with these interests.

Aviation

The government's role in aviation is to ensure the safe, secure, and effective operation of the aviation sector. The Ministry of Transport is responsible for the provision of policy advice to enable the government to undertake this role. The Ministry of Transport is also responsible for the economic regulation of international airlines, and providing advice on aviation matters.

Ownership and investment in aviation infrastructure and services is a mix between the private sector, State Owned Enterprises, and council or Crown shareholdings or interests. Airports are generally operated as corporatised companies with councils as the major shareholders. The Crown retains up to 50 percent shareholdings in Dunedin, Hawkes Bay and Christchurch



airports. The Crown has a 100 percent shareholding in air traffic services provided by the State Owned Enterprise Airways Corporation NZ. The Crown also has a majority shareholding (53 percent) in Air New Zealand. Treasury manages these interests on behalf of the shareholding Ministers.

The Ministry of Transport administers the Crown's interest in six regional airports (Whangarei, Whakatane, Taupo, New Plymouth, Whanganui, and Westport) which are operated as joint ventures between the Crown and local councils. The Crown fully owns the Milford sound/ Piopiotahi aerodrome in the Fiordland National Park. The Ministry of Transport manages the day-to-day operation of this aerodrome on the government's behalf.

Economic regulation

International aviation is a highly regulated industry. All scheduled international air services must be operated in accordance with an air services agreement negotiated between its home government and the government of the country it wishes to operate to. Among other things, these agreements set out the routes that can be flown and the capacity that can be operated on flights between, beyond, and in some cases within the countries involved.

The Ministry of Transport negotiates New Zealand's international air services agreements. Negotiations are held in accordance with New Zealand's International Air Transport Policy. This policy recognises the economic benefits of 'open skies' agreements, which remove as many restrictions on airlines as possible.

New Zealand has around sixty bilateral air services agreements, including with all of our major trading partners. More than half of these meet the standard criteria of an 'open skies' agreement.

New Zealand is also party to a multilateral open skies air services agreement, known as the Multilateral Agreement for the Liberalisation of International Air Transport (the MALIAT). This agreement has had limited uptake, however it has proven to be effective in managing our air services relationships with its other parties, which include Singapore, Chile, Brunei, the Cook Islands, Samoa, and the United States.

As Minister you also have authority for licensing New Zealand's international airlines. The Secretary for Transport acts as the licensing authority for international airlines from countries in which 'open skies' air services agreements have been put in place, under delegation.



Appendix C – Security, emergency management, and search and rescue functions

Security

New Zealand is party to the Convention on International Civil Aviation and as Minister of Transport, you are responsible for New Zealand's participation in the Convention. New Zealand's obligations include having a comprehensive safety and security regime based on the standards and recommended practices prescribed in annexes to the Convention by the International Civil Aviation Organization.

New Zealand's safety and security regime is established through legislation and rules. Avsec provides the majority of the security requirements at New Zealand airports. Similarly in the maritime sector, New Zealand has adopted the International Ship and Port Facility Security Code (ISPS Code). This code provides a comprehensive set of measures to enhance the security of ships and port facilities. Through legislation, Maritime NZ is responsible for ensuring that the provisions of the ISPS Code are complied with by:

- ▶ international trading ports in New Zealand
- ▶ commercial freight and passenger vessels visiting New Zealand

Emergency management

The transport sector is vulnerable to shocks and major events that disrupt services. The sector is conscious to plan for future needs and emergencies, and to be able to respond quickly to failures that disrupt or damage infrastructure.

The Ministry of Transport has a role to improve the transport system's preparedness for, and management of, shocks and major events through its policy advice to government and its work across the government transport sector. The Ministry of Transport Chairs the Transport Emergency Management Coordination Group and manages the Transport National Emergency Response Plan. In a significant emergency the Ministry of Transport activates the Plan and coordinates the transport agency responses.

Cross government emergency management exercises are held regularly to ensure departments and management systems are efficient and are able to respond effectively. Exercise Resolution will be held in December 2014 to contribute to readiness in the lead up to the Cricket World Cup (February 2015).

Search and rescue

New Zealand's 30 million km² Search and Rescue Region, the world's third largest, extends from the South Pole to the southern border of the Honolulu region, including Norfolk, Tonga, Samoa, and the Cook Islands.



The New Zealand Search and Rescue (NZSAR) Council provides strategic governance and leadership to the New Zealand Search and Rescue Sector. The Ministry of Transport, Maritime NZ, Civil Aviation Authority, Department of Conservation, NZ Police and the New Zealand Defence Force are involved in the NZSAR Council. The Ministry of Transport receives funding for and hosts the NZSAR Secretariat. The Ministry of Transport may also provide independent search and rescue policy and funding advice.

Either the NZ Police or the Rescue Coordination Centre (which is an operating group within Maritime NZ) coordinates Search and Rescue operations. The responsible coordinating authority will request the use of search and rescue assets depending on the requirements of the operation. A wide variety of organisations may participate in search and rescue operations, including the Department of Conservation, LandSAR, Coastguard NZ, Surf Life Saving NZ, rescue helicopters, NZ Police, commercial vessels, New Zealand Defence Force and a variety of smaller organisations or assets. Collectively, the SAR sector comprises approximately 12,000 people, of whom around 95 percent are volunteers.

The search and rescue sector's revenue comes from a variety of sources including: Crown funding through Vote Transport and hypothecated funding collected under the Land Transport Management Act (which recognises the fuel excise duty paid by recreational mariners). Commercial sponsorship, local fundraising, community grants and the Lotteries Grants Board also provide funding to the wider sector. The overall annual government investment in search and rescue varies according to operational activity, but is generally around \$18 million.



Appendix D – International organisations

International Transport Forum (ITF)

The ITF at the Organisation for Economic Co-operation and Development is an intergovernmental organisation with 54 member countries, it also acts as a strategic think tank for transport policy and organises an annual summit of ministers. The ITF is governed by a secretariat, with the presidency revolving annually among member countries. New Zealand has the presidency for 2015 and will have a leading role in organising the annual summit in May 2015, which will be held in Germany.

Standing Council of Transport and Infrastructure (SCOTI)

SCOTI is an Australian based organisation that brings together Australian federal and state, and New Zealand Ministers with responsibility for transport and infrastructure issues, as well as the Australian Local Government Association. SCOTI is part of the wider Council of Australian Governments organisation, which is the peak intergovernmental organisation in Australia. SCOTI provides New Zealand with an opportunity to gain lessons and advice to assist the development of transport and infrastructure in New Zealand. SCOTI usually meets twice a year. In advance of your attendance, the Ministry of Transport will provide you with briefings on any agenda items relevant to New Zealand. The Ministry of Transport is also engaged in SCOTI through its attendance at the officials' level sub-group (Transport and Infrastructure Senior Officials' Committee)

International Maritime Organization (IMO)

The International Maritime Organization (IMO) is a United Nations agency that sets standards for the safety, security, and environmental performance of international shipping. Its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented. New Zealand is currently a signatory to 34 maritime conventions that apply to maritime safety, security, and marine protection matters

The IMO maritime safety convention is the Safety of Life at Sea (SOLAS) convention. New Zealand, as a signatory to the Convention, has very clear obligations including being bound to have a comprehensive set of safety and security regulations based on the principles prescribed by the IMO. New Zealand engages with the IMO in the development of conventions and implements those to which New Zealand is a party.

The principal international transport convention for the protection of the environment is the International Convention for the Prevention of Pollution from Ships (MARPOL), to which New Zealand is a signatory. MARPOL includes regulations aimed at preventing and minimising pollution from ships - both accidental pollution and that from routine operations.



International Civil Aviation Organization (ICAO)

The International Civil Aviation Organization (ICAO) is a United Nations specialised agency that establishes standards and recommended practices for global aviation. New Zealand is a member of ICAO and participates in meetings that develop international standards and recommended practices and associated guidance material.

New Zealand has an obligation to comply with ICAO's standards and recommended practices [unless it finds it impracticable to do so]. New Zealand has the obligation to notify ICAO of any difference between New Zealand rules and the international standards and recommended practices. New Zealand's approach is to adopt ICAO standards and recommended practices for both the international and domestic aviation sectors, as major safety risks would be created if different procedures and standards were to apply.

Asia Pacific Economic Cooperation (APEC)

New Zealand is a member of the Asia Pacific Economic Cooperation (APEC), and of the Transportation Working Group. Transport Ministers meet annually, to discuss current issues and how their economies can work to address them.

The Transportation Working Group of APEC meets biannually to work towards trade liberalisation and facilitation in the transport sector, economic and technical assistance, and capacity building.

World Forum for Harmonization of Vehicle Regulations (WP 29)

WP29 is a permanent working party in the institutional framework of the United Nations, of which New Zealand became a member in 2002. It works as a global forum allowing open discussions on motor vehicle regulations. The forum works on regulations covering vehicle safety, environmental protection, energy efficiency and theft-resistance.



Images

This section holds the enlarged versions of the figures throughout the document.



MINISTER OF TRANSPORT



MINISTRY OF TRANSPORT



Accountable for performance

NZ TRANSPORT AGENCY



MARITIME NZ



CIVIL AVIATION AUTHORITY



TRANSPORT ACCIDENT INVESTIGATION COMMISSION



KIWRAIL



METSERVICE



AIRWAYS



Transport Sector Leadership Group

TRANSPORT STRATEGY GROUP

TRANSPORT SECTOR FUNDING RE-
VIEWS OVERSIGHT GROUP

TRANSPORT SECTOR
COLLABORATION & CAPABILITY
GOVERNANCE GROUP

TRANSPORT SECTOR
CIO FORUM

STRATEGIC DIRECTION FOR THE TRANSPORT SECTOR

Government transport sector's goal

A TRANSPORT SYSTEM THAT MAXIMISES ECONOMIC AND SOCIAL BENEFITS FOR NEW ZEALAND AND MINIMISES HARM

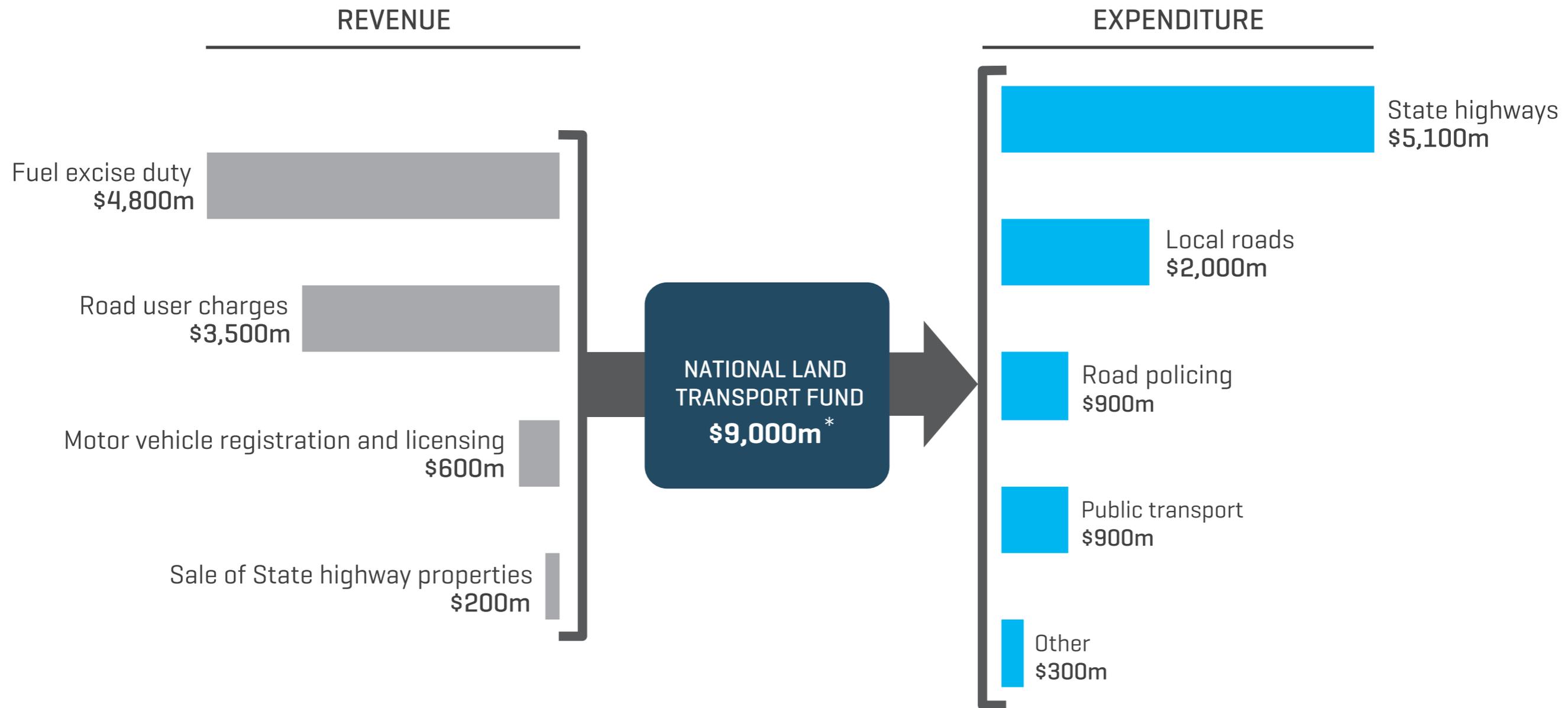
Government transport sector's long term outcomes

Resilient - meets future needs and endures shocks

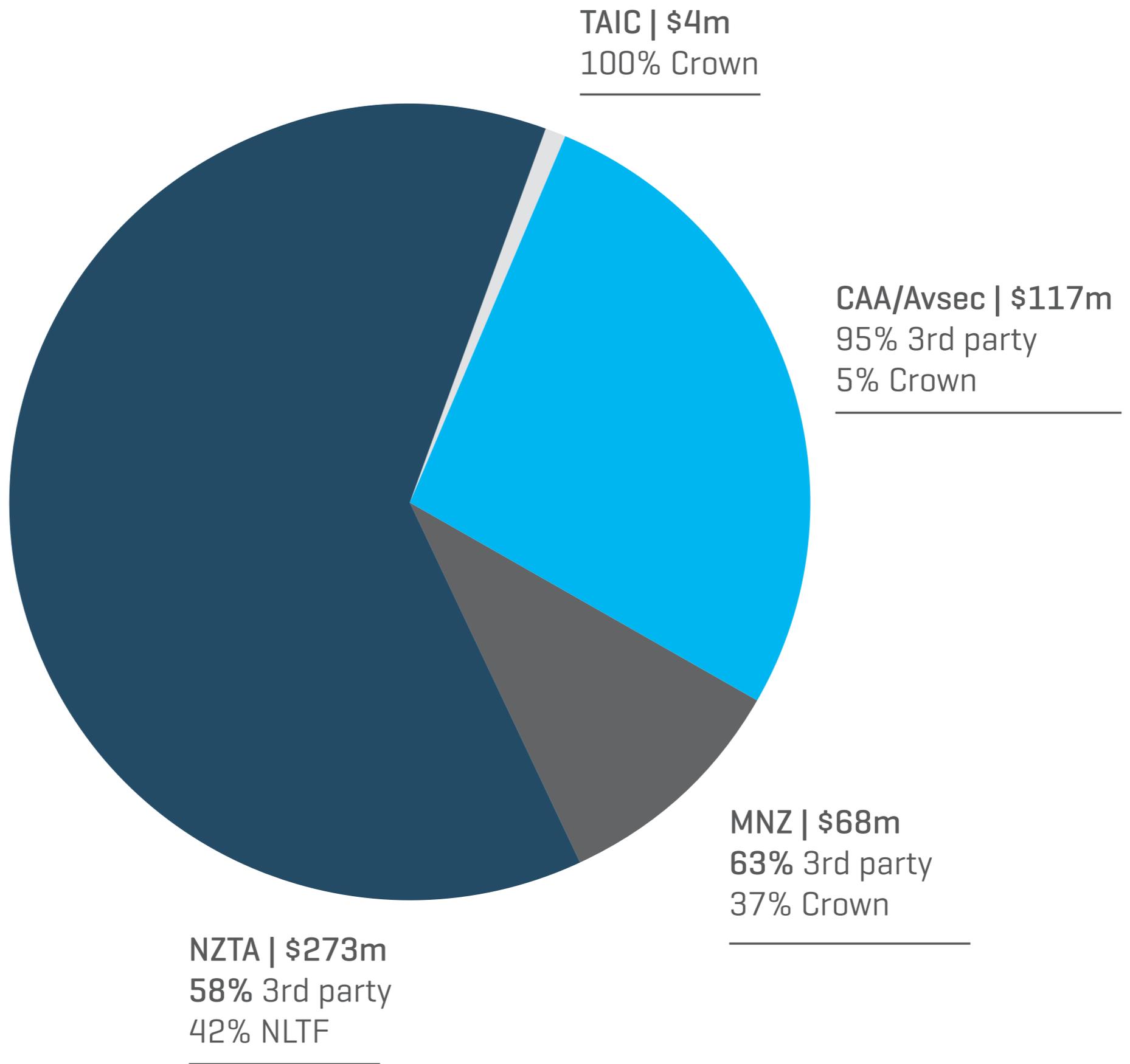
Effective - moves people and freight where they need to go in a timely manner

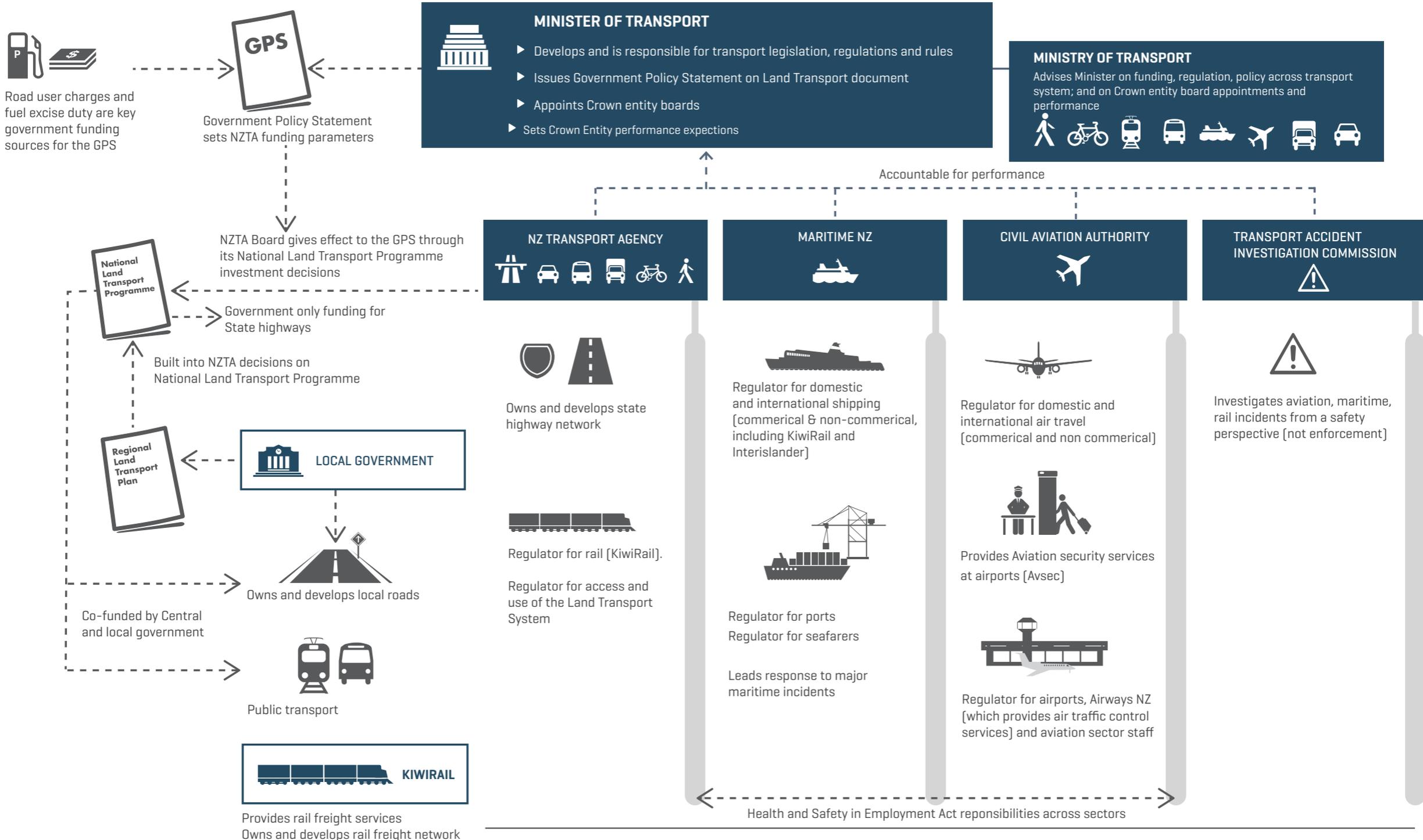
Efficient - delivers the right infrastructure and services to the right level at the best cost

Safe and responsible - reduces the harms from transport

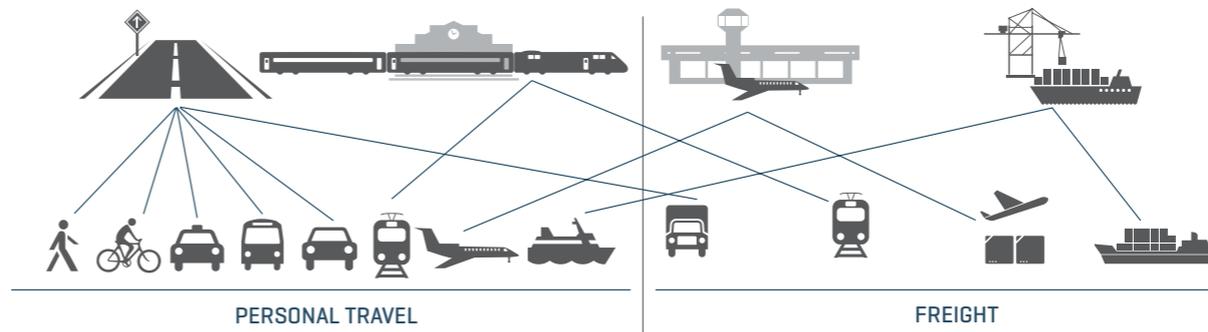


* Numbers have been rounded to the nearest \$100 million. The NLTF total does not equal the sum of individual revenue sources due to rounding. Expenditure often does not equal revenue in any year or over the short-term. From 2012/13 to 2014/15, forecast expenditure exceeds forecast revenue by about \$60 million. Revenue and expenditure balance over the long-term.





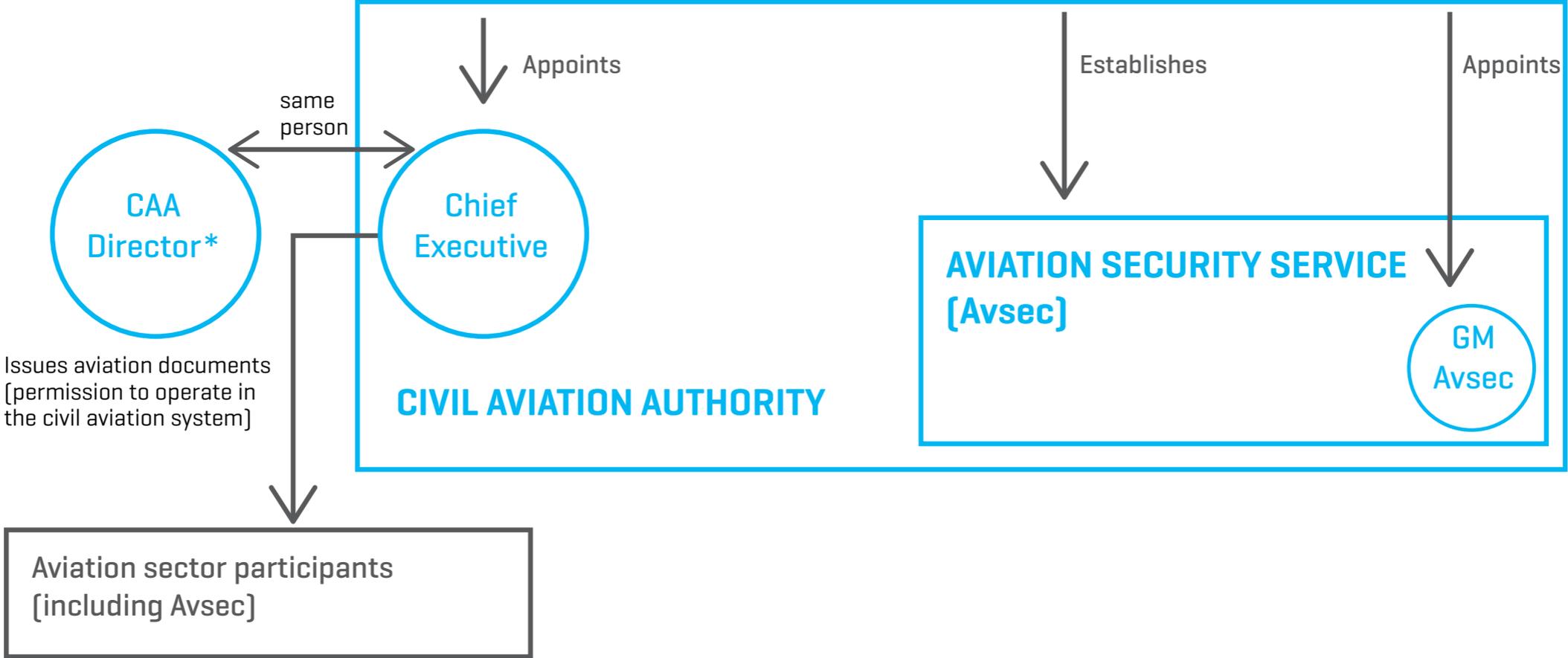
People and firms choose how they will travel and move their goods. They pay directly [market prices] and indirectly [rates, government taxes/charges]. The cost of their travel may be subsidised.



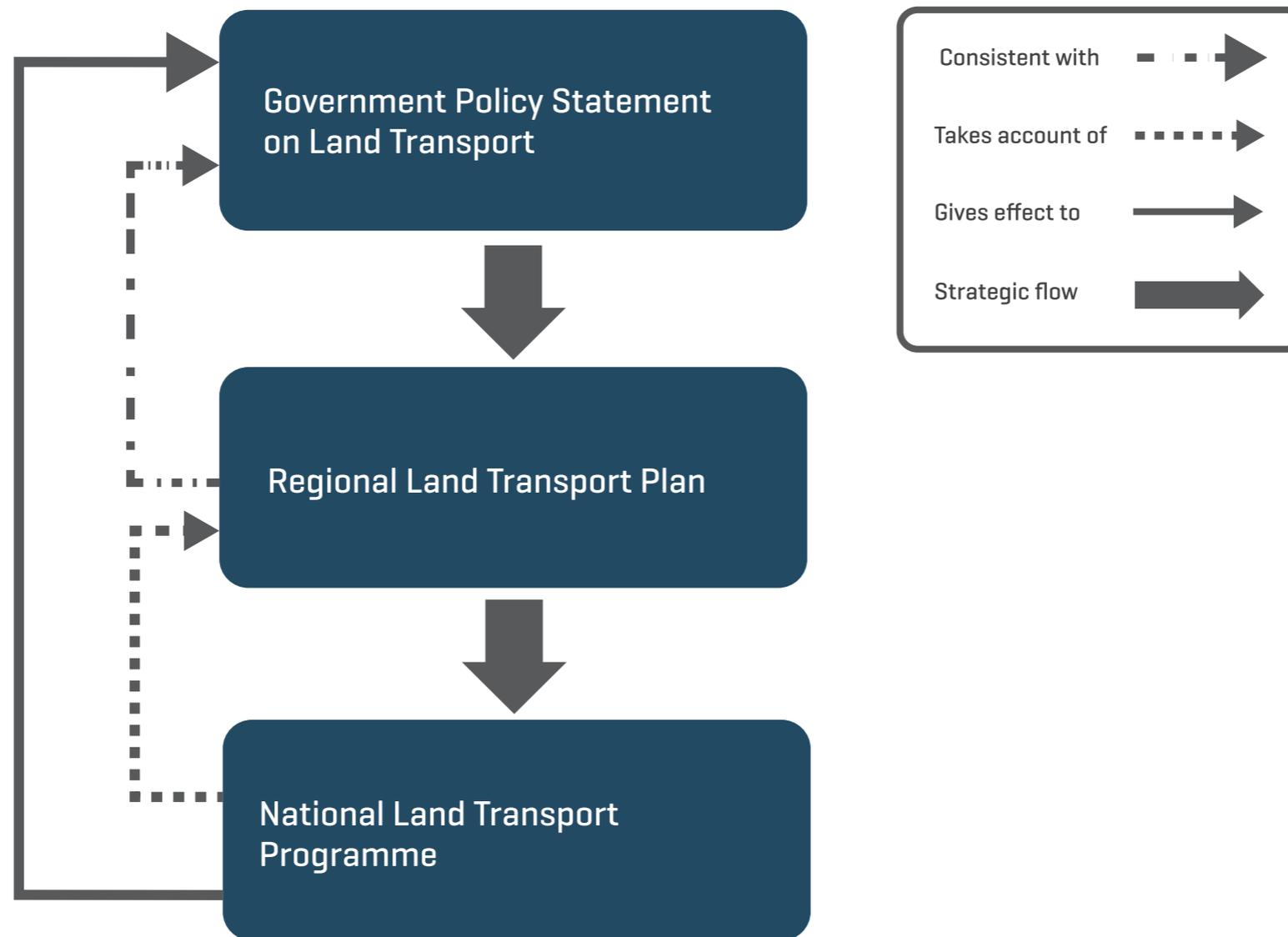
 **MINISTER OF TRANSPORT**

↓ Appoints

 **CIVIL AVIATION AUTHORITY BOARD**



* the Director has statutory powers that are independent from the CAA Board



Objectives and long term results

National objectives: what do we want land transport to deliver

Long term results: what the Government wants to achieve from the allocation of funding from the National Land Transport Fund over at least 10 years

Investment strategy

Activity classes: types of activities to which funding will be allocated.

Long term results: key results for each activity class

Short to medium term results: what the Government wants to achieve from the allocation of funding over 1-3 and 3-6 years

Funding ranges: funding ranges for Activity Classes and reporting metrics

Expectations: how the NZ Transport Agency gives effect to the GPS

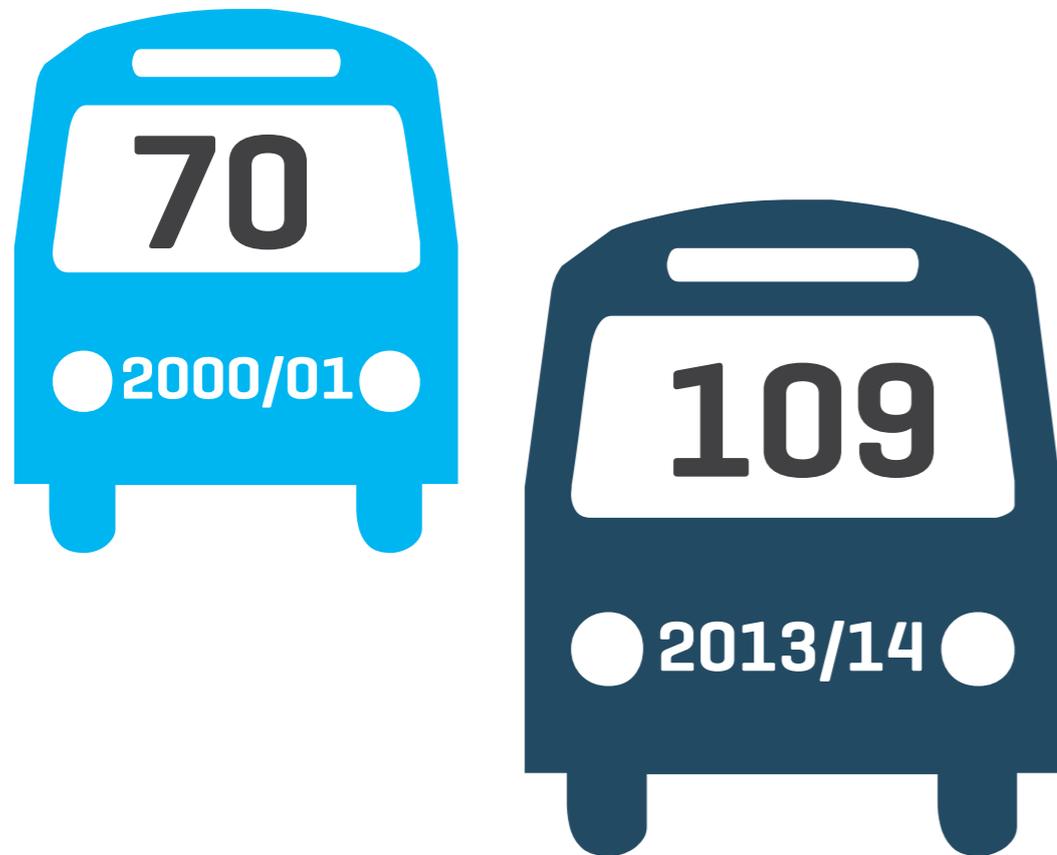
Funding and financing

Funding: how revenue and expenditure flows should be managed

Financing: the expectations about use of financing, including borrowing to manage the Fund

TRAVEL MODE	1989/90	1997/98	2003-06	2004-07	2005-08	2006-09	2007-10	2008-11	2009-12	2010-13
Car/van driver	183.2	251.6	290.6	296.2	299.9	302.2	294.4	287.4	291.3	295.3
Car/van passenger	115.5	132.9	150.7	148.1	148.4	149.8	149.2	142.7	146.7	145.0
Pedestrian	8.4	8.9	7.4	8.0	7.9	8.1	7.8	7.8	7.7	7.7
Cyclist	3.5	2.8	2.6	2.6	3.0	2.8	3.5	3.1	3.4	3.0
Motorcyclist	3.1	1.8	2.5	2.4	2.6	1.9	2.4	2.4	2.7	2.8
Public transport										
Bus	15.2	17.7	12.1	11.5	10.4	10.9	11.5	12.7	12.1	11.4
Train	-	-	4.0	3.9	3.3	3.3	3.3	3.2	2.7	3.5

BUS BOARDINGS (MILLION)



TRAIN BOARDINGS (MILLION)

