

Key Issues Briefing for the Acting Minister of Transport

June 2023

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This document has been prepared by Te Manatū Waka Ministry of Transport (the Ministry) in conjunction with Waka Kotahi New Zealand Transport Agency (Waka Kotahi) and does not include matters delegated to the Hon Kiritapu Allan, the Associate Transport Minister.

Transport Portfolio Priority Issues

Community Connect extensions

Free public transport fares for under 13s, half-price fares for under 25s, and half-price Total Mobility was announced as part of Budget 23.

Implementation of the extensions will be complex because public transport authorities (PTAs) are responsible for fare setting, there are technical barriers with ticketing systems, and options for age verification are likely limited.

Some PTAs are proposing short-term implementation options (some by 1 July 2023) that may differ from the Government's announcements in relation to both who is eligible for concessions and the level of discount they receive.

Next steps

Decisions on interim regional implementation and funding arrangements are needed as soon as possible so the fare changes can be implemented by 1 July 2023 and communicated to the public. We will be providing you a briefing on regional implementation this week.

There will likely be further implementation advice as the roll-out of the concessions progresses and PTAs gain experience with the initiative, but the timing for this is not confirmed.

The Government Policy Statement on Land Transport (GPS)

The GPS guides Waka Kotahi and local authority investment in land transport over a 10-year period and is reviewed every three years. The Ministry has worked closely with Minister Wood to develop the draft GPS 2024 over the last year. The Treasury and the Ministry have jointly advised Minister Wood and the Minister of Finance on the NLTF revenue proposal (seeking \$5.1 billion) over recent months.

The Minister of Transport is scheduled to seek Cabinet agreement to release the Draft Government Policy Statement on Land Transport 2024/25 – 2033/34 (GPS 2024) for public consultation. This paper also seeks in principle agreement to increase revenue available to the National Land Transport Fund by \$5.1 billion over the 2024/25 – 2026/27 period, comprised of fuel tax increases, debt financing and Crown funding.

This Cabinet paper has been lodged with the Cabinet Office and is currently scheduled to be considered by the Cabinet Economic Development Committee (DEV) on 21 June 2023.

Next steps

The Ministry will provide advice in the week of 12 June to support Ministers in determining how the GPS is progressed. Further advice will be provided, subject to Ministerial decisions on the preferred way forward.

Cyclone recovery progress

Work is progressing to recover and rebuild state highway and rail corridors in the regions affected by the North Island weather events. Funding has been secured through Budget 23 for response and recovery works, and we are seeking the necessary Orders in Council (OICs) to enable any emergency works to occur.

s 9(2)(f)(iv)



Transport investment

New Zealand Upgrade Programme (NZUP)

The New Zealand Upgrade Programme (NZUP) was announced in early 2020 and included a range of transport projects across New Zealand. In June 2021, Cabinet agreed to increase the overall budget from \$6.8 billion to \$8.7 billion, with the additional funding held by the Joint Ministers as a tagged contingency.

Continued cost escalations and COVID related delays led to Joint Ministers considering options for managing cost increase across the programme. In April 2023, Joint Ministers agreed to delegate scope and outcomes decisions to Delivery Agencies for most projects, for them to deliver within the approved funding. Ministers have retained decision making for Ōtaki to north of Levin, Marsden Point Rail Link, and the South Auckland Package.

Next steps

A joint briefing from the Treasury and the Ministry seeking approval for the updated delegation structure will be provided in late June 2023. The delegations letter will reflect decisions made by Joint Ministers in the New Zealand Upgrade Programme: Overarching Advice (reference OC221070).

Waka Kotahi will provide you with advice on Takitimu North Link Stage 1 and seek approval for the South Auckland Package Business case in mid-July 2023.

Te Ara o Te Ata: Mt Messenger Bypass

The \$280 million project is being delivered by an alliance that includes Waka Kotahi, local iwi Ngāti Tama and private sector partners. The project is a key component of a wider programme, including a bypass of the Awakino Tunnel (which is now completed) and 58 km of safety and resilience improvements on SH3 between Mt Messenger and the Awakino Gorge (which are now completed).

The route selected for the project is the best option to deliver a new section of SH3. The option was selected following a rigorous assessment process and will provide safer journeys, be more resilient to the local weather, ground, and geographic conditions, protect and ultimately enhance the surrounding environment, and offer reliable passage in and out of North Taranaki.

Waka Kotahi and the Mt Messenger Alliance have worked closely with Te Rūnanga o Ngāti Tama to develop the project.

This process included Ngāti Tama agreeing to a land swap of a 120-hectare coastal property in exchange for 20 hectares of Ngāti Tama land, a cultural compensation payment and the environmental programme, which includes enduring pest management over 3650 hectares of the Ngāti Tama rohe.

In general, the project enjoys good support from key stakeholders including local government, freight and emergency services, along with the wider community.

Next steps

The project has faced several Resource Management Act 1981 (RMA) and Public Works Act 1981 legal actions and challenges. There are no more court proceedings challenging the project's RMA consents. However, there are still outstanding legal issues where a landowner objected to a notice of intention to take land under the Public Works Act and sought a judicial review. This involves multiple judicial proceedings that Waka Kotahi is seeking to urgently resolve. Waka Kotahi will continue to keep you informed of progress.

Public Private Partnership: Ara Tūhono – Pūhoi to Warkworth

Ara Tūhono – Pūhoi to Warkworth is the first stage of the Ara Tūhono - Pūhoi to Wellsford Project. The project will extend the four-lane Northern Motorway (SH1) 18.5 km from the Johnstones Hill tunnels to just north of Warkworth.

When it opens, the project will provide people travelling through this region with a separated motorway and vastly improve the safety, connectivity and resilience of the network between Northland and Auckland. This will help to boost the economic potential of the Northland region.

Construction began in late 2016 and, while the COVID-19 lockdowns had a knock-on effect for project timelines, Waka Kotahi continues to work closely with NX2 and Fletcher/Acciona who are in charge of the construction to understand and minimise the impacts.

The current cost is \$877.5 million, which is made up of:

- \$709.5 million (2016 net present value) to build, then operate and maintain Pūhoi to Warkworth for 25 years
- an \$85 million settlement package to cover the cost resulting from the March-May 2020 COVID-19 shutdown
- an \$83 million settlement package that was agreed pre COVID-19 to cover some historic claims including extra costs to work at the northern end of the project.

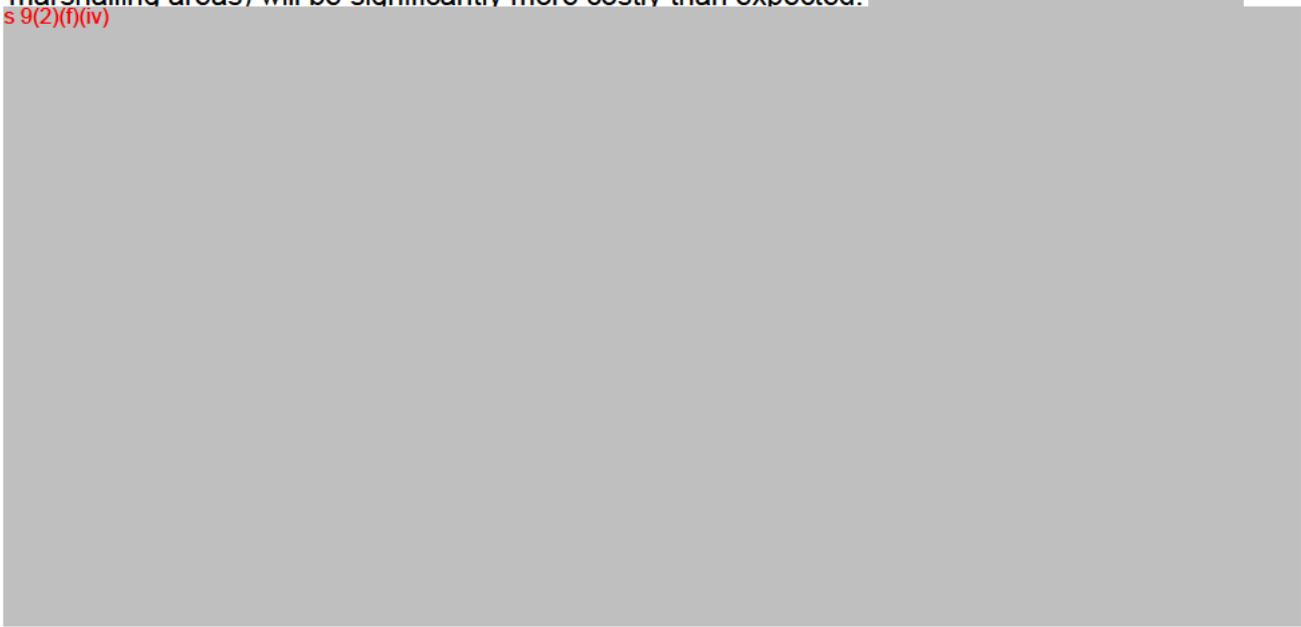
The final costs are yet to be determined as the Contractor is claiming additional costs because of the COVID-19 Pandemic over and above those already paid by the Crown. The contractual process to determine additional costs (if any) is presently being worked through by the parties.

Next steps

The opening event for Ara Tūhono – Pūhoi to Warkworth is scheduled for 16 June 2023.

Project IREX - the replacement of KiwiRail's Cook Strait ferries and the upgrade of associated landside infrastructure

In June 2021, KiwiRail signed a contract for two large, rail-enabled ferries under a fixed price. Recently, KiwiRail has become aware that the landside infrastructure (i.e berths, terminals, marshalling areas) will be significantly more costly than expected. s 9(2)(f)(iv)



KiwiRail has requested a decision from IREX joint Ministers by the middle of July 2023.

Northport dry dock business case

The Government faces decisions on the potential for a drydock and marine maintenance facility at Northport in the Whangārei Harbour. The Ministry has commissioned a business case to ensure we understand the costs, benefits, and risks of the proposed investment.

Currently, larger New Zealand vessels need to travel offshore to Australia or Southeast Asia to get serviced, which presents resilience issues, produces additional carbon emissions, and increases the cost of maritime transport in New Zealand.

We have engaged with local hapū and iwi on the project, who have expressed concerns around the environmental and social impacts a dry dock would present. They have showed a strong interest in being engaged in the business case process and working with government on the project going forward.

Next steps

We anticipate the final dry dock business case to be delivered to Ministers in July with advice and recommendations on next steps.

The Minister of Transport was scheduled to attend a hui in Whangārei on 30 June 2023 to meet with representatives from Ngatiwai, Te Parawhau and Patuharakeke, and meet with Northport and Marsden Maritime Holdings (land owner at Marsden Point, and 50 percent owner of Northport) to discuss the project and any next steps. § 9(2)(f)(iv)

Land Transport revenue

Road User Charges reform

A Cabinet paper will be considered by the Cabinet Economic Development Committee (DEV) on 21 June seeking:

§ 9(2)(f)(iv)

Next steps

§ 9(2)(f)(iv)

We may also need some decisions from you on minor related policy matters in July.

Congestion pricing

§ 9(2)(f)(iv)

s 9(2)(f)(iv)

Next steps

s 9(2)(f)(iv)

Future of the revenue system

The transport revenue system is under increasing pressure from several factors, including rising costs and climate change adaptation and mitigation. User charges are no longer adequate to fully fund the system and the Crown is having to plug the gaps.

The Future of the Revenue System is a longer-term project to review and re-design the land transport revenue system. Any changes are likely to be evolutionary rather than revolutionary, but the end point may be very different from today.

Next steps

The Ministry will provide a briefing at the end of June 2023 that outlines the policy work to date, including a description of the problem, principles and criteria for decision-making, possible solutions, and next steps. This is for information and no explicit decisions are required at this time.

Tāmaki Makaurau – Auckland

s 9(2)(f)(iv)

The plan covers a proposed 3-year investment programme for the 2024-27 period, an approach to investment over the 2024-34 decade and the long-term strategic direction for transport in Auckland over the next 30 years.

s 9(2)(f)(iv)

Next steps

s 9(2)(f)(iv)

officials will seek agreement to the long-term direction, an approach to the 10-year programme, and to a detailed indicative 3-year investment programme.

s 9(2)(f)(iv)

Waitematā Harbour Connections (WHC) project

The Government announcement in January 2022 brought forward planning for a fully integrated transport network. The WHC project aims to connect light rail, active modes, and roads across the Waitematā Harbour. It aims to address a number of issues, including a lack of capacity over the current Harbour Bridge, expected lack of capacity on the northern busway, increasing resilience risks including due to sea level rise and flooding on SH1, and the need to reduce carbon emissions. There have been many previous studies looking at connections across the harbour, most recently a programme business case in 2020.

Waka Kotahi has been leading an Indicative Business Case (IBC) process to determine an emerging preferred option by mid-2023, with business case completion scheduled for early 2024. The Ministry has supported the Minister of Transport with advice on outcomes, process and potential governance and delivery options. The IBC will build on the findings of the previous business case, and consider relevant updates in policies, context, and related projects including Auckland Light Rail.

In 2022, Cabinet brought forward this work to ensure integration with Auckland Light Rail and earlier this year the Prime Minister and Minister of Transport relayed that there would be an announcement about the project in mid-2023.

s 9(2)(f)(iv)

Next Steps

s 9(2)(f)(iv) and s9(2)(g)(i)

Auckland Light Rail (ALR)

Auckland Light Rail (ALR) is a mass rapid transit project that will dramatically expand Auckland's transport network, while reducing transport emissions and unlocking significant urban development.

The project is now in the Detailed Planning Phase. ALR Ltd has been established with a core focus to develop the Detailed Business Case. The Ministry, working closely with the Treasury and the Ministry of Housing and Urban Development, provides investment management advice for ALR Ministers and runs a significant policy work programme to support the project and give effect to the ALR Sponsors' governance arrangements.

The ALR Sponsors are:

- The Ministers of Transport, Finance and Housing

- the Mayor of Auckland, and Councillor Chris Darby
- Karen Wilson, Waiohau-Tāmaki ropū; Ngarimu Blair, Ngāti Whātua ropū and Paul Majurey, Marutūahu rōpu.

s 9(2)(f)(iv)

Next steps

The Minister of Transport has been the lead Sponsor, chairing Sponsor meetings and holding regular relationship meetings with ALR Ltd. s 9(2)(f)(iv) A Sponsor Workshop is also being scheduled for late June or early July.

s 9(2)(f)(iv)

City Rail Link (CRL)

The City Rail Link (CRL) is a 3.45-kilometre underground tunnel that will connect Maungawhau (Mt Eden) station to Waitematā (Britomart) station, which will allow the Auckland rail network to at least double its capacity. CRL is being delivered by City Rail Link Ltd (CRL), a Schedule 4A company under the Public Finance Act. CRL is monitored by the Ministry. With the majority of the civil works completed, as at mid-2023 the CRL project is now moving into a complex second phase comprising the fit out of tunnels and stations, and the integration of rail systems. This phase also requires significant engagement and investment by delivery partners Auckland Transport and KiwiRail to mitigate the risks of delay and cost increases.

In April 2023, project Sponsors approved a request for additional funding from CRL to address delays and increased costs (the majority caused either directly or indirectly by Covid-19), with each sponsor paying for half of the increased costs. At the same time, the practical completion date was amended to November 2025. The new practical completion date of November 2025 would potentially enable public operations to start by mid-2026.

Next steps

The Minister of Transport and Minister of Finance need to co-sign a variation to the CRL Project Delivery Agreement (PDA) resulting from commercial negotiations by CRL and a related funding request, which has been approved.

You will be provided advice next week on a proposal for oversite housing development at Mt Eden and Karangahape CRL stations. The proposal was produced by Eke Panuku and Kāinga Ora. Shareholding Minister's approval is required for the land development proposal, and a decision should be made soon.

s 9(2)(f)(iv)



Emissions reduction

National EV charging strategy

A draft national EV charging strategy was published for consultation in March 2023, with consultation closing in May. A summary of submissions was shared with the Ministers of Transport and Energy and Resources on 31 May 2023. Officials are developing recommended changes to the final strategy. A cross-agency working group of the Ministry, MBIE, EECA, and Waka Kotahi coordinate this work.

Next steps

The Ministry plans to brief both Ministers, including providing a draft Cabinet Paper, on 21 June 2023. Ministerial consultation would then proceed in tandem with departmental feedback in time for consideration by DEV on 14 July 2023.

Implementing the Euro 6/VI emissions standard

Aotearoa and Australia are the only developed countries in the world that do not yet require a modern emissions standard (Euro 6/VI or equivalent) to reduce harmful air pollution from motor vehicles. New Zealand's current standards of Euro 4/IV for used imports and 5/V for new vehicles entering the fleet are substantially less effective.

To address this, Cabinet agreed in 2021 to amend the Land Transport Rule: Vehicle Exhaust Emissions 2007 (the Rule) by the end of 2022 to require Euro 6 for light vehicles entering the fleet. This decision was expanded to include heavy vehicles in the Government's 2022 Emissions Reduction Plan.

On 3 May 2023, the Economic Development Committee agreed to start public consultation on the implementation dates for the Euro 6/VI emissions standards and the specific changes needed to the Rule.

The Committee noted the Minister of Transport's intention to not report back to Cabinet unless material changes are needed to the draft Rule following public consultation.

Consultation on the draft Rule closes on 22 June 2023.

Next steps

The Ministry will provide advice on the Rule following the close of consultation and, depending on the outcome, provide a draft Rule for signing in July 2023.

Rapid transit policy and public transport

Public Transport Operating Model (PTOM)

The Land Transport Management (Regulation of Public Transport) Amendment Bill (the Bill) is before the Transport and Infrastructure Select Committee.

The Bill replaces PTOM with a new framework for public transport bus and ferry services, called the Sustainable Public Transport Framework. This Bill was a priority for Minister Wood and the second highest priority bill for the Transport Portfolio.

Next steps

The Bill holds a category 3 priority (to be passed if possible before the 2023 general election) on the 2023 Legislation Programme.

The Transport and Infrastructure Committee is due to report back on the Bill by 31 July 2023. Based on this timeline, there will be four sitting weeks in August to pass the Bill before the House rises.

We will provide speaking points for the Minister's second reading speech.