MINISTRY OF TRANSPORT
TE MANATŪ WAKA

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Section	Description of ground
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
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9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

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Briefing to the Incoming Minister of Transport

Ministry of Transport

January 2025

Purpose

This briefing provides an overview of priority work underway by the Ministry of Transport (the Ministry) across roading, rail and maritime, including upcoming milestones. Aviation matters will be covered in a separate briefing to the Associate Minister of Transport.

We have focused on areas where you have already expressed interest. As such, this is not a comprehensive summary of all work and responsibilities undertaken by the Ministry. There is work underway in a range of other areas including safety, regulatory reforms, emissions, and public transport. You will receive advice on these matters in due course.

Roading

The roading network has a significant impact on economic growth, productivity, and the Crown's fiscal position. For example:

- The road network is the dominant mode of freight transport within New Zealand. It accounts for 93% of the total tonnes of freight moved.[1]
- Treasury reports that state highways are the Crown's third most valuable physical asset (valued at $62 billion), behind only Crown land ($80 billion) and buildings ($70 billion).
- Roading investment is by far the single biggest category of infrastructure investment with future intentions totalling $73.6 billion out of a total of $143.6 billion for all infrastructure sectors.[2]

Given its significance, this section sets out in more detail the work underway and issues that remain in how New Zealand invests in, prices, and delivers the roading network.

Key land transport system settings are under reform

The Ministry is progressing changes to revenue tools, demand management, and transport spending. We will provide detailed advice on these work programmes in coming weeks. A summary of each is set out below, with more detail in Annex One.

- **Strengthening our suite of revenue tools:**
    - Transitioning all light petrol vehicles into the Road User Charges (RUC) system to ensure light vehicle owners are contributing to road costs based on their usage, and to provide a more stable source of revenue than fuel excise duty.
    - Legislative reform of tolling, including enabling tolls to be set across entire corridors, ensuring toll rates better reflect costs and benefits, and allowing the Minister of Transport to require heavy vehicles to use specific toll roads.
    - Contributing to the Ministry of Housing and Urban Development's policy work to improve infrastructure funding and financing to support urban growth under the Going for Housing Growth initiative.
- **Developing demand management tools:**
    - Legislation to enable local authorities to implement time of use charging schemes.

[1] Ministry of Transport, Richard Paling Consulting, and Murray King & Francis Small Consultancy, National Freight Demand Study 2017/18

[2] New Zealand Infrastructure Commission's National Infrastructure Pipeline as at 30 September 2024, which includes $143.6 billion of active and planned projects from central government, local government, and private sector infrastructure providers from across the infrastructure system.

- **Increasing the efficiency of transport spend:**
  - Supporting you to issue the next Government Policy Statement on land transport (GPS) by 30 June 2027, including improving the evidence base
  - Increasing our focus on value for money through the NZTA Performance and Efficiency Plan.

s 9(2)(i)

[redacted]

We recommend you continue to progress these workstreams over the next 18 months. We will support you to:

- seek further policy decisions from Cabinet on these items
- progress the relevant Bills through the House
- successfully implement the reforms, and
- develop and issue the next GPS, setting out planned land transport expenditure to 2036/37.

These changes are important foundations we can build on, but there are further opportunities to improve long-term performance of the land transport system

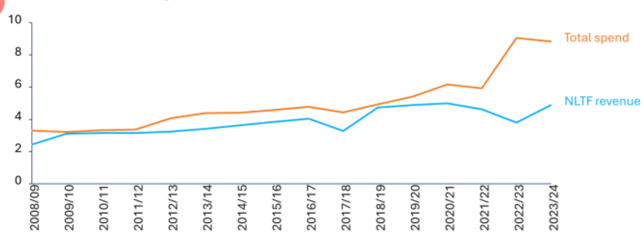
The above reforms will help to address key issues in the roading system – for example by providing greater flexibility in revenue raising, and by helping to make road use more efficient.

However, longer-term challenges remain.

The land transport system is a key fiscal risk to the Crown…

Land transport investments are intended to be fully funded by users, primarily through road user charges (RUC) and fuel excise duty (FED) which are collated in the National Land Transport Fund (NLTF). However, investment has outstripped revenue since the 2010s (see Figure 1).

Figure 1: Road and public transport spending funded from current user charges
FY2008/09 to FY2023/24, $billion



Source: Te Waihanga analysis of Treasury Budget statements and NZTA NLTF reporting. 2023/24 local government funding contributions are not yet available and so have been imputed from the previous year. Total spend includes all sources (NLTF revenue, Crown loans and grants, and local govt contributions)

The primary sources of revenue into the NLTF are FED and RUC which have not had rate increases since 2020, resulting in an increasing reliance on Crown grants and loans (with a corresponding repayment obligation on the NLTF). Of the $22 billion of funded expenditure across the three-year GPS24 period, $13.8 billion is funded by revenue (which also includes Motor Vehicle Registration fees), and the remainder through a combination of time-limited Crown loans ($3.1 billion) and grants ($5.1 billion) – with both due to be exhausted in mid-2027.

Even after planned FED and RUC increases from 2027, forecast revenue drops (due to time-limited Crown capital contributions ending), and there is still expected to be a shortfall between revenue and expenditure. These factors, in combination with expenditure ambitions, are contributing to an increasingly unsustainable NLTF. In the absence of additional revenue increases there will either need to be a corresponding decrease in expenditure, and/or additional direct Crown funding.

…partly due to current policy settings…

Unlike in other network infrastructure sectors, Cabinet has broad discretion when setting investment levels for land transport (via the GPS) and setting prices.

Prices are one way to signal to users about how to use the roading network efficiently, and to guide efficient investment decisions. Without these signals, individuals may choose to use networks in ways that end up increasing overall costs for all users (e.g. congestion).[3]

The Infrastructure Commission notes that "*when prices and investment are both set through policy, rather than allowed to adjust as needed to meet demand, it tends to undermine cost recovery from user charges*."[4]

These issues have played out in the transport sector: indirect and below-cost user charges do not fully cover expenditure. This creates an effective subsidy to users, which artificially inflates demand (creating congestion) as well as expectations for new and improved routes which users may not have actually been willing to pay for.

As a result, successive Governments have chosen to 'top up' the NLTF with additional Crown funding for specific investments.

…**which appear inconsistent with Government priorities.**

The Government's *Funding and Financing Framework* outlines expectations for economically efficient pricing and charging and more appropriate and effective use of Crown capital. It states that user charges should be linked to benefits obtained and be cost-reflective, and that Crown capital should only be drawn on when user-charging is not feasible. As outlined above, current policy settings around road pricing and investment are inconsistent with this framework.

These issues are exacerbated by inefficiencies in delivery and poor cost control

Current policy and institutional settings do not incentivise efficient roading delivery, which exacerbates fiscal sustainability issues. A range of data shows the challenge of controlling costs and maintaining quality:

- in relation to state highway maintenance:
  - 76% of activities were delivered to the agreed programme against a target of 90%
  - maintenance costs per lane kilometre were almost $40,000 against a target of $25,000-$36,000
- almost $800 million was spent on temporary traffic management (excluding local roads) over three years, and approximately one fifth of temporary traffic management sites were found not to be necessary
- your quarterly investment reporting to Cabinet has found that:
  - 61% of NZTA's investments are tracking to the original timeframe,
  - 64% of NZTA's investments are tracking to the original budget, and
  - one-third of high-risk projects were delivered within budget over the last three years.
- our transport infrastructure compares poorly internationally, being rated 57th out 141 countries assessed by the World Economic Forum's *Global Competitiveness* report.

A contributing factor is that NZTA has a broad range of functions ranging from regulation to project approval and project delivery. The aggregation of these functions has made it difficult to sustain a focus on disciplined asset management and project delivery, resulting in a 'diseconomy of scope'.

[3] ibid
[4] New Zealand Infrastructure Commission. (2024). Buying time: Toll roads, congestion charges, and transport investment.

Other infrastructure providers (such as Transpower) have limited functions and face economic regulation, which encourages efficiency and a stronger focus on asset management.

You have options to progress further reform and address these issues

We can provide advice on a work programme to address these issues. We will seek your direction around scope, approach, and timing of any further work you wish to commission.

Rail

How the rail system works

As the Minister of Transport, you are responsible for rail investment, regulation and system stewardship. You also approve the Rail Network Investment Programme (RNIP) and associated Budget bids.

KiwiRail owns and operates below-rail network infrastructure (e.g., tracks, bridges, and tunnels). It also owns and operates freight and tourism services including some above-rail assets (e.g., locomotives, wagons, carriages, and facilities). Councils also own above-rail assets for metro passenger services and contract out operations to third parties.

NZTA oversees land transport planning and investment activities, which includes rail (including providing a statutory assessment of the RNIP), and serves as the rail safety regulator.

The Ministry is responsible for regulation, strategy, funding arrangements, system performance assessment and Crown entity performance monitoring (including of NZTA in its rail safety regulatory role). We also have a monitoring role in key projects such as the City Rail Link (CRL).

Shareholding Ministers (the Minister for Rail and Minister of Finance) set expectations and priorities for KiwiRail for its commercial activities, as well as the New Zealand Railways Corporation[5] and Ferry Holdings Limited.

The Treasury is responsible for monitoring KiwiRail's above-rail commercial performance and advising on Crown funding for rail. The Crown is a significant funder of rail through the NLTF and the Budget process. Other funding includes KiwiRail customer revenue, Track User Charges, passenger fares from metro rail, and council rates.

Priority work underway includes:

- s 9(2)(f)(iv) [redacted] reforms to metro rail, to address issues with system management, governance, maintenance, and the existing funding model.
- s 9(2)(f)(iv) [redacted]
- Supporting Treasury to provide advice on the procurement of new Cook Strait ferries.
- Working with Greater Wellington Regional Council to deliver an improved schedule of commuter services between Wellington and the Wairarapa and Manawatū.
- Monitoring delivery of the Auckland City Rail Link and working with other agencies to ensure we are prepared for day 1 operations.
- s 9(2)(f)(iv) [redacted]

[5] The state-owned enterprise that owns the land beneath KiwiRail's network on behalf of the crown.

We will provide detailed advice on these work programmes in coming weeks. A summary of each, including upcoming milestones is provided in Annex One.

Maritime

The Ministry's role in the maritime sector is less direct than roading and rail, and our levers are, largely, advice on policy and regulatory settings, as well as being the monitoring agency for Maritime NZ. Maritime NZ is the regulator for maritime and port safety, security, and the environment. Maritime NZ is also a response agency, and coordinates broader search and rescue activities across land, sea and air.

Priority work underway includes:

- Developing proposals to amend maritime legislation.
- Working with Maritime NZ on a business case for an Emergency Ocean Response Capability.
- Leading a procurement process for a new shipping solution to the Chatham Islands.
- Supporting the sector to respond to shifting trends in the international shipping industry, including demands for lower emission shipping.

We will provide detailed advice on these work programmes in coming weeks. A summary of each, including upcoming milestones, is provided in Annex One.

Upcoming priority work across transport modes

Annex Two outlines key decisions for you as Minister of Transport through to 28 February. We have focused on actions needed to meet legislative requirements or comply with time-sensitive government processes. We will also provide your office with an overview of upcoming advice where you have greater discretion on timing of decisions.

Below are brief updates on the legislative bid process and Budget 2025; these will require your attention in coming weeks.

2025 legislative programme

The legislative bid process for 2025 is underway, and you must submit your legislation bids to the Cabinet Office by 10 February. We have prepared draft bids based on the legislative programme agreed by Minister Brown. We will brief you shortly on the proposed programme, and seek your approval to submit final bids.

Budget 2025

The Ministry coordinates and advises on the Vote Transport Budget package [redacted]

s 9(2)(f)(iv)

Annex One – Existing work programmes

Work programme	Description	Upcoming milestones
Road transport		
Transition to Road User Charges (RUC)	Cabinet has agreed to transition all light petrol vehicles into the RUC system as early as 2027. Moving petrol vehicles to RUC will increase the number of vehicles subject to RUC fourfold. To ensure a successful transition that will improve the system for all users, we will be making system improvements to aid compliance and enforcement. s 9(2)(g)(i) [redacted] However, the current reform will provide a framework to enable further improvements, including increasing use of electronic solutions for purchasing RUC and recording distance. The reforms will also increase opportunities for the private sector to provide RUC services.	s 9(2)(f)(iv) [redacted]
Tolling reform	The Government has adopted a new approach to using tolling to fund new roading infrastructure, including new principles for tolling and legislative reform proposals. The legislative reform enables tolls to be set across entire corridors, ensures toll rates better reflect the costs and benefits of roading projects, and allows the Minister of Transport to require heavy vehicles to use specific toll roads. The Ministry is supporting NZTA to transition to the new legislation, including whether upcoming tolling proposals should use the existing legislation or the upcoming tolling framework once it takes effect. Cabinet also agreed in December to toll three new roads: Ōtaki to north of Levin, Takitimu North Link, and Penlink. Tolling orders required for these roads will be drafted once tolling reform drafting work concludes.	
Value capture	As part of the Going for Housing Growth initiative, the Ministry of Housing and Urban Development (MHUD) is leading work to improve infrastructure funding and financing to support urban growth. We have been supporting MHUD in this work as part of the Revenue Action Plan, including contributing to the development of a framework for existing value capture tools.	
Time of use charging	The Land Transport Management (Time of Use Charging) Amendment Bill was introduced to the House on 16 December 2024. This establishes an enabling framework for local authorities to implement time of use charging schemes. Proposed schemes require public consultation and impact assessments before receiving Government approval and authorisation via Order in Council. Once operational, schemes will be required to report on their impact and effectiveness. The Secretary for Transport will also monitor schemes and the Government will be able to intervene in schemes that require adjustment.	

Government Policy Statement on land transport (GPS)	The GPS is the Government's key lever to set expenditure for land transport investment (roads, public transport, rail, walking, and cycling). You have a statutory obligation to review and issue the next GPS by 30 June 2027. s 9(2)(f)(iv) [redacted] Current work is focussed on improving the evidence base to support your decisions on investment levels. Over the longer term, there are opportunities to provide additional scrutiny over the land transport maintenance and capital programmes.	s 9(2)(f)(iv) [redacted]
s 9(2)(i) [redacted]		
Transport and urban development	Transport investment decisions have strong effects on location choices by people and firms. Together with NZTA, we are working with the Ministry for the Environment, MHUD and Land Information New Zealand to ensure workstreams (i.e. Resource Management Reform, Going for Housing Growth and Public Works Act changes) support transport infrastructure (across all modes) to be developed and operated efficiently. The Ministry is supporting NZTA-led research into planning and policy settings for developers to integrate housing development with transport. This will assess the incentives available for developers to build on or near public transport stations.	
Rail		
Metro rail	Auckland Transport and Greater Wellington Regional Council (Public Transport Authorities (PTAs)) plan and procure metro rail services, and own and maintain metro rail rolling stock and facilities. PTAs access the rail network below from KiwiRail under contractual access agreements. This creates a disaggregated operating model. The Ministry reviewed the Metropolitan Rail Operating Model (MROM) settings last year s 9(2)(f)(iv) [redacted]	s 9(2)(f)(iv) [redacted]

Rail freight	Minister Brown approved the Rail Network Investment Programme (2024-27) (RNIP) in December 2024, which sets out KiwiRail's proposed rail network infrastructure investments for both rail freight and metro rail. Minister Brown invited KiwiRail to submit a variation for the rail freight network [redacted] s 9(2)(f)(iv) [redacted] Rail freight has experienced a long-term decline relative to road freight. [redacted] s 9(2)(f)(iv) [redacted] KiwiRail has a transformation plan underway to produce a positive return on above-rail operations. To do this, KiwiRail will likely need to increase the rail freight task and lower its costs. Below-rail costs are funded by the Crown (approximately 95 percent) with Track User Charges paid by KiwiRail for its use of the network. s 9(2)(f)(iv) [redacted]	s 9(2)(f)(iv) [redacted]
Cook Strait Ferries	In December 2024, Cabinet agreed to establish a new Schedule 4a company (Ferry Holdings Ltd) to run a procurement process to replace Cook Strait ferries. As Minister of Transport, you are a shareholding Minister in the company and have been authorised by Cabinet to appoint the first three board members of the company (jointly with the Ministers of Finance and State-owned Enterprises, and in consultation with leaders of the coalition parties). The Minister for Rail has responsibility for preparing a procurement process for two new ferries and the associated port infrastructure, whilst running a parallel process inviting market-led proposals for alternative solutions.	
Auckland City Rail Link (CRL)	CRL will double train capacity through Auckland's central business district and significantly reduce journey times. With less than one year until the scheduled practical completion date, the project is entering a critical stage. We expect more public interest and an increased focus on ensuring all agencies are prepared for the first train services (expected in 2026). CRL is a joint project between the Crown and Auckland Council. You are the primary Sponsor for the Crown and will need to work closely with the Mayor of Auckland to address outstanding issues. This includes seeking Cabinet agreement to asset transfer principles and a change in the accounting treatment for the project; decisions on when and how to wind down City Rail Link Limited, and decisions on the approach to developing land acquired as part of the project.	
Lower North Island Rail Integrated Mobility programme (LNIRM)	The LNIRIM programme (led by Greater Wellington Regional Council) will renew rolling stock and make network upgrades to enable an improved schedule of passenger rail services between Wellington and the Wairarapa and Manawatū. This includes the design, build, and maintenance of 18 new trains and a maintenance depot. The procurement phase for the design, build and maintenance contract of the new trains is nearly complete.	

Maritime		
Legislative reform	Maritime legislation is now 30 years old. Gaps in the regulatory framework are creating safety, environmental and security risks. The regulatory environment is at times confusing and inefficient for both the sector and regulators. The Ministry has been working with Maritime NZ on proposals to amend the Maritime Transport Act 1994 and the Maritime Security Act 2004, drawing on issues identified and supported by the maritime sector.	s 9(2)(f)(iv)
Emergency Ocean Response Capability	Recent high-profile maritime incidents in and around the Cook Strait have raised expectations for the Crown to secure emergency ocean response capabilities. Cabinet has invited a business case that considers options to improve maritime emergency ocean response capabilities.	
The future of shipping and shipping decarbonisation	New Zealand's geographic position and trading profile makes us dependent on international shipping companies for connections to overseas markets. Stakeholders have raised concerns about port productivity and the impact that this has on New Zealand trade. Streamlined approvals for port expansion (enabled under Fast-track Approvals legislation) are likely to assist. The global trend is for larger, greener ships that most of our ports will not be able to take. Some key exporters are facing carbon charges to access markets such as the European Union. Costs for international shipping may also increase further if the International Maritime Organization agrees to implement an economic measure to reduce shipping emissions. The Climate Change Commission has also recently recommended that emissions from international shipping to and from New Zealand are included in the 2050 emissions target. The Government is required to respond to the report by the end of 2025. The Ministry has been exploring the regulatory barriers to green shipping and providing input to sector-led work to identify the conditions required for trans-Tasman green shipping corridors (a commitment made by the joint Australia-New Zealand Climate and Finance Ministers – the 2+2 Ministers).	
Chatham Islands Replacement Shipping Project	Budget 2022 set aside funding to purchase a new ship to serve the Chatham Islands, when the existing ship reaches the end of its service life in March 2026. In 2024, Ministers decided that a brand-new ship was no longer viable, due to the costs of maintaining the existing ship and cost inflation. Instead, Ministers agreed to test the market to determine whether a shipping service could be procured from the private sector. We received 11 responses to a recent Request for Information, which indicates a high level of interest in the opportunity. We are now preparing a formal Request for Proposals process which we expect to commence in March 2025. Cabinet decisions will be required before a contract with a preferred supplier is signed.	

Annex Two – Time critical decisions through to 28 February 2025

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

[redacted]

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New Zealand Government