

OC240110

28 February 2024



Tēnā koe 

I refer to your email dated 8 February 2024 requesting the following briefings under the Official Information Act 1982 (the Act):

*“Brown OC231024 5/12/2023 Aide Memoire: Project IREX Potential Alternative Options  
Brown OC231044 12/12/2023 Meeting with Tory Whanau and Daran Ponter  
Brown OC231026 12/12/2023 Maritime New Zealand Funding Review  
Brown OC231068 21/12/2023 Metropolitan Rail Operating Model Settings Review  
Brown OC230821 21/12/2023 Kiwirail and the National Rail System  
Brown OC231041 20/12/2023 Freight and Supply Chain Briefing”*

Of the six documents you requested:

- three are released with some information withheld
- three are refused.

The document schedule at Annex 1 outlines how the documents you requested have been treated under the Act.

Certain information is withheld or refused under the following sections of the Act:

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)(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)(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)
- 18(d) the information requested is or will soon be publicly available

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz)

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman  
**Manager, Accountability and Correspondence**

## Annex 1 Document Schedule

Doc #	Reference	Document Title	Decision
1	OC231024	Aide Memoire: Project IREX Potential Alternative Options	Refused under Section 18(d).  This briefing is captured within a proactive release being prepared by the Treasury on all papers related to IREX. When published, it will be available on the Treasury's website: <a href="https://www.treasury.govt.nz/">https://www.treasury.govt.nz/</a>
2	OC231044	Meeting with Tory Whānau and Daran Ponter	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(g)(i) and 9(2)(j).
3	OC231026	Maritime New Zealand Funding Review	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
4	OC231068	Metropolitan Rail Operating Model Settings Review	Refused under Section 18(d).  When published, it will be available here: <a href="https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm">https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm</a>
5	OC230821	Kiwirail and the National Rail System	Refused under Section 18(d).  This briefing is scheduled to be published on the Ministry's website in March 2024. When published, it will be available here: <a href="https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm">https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm</a>
6	OC231041	Freight and Supply Chain Briefing	Released with some information withheld under Section 9(2)(a).

Click to enter date

OC231083

**Hon Simeon Brown**  
**Minister of Transport**

cc Hon Chris Bishop  
 Minister for Infrastructure

## MEETING WITH TORY WHĀNAU AND DARAN PONTER

### Snapshot

The meeting is expected to cover the significant investment required to maintain services on the Wellington metro system and the Let's Get Wellington Moving Programme.

Success in the meeting would be if:

- s 9(2)(f)(iv) [REDACTED]
- **for Let's Get Wellington Moving** that the partners mutually agree to disestablish the programme.

<b>Time and date</b>	12:00pm, 13 December 2023
<b>Venue</b>	EW5.1
<b>Attendees</b>	Daran Ponter, Greater Wellington Regional Council Chair Mayor Tory Whānau, Wellington City Council
<b>Officials attending</b>	Siobhan Routledge, Acting Deputy Chief Executive Policy, Ministry of Transport
<b>Agenda</b>	1. Introductions 2. Metro Train Services 3. Let's Get Wellington Moving 4. Other issues from Greater Wellington's BIM

### Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive Policy	<span style="color: red;">s 9(2)(a)</span> [REDACTED]	✓
Bev Driscoll, Manager, Rail	[REDACTED]	

## Key points / talking points

### **Wellington Metro Rail Services**

- I recognise metro rail plays a very important role in the Wellington region with its ability to move large numbers of passenger into and out of the city.
- I acknowledge there are clearly funding issues to address. But note the context of a constrained fiscal environment and numerous transport fiscal pressures.
- We all want to see Wellington's metro network running reliably.
- Greater Wellington Regional Council (GWRC) paying its share of upkeep costs based on the current arrangement would greatly help with this – and give us time to look into the more fundamental problems around affordability and who should pay. In general, I support the principles of “user pays” for the metro upkeep costs (network maintenance and renewals).

- s 9(2)(f)(iv), s 9(2)(g)(i), s 9(2)(j)

- I understand that officials from the Ministry of Transport, GWRC, Auckland Transport (AT) and KiwiRail have prepared a draft terms of reference to review metro rail settings. I expect to be briefed shortly by Ministry of Transport officials on this. I'm very keen to address the underlying problems and not just do a quick fix.

### **Let's Get Wellington Moving**

- As you will be aware, the Government's 100 Day Action Plan includes withdrawing from Let's Get Wellington Moving (LGWM). I will shortly be writing to you to reaffirm that:
  - The Government does not support the development of light rail in Wellington. We will not be making Crown funding available for it, or for other parts of LGWM were that funding to become necessary.
  - The Government does not support Golden Mile, but I realise funding has been approved and the project is the responsibility of Wellington City Council.
  - We think the best way to proceed is for the LGWM partners to mutually agree to disestablish the programme. I encourage you to move quickly on this.



s 9(2)(f)(iv)



- I am also aware the Basin Reserve improvements are a priority for both of you and you wish construction to start before 2028. We also consider this a priority and will be working on it and an additional Mt Victoria tunnel as part of developing the Government Policy Statement on Land Transport.

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## Background information and reactive talking points

### Wellington Metro Rail

- 1 Daran Ponter, as Chair of Greater Wellington Council (GWRC), has responsibility for the provision of public transport services, including both bus and rail, across the greater Wellington region.
- 2 There has been recent media coverage and public comment from Mr Ponter on the need for significant investment in the Wellington Metro Rail Network to ensure that reliable train services can be maintained.

### Upkeep – maintenance and renewals

- 3 Upkeep (maintenance and renewals) of the two metropolitan rail networks in New Zealand (Auckland and Wellington) are funded based on user pays principles so the 'wear and tear' impact of using the network is covered. These costs are agreed between users<sup>1</sup> through Network Management Plans under contracted terms between KiwiRail and the councils, based on the level of service expected by councils and constrained by the level of funding available. There is high level of engagement between KiwiRail and GWRC / AT on forward network planning, spending, and backlogs.
- 4 The majority of use on these rail networks are by metro trains (e.g. 80% by in Auckland and 90% in Wellington). A minority of movements are based on freight trains. Full costs are apportioned to councils where they are the only user (e.g. for overhead electrical infrastructure to power electric trains).

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s 9(2)(f)(iv), s 9(2)(b)(ii)

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<sup>1</sup> KiwiRail – Freight / Tourism, GWRC – Wellington metro, and Auckland Transport – Auckland metro.

*Backlog Renewals*

- 10 s 9(2)(f)(iv) [REDACTED]. The networks are old, and some assets need replacement and are at the end of their life. Without replacement, they are prone to fault and failure. The extent of unplanned disruption could be costly to fix (both in terms of unplanned expenditure and length of disruption).
- 11 s 9(2)(f)(iv) [REDACTED]
- 12 GWRC (and AT) hold the position that councils are only expected to co-fund maintenance costs for the network, and that all “backlog” renewals should be funded entirely by the Government. Councils refer to the 2009 Metropolitan Rail Operating Model (MROM) policy which acknowledged the Government has an obligation to ensure the network infrastructure meets an agreed standard of serviceability.
- 13 Councils argue the backlogs demonstrate the agreed standard is not being met, so these costs should fall to the Government. However, this standard relates to the standard required to support the introduction of new trains around 2010. Since then, the Government has continued to fund some of the backlog renewals in full to ensure work occurs. *If raised, we recommend that you note that no decision has been taken by Government or communicated to councils that this is an ongoing commitment.*

*Immediate funding issue – upgrade of substations*

- 14 In addition to the recently identified backlog renewals, an addition \$137m has been identified to cover cost pressures relating to the Wellington Metro Upgrade Programme to upgrade substations for the Wellington metro. NZTA have been funding this to date, and the NZTA Board have endorsed the need for full funding. However, the NZTA Board were unable to do this over the current NLTP. NZTA may decide to fully fund the cost/scope increase in the next NLTP. Note that the Lower North Island Integrated Mobility Proposal assumed the power supply would be upgraded across the network.
- 15 *If raised, we recommend that you note that will be briefed further on this matter.*

- 16 s 9(2)(f)(iv) [REDACTED]  
s 9(2)(f)(iv), s 9(2)(j) [REDACTED]

*Proposed Metro Rail Operating Model Review (MROM)*

- 17 Officials will shortly be briefing you on the proposed Metro Rail Operating Model (MROM) Review and its terms of reference. This review will seek to clarify the desired level of service, the costs of achieving and maintaining this level of service, and how the costs should be shared amongst the parties – in particular, addressing the policy issues raised in the paragraph above.

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s 9(2)(f)(iv)

*Wellington Strategic Rail Plan (also know as the Wellington Rail Programme Business case)*

19 The Wellington Strategic Rail Plan sets out GWRC's plan to develop and expand the metro system over the next 30 years, with indicative costs of \$5-\$7.8 billion. This plan would only be possible if the problems with the current system are addressed first.

20 If this plan is raised, we suggest you seek support for everyone to focus on resolving the more immediate issues related to providing the current services, before looking towards further service improvements that will cost billions more. In any case, such plans would be better seen in the context of an overall package of transport solutions within an affordable funding cap for Wellington (a Wellington Region "Deal").

*Lower North Island Rail Integrated Mobility Initiative*

21 The National Party 'Transport for the Future' document indicated support for a range of upgrades to the Lower North Island Train Services including 22 new four-car tri-mode units.

22 The previous Government approved a contingency of \$455m in budget 2023 to fund the crown share of this project. The \$874m budget for this project of, is split across Crown (\$455 million), NZTA (\$348 million), and Councils (\$71 million). This funding level reflected a reduction in the scale of the proposal from 22 units to 18 units – reflecting the fact that running more than two peak services on the Manawatū line would require prohibitively expensive network upgrades.

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s 9(2)(f)(iv), s 9(2)(g)(i)

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s 9(2)(f)(iv), s 9(2)(j)

*Project iReX*

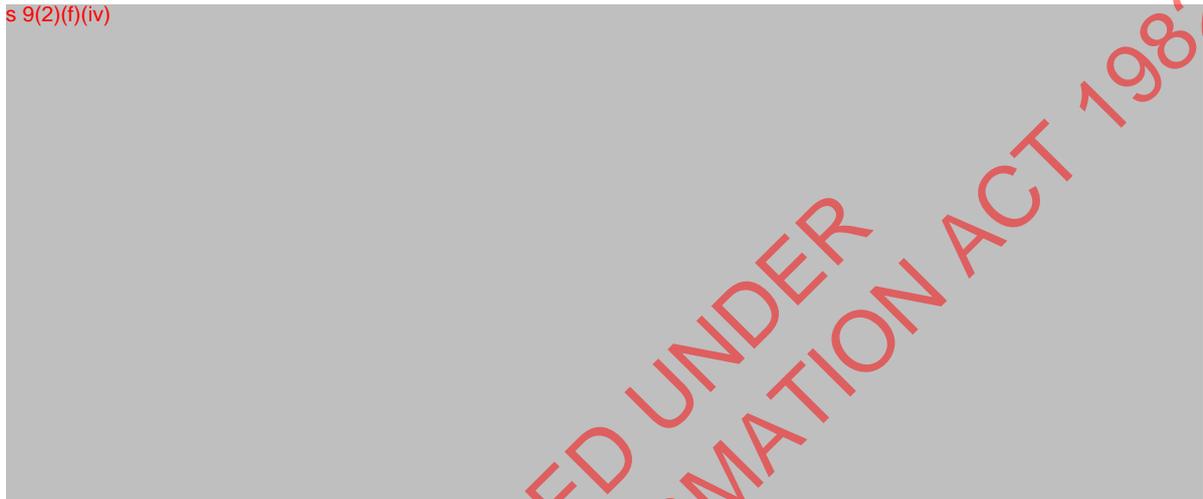
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s 9(2)(g)(i)



***Let's get Wellington Moving***

s 9(2)(f)(iv)



*Golden Mile*

28 Wellington City Council (WCC) may ask if it can proceed with the Golden Mile project while Let's Get Wellington Moving is being disestablished.

- The Government does not support the project, but I acknowledge that is a local roading one so is your responsibility. I will also be making my position on the project clear to NZTA.

*Basin Reserve*

29 WCC may ask for Basin Reserve improvements to be designed and constructed in a way that keeps the light rail option available in the future.

- The Government will not support light rail. I understand the detailed business case for the Transformational Programme is looking at options for the Basin Reserve. I am interested to look to this evidence to understand the trade-offs and financial implications of different options.

30 Partners may ask about enabling legislation to fast track Basin Reserve improvements (WCC and GWRC wrote to the previous Minister requesting this be considered).

- I agree with the need to speed up the delivery of major projects, introducing a fast-track consenting regime is part of our 100 Day Action Plan. We are also considering options for a regime that allows the Minister for Infrastructure to designate some projects as Major Infrastructure Priorities.

31 GWRC may ask you to support co-investment in a second public transport spine, and the acceleration of "Eastern enhanced buses." These projects are mentioned in GWRC's Briefing to the Incoming Minister (BIM) as being critical to realising the benefits of the Basin Reserve improvements.

- I noted in GWRC's briefing to me that you place a high priority on these projects. I'm open to exploring these projects in the context of Wellington's wider transport needs, subject to funding constraints.

s 9(2)(f)(iv)

***Other matters raised in GWRCs briefing to you***

32 In total, GWRC provided a briefing to you that outlined 16 issues across 7 categories. For completeness, these are listed in the table below with brief reactive talking points.

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**Annex 1: High level Ministry comment on other issues contained in GWRC BIM**

1. GWRC provided a briefing to you that outlined 16 issues across 7 categories. These are listed in the table below with brief reactive talking points.

Issue	Talking point / Ministry comment
<b>Category 1 - Public Transport</b>	
1. Halt the degradation of Wellington's Rail Network infrastructure:	(See Talking Points, page 3)
2. Unlock housing growth through additional public transport funding	<p>To make sure we fully maximise our investment into public transport, We want to see the Wellington councils increase density at major transport hubs and along key public transport corridors, to ensure we fully maximise our public transport investments.</p> <p>Quality intensification along these key corridors, coupled with our investment into public transport, will make it easier for Wellingtonians to access jobs, education, and other services.</p>
3. Partner with our region to leverage Roads of National Significance for housing and industrial growth:	<p>Projects like Petone to Grenada could unlock land for thousands of new affordable greenfield houses and provide additional efficiency and resilience for the wider Wellington transport network. While the Cross-Valley Connections will deliver time-savings benefits for freight and small businesses with improved access to the State Highway network.</p> <p>These sorts of projects will unlock greater efficiency for users, help to improve productivity, as well as deliver safety benefits for multi-modal transport users.</p>
4. Invest more in public transport to reduce transport emissions:	<p>We are committed to delivering improvements to increase capacity and reliability on Lower North Island train services for passengers and freight. These investments will open up the Kapiti Coast and Wairarapa for further housing and business opportunities as well as provide additional service reliability for commuters in the Hutt Valley and Porirua.</p> <p>I am open to discussing opportunities for further investment into bus service network improvements in Wellington and appreciate the work the GWRC has undertaken in this space over the last few years. I do want to see the GWRC continuing to work collaboratively with operators to improve existing service reliability and punctuality to:</p> <ul style="list-style-type: none"> <li>• help increase patronage; and</li> <li>• maximise the investment we all make yearly into public transport.</li> </ul>
5. Reduce congestion and emissions through national road pricing (congestion charging)	<p>We are committed to work with Auckland Council to implement time of use road charging to reduce congestion and improve travel time reliability.</p> <p>We will be aiming to ensure the solution for Auckland also works for Wellington.</p>

<b>Category 2 - Second Mount Victoria tunnel and Basin Reserve Upgrade</b>	
6. Maintain NZTA co-investment in network-critical projects	I'm open to exploring these projects in the context of Wellington's wider transport needs, subject to funding constraints.
<b>Category 3 - Cook Strait ferry terminals</b>	
7. Invest in the Wellington Single-User Ferry Terminal development.	No comment while Project iReX is under review
8. Partner with us to accelerate a multi-user ferry precinct.	No comment while Project iReX is under review
<b>Category 4 - Te Wai Takamori o Te Awa Kairangi – RiverLink</b>	
9. Commit to fully funding RiverLink	<p>We understand Hutt City Council is facing affordability challenges for its share of the project.</p> <p>Given cost escalations for the Crown share of the project, we have recommended further value engineering to identify possible project savings which would assist the Council to meet its funding share.</p>
<b>Category 5 - Optimising outcomes from State Highway investment</b>	
10. Halt ferrets and other pest migration into Wellington via State Highways:	<p>Ministry of Transport Officials are not aware of any issues regarding ferrets and other pests accessing the Wellington region using the State Highway network.</p> <p>You are welcome to contact NZTA and the Department of Conservation on this matter.</p>
11) Enable public good outcomes on Transmission Gully Motorway (TGM) land surplus to requirements.	<p>This property remains with the Transmission Gully Project as there are still project obligations to be completed.</p> <p>If NZ Transport Agency Waka Kotahi (NZTA) determines that the land has no further use for current or future work requirements, we will be obliged to progress it through the Public Works Act 1981 disposal process.</p> <p>Any transfer of the land through section 50 or 52 of the Public Works Act is at the discretion of the Minister of Land Information.</p> <p>s 9(2)(g)(i)</p> <p>More information regarding the disposal process can be found at <a href="https://www.linz.govt.nz/guidance/crown-property/crown-property-disposals">https://www.linz.govt.nz/guidance/crown-property/crown-property-disposals</a></p>

<b>Category 6 - Marine transport safety</b>	
12. Need to support out-of-port vessels in the Cook Strait.	I acknowledge that several recent maritime vessel incidents have again highlighted capacity and capability limitations for New Zealand to provide an emergency offshore response <sup>s 9(2)(f)(iv)</sup>
13. Maritime NZ's need for more maritime inspection capability	<p>Increasing maritime inspection capability and capacity was one of the proposals that MNZ put forward in their recent Funding Review consultation.</p> <p>I anticipate that I will be taking the Funding Review to Cabinet for final decisions early in the New Year Your views on this issue are very helpful in helping to inform these decisions.</p>
<b>Category 7 - Local Government</b>	
14. Broken funding model for local government	<p>I recognise the importance of looking into how we fund transport. We will need to optimise revenue sources so we can invest in the productivity enhancing infrastructure we need to lift our quality of life and rebuild our economy.</p> <p>We will be looking at options for private sector financing for a series of projects, and greater use of funding options such as value capture charges, tolls, and other cost recovery tools.</p> <p>I understand these issues span both central and local government, and I expect my officials to engage with local government as we develop our revenue policy.</p>
15. Need to build community resilience to flooding	N/a to the Ministry of Transport
16. Broken system of three waters infrastructure.	N/a to the Ministry of Transport



Document 3

12 December 2023

OC231026

**Hon Simeon Brown**  
**Minister of Transport**

**Action required by:**  
Tuesday, 19 December 2023

## MARITIME NEW ZEALAND FUNDING REVIEW

### Purpose

To brief you on the Maritime New Zealand (MNZ) funding review, in advance of your meeting with the Chair and Chief Executive of MNZ on Tuesday 19 December 2023.

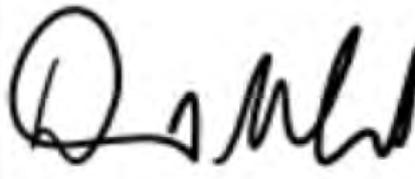
### Key points

- Since the onset of COVID-19 in 2020, it has been necessary for Crown liquidity funding of \$62 million to be provided to support MNZ's core functions. At the time, the Government also suspended reviews proposing increases to Maritime and Oil Pollution Levies.
- MNZ's funding review is now well advanced, and you have an important role in seeking Cabinet approval of proposal to change the levies, and the consequential approval of amendments to regulations to give effect to changes.
- In June 2023, Cabinet agreed that MNZ should publicly consult on eight levy proposals, which it subsequently carried out from July to August 2023.
- Following public consultation, MNZ refined its proposals and developed a Stage Two Cost Recovery Impact Statement (CRIS) that has, in turn, been reviewed by the Ministry's Regulatory Impact Assessment (RIA) panel.
- MNZ intends to seek, through you, Cabinet's approval of the proposed changes to levies in early 2024.
- The Ministry supports the principle of MNZ returning to financial sustainability following the years of COVID-19 when MNZ's revenue was constrained.
- s 9(2)(f)(iv)
- We intend to deliver a draft Cabinet paper and supporting information for your consideration over the summer break.

**Recommendations**

We recommend that you:

1	<p><b>note</b> that Maritime New Zealand has prepared and consulted on eight levy proposals that will allow it to return to cost recovery from 1 July 2024.</p>	
2	<p><b>note</b> the Ministry will provide you with a draft Cabinet paper and supporting information on the funding review for your consideration over the summer break.</p>	

	
<p>David Wood  <b>Deputy Chief Executive                  Investment and Monitoring</b>                  ..... / ..... / .....</p>	<p>Hon Simeon Brown  <b>Minister of Transport</b>                  ..... / ..... / .....</p>

- Minister's office to complete:**
- Approved
  - Declined
  - Seen by Minister
  - Not seen by Minister
  - Overtaken by events

**Comments**

**Contacts**

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment and Monitoring Group	s 9(2)(a)	
Harriet Shelton, Manager, Crown Entity Monitoring		✓
Johnny Crawford, Senior Adviser, Crown Entity Monitoring		

THE OFFICIAL INFORMATION ACT 1982

## MARITIME NEW ZEALAND FUNDING REVIEW

s 9(2)(f)(iv)

- 1 Since COVID-19, Maritime New Zealand (MNZ) has received additional Crown funding to operate as a going concern and continue delivering services for New Zealanders. Reduced maritime activity, primarily resulting from border closures, caused a sharp drop in MNZ's revenue. Before the pandemic, MNZ funded 62% of its functions from fees, levies and charges.
- 2 Prior to the pandemic, MNZ would typically operate on a three-year funding cycle, with alternating 'mid-point' reviews of its levies, and more fundamental reviews of the funding structure every six years.
- 3 MNZ's funding review had been due for completion in 2020. Funding reviews generally take 18-24 months and comprise three key stages:
  - developing proposals for public consultation,
  - post-consultation refinement and approval of proposals; and
  - implementing changes to regulations.
- 4 Public transparency and scrutiny are important to ensure proposals are fit-for-purpose. Public consultation has legal standing in the funding review process<sup>1</sup>.
- 5 MNZ has experienced cost increases, due to inflation and additional regulatory activity that is required to remain compliant with international standards, since the levies were last set. MNZ implemented its last full funding review in 2019.
- 6 A return to cost recovery is widely supported by stakeholders, including the Ministry and the Treasury. In June 2023, the Associate Minister of Transport and Minister of Finance jointly approved MNZ publicly consulting on its proposals.

### **MNZ is planning to seek your approval of its proposals prior to Cabinet consideration in early 2024**

- 7 MNZ has completed public consultation on eight proposed changes to its levies. This includes six proposals related to Maritime Levies and two related to Oil Pollution Levies. The public submissions signalled a high level of support for the activities for which additional levies will be required, with 80% of submissions in favour of the proposals.
- 8 The proposals set out in **Annex One** would require an increase in Maritime Levies of 33.1% and Oil Pollution Levies of 8.8% on average. If all proposals are adopted, this will result in an average uplift of \$11.7 million per annum in levies revenue for the three-year period 2024/25 to 2026/27. While this is significant in percentage terms, most of the levy increases will be borne by foreign vessels during their activity in New

<sup>1</sup> For example, in June 2021 the PPTA successfully challenged an increase in fees by the Teaching Council on the grounds of failure to consult.

Zealand waters. How the levies will impact different types of vessels is set out in **Annex Two**, noting that this is an illustrative rather than comprehensive list.

- 9 Following analysis of submissions, MNZ drafted a Stage-Two CRIS which has been given a 'meets' rating by the Ministry's RIA panel.
- 10 You now have the opportunity to either support the proposed increases, make minor adjustments, or reconsider them in their entirety. Regardless of when you are able to meet MNZ, the Ministry intends to provide a draft Cabinet paper and associated documents for your consideration by the end of December, so you can consider them before taking proposals to Cabinet in early 2024.
- 11 Implementation of the proposed changes will require amendment to the Maritime Levies Regulations 2016 and the Oil Pollution Levies Order 2016. This amendment will need to be approved by the Cabinet Legislation Committee in the first half of the 2024 calendar year.
- 12 MNZ will be able to implement its new funding model by 1 July 2024 if the timelines in **Annex Three** are met. s 9(2)(f)(iv)

**Delays to the funding review would create risk for MNZ and the Crown**

- 13 s 9(2)(f)(iv)
- 14 New Zealand is heavily reliant on the maritime sector for its trade, 99.7% of which is carried by sea by volume (and 81.0% by value). If MNZ has insufficient funding, there is a risk of degradation in the quality of vessels in New Zealand waters and a corresponding risk to the environment, safety of workers and seafarers. If MNZ is unable to address (or continue to improve) its performance, it could diminish confidence in the organisation, increase the risk of regulatory failure and, at worst, potentially harm our economy by discouraging ships from entering New Zealand waters.

- 15 s 9(2)(f)(iv)

## ANNEX ONE – SUMMARY OF FUNDING REVIEW PROPOSALS

Activity requiring additional maritime levies	Increase (\$m) in first year
<p><b>1. Managing the risks of substandard shipping through maintaining and enhancing regulatory operations (port and flag state control).</b> This proposal seeks to address the declining quality of vessels over the past few years and the resulting impacts on safety, the environment and productivity. It will increase the number of Maritime inspectors to effectively inspect the highest-risk ships coming into New Zealand waters.</p>	1.9
<p><b>2. Reducing sector costs and enabling innovation by updating outdated Maritime and Marine Protection Rules.</b> This proposal seeks to increase resourcing for its regulatory reform programme to make and amend maritime rules. Many of the current rules are outdated, unable to keep up with technological changes and require the sector to apply and pay for exemptions.</p>	1.0
<p><b>3. Improving performance in responding to notifications and maintain critical improvements in the process of licensing applications.</b> This proposal seeks to continue recent work to improve the timeliness and quality of licensing for seafarers and operators. Backlogs in the licensing application process have resulted in frustration and costs for the sector since COVID-19 but MNZ's performance has begun to improve in recent quarters.</p>	1.2
<p><b>4. Effectively overseeing third party regulators.</b> This proposal would fund the establishment of a small team to lead support and improve third-party oversight activity, something that MNZ has been limited in its ability to do in the past. This would enable MNZ to be more proactive, significantly reduce the risk of regulatory failure, and support safety and maritime protection outcomes.</p>	0.8
<p><b>5. Maintain the administration of MARPOL Annex VI.</b> This proposal would cover the cost of administering MARPOL Annex VI, part of an international convention that sets out a regime for the prevention of air pollution from ships to which New Zealand is a signatory.</p>	1.8
<p><b>6. Continue to support the provision of seafarer welfare services.</b> This proposal would fund the facilitation, or support for, seafarer welfare services in line with New Zealand's obligations under the Maritime Labour Convention. This is something that MNZ has been able to use levies for since 2021 but which the Crown has subsidised due to levies rates not accounting for this cost.</p>	1.5
Maritime levy related cost pressures	2.1
<b>Maritime Levies</b>	<b>10.4</b>
Activity requiring additional oil pollution levies	
<p><b>7. Amend the OPL allocation methodology.</b> This proposal would apply a more straightforward levy allocation model to the OPL that aligns with the approach used for the Maritime Levy. This proposal would make it easier to retain oil pollution readiness and response capabilities that have been built up over years and paid for by the sector.</p>	-
<p><b>8. Maintain marine oil spill preparedness and response capability.</b> This proposal would address inflationary cost pressures to maintain MNZ's Oil Pollution Response capabilities.</p>	0.4
<b>TOTAL COST OF PROPOSALS</b>	<b>10.8</b>

**ANNEX TWO – ILLUSTRATIVE EXAMPLES OF LEVY IMPACTS**

VESSEL TYPE All levies are ANNUAL unless stated as PER PORT CALL		FY25 Proposed Rate Maritime Levy	FY25 Proposed Rate Oil Pollution Levy	Proposed total Levies Increase
	International Oil Tanker (SOLAS <sup>2</sup> ) GT 25,000 PAX 0 <b>PER PORT CALL</b> DWT 45,000	\$4,303	\$658	\$1,453
	International Container Ship (SOLAS) <b>PER PORT CALL</b> GT 40,000 PAX 0 DWT 52,000	\$6,643	\$1,052	\$2,273
	International Cruise Vessel (SOLAS) <b>PER PORT CALL</b> GT 110,000 PAX 2500 DWT 15000	\$20,716	\$2,893	\$6,786
	Domestic Passenger Ferry (SOLAS) GT 22,365 PAX 1,350 DWT 5,794	\$306,338	\$38,904	\$12,476
	Domestic Container Ship (SOLAS) GT 6000 PAX 0 DWT 10,000	\$65,557	\$10,437	-\$253
	Domestic Coastal Fishing Trawler (non-SOLAS) GT 529 PAX 0 DWT 0	\$5,548	\$163	\$974
	Domestic fishing Length 5.9 metres	\$115	NA	\$26
	Domestic non-passenger aquaculture vessel (mussel barge) GT 104	\$1,091	NA	\$236
	Domestic non-passenger barge GT 150	\$1,573	NA	\$340
	Domestic non-passenger Length 23.9 metres (including tugs)	\$467	NA	\$104
	Domestic non-passenger Length 8 metre workboat	\$156	NA	\$35
	Domestic Passenger Ferry (Non SOLAS) GT 280 PAX 300 DWT 0	\$3,608	\$487	\$107

<sup>2</sup> A small number of New Zealand's largest ships that are covered by the International Convention for the Safety of Life at Sea (SOLAS)

BUDGET SENSITIVE

VESSEL TYPE All levies are ANNUAL unless stated as PER PORT CALL		FY25 Proposed Rate Maritime Levy	FY25 Proposed Rate Oil Pollution Levy	Proposed total Levies Increase
	<b>Domestic Charter Passenger Boat (Non SOLAS)</b> Length 18 metres PAX 140 DWT 0	\$665	NA	\$146
	<b>Domestic Charter Passenger Boat (Non SOLAS)</b> Length 8 metres PAX 14 DWT 0	\$179	NA	\$40
	<b>Domestic Commercial Jet Boat</b> Length 8.2 metres PAX 8 DWT 0	\$339	NA	\$75
	<b>Domestic passenger Commercial dive boat</b> Length 4.5 metres PAX 4	\$177	NA	\$39
	<b>Domestic passenger 3.7 metre personal watercraft (jet ski/novel craft) PAX 1</b>	\$95	NA	\$21

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## ANNEX THREE – TIMELINE OF UPCOMING DECISIONS FOR THE MNZ FUNDING REVIEW

Indicative Timing	Event	Action Required
<b>Stage One – Cabinet approval to publicly consult on proposals (Completed)</b>		
<b>Stage Two – Cabinet approval of MNZ levy proposals</b>		
Dec 2023	Meet with the Chair and Chief Executive of MNZ.	Discuss the proposed Levy increases
Dec 2023 (summer bag)	Draft Cabinet paper and supporting documents to approve new levies	Consultation with your Ministerial colleagues
Feb 2024	Updated Cabinet paper provided to you incorporating consultation	Lodge with the Cabinet office
TBC - Feb 2024	Cabinet Committee considers paper	Present the paper to Cabinet
TBC – March 2024	Drafting instructions to Parliamentary Council Office (PCO)	PCO to draft regulations
TBC – April 2024	Departmental Consultation	1 week for Departmental Consultation
TBC – April 2024	Ministerial Consultation	1 week for Ministerial Consultation
<b>Stage Three – Cabinet approval of changes to regulations</b>		
9 May 2024	Cabinet Legislation Committee (LEG) paper submitted to Minister for submission to Cabinet	Lodge with the Cabinet office
15 May 2024	LEG considers paper	
20 May 2024	Cabinet / Executive Council	Cabinet confirms LEG decision. Governor General signs regulations in Executive Council
23 May 2024	Gazette date	The regulations must be notified in the New Zealand Gazette at least 28 days before coming into force
1 July 2024	New funding model comes into effect	
<b>MNZ implements changes to levies</b>		



Document 6

20 December 2023

OC231041

**Hon Simeon Brown**  
**Minister of Transport**

**Action required by:**  
Monday, 29 January 2024

## FREIGHT AND SUPPLY CHAIN BRIEFING

### Purpose

Following your recent meeting with the New Zealand Council of Cargo Owners (NZCCO), you requested advice on the freight and supply chain sector, and in particular the Port of Tauranga Ltd's consent application to extend its terminal, green shipping corridors, and the extent of engagement between the Ministry and the sector

### Key points

- Since you met with NZCCO, the Environment Court has provisionally granted resource consent to the Port of Tauranga Ltd for part of its planned container wharf extension, subject to further matters being addressed to the satisfaction of the Court. The additional capacity that will be enabled by the wharf extension is vital for increasing productivity at the port and managing increased freight volumes.
- The Ministry and Maritime New Zealand (MNZ) are supporting early work on enabling alternative fuels for specific international shipping routes to or from New Zealand, known as "green shipping corridors". This work will support our economic connectivity as New Zealand exporters face increasing expectations from customers to address supply-chain emissions. A pre-feasibility study by an independent international research centre on an Australia-New Zealand corridor will be completed in early 2024. The Ministry will engage with the sector on progressing this work.
- This briefing also covers some other Ministry work that may be of interest, including refreshing the National Freight Demand Study to get better data on our freight and supply chain system, a technical feasibility study into the Manukau Harbour's suitability as a future location for a large-scale port, and a commissioned business case into establishing a large dry dock and marine maintenance facility at Northport.
- Officials would like to discuss your priorities for the freight and supply chain sector next year to make sure we understand your policy preferences. The Ministry's previous work in developing a national freight and supply chain strategy, including industry's key priorities, will provide a good basis for this conversation. This will also enable the Ministry to resume industry engagement on a freight and supply chain work programme.

**Recommendations**

We recommend you:

- 1 **indicate** if there are any freight and supply chain matters where you would like further advice. Yes / No

*Siobhan Routledge*

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Siobhan Routledge  
**Acting Deputy Chief Executive**

..20/12/2023...

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Hon Simeon Brown  
**Minister of Transport**

..... / ..... / .....

- Minister's office to complete:**
- Approved  Declined
  - Seen by Minister  Not seen by Minister
  - Overtaken by events

**Comments**

**Contacts**

Name	Telephone	First contact
Marian Willberg, Manager Freight and Supply Chain	s 9(2)(a)	
Siobhan Routledge, Acting Deputy Chief Executive		✓

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## FREIGHT AND SUPPLY CHAIN BRIEFING

- 1 Following your meeting with the New Zealand Council of Cargo Owners (NZCCO) on Thursday 7 December, you asked for advice on the freight and supply chain sector, and in particular the Port of Tauranga's consent application to extend its terminal; green shipping corridors; and the extent of engagement with the sector.
- 2 This briefing also provides you with an overview of key priorities identified through discussion with industry as part of the developing the New Zealand Freight and Supply Chain Strategy. We are keen to engage with you in the New Year on your priorities for this sector. This briefing serves as a scene setter for future discussions.

### **New Zealand's freight and supply chain system is critical to the country's economic potential**

*International trade is predominantly shipped, with air freight moving higher value goods.*

- 3 New Zealand's international trade relies on ports, which move 99 percent of the country's trade by volume and around 80 percent by value, as well as playing an important role in moving freight between regions. Container trade is concentrated in Tauranga (39 percent of container volumes), Auckland (22 percent) and Lyttleton (14 percent). Tauranga is also the largest bulk export port. Annex 1 maps New Zealand's supply chain system and illustrates the import and export value of each port.
- 4 Air freight moves 1 percent of the country's trade by volume, but this is 20 percent of the country's trade by value. Auckland handles 85 percent of air freight, Christchurch 14 percent and Wellington 1 percent.

*Domestic freight is multi-modal with road, rail and coastal shipping each playing a role.*

- 5 When it comes to New Zealand's domestic freight, road freight delivered 75 percent of freight by tonne-km and 93 percent by volume in 2017/18. Coastal shipping accounted for around 13 percent of the national freight task by tonne-kilometres and 1.6 percent by volume. Rail carried around 12 percent by tonne-kilometres and around 6 percent by volume. Domestic air freight carried less than a percent.
- 6 These proportions reflect the relative strengths of each mode. Rail and shipping typically carry freight very long distances, with rail well suited for moving goods between major centres. Coastal shipping tends to support the movement of bulk commodities such as cement, as well as containerised goods. These modes are constrained to routes served by existing port and rail infrastructure.
- 7 Road freight can serve almost any location in the country and is more responsive to shifting needs as its scheduling is more flexible. Road freight tends to be localised with around 77 percent moved within the region from which it was sourced.

*While the freight and supply chain system is industry-led, government can support the sector to become more competitive and productive.*

- 8 While New Zealand's freight sector is market-led and highly competitive, government plays multiple roles in the supply chain. It is an operator (through interests in KiwiRail, and to an extent New Zealand Post and Air New Zealand), builds and maintains

crucial arterial infrastructure, provides regulatory settings for the market and sets the parameters within which it operates (e.g., setting rules on heavy vehicle weights limits).

- 9 Industry, through its input to the Freight and Supply Chain Strategy developed in 2023, have identified areas where government action could support the sector with a view to maintaining New Zealand's economic productivity and connectivity. This particularly reflects some medium-term challenges industry has identified, including a more complex geopolitical environment and the possible challenges this results in for trade; population growth and increasing densification and how this affects freight routes through our cities; climate change; and new technologies. We attach summaries of the Freight and Supply Chain Strategy and public submissions as Annex 2 and Annex 3, respectively. This input from industry will serve as a good starting point for discussions with you in the New Year on your policy preferences for our work programme in this area.

### **The Port of Tauranga has received interim consent to expand its capacity**

- 10 Since your request for this briefing, the Environment Court has provisionally granted resource consent to the Port of Tauranga Ltd (POTL) for part of its planned container wharf extension, subject to further matters being addressed to the satisfaction of the Court. The Court has requested some further information before reaching a decision on two further parts of the consent application.
- 11 As New Zealand's largest export port, POTL plays a critical role in New Zealand's freight and supply chain system. However, Infrastructure New Zealand has predicted that, without expansion, the port will reach the limits of its capacity by 2025. The Court has provisionally approved consent for a 285-metre wharf extension and associated dredging. POTL is currently handling around 1.2 million twenty-foot equivalent unit (TEU) containers per year, out of a total capacity of 1.5 million TEUs. The wharf extension is intended to provide capacity for up to an additional 1 million TEU. The Court is still considering consent for a 1.8-hectare reclamation at Sulphur Point; and a 2.9 hectare reclamation on its Mt. Maunganui wharves.
- 12 More generally, the sector sees the ongoing uncertainty on the future of major ports (e.g., whether POTL would be able to expand, and whether the Port of Auckland will move) as creating delays in necessary investment and reducing productivity. Stakeholders have argued for different roles for government to address this uncertainty. The Ministry has begun to consider what changes, if any, are appropriate in this highly commercial environment, with both national and regional interests at play and many regulatory frameworks involved.

### **The Ministry is supporting early work on green shipping corridors**

- 13 The Ministry and MNZ are supporting early work to support use of alternative fuels for specific international shipping routes to or from New Zealand, known as "green shipping corridors". New Zealand's economic potential depends on the long-term reliability of the supply of high-quality shipping services. Our distance from most of our key export markets, and the fact that we are at the tail end of global shipping routes, means we need to work hard to be an attractive destination for shipping

services. Enabling use of alternative fuels in New Zealand in the future will help to ensure we remain an attractive shipping destination into the future.

- 14 Our work in this area sits under the Clydebank Declaration, which New Zealand signed at the 2021 UN Framework Convention on Climate Change Conference of the Parties. Signees collectively seek to establish zero-emissions shipping on six key trade routes by 2025, with more by 2030.
- 15 During 2023, we contributed to a pre-feasibility study for an Australia-New Zealand green shipping corridor by the independent Maersk McKinney Moller Centre for Zero Carbon Shipping. This included a November 2023 workshop with ports, exporter and shipping company representatives, including NZCCO. Discussions covered the potential alternative fuels (including likely production, volumes, transportation and storage) and possible shipping routes.
- 16 The pre-feasibility study will be completed during the first quarter of 2024. The Ministry plans to engage with the sector next year to determine whether and how this work can be progressed. While this should be led by industry, the Ministry is likely to play a convening role to help coordinate this work. We are hearing from stakeholders that they would value some sort of “pathway” to help industry make decisions and manage risks. We will need to link more closely with the Ministry of Business, Innovation and Employment around alternative fuels and the Ministry of Foreign Affairs and Trade.
- 17 The Ministry has also commissioned research from Concept Consulting into domestic regulatory barriers to low emissions shipping. This research is due in April 2024, and, depending on its findings, could highlight regulatory barriers to address.

**The Ministry engages regularly with the freight and supply chain sector, but could always do more**

- 18 The Ministry places a high priority on engaging with stakeholders working in different parts of the supply chain. The supply chain is complex and interconnected, so it is valuable to hear from a range of perspectives.
- 19 Sector engagement has fluctuated at times. There was very intense engagement during COVID-19 through regular online meetings to keep industry updated on regulation changes and addressing significant disruptions. There was also frequent engagement with industry during the development of the New Zealand Freight and Supply Chain Strategy, and its preceding issues paper, under the previous Government. Engagement has been quieter following the launch of the strategy in August 2023 and in the lead up to the general election.
- 20 Similarly, MNZ engages regularly with the sector, including NZCCO. During the height of the COVID-19 pandemic, MNZ (and the Ministry) engaged directly with NZCCO through regular meetings. This has now returned to a more issues-based engagement, with NZCCO’s interests covered by port representatives at MNZ’s monthly Maritime Industry Forum. The New Zealand Transport Agency (NZTA) also engages regularly with the sector through several freight forums. These forums operate at national, regional, and local levels and cover strategic, tactical and operational issues.

- 21 As noted above, we are keen to discuss your priorities in the area of freight and supply chain and see an agreed work programme as a good platform to strengthen our engagement with the sector.

### **The Ministry is working on a number of other freight and supply chain matters**

- 22 Some other areas we wanted to highlight for you at this time are our work on data, the Manukau feasibility study, the Northport dry dock, and regulatory barriers to highly productive heavy vehicles. We can provide further information on these areas, or other matters of interest, as required.

*We are exploring the need for improved freight and supply chain system data.*

- 23 The Ministry is exploring how better data on the New Zealand freight and supply chain system could support ports and all other modes of freight – road, rail, shipping, and air freight – to improve productivity and efficiency. There are gaps in the data available to government, local government and the sector on how freight moves, which corridors deliver the greatest value, where our vulnerabilities are, and how all of this might change over time.
- 24 The Ministry has begun refreshing the National Freight Demand Study (NFDS) – an analysis of current and future freight movements – as one way to address these gaps. The NFDS was last updated in 2017/18. Stakeholder engagement has identified that the NFDS is used and valued by NZTA, KiwiRail, local government and the private sector. The wide use of the NFDS has also exposed areas for improvement and information gaps that exist within the study.
- 25 Stage 1 of the refreshed NFDS is identifying and evaluating options to expand the scope of the study (for example to analyse the value of freight flows as well as freight tonnage; to include intra-regional and urban freight, which were not part of the earlier studies; take advantage of data sources such as telemetry and GPS, which have been less well used in the earlier studies; and consider whether we can move to live updates rather than static snapshots). This is progressing with NZTA input and engagement with other government agencies and the sector as both potential data providers and users of the NFDS. Stage 1 will end in April 2024.
- 26 Stage 2 will be a full update of the NFDS, if required. This will form part of the evidence base for future work on the freight and supply chain. This will be critical evidence to support more productive use of existing infrastructure and prioritising investment in critical corridors.

*Work is underway on the technical feasibility of Manukau Harbour as a future port location.*

- 27 The Ministry has not taken a position on whether the Port of Auckland Limited should remain in its current location on the Waitematā Harbour. The previous government did note in 2019 that the Port of Auckland was not viable as the Upper North Island's key import port over the long term.
- 28 The Ministry has commissioned a technical feasibility study into whether the Manukau Harbour would be suitable as a future location for a large-scale port. The study will not address commercial feasibility, environmental and cultural assessments or

consenting. We expect to receive the completed study in the first half of 2024 and will subsequently provide you advice on proposed next steps, if any.

*The Ministry initiated a business case exploring a dry dock at Northport in 2023.*

- 29 In relation to Northport in Whangārei, the Ministry commissioned a business case into establishing a large dry dock and marine maintenance facility capable of taking vessels up to 250 metres. Currently New Zealand's larger vessels (e.g., Cook Strait ferries; two Navy vessels) must cross to Australia or Singapore to access dry dock facilities. This has wide ranging consequences: reduced service frequency, security implications, foregone revenue due to time away (the trip to Singapore takes 28 days) and increased fuel costs (a return sailing to Singapore costs around \$1.4 million).
- 30 The sector has advocated for a larger dry dock for many years and considers it a critical piece of infrastructure. Northport included the proposal in its port expansion strategy – *Vision for Growth* – in 2015 on the basis of acting as a landlord. We understand Northport has paused progressing the project due to complexities with consenting and it is actively seeking support from Government to overcome these.
- 31 We note that the coalition agreement with New Zealand First agreed to progress this matter further through a detailed business case. The Ministry is ready to provide advice to you on next steps, as appropriate.

*The trucking industry is seeking a review of regulatory barriers to highly productive heavy vehicles, including low emissions trucks*

- 32 New Zealand's trucking industry, including both National Road Carriers and Ia Ara Aotearoa Transporting New Zealand, have asked the Ministry and NZTA to prioritise reviewing existing heavy vehicle regulations. Heavier vehicles can generally carry more freight, increasing productivity.
- 33 New Zealand's regulatory environment incentivises trucks that are relatively heavy (for greater efficiency) but with relatively lower axle weights (to reduce damage to roads and highways) compared to other markets.<sup>1</sup> This divergence from international standards can mean that New Zealand industry faces higher costs purchasing heavy vehicles that meet our specific vehicle regulations. This is particularly so for low and zero emissions trucks that tend to be heavier than their diesel counterparts.
- 34 Any regulatory changes in this area would need to be balanced against the increased wear and tear on roads and bridges from heavier vehicles and associated higher maintenance costs. In the New Year, we would like to discuss your views on progressing a review in this area.

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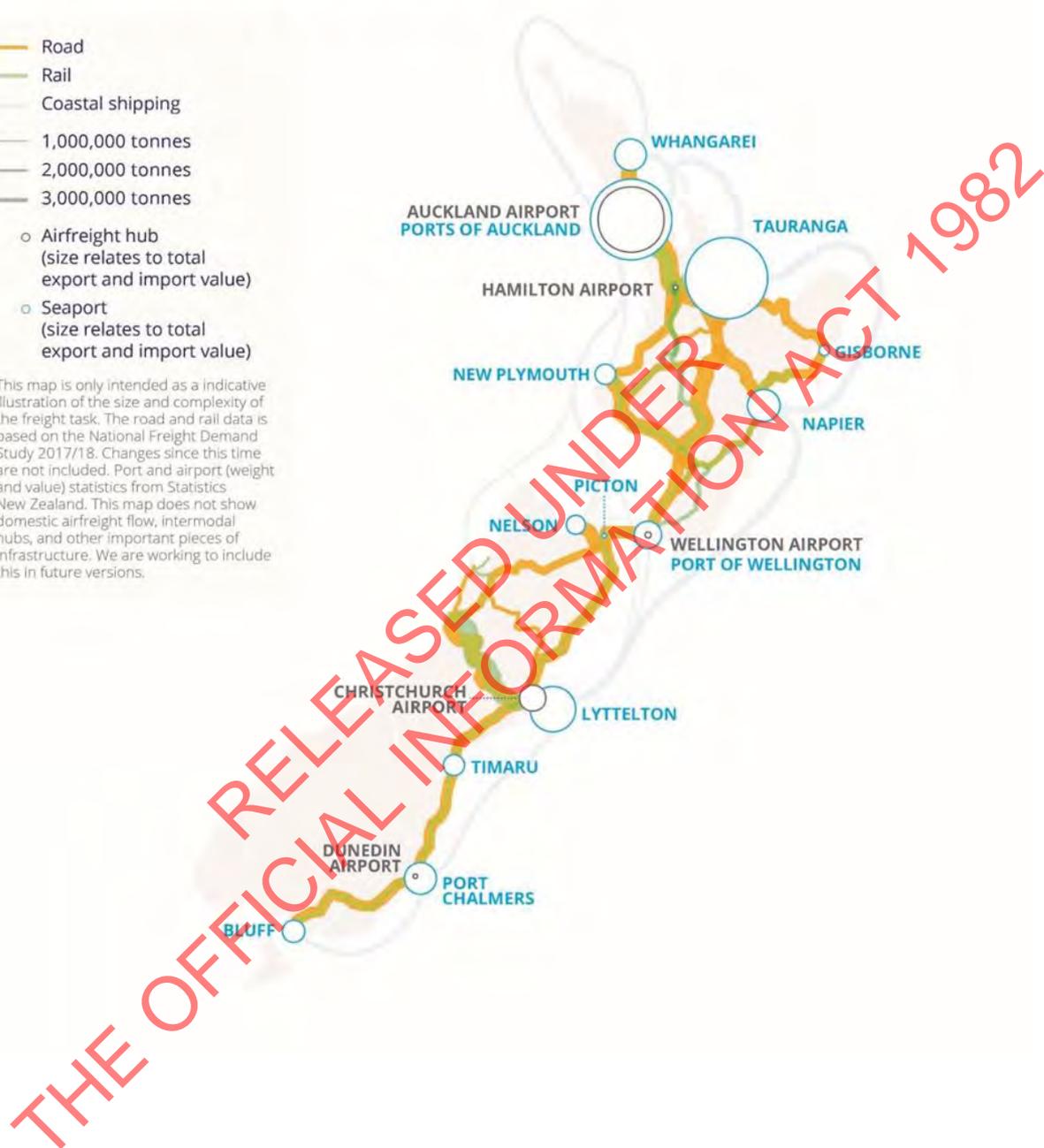
<sup>1</sup> For example, New Zealand's maximum single axle weight is 7.2 tonnes, although trucks can weigh over 50 tonnes. In Europe, the maximum single axle weight is typically 10 tonnes, with maximum truck weight of 40-44 tonnes.

## Annex 1: New Zealand freight and supply chain network

### Our road, rail, maritime, and air connections

- Road
- Rail
- Coastal shipping
- 1,000,000 tonnes
- 2,000,000 tonnes
- 3,000,000 tonnes
- Airfreight hub (size relates to total export and import value)
- Seaport (size relates to total export and import value)

This map is only intended as a indicative illustration of the size and complexity of the freight task. The road and rail data is based on the National Freight Demand Study 2017/18. Changes since this time are not included. Port and airport (weight and value) statistics from Statistics New Zealand. This map does not show domestic airfreight flow, intermodal hubs, and other important pieces of infrastructure. We are working to include this in future versions.



# Aotearoa New Zealand Freight and Supply Chain Strategy – Overview

June 2023

30-year horizon
10-year horizon
3-year horizon

**Aotearoa is facing strategic challenges to our supply chains**

**System outcomes: what should our supply chain system look like?**

**ZERO EMISSIONS**  
New Zealand's supply chains are underpinned by zero emissions freight transport.

**RESILIENCE**  
We are resilient, reliable, and prepared for potential disruption.

**PRODUCTIVITY & EFFICIENCY**  
Our freight sector is highly productive and efficient.

**SAFETY AND SUSTAINABILITY**  
Our freight transport system upholds safety and environmental sustainability.

**To position New Zealand for the future and achieve our outcomes these principles need to underpin our actions**

**NATIONAL INTEREST**  
We will identify, protect, and strengthen the parts of the freight and supply chain system that are critical to New Zealand's national interest.

**SYSTEM STEWARDSHIP**  
The Ministry of Transport will be a steward of the freight and supply chain system.

**PARTNERSHIP**  
Those involved in the freight and supply chain system will work together for the benefit of New Zealand.

**Strategic goals**  
Over the next ten years our priority will be achieving these goals in line with our outcomes and principles.

**INFRASTRUCTURE AND GOVERNMENT SYSTEMS**

1. We are protecting, decarbonising, & optimising nationally significant freight routes & infrastructure.
2. There is a sophisticated, robust, & transparent base of evidence to support decision making in the freight system.
3. We have reliable & adaptive long-term plans for key parts of our freight system.

**ENABLING THE SECTOR**

4. Government policy enables the sector to accelerate emissions reduction and build long-term resilience.
5. The sector leads change in areas of common interest independently or with government support.
6. The value & function of the freight system is understood across the government and by the public.

**INTERNATIONAL CONNECTIONS**

7. We have reliable, resilient, competitive, & efficient international shipping & airfreight services.
8. Government & the sector are aware of global supply chain threats & opportunities & are ready to respond & adapt.
9. New Zealand reduces its international freight emissions in line with its international commitments.

**Focus areas**  
Our three year horizon will focus on four high priority areas. We are making a limited set of initial commitments in each of these areas and intend to expand on these commitments as resources allow.

**PORTS AND THE CONNECTIONS TO THEIR COMMUNITIES**

- About 99% of traded goods by weight flow through our ports. We need to ensure they are resilient to long-term threats and highly productive to support our economic prosperity.
- We will analyse the spatial connections of our ports to help us strengthen our critical freight corridors. We will also undertake analysis of alternative port models.

**ROAD FREIGHT DECARBONISATION**

- Road freight is responsible for almost a quarter of transport emissions, while rail and coastal shipping are much lower emissions modes of transport. This makes road freight a priority to decarbonise first.
- Initial work will focus on progressing priorities to accelerate the transition to zero emissions heavy vehicles. We will also continue to work on the implementation of the rail plan, and policies to support coastal shipping.

**DATA SHARING AND INTEROPERABILITY**

- A more sophisticated evidence base will support a better understanding of the freight and supply chain system and improved investment decision making.
- We will identify and invest in freight data needs based on priorities of different public and private sector stakeholders. This could be supported by a partnership with the sector to support mutual data sharing.

**INTERNATIONAL ENGAGEMENT**

- The COVID-19 supply chain disruptions have demonstrated vulnerabilities in our international freight connections. We need to be better prepared for future disruption and play our part in decarbonising international freight.
- We will maintain collaboration with international partners to prepare for disruption to freight networks and support the establishment of green shipping corridors.

**Collaborative implementation approach**

Across all these areas we will work with the sector to find the most impactful ways we can collaborate and partner on both strategic direction and progressing specific initiatives. This could include establishing ongoing working groups, partnering on shared projects or supporting industry to progress sector led initiatives.

# Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa | New Zealand freight & supply chain issues paper

Summary of submissions made through the public consultation process (April – June 2022)

## Te Manatū Waka Ministry of Transport is leading the development of the New Zealand freight and supply chain strategy which seeks to identify what is needed to optimise the system in the coming decades.

As preliminary work we developed an issues paper after extensive engagement with a broad range of stakeholders. The purpose of the issues paper was to set out the strategic context for changing the way we do things and to hone in on the most important areas of focus as we develop the long-term strategy.

The Ministry ran a public consultation process to gain feedback on the issues paper from April to June 2022. This is a summary of the feedback we received. We would like to thank all the individuals and organisations who took the time to send us their views.

### Key themes in the feedback

#### ● Government has a role as we prepare the supply chain for the future.

Submitters agreed there is a role for government in the supply chain system – although views differed as to whether direct intervention or industry enablement was the correct approach to different issues. Government was seen as having one or all of the following roles: investor, regulator, overall system steward. Many felt that government was the only entity that could take a whole-of-system view. Government also has a role as the sole entity able to influence international relations, negotiate better market access, and meaningfully effect change in international bodies such as the International Maritime Organisation (IMO) and the United Nations.

#### ● Government needs to signal its long-term plans for investment in supply chain infrastructure.

Many submitters said that a long-term infrastructure investment plan with broad, high level political support, was needed to give the industry certainty for their own plans. This would include planning private infrastructure around future government investment in utilities and transport nodes, providing certainty of future capability needs for construction companies, and allow local

government to make more informed and joined up investments through their own regional transport and unitary plans. Co-investment was also identified as an area where government could make a difference including as a way to meet its Tiriti o Waitangi commitments to Māori while accelerating economic development, with positive sentiment from across the industry towards the Ruakura freight hub development.

#### ● Strong interest in port reform.

Many submitters desired some sort of review or reform of the current port system. Ideas included: reviewing the ownership model, competition settings, and moving towards a hub and spoke model for our ports. Some submitters felt that the shift towards the optimal port model would happen naturally through the market over time, others felt that a national port plan and regulatory reform was needed to achieve change.

#### ● Improved ability to transfer between modes.

There was support for an intermodal freight system, enabled by hubs that would allow cost effective, quick and flexible transfers between modes and drive mode shift. Rail especially was identified as benefiting from intermodal hubs that reduce the number of times cargo has to be handled, with a number of stakeholders advocating for rail connections to ports, as these greatly enable freight hubs and inland ports due to rail's ability to move agglomerated volumes of cargo efficiently. Others suggested barriers included the low rate of containerisation of domestic cargo, which makes intermodal transfers a labour and time consuming process, and lack of data sharing between different modes and operators to enable seamless transfers.

#### ● Consenting and land-use issues are a constraint.

Consenting and spatial planning issues were a common concern, with the RMA reform regarded as crucial for the efficient operation of the supply chain. Constraints on port operations and congestion in freight corridors were common examples. Stakeholders want to see protection of key logistics routes and nodes, especially in urban areas that are expected to densify.

### Build the workforce for the supply chain of the future.

There are labour concerns across the industry, with submitters in agreement that current conditions do not create enough workers across all skill levels, but there was a split between those who believe we should build our domestic capability and those who believe immigration should fill skills gaps. Some submitters believed that automation would replace workers in repetitive and unattractive tasks, and would allow greater utilisation of infrastructure, and safety improvements. However, there were concerns about equity and feasibility across the supply chain.

### Improved data collection and availability.

There was support for more data collection, collation and sharing across the industry, to improve cooperation and collaboration without reducing competition.

### There were different views on the role of government in the decarbonisation of the system.

There is a strong desire for government funding or co-funding to ensure the transition to a decarbonised freight sector happens equitably, and efficiently, without reducing the competitive nature of the freight sector. Many submitters said government should allow some flexibility to ensure New Zealand is not locked into a particular technology pathway in case it is superseded. They advised that if we want to lead in the decarbonisation of our transport system we will likely need to commit to a small number of alternate fuels and fund the provision of their supporting infrastructure. Cargo owners were also advocating for low emissions freight options to meet consumer expectations.

### There is ambition for mode shift to rail, but not for all freight.

A number of submitters supported mode shift to rail, in line with the desire for greater intermodality. Others said that rail is unlikely to be competitive with road transport for certain commodities (small dimension, high value, and/or urgent), as well as for short distances and were concerned about double handling costs associated with using rail. There was also a view that rail is simply not resilient enough, being more vulnerable to seismic events. Other submitters felt that the structure of KiwiRail disincentivises greater mode shift to rail. [Note: some of these issues are currently being reviewed by the Ministry, Treasury and Waka Kotahi through the KiwiRail entity form review.]

### International and coastal shipping face many changes.

International shipping to New Zealand is expected to develop into more of a hub and spoke model, although perspectives on the degree to which ports and volumes would consolidate, and the speed with which it would occur differed dramatically. There were some concerns about New Zealand's coastal shipping sector only recently having begun to grow again after decades of decline meaning that there may not be the domestic capacity to meet the required or desired mode shift.

### Airfreight has an important role in moving high value cargo.

The perceived focus on volume instead of value in the issues paper was questioned by the airfreight sector, who felt that their role in the supply chain was understated as a result.

## Overview

We received 83 submissions and around 500 pages of feedback from the following groups of stakeholders:



The list of submitters and copies of submissions can be viewed at [www.transport.govt.nz/supplychain](http://www.transport.govt.nz/supplychain)

Feedback v policy – this document summarises the views of submitters and does not represent government policy.

