OC250008

20 February 2025

[redacted]

Tēnā koe [redacted]

I refer to your email dated 13 January 2025, requesting the following briefings under the Official Information Act 1982 (the Act):

- *“Independent Review Function - Update on Scope and Cost Recovery: Next Steps*
- *GPS 2024 Implementation Update for the Month Ending September 2024*
- *Meeting with CentrePort and Greater Wellington Regional Council*
- *Auckland Light Rail land disposal*
- *Toll Road Proposals*
- *Cost Allocation Model and Road User Charges*

Titles taken from here: https://www.transport.govt.nz/assets/Uploads/Briefing-List-November-2024.pdf”

Of the six briefings requested, four are released with some information withheld and two are refused.

The document schedule at Annex 1 details how the briefings have been treated. The following sections of the Act have been used:

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)(ii)	to maintain the effective conduct of public affairs through the protection of such Ministers, members of organisations, officers, and employees from improper pressure or harassment
18(d)	the information requested is or will soon be publicly available

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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**

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

Nāku noa, nā

Hilary Penman
Manager, Accountability & Correspondence

Annex 1 - Document Schedule

Doc#	Reference	Document	Decision on release
1	OC241259	Independent Review Function - Update on Scope and Cost Recovery: Next Steps	Refused under section 18(d). Once published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/results
2	OC241294	GPS 2024 Implementation Update for the Month Ending September 2024	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).
3	OC241332	Meeting with CentrePort and Greater Wellington Regional Council	Released with some information withheld under sections 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv) and 9(2)(g)(ii).
4	OC241270	Auckland Light Rail Land Disposal	Released with some information withheld under sections 9(2)(a), 9(2)(b)(ii) and 9(2)(f)(iv).
5	OC241336	Toll Road Proposals	Refused under section 18(d). This briefing is published on the Ministry's website and is available here: www.transport.govt.nz/assets/Uploads/Doc-1-OC241336-Tolling-Proposals-Briefing-Policy-2-002_Redacted.pdf
6	OC241339	Cost Allocation Model and Road User Charges	Released with some information withheld under section 9(2)(a).

Document 2

AIDE MEMOIRE: GPS 2024 IMPLEMENTATION UPDATE FOR THE MONTH ENDING SEPTEMBER 2024

To:	Hon Simeon Brown, Minister of Transport
From:	Bryan Field, Manager, Programme Monitoring and Investment Management
Date:	6 November 2024
OC Number:	**OC241294**

Purpose

1 This aide memoire provides you with a high-level assessment on the delivery of the Government Policy Statement (GPS) 2024, and New Zealand Transport Agency (NZTA) revenue and activity class expenditure, as at the end of September 2024.

2 A more detailed briefing, which will include NZTA's quarterly report covering both GPS implementation and progress against the Performance and Efficiency Plan (PEP), Statement of Intent, and Statement of Performance Expectations will be provided in the week commencing 25 November 2024.

Context

3 You have directed the Ministry of Transport (the Ministry) and NZTA to provide regular reporting on the delivery of GPS 2024. To meet your expectations, the Ministry and NZTA have worked together to coordinate a range of inputs to produce reporting that captures progress across GPS 2024 actions.

4 This aide memoire includes brief progress updates on GPS implementation (at Annex One) by the Ministry, NZTA, and other government agencies for the month of September 2024. It also provides a table setting out NZTA's September 2024 revenue and expenditure position (at Annex Two).

GPS 2024 Implementation Programme

The transport sector policy programme is progressing well, with almost 90% of projects on track

5 The policy work programme is progressing well, with one further NZTA action (Public Transport Funding) completed in September, in addition to the two completed actions reported for August (OC241100 refers).

6 All projects are broadly on track. At this stage, two of the projects have been assessed as amber, both predominantly in relation to timing challenges and resource constraints:

- Action 1: Reforms to the National Land Transport Fund (NLTF) revenue system (Ministry-led)
- Action 7: Rail Network Ten-year investment planning (RNIP is Kiwirail-led but all advice on the programme is led by the Ministry)– note that this has shifted from red to amber this month.

7 In addition, action 9.4: Review of road safety investment, remains at moderate risk as formal scoping is not yet completed. A scoping note is being prepared that will outline timing, key questions and methodology for this review, which should be completed for the October monthly report.

8 We are expecting more comprehensive and consistent information and analysis about the risks, issues, and barriers in NZTA's reporting on GPS actions for both the forthcoming quarterly performance update and the update for the month ending October 2024.

NLTP Forecast

9 NZTA has provided a table (Annex Two) of financial information on revenue and expenditure for the month ending September, including for funding outside the NLTF. More detailed information will be provided as part of the quarterly report, aligned with updates from approved organisations.

10 In the year to date, NZTA has received 1.7% ($24 million) more revenue than it had budgeted for, largely due to higher-than-expected Fuel Excise Duty revenue and a higher drawdown on Crown funding for the RNIP. This was offset in part by lower-than-expected Road User Charges. The position has stabilised slightly since August with the in-month revenue being just above the budget.

11 In-month expenditure was higher than the budget, which has reduced the year-to-date underspend position. Overall, NZTA has spent $102 million (6%) less than expected in the year-to-date. The State Highway Improvements activity class is still significantly underspent (by 45%, $108 million), most likely due to projects taking longer than expected to start up. The Rail activity class has spent 47% ($60 million) more than expected, while most of the other activity classes are starting to stabilise close to budgeted levels. We will continue to work with NZTA to understand the causes of any variances in expenditure, and the forecasting implications for the rest of the financial year. Further insight will be provided in the quarterly and monthly reports.

Next steps

12 You will receive a detailed quarterly report from NZTA in or before the week commencing 25 November 2024, along with our second opinion advice. The next monthly GPS report (for the month ending October 2024) will be provided in early December 2024.

Contacts

Name	Telephone	First contact
Bryan Field, Manager, Programme Monitoring & Investment Management	s 9(2)(a) [redacted]	✓
James Turner, Principal Advisor, Programme Monitoring & Investment Management		

ANNEX ONE – GPS 2024 IMPLEMENTATION MONTHLY REPORT – SEPTEMBER 2024

Ministry of Transport led actions. Progress on Actions to the end of August 2024

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Priority actions:				
Action 1: Reforming the National Land Transport Fund's revenue system	Agreement by the Minister to engage on market soundings work later this year followed by final policy decisions in early 2025	Significant policy work to be undertaken in short timeframe. Shift to new Revenue team structure should help mitigate resource risks.	Amber	• First meeting of the Stakeholder Reference Group in October. • A briefing on the approach to transition to RUC is targeted for mid-November. • Discussions with PCO on resources to support drafting of Time of Use Bill.
Action 5: Ten-year investment planning	• Provided Minister with initial thinking on implementing 10-year investment planning (OC240850 refers). • Commenced scoping work on a GPS process that improves alignment between the GPS strategic direction, revenue settings, and underlying costs over a ten-year planning horizon. This includes improving the information and advice on investment needs to enable the Minister to make informed cost/service level trade-offs when setting the GPS.		Green	• November 2024: seeking agreement from the Minister on a GPS process for GPS 2027, including options to improve information about investment needs (with a focus on informing spend on maintenance and operating activities).
Other actions:				
Action 7: Rail Network Investment Programme (RNIP is Kiwirail-led but advice is Ministry-led)	• You agreed we should decouple the RNIP advice from the s 9(2)(f)(iv) [redacted] We are on track to deliver the RNIP advice on 13 November 2024 s 9(2)(f)(iv) [redacted]	N/A	Amber	• Delivery of our advice on the RNIP is on track for 13 November 2024, however, some engagement with our legal team and interagency is ongoing. We are not expecting any substantive issues arising but will advise your office if there are any. • s 9(2)(f)(iv) [redacted]

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
				s 9(2)(f)(iv) [redacted]
Action 8: Road safety reforms	• The Land Transport Rule: Setting of Speed Limits 2024 was signed. • The Land Transport (Drug Driving) Amendment Bill continues to be considered by the Transport and Infrastructure Committee. • Cabinet considered the Government's Road Safety Objectives document.		Green	• The Land Transport Rule: Setting of Speed Limits 2024 comes into force on 30 October 2024. • The Land Transport (Drug Driving) Amendment Bill will be reported back to the House in December 2024. • The Government's Road Safety Objectives document will be released on 17 October 2024.
Action 12: FED and RUC increases	• The Ministry's work to increase the annual vehicle license fee in 2025 is complete. Implementation is led by NZTA and remains on target. Next phase will focus on increases to FED and RUC rates in 2027.	None	Green	• Planning for the next phase to commence in 2025.
Action 13: NZTA funding profile	• s 9(2)(f)(iv) [redacted]	None	Green	• s 9(2)(f)(iv) [redacted]
Action 14: Reporting on spend and borrowing	• Reporting on spend and borrowing by NZTA will be undertaken as part of monthly and quarterly reporting by NZTA.	None	Green	• Monthly GPS reporting.
Action 15: Coastal Shipping Resilience Fund	• Advice provided to the Minister of Transport on the investment objectives and process for allocating the Coastal Shipping Resilience Fund and shared with other relevant ministers.	Decisions on objectives and process are yet to be made s 9(2)(f)(iv) [redacted]	Green	• Next milestones to be identified following ministerial decisions on the objectives and process for allocating the Fund.

NZTA led actions - Progress on Actions to the end of September 2024

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Priority actions:				
Action 6: National Land Transport Plan (NLTP): • **Action 6.1**: Roads of National Significance (RoNS) • **Action 6.2:** Roads of Regional Significance • **Action 6.3**: Projects for further investigation • **Action 6.4:** Waitematā second crossing • **Action 6.5:** Investments in major public transport projects • **Action 6.6:** Investments in walking and cycling	n/a	N/A	Green - Complete	• Action complete and now part of business-as-usual reporting where appropriate
Action 10: Public Transport Funding	• Increasing private share project underway with request for information sent to Public Transport Authorities and on track to their agreed private share targets by December 2024. • Specification finalised for private share research project that will provide evidence base for longer term targets and toolkit for increasing third-party revenue	• NZTA continuous programme specific requirements for private share targets have not yet been communicated to Public Transport Authorities. • Annual planning processes and council meetings may not align with the phase 1 timeframe. Mitigation is to	Green - Complete	• Phase 1 complete by **December 2024** • Phase 2 substantially complete by **June 2025** • Phase 3 complete by **December 2025**

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
		seek agreement from Public Transport Authorities to targets subject to Council endorsement in the new year.		
Action 11: Reduce expenditure on temporary traffic management	• Updated templates for all new capital works contracts with new clauses. • Compiled a list of all new capital works projects going to market from November 2024 that will use the new contracts. • Confirmed maintenance and operations rollout sequence, specifically next contracts to be converted - Public Private Partnerships. • Prepared the Temporary Traffic Management costs capture system and dashboard. • Completed 4 Temporary Traffic Management audits. • Started in-housing the Traffic Management Centre role to support NZ Guide for Temporary Traffic Management.	Nil	Green	• First quarter 2024/25 report on costs against the baseline – to be delivered **25 October 2024** • Implementation of new audit and assurance process - **October 2024** • Existing guidance to be retired and replaced with new *NZ Guide to Temporary Traffic Management* on **30 October 2024** • *NZ Guide to Temporary Traffic Management* will be integrated into Network Outcome Contracts from **February 2025**

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Action 16: Business case process	• Progress made on the decision-led approach guidance pack with recent feedback being incorporated. • Progress made on the programme business case, strategic planning and affordability options. • Communicated the new decision-led business case process at the Community of Practice on 25 September. • Position paper on Treaty partner and council/key stakeholder engagement is ready for NZTA senior leadership consideration. • Progressed cost estimation accuracy guidance.	Nil	Green	• Decision-led business case process prototyped on RoNS 'First Wave' projects – **July-November 2024** • Further development of the new business case process including templates and initial guidance for those projects prototyping the approach - **30 November 2024** • Review prototyping performance and refinement of the decision-led approach – **30 November 2024** • Wider guidance development and implementation including 'Go Live' for full extent of application of the new process – **30 June 2025.**
Action 17: Performance and Efficiency Plan	• Initiated second iteration of the PEP, kick off discussion held with MoT 9 September and engagement approach agreed, plan will go 12 December Board and to Minister 18 December	Nil	Green	• Second iteration of the plan provided to Minister - **December 2024.**

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Action 18: Road Efficiency Group (REG)	• Completed Ministerial briefing - role of REG • Workshopped new data reporting requirements with local authority and NZTA representatives • Agreed maintenance and operations engagement and reporting by REG. • Established reporting and guidance for local authority temporary traffic management reporting • Commenced local roads data collection • Initiated REG Competency Steering Group.	Nil	Green	• Complete Q1 local authority temporary traffic management reporting – **31 October 2024** • Competency delivery group initiation meeting - **14 November 2024** • Contribute to the establishment of the next iteration of the NZTA PEP – **December 2024** • Integrate REG business outputs into NZTA business – **30 June 2025.**
Action 19: Monitoring and reporting	• Q1 2024/25 report under development, including inclusion of temporary traffic management expenditure	• Nil	Green	• First quarterly report delivered – **November 2024**
Other actions:				
Action 2: Implementing alternative funding, financing, and delivery models				
Action 2.1: Considering alternative funding and financing	• Completed Wave 2 Public Private Partnership candidate assessments. The Northland RoNS, Mt Victoria Long Tunnel, and the Waitemata Harbour Connections are the next logical candidates. • The Northland Corridor Investment Case is progressing well. Our current recommendation is that it is considered as a staged Public Private	Nil	Green	• Report back to Cabinet on the Northland Corridor (cost, funding, and delivery) - **November 2024**.

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
	Partnership. •			
Action 2.2: Considering tolling for new roads	• Drafted a report for the Minister on the outcomes from operational efficiency. • The Roadside infrastructure panel of suppliers due diligence period is underway. • Enhanced tolling assessments are now in place.	Nil	Green	• Report to Minister on outcomes from operational efficiency review – **by December 2024.**
Action 4: Management of Land				
Action 4.1: Land disposal	Current state assessment underway, with processes mapped.	Nil	Green	• Workstreams to improve the disposal timeframes identified and underway - **March 2025** • Overarching Land Disposal Strategy complete - **June 2025** • Strategy implemented - **Q1 2025/26.**
Action 4.2: Land acquisition	Current state assessment underway with processes mapped.	Nil	Green	• Completed assessment of current state and potential opportunities - **December 2024** • Investigation, stakeholder consultation and detailed design - **March 2025** • Position statement finalised - **June 2025** • Implement new property approach - **2025/26 .**

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Action 9: Road Policing Investment Programme (RPIP):				
Action 9.1: Oral fluid testing	• Bill at Select Committee stage. Police have formed a project team to cover procurement and procedural implementation.	Nil	Green	s 9(2)(f)(iv) • [redacted] • [redacted]
Action 9.2: Drink driving enforcement	N/A	N/A	Green - Complete	• Action complete and now part of business-as-usual reporting where appropriate
Action 9.3: Road policing	N/A	N/A	Green - Complete	• Action complete and now part of business-as-usual reporting where appropriate
Action 9.4: Review road safety investment	• Work has been scoped and sent for internal review. The scope is expected to be finalised by the end of October 2024 and the RAG status for the action will then be 'on-track'.	Nil	Amber	• Milestones TBC

Actions led by other agencies - Progress on Actions to the end of September 2024

Action	Progress this month	Risks, issues or barriers	RAG status	Upcoming milestones
Action 3.1: 30-year transport plan (Lead: Infrastructure Commission)	In July, the Infrastructure Commission sought Cabinet approval to the overall approach and timing for developing the National Infrastructure Plan	None	Green	• Work on the first National infrastructure Plan to commence.
Action 3.2: Fast Track consents legislation (Lead: MfE)	The Bill is progressing through the Select Committee stage, ahead of the expected report back date on 18 October 2024.	None	Green	• Select Committee Report Back on 18 October
Action 3.3: Emissions Reduction Plan 2 (Lead: MfE)	Public consultation on the ERP2 concluded on 21 August 2024.	None	Green	• Briefing to Minister on outcome of public consultation week by early October 2024.
Action 3.4: Emissions Trading Scheme (ETS) Reform (Lead: MfE)	Final regulations published setting NZ ETS unit limits and price control settings for 2025-2029	None	Green	• Climate Change Commission's 2025 advice on NZ ETS unit limits and price control settings for 2026-2030 expected to be published March 2025
Action 3.5: City and Regional Deals (Lead: DIA)	In July, Cabinet agreed a strategic framework for Regional Deals.	None	Green	• Cabinet consideration of first regions, funding model and monitoring and evaluation framework will be 4 November. Announcements will be made as quickly as possible after that date.

ANNEX TWO – NZTA REVENUE AND EXPENDITURE MONTHLY UPDATE– SEPTEMBER 2024

National Land Transport Fund (NLTF) Revenue

This table shows the breakdown of NLTF revenue including the contribution from Crown funding that flow into the NLTF.

	MONTH		YEAR TO DATE				FULL YEAR		NLTP 2024-27	
	Actual	Budget	Actual	Budget	Variance		Forecast	Budget	Forecast	Budget[1]
	$m	$m	$m	$m	$m	%	$m	$m	$m	$m
Fuel Excise Duty	145	129	447	404	43	11%	1,519	1,519	5,716	5,716
Road user charges	162	169	474	487	(13)	(3%)	2,062	2,062	6,709	6,709
Total FED and RUC	**307**	**298**	**921**	**891**	**30**	**3%**	**3,581**	**3,581**	**12,424**	**12,425**
MV registration & Lic	20	19	63	59	4	7%	302	302	1,266	1,266
Other revenue	3	5	11	15	(4)	(26%)	61	61	205	205
Less disbursements[2]	(1)	(1)	(3)	(3)	(0)	3%	(18)	(18)	(44)	(44)
NLTF revenue	**329**	**321**	**993**	**962**	**31**	**3%**	**3,926**	**3,926**	**13,852**	**13,852**
Crown (Capital grants)	68	68	203	201	2	1%	800	800	3,144	4,144
Crown (NLTP loan)	0	0	0	0	0	0%	925	925	2,740	3,080
Crown (NIWE)	32	50	115	150	(35)	(23%)	753	753	998	1,023
Crown (RNIP)	42	30	154	120	34	28%	353	353	982	982
Crown (HIF)	0	4	5	13	(8)	(62%)	50	50	152	152
Crown revenue top-ups	**142**	**148**	**477**	**484**	**(7)**	**(1%)**	**2,881**	**2,881**	**8,016**	**9,381**
Total NLTF revenue incl. Crown top-ups	**471**	**469**	**1,470**	**1,446**	**24**	**2%**	**6,807**	**6,807**	**21,866**	**23,233**

[1] Budget originally set at the start of the NLTP 2024-27 period.
[2] Disbursements relate to FED/RUC admin, forecasting and strategy, and regulatory functions (section 9(1a) and 9(2)).

NLTF and Crown funded expenditure

This table shows the progress of expenditure for the NLTP. It includes expenditure funded from: NLTF including Crown "top-up" funding; Crown appropriations for programmes outside the NLTF.

	MONTH		YEAR TO DATE				FULL YEAR		NLTP 2024-27	
	Actual	Budget	Actual	Budget	Variance		Forecast	Budget	Forecast	Budget[3]
	$m	$m	$m	$m	$m	%	$m	$m	$m	$m
State highway improvements	36	90	132	241	108	45%	1,047	1,047	4,100	4,100
Local road improvements	21	8	27	20	(7)	(33%)	110	110	610	610
Walking and cycling improv.	19	9	32	20	(13)	(65%)	135	135	310	310
State highway operations	94	73	226	216	(10)	(5%)	1,089	1,089	3,021	3,021
State highway pothole prevention	34	40	70	117	47	40%	589	589	2,072	2,072
Local road operations	73	56	97	103	7	6%	707	707	1,610	1,610
Local road pothole prevention	59	47	73	85	12	14%	579	579	1,900	1,900
Public transport services	76	50	114	134	20	15%	608	608	1,955	1,955
Public transport infrastructure	56	35	107	84	(24)	(28%)	470	470	1,600	1,600
Safety	42	41	122	123	1	1%	509	509	1,680	1,680
Investment management	10	7	15	22	7	32%	86	86	265	265
Rail	48	32	187	127	(60)	(47)%	373	373	740	740
Activity class expenditure	**568**	**487**	**1,202**	**1,291**	**90**	**7%**	**6,301**	**6,301**	**19,863**	**19,863**
Housing Infrastructure Fund	13	3	15	7	(8)	(113%)	50	50	152	152
PPP debt and interest repayment	0	0	55	48	(7)	(15%)	192	192	571	571
Other debt and interest repayment	36	13	60	39	(21)	(53%)	264	264	1,280	1,280
Total NLTF funded expenditure	**617**	**504**	**1,332**	**1,386**	**54**	**4%**	**6,807**	**6,807**	21,866	21,866
Climate Emergency Res. Fund	10	8	12	22	9	43%	107	107	181	181
Crown Infrastructure Partners	(2)	7	2	17	15	89%	82	82	82	82
Eastern Busway	12	6	20	15	(5)	(33%)	84	84	84	84

[3] Budget originally set at the start of the NLTP 2024-27 period.

	MONTH		YEAR TO DATE				FULL YEAR		NLTP 2024-27	
	Actual	Budget	Actual	Budget	Variance		Forecast	Budget	Forecast	Budget[3]
	$m	$m	$m	$m	$m	%	$m	$m	$m	$m
Major Crown Investment Projects	55	62	148	165	17	10%	811	811	4,206	4,206
Ngauranga to Petone	1	2	9	5	(4)	(93%)	23	23	29	29
Regional resilience	3	7	7	18	11	62%	90	90	247	247
Retaining/recruiting bus drivers	2	2	3	5	2	33%	21	21	26	26
SuperGold card	29	34	34	36	2	5%	39	39	117	117
Supporting Regions Programme	1	2	4	4	(1)	(17%)	17	17	17	17
Crown funded expenditure	**111**	**130**	**240**	**287**	**48**	**17%**	**1,275**	**1,275**	**4,990**	**4,990**

NLTF & Crown funded expenditure	**728**	**635**	**1,572**	**1,674**	**102**	**6%**	**8,082**	**8,082**	**26,856**	**26,856**

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

MARITIME NEW ZEALAND

12 November 2024 OC241332

Hon Simeon Brown
Minister of Transport

Meeting with CentrePort and Greater Wellington Regional Council

Snapshot

You have a meeting to discuss Emergency Ocean Response Capability and to understand the risks to CentrePort's business from responding to these incidents. CentrePort and Greater Wellington Regional Council have expressed concerns about the risks they are facing given the current lack of a dedicated EORC to respond to large vessels in distress in Cook Strait.

Time and date	Thursday 14 November, 1600-1620, 2024
Venue	Parliament EW5.1
Attendees	Anthony Delany (CE CentrePort), Nigel Corry (CE Greater Wellington Regional Council)
Officials attending	Kirstie Hewlett, (Director Maritime NZ), Ruth Fairhall (DCE, Policy, Ministry of Transport)
Agenda	To discuss EORC business case work and to understand risks to CentrePort's business from responding to these incidents. CentrePort and Greater Wellington Regional Council have expressed concerns about the risks they are facing given the current lack of a dedicated EORC to respond to large vessels in distress in Cook Strait.
Talking points	Please refer page 4

Contacts

Name	Telephone	First contact
Kirstie Hewlett, Director, Maritime NZ	s 9(2)(a) [redacted]	✓
Dylan Page, Chief Advisor, Response, Security and Safety Services, Maritime NZ		

Meeting with CentrePort and Greater Wellington Regional Council

Purpose

1. The meeting has been called to discuss where the Government is at on Emergency Ocean Response Capability (EORC) business case work and to outline risks to CentrePort's business from responding to these incidents and concerns the two entities have. CentrePort and Greater Wellington Regional Council (GWRC) have expressed concerns in a recent letter to you (attached) about the risks they are facing given the current lack of a dedicated EORC to respond to large vessels in distress in Cook Strait.

Background and issues

2. In recent years a number of high-profile incidents have highlighted the lack of a dedicated vesse [redacted] s 9(2)(b)(ii), s 9(2)(g)(ii) Zealand waters. [redacted] Because of a number of factors including passenger volumes and sea conditions, the Cook Strait is an area where this presents a particularly heightened risk. In Budget 24 you provided funding to Maritime New Zealand (Maritime NZ) to develop a business case to consider solutions for an EORC.

s 9(2)(f)(iv)

3. [redacted]

4. [redacted]

5. s 9(2)(b)(ii), s 9(2)(g)(ii) [redacted]

CentrePort's concerns

6. On 1 October 2024 the Chief Executive Officers of CentrePort and GWRC wrote a letter to you expressing their concerns with the risks they were facing due to the EORC issue. This letter and your response to it are both attached.

7. s 9(2)(b)(ii), s 9(2)(g)(ii) [redacted]

8. In their letter, CentrePort and GWRC requested a meeting to clarify the status of the EORC Business Case work and understand mechanisms to mitigate the risks to CentrePort's business from responding to these incidents and were happy to do this in conjunction with Maritime New Zealand.

9. s 9(2)(g)(ii) [redacted]

10. Both CentrePort and GWRC have been advocates for government investment in EORC.

Talking points

- Thanks to CentrePort for the work their tug crews have done in challenging circumstances to help prevent maritime incidents escalating. Acknowledging also the impact this has had and the concerns raised in their letter.
- Cabinet will be considering this matter in coming weeks and we hope to be able to make an announcement shortly after about next steps. There is considerable work going into finding solutions for this issue.
- We recognise that we need to consider both the short- and long-term provision of EORC services and how we can mitigate risk now and in the future, given the pressing nature of these issues. However we are also aware that the right solution has to be found.
- Thank them for their input into the scoping and discovery work last year which has formed the basis for the business case work.
- Does CentrePort have any suggestions about how this risk can be managed now? Or how it can be managed in the future?

Appendix: Brief biographies

	**Anthony Delaney** *CEO* *CentrePort* Appointed CentrePort CEO in May 2022, having previously held the roles of General Manager Regeneration, and General Manager Infrastructure and Environment since joining CentrePort in 2016. Anthony has acted as a Project Director on major infrastructure projects in both Australia and New Zealand. Anthony is experienced in the planning and delivery of projects, and the asset management of large scale infrastructure businesses. He has a civil engineering degree, and a Bachelor of Commerce, from the University of Wollongong.
	**Nigel Corry** *CEO* *Greater Wellington Regional Council* Prior to become CEO in March 2022, was deputy Chief Executive of Greater Wellington since September 2018, as well as serving as General Manager Environment, General Manager of People & Customer and a number of other environmental roles at Greater Wellington in a career with the Council dating back to 1998.

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Document 4

13 November 2024 OC241270

Hon Simeon Brown
Minister of Transport

Hon Nicola Willis
Minister of Finance

Hon Chris Bishop
Minister of Housing

Action required by:
Friday, 22 November 2024

AUCKLAND LIGHT RAIL LAND DISPOSAL

Purpose

This paper:

- updates you on progress with Auckland Light Rail Limited (ALRL) negotiations with the New Zealand Transport Agency (NZTA) on the acquisition of Auckland Light Rail Limited's property on New North Road, Kingsland under the Public Works Act 1981 (PWA); and
- seeks your endorsement of a preferred disposal approach.

Key points

- Auckland Light Rail Limited (ALRL) has now been reduced to a holding company with minimal functions and no permanent staff. It cannot be fully disestablished until the property (the Kiwi Bacon building) on New North Road, Kingsland has been disposed.
- The Ministry of Transport (the Ministry), ALRL, NZTA and Auckland Council / Eke Panuku have been working together to explore potential uses for the site for transport or urban development projects.
- ALRL, NZTA, and Auckland Council have agreed in-principle to proceed with negotiations for NZTA to acquire the Kiwi Bacon building under the PWA to be used for an exchange with Auckland Council for a range of land parcels that are required for the Northwest Rapid Transit project. However, based on Auckland Council's proposed process and timelines we anticipate the land swap process will take longer than the six months originally outlined.
- Proceeding to sale on the open market now is therefore likely to be the fastest path to disposal of the property and enabling ALRL to be disestablished. We recommend you discuss this matter with Mayor Wayne Brown before taking a decision to proceed with

sale on the open market, including whether Auckland Council has an interest in purchasing the property directly from ALRL.

- ALRL advise that a recent valuation of the Kiwi Bacon property highlights the potential loss from the sale has reduced from earlier estimates with fair market value of $31.6 million compared with the $33 million original purchase price.

Recommendations

We recommend you:

		Minister of Transport	Minister of Finance	Minister of Housing
1	**note** that the critical precondition for the disestablishment of Auckland Light Rail Limited is the sale of its landholding on New North Road, Kingsland.			
2	**note** that the ALRL Board and NZTA along with Auckland Council have reached in-principle agreement on a process for NZTA to acquire the site under the Public Works Act.			
3	**note** that based on information from Auckland Council we anticipate the land swap proposal will take longer than the six months initially advised, and that sale on the open market is likely to be materially faster.			
4	**note** that the current market valuation is $1.4 million less than the original purchase price.			
5	**agree** to your preferred process for the disposal of ALRL's landholding on New North Road, Kingsland, either:			
	• progress to sale on the open market *(Ministry of Transport preferred option)*	Yes / No	Yes / No	Yes / No
	OR			
	• allow ALRL and NZTA with Auckland Council to proceed with the land swap proposal.	Yes / No	Yes / No	Yes / No
5	**agree** that the Minister of Transport should advise the Mayor of Auckland of the government's preferred process for the disposal of the land before steps to implement the disposal are taken	Yes / No	Yes / No	Yes / No
6	**agree** that the Ministry of Transport notify the ALRL Board of Shareholding Ministers endorsement.	Yes / No	Yes / No	Yes / No

Richard Cross
Acting Deputy Chief Executive
13 / 11 / 2024

Hon Simeon Brown
Minister of Transport
..... / ...... / ......

Hon Nicola Willis
Minister of Finance
..... / ...... / ......

Hon Chris Bishop
Minister of Housing
..... / ...... / ......

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Bryan Field, Manager, Programme Monitoring & Investment Management	s 9(2)(a) [redacted]	✓
Andrew Hicks, Principal Advisor, Programme Monitoring & Investment Management		

AUCKLAND LIGHT RAIL LAND DISPOSAL

Background

1 In December 2023, as part of the 100-day plan, Cabinet agreed to discontinue the Auckland Light Rail project. Auckland Light Rail Limited (ALRL) has now been reduced to a holding company with minimal functions and no permanent staff. It cannot be fully disestablished until the property (the Kiwi Bacon building) on New North Road in Kingsland has been disposed. ALRL's operating costs are covered by revenue from the landholding.

2 In May 2024 (OC240289 refers), Shareholding Ministers made decisions on a range of matters on ALRL which were then communicated to the ALRL Board. These decisions included ALRL working with NZTA and Auckland Council on whether the Kiwi Bacon building could be of use for another transport project, given its strategic importance and potential to unlock urban regeneration due to the proximity to the City Rail Link Maungawhau station and proposed transport paths. It was noted that if no use can be found then the land should be placed on the open market for sale.

3 The Kiwi Bacon building was acquired via the Strategic Land Acquisition appropriation rather than the Public Works Act 1981 (PWA). As a result, PWA obligations in relation to offer back to previous land owners, and right of first refusal to iwi, before land is released for sale on the open market, are not required to be satisfied.

Proposal for land swap between NZTA and Auckland Council

4 The Ministry has been working with ALRL, NZTA, and Auckland Council / Eke Panuku since you wrote to the ALRL Board requesting they explore opportunities to support the North West Rapid Transit Project.

5 Consultation with NZTA in relation to acquiring the Kiwi Bacon building (OC240113 refers) resulted in an initial determination by NZTA that the Kiwi Bacon building was not required for the North West Rapid Transit project and therefore NZTA has no direct interest in the land. However, the Kiwi Bacon building is of interest to Auckland Council as a long-term urban-regeneration opportunity and the council owns several land parcels that are of interest to NZTA for the North West Rapid Transit project. This gave rise to a proposal for NZTA to acquire the Kiwi Bacon site under the PWA with the expectation of exchange, with Auckland Council, for property that is required for a Public Work. Both agencies have been working together since to identify specific land parcels that could be used for this exchange.

NZTA acquiring the Kiwi Bacon building under the PWA

6 Land purchased by NZTA becomes land owned by the Crown. Crown land is only able to be acquired under the PWA framework. There are separate processes within the PWA for where the land acquisition is by agreement, under compulsion, or

transferred from other Crown agencies. As the Kiwi Bacon building was not purchased by ALRL under the PWA in the first instance, any sale to NZTA is not a Crown-to-Crown transfer. In this instance it would be a strategic purchase by NZTA, likely to be by agreement under s17 of the PWA, and therefore NZTA need to satisfy LINZ that the land is required by NZTA for future transport projects. NZTA will also need Board approval before seeking LINZ approval to the acquisition.

7 NZTA acquisition will enable the land to be used in future transport projects and avoids the risk of the property needing to be reacquired at a higher price at later stage. We expect NZTA to request drawdown of funding from the GPS on Land Transport 2024 tagged contingency for the North West Rapid Transit project. NZTA Board approval to commence negotiation for this acquisition will be sought on 12 December 2024. A timeline and high-level process for acquisition is detailed in Annex Two.

8 We understand that the NZTA Board are unlikely to approve acquisition of the Kiwi Bacon building without some form of binding agreement that the sale of Auckland Council owned land will proceed as they only have a strategic interest in the Kiwi Bacon building. Mayor Brown has now written a letter to the ALRL Board confirming in-principle agreement to investigate further (Annex One refers); however, the two parties signing a binding agreement is the key risk in the process proceeding.

9 Further advice received from Auckland Council now suggests the approval process may take until September 2025, significantly longer than the initial six months advised, given the number of governance groups that require consultation (Annex Two refers).

Sale on the open market

10 We now consider that a sale on the open market is likely to be the fastest path to disposal and therefore enabling ALRL to be disestablished. Estimates from ALRL is that this process will take approximately six months. An outline of key milestones for an open market sale is set out in Annex Three. If this is Ministers' preferred disposal method, we recommend that the Minister of Transport discusses this intent with the Mayor of Auckland before proceeding to provide ALRL with directions. We note that Auckland Council has separately indicated a potential interest in purchasing the property directly from ALRL. You may wish to discuss this option directly with the Mayor.

11 As noted above, while we anticipate this process will be the fastest, the opportunity for the Council to lead an urban regeneration development in this area will be foregone unless the Council successfully tenders to acquire the property. Another consideration is that a sale on the open market will be subject to commercial agency fees (usually 1-3.5% of the sale price).

12 Notwithstanding the above issues, sale on the open market now may be the fastest and most direct path to dispose of the land. It is now the Ministry's preferred approach given the uncertainty and possible delays that will arise with the land swap transaction between NZTA and Auckland Council.

13 Sale of the Kiwi Bacon building on the open market now to a party other than NZTA, will not compromise NZTA's process to acquire lands owned by Auckland Council

required for the North West Rapid Transit project. The implication is that if a party requires the Kiwi Bacon building for a future public work, this will need to be reacquired at that time.

Financial implications

14 We expect, whether via acquisition under the PWA or sale on the open market, an impairment of the asset will be required due to the softer commercial property market in Auckland since purchase. However, ALRL recently commissioned a valuation report that indicated the market value of the property was $31.6 million compared with the $33 million purchase price. This valuation suggests the market has strengthened somewhat as previous indications were for a more significant drop of between $5–7 million.

15 ALRL recognised an impairment loss of $1.432 million in their 2023/24 annual report to account for the drop in value of the property and to reflect their intention to dispose of it within the next financial year. s 9(2)(f)(iv) [redacted]

16 The acquisition by NZTA of the Kiwi Bacon building would effectively transfer the property to NZTA's balance sheet. As noted above, approval to draw-down capital for this acquisition would be requested separately by NZTA and is expected to be from the GPS on Land Transport 2024 tagged contingency.

Next steps

17 Once the preferred process is chosen and the Mayor of Auckland advised, we will prepare the necessary notifications to the ALRL Board, NZTA, and Auckland Council and keep you updated on progress.

18 Should your decision be to proceed with a sale on the open market, ALRL will respond to Ministers with next steps on sale process.

ANNEX ONE: LETTER FROM AUCKLAND COUNCIL

29 October 2024

Dame Fran Wilde

Chair

Auckland Light Rail Limited

Via email: fran@franwilde.com

Auckland Light Rail Property Holding 317-319 New North Road, Kingsland

Thank you for your letter of 23 May 2024 seeking the council's interest or otherwise in the Auckland Light Rail Limited (ALRL) property holding at 317-319 New North Road, Kingsland, known as the Kiwi Bacon site.

The site is in a strategically important location – 0.75km from the Maungawhau City Rail Link station and next to Dominion Junction, which has been identified as a long-term urban regeneration opportunity.

Council staff have been working with officials to obtain an early, high-level view of the merits of a potential land exchange between the Crown and the council.

I am aware of the Cabinet deadline of 31 October 2024 for Auckland Council and NZTA to confirm that a land exchange, involving the ALRL property holding, is a proposal we want to progress discussion on, to understand the commercial impacts. Any deal must stack up for ratepayers and would require resolutions from elected members.

I write to confirm my in-principle agreement to progressing discussion on a land exchange, or similar to get a good deal for ratepayers. I look forward to working with relevant government officials to negotiate a solution. An alternative would be the property being sold on the open market, the conditions of which are not particularly favourable to vendors of properties purchased at an optimistic premium during the height of the market.

Yours sincerely,

Wayne Brown

Wayne Brown
MAYOR OF AUCKLAND

CC - David Rankin, Chief Executive, Eke Panuku Development Auckland

ANNEX TWO: PWA ACQUISITION PROCESS AND KEY MILESTONES (NOVEMBER 2024 – SEPTEMBER 2025)

The timeline below provides a high-level summary of the key milestones for this process.

	Dec 2024	Jan 2025	Feb 2025 Mar 2025	Apr 2025 May 2025	Jun 2025	Jul 2025 Aug 2025	Sep 2025	Oct 2025 Early 2026
NZTA-AC land swap	NZTA to seek NZTA Board funding approval and approval to negotiate. Post approval: NZTA & AC sign an in-principle agreement	NZTA and ALRL negotiate terms of sale under PWA (through an accredited supplier)	AC Committee considers NZTA & ALRL land swap proposal	AC local boards consider NZTA & ALRL land swap proposal		AC Committee to endorse the NZTA & ALRL land swap proposal	AC Governing Body approve the NZTA & ALRL land swap proposal	NZTA and Auckland council negotiate the terms of the land swap (including the package of land and to be swapped) through the same accredited supplier S17 PWA agreement drafted between ALRL and NZTA for Kiwi Bacon Building S17 PWA agreement drafted for the land swap between Auckland Council and NZTA. LINZ executes both s17 PWA agreements. Settlement of the Kiwi Bacon building (ALRL to NZTA) occurs. Settlement of the land swap occurs.

The high-level process for NZTA to acquire the Kiwi Bacon building for use in exchange as consideration for property that is required for a Public Work is as follows:

Part 1A – The Kiwi Bacon building agreement

0 NZTA Board approval to fund the acquisition and commence negotiations with ALRL.

1 The shareholding Ministers direct ALRL to transfer the land to the Crown (through NZTA as acquiring authority) under the PWA.

2 NZTA instructs an accredited supplier to conduct due diligence and agree a purchase price with ALRL (subject to financial approval by NZTA). Following this, the accredited supplier will prepare a s17 PWA agreement ready for approval by LINZ outlining the strategic need for the land to be acquired by NZTA, and then for the parties to sign.

Part 1B – The Auckland Council land agreement

3 NZTA Board approval for the acquisition of the Auckland Council land required for the NWRT project and to commence negotiations with the Auckland Council ("the NWRT required land").

4 The Auckland Council resolves to transfer the NWRT required land to the Crown (through NZTA as acquiring authority) under the PWA.

5 NZTA instructs the same accredited supplier to conduct due diligence and negotiate with the Auckland Council for the various properties which comprise the NWRT required land. Following this, the accredited supplier will prepare a s17 PWA agreement ready for approval by LINZ and then for the parties to sign.

6 Because of the Auckland High Court case presently being heard (NZTA and the Auckland Council as parties to the proceedings) to give direction on the valuation of reserve land, the agreement will aim to finalise all terms and conditions except for land value. Further, because of the status of the NWRT project's design with no advanced land requirement drawings, there will need to be a pro rata value adjustment provision. This is effectively an advance agreement because of these two outstanding factors which may both take until mid/late 2025 to resolve.

Notes on the Auckland Council land agreement:

7 The agreement must bind the Auckland Council to receive the transfer of the Kiwi Bacon Property in satisfaction of the final compensation for the NWRT required land. Settlement of the NWRT required land will need to be scheduled to occur once the value of the NWRT required land has been finalised. The Kiwi Bacon Property value is to be re-assessed during the value finalisation of the NWRT required land, i.e. the Kiwi Bacon Property value to the Auckland Council will reflect the market value at that same date (possibly late 2025 or early 2026).

Part 2 – Execution of the two agreements (Indicatively by September 2025)

8 The (separate) Kiwi Bacon Property agreement and the Auckland Council land agreement come into LINZ through the accredited supplier, signed by the landowners/vendors ALRL and the Auckland Council, respectively.

9 The Minister (via delegation to Land Information New Zealand) executes both agreements to effect the acquisitions by NZTA. These will be executed contemporaneously.

Part 3 – Settlement of the Kiwi Bacon Property (i.e. transfer from ALRL to the Crown/NZTA)

10 Settlement of the Kiwi Bacon Property could occur approximately one month following execution of the agreement and would then become Crown owned land held under the PWA and sit on NZTA's balance sheet.

Part 4 – Settlement of the NWRT required land and settlement of the Kiwi Bacon Property

11 Settlement of the NWRT required land and the subsequent settlement of the Kiwi Bacon Property (i.e. transfer to the Auckland Council) can occur once the final values have been determined. There may need to be an offset payment by either party as part of that settlement in the event there is a difference between the final values of the NWRT required land and the Kiwi Bacon Property.

ANNEX THREE: OPEN SALE OPTION TIMELINE

	Nov 2024	Dec 2024	Jan 2025 Feb 2025	Mar 2025 Apr 2025	May 2025	June 2025	July 2025
s 9(2)(b)(ii) [redacted]							
ALRL Disestablishment	ALRL, MoT, and the ALRL contractors enter into a tripartite agreement for the ongoing management of the GSI Data ALRL reviews all records to ensure consistency with the Public Records Act	Work ongoing		ALRL assigns IP to MoT via a deed of assignment.		Special resolution that the Company should be removed from the register Tax clearance letter and resolution are filed with the Registrar Registrar removes Company from the register and final Annual report is submitted	Approval of Orders in Council to remove ALRL from legislation Bank account closed residual funds retained by the Ministry to execute final accounts for Audit NZ, the Board and contractors' final payments up to the date of signing the Annual report

Document 6

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

27 November 2024 | OC241339

Hon Simeon Brown | **Action required by:**

Minister of Transport | Monday, 16 December 2024

COST ALLOCATION MODEL AND ROAD USER CHARGES

Purpose

Provide background information relating to the cost allocation model (CAM), how it is used to set road user charges (RUC), and potential changes to improve the approach.

Key points

- The RUC system aims to charge rates to vehicles that are proportionate to the costs they impose on the network. The Ministry is responsible for the CAM, which breaks down expenditure from the National Land Transport Programme (NLTP) and assigns costs to every kilometre travelled on the network.
- The CAM's main influence is on RUC rates for heavy vehicles, as light vehicles (up to 3.5 tonnes) pay very few weight-related costs due to their negligible impact on road wear. Instead, light RUC rates are made up predominantly of 'common costs' that do not vary with vehicle weight and are charged equally to all powered vehicles.
- The CAM is typically used as a guide to consider user-pays when setting RUC rates rather than for precise rate-setting. It has no legislative standing and given the significant averaging within the model, and regular fluctuations in CAM-recommended rates year-by-year, successive governments have applied discretion in setting rates. As a result, RUC rates have always differed from CAM rates.
- There has been regular review of the CAM, and most changes have been at the margins. From a road engineering perspective, it remains fit for purpose. The most substantive recent reviews in 2009 and 2011 identified some improvements, most of which were minor. Since 2012, the road transport industry, while not necessarily agreeing with every assumption in the CAM, has generally accepted the way it informs the setting of rates.
- The CAM is only used when RUC rates are being reviewed. This means that it has not been updated since 2020. As a result it is unclear to what extent current RUC rates diverge from the CAM. We intend to update the expenditure and travel data in the CAM in 2025 as a first step towards re-setting of RUC rates in 2027.
- There are some adjustments we could consider improving the CAM, which can support movement towards fair user-pays RUC rates in future. However, there is not a strong

case for a new independent review of engineering assumptions, particularly given the cost and resource required. Potential areas of focus include:

- updates to vehicle weight averaging assumptions. These would mainly affect the distribution of costs between different classes of heavy vehicle
- considering the treatment of Crown funding and local share. This has significant potential to affect the level of costs allocated across all vehicle types
- considering changes to support the transition of petrol vehicles (including motorcycles) into the RUC system. The overall impact of such changes on recommended RUC rates and revenue would be minor.

Recommendations

We recommend you:

1 **agree** that the Ministry report back to you in May 2025 with advice on how the cost allocation model is to be used to set rates for the increases scheduled for 1 January 2027 and to transition petrol vehicles to road user charges — Yes / No

Matt Skinner
Manager RUC Transition
27 / 11 / 2024

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
Matt Skinner, Manager RUC Transition	s 9(2)(a)	✓
Jonathan Petterson, Principal Adviser, RUC Transition		

COST ALLOCATION MODEL AND ROAD USER CHARGES

The CAM seeks to charge RUC to recover the costs of investment

1 The cost allocation model (CAM) is used by the Ministry to guide the setting of road user charges (RUC) and fuel excise duty (FED). It is the primary tool to support the RUC system's purpose to impose "charges on RUC vehicles for their use of the roads that are in proportion to the costs that the vehicles generate".

2 The CAM takes the costs of delivering the National Land Transport Programme (NLTP), including Crown funding and local share, and allocates them to vehicles. In this way, the RUC rates aim to, on average, recover the full costs of investment into the system, as a proxy for the costs that each vehicle imposes on the road network.

History of the RUC system and the CAM

3 The original purpose of the RUC system when it was implemented in 1978 was to produce all the funding necessary to meet the costs of maintaining, operating and improving the road network. The cost allocation methodology was developed to ensure that the costs were recovered in a manner that indicated the relative cost responsibility of the different types of vehicles that used the roads. In this way, RUC acts as both a cost-recovery tool, but also a pricing signal to road users to ensure efficient choices of vehicles to reduce unnecessary damage to the road network.

4 Initially, the RUC system was designed specifically for heavy vehicles. As uptake of light diesel vehicles increased, the RUC system grew. Even though light vehicles now make up over 80 percent of all RUC vehicles, the core focus of the CAM remains on ensuring heavy vehicles are subject to appropriate rates.

5 The CAM has always been a feature of the system, and its core methodology is largely unchanged since the original development of the RUC system. Over the years, as the funding system and RUC system have evolved, there has been regular review and revision.

6 Most substantively, in 2009, *An Independent Review of the New Zealand* reported back to Hon Steven Joyce on its findings. While broadly focused on the RUC system, it included several specific and technical recommendations in relation to how the CAM allocates costs. This resulted in the biggest change to the RUC system since the 1970s, and as a result we now charge based on the carrying capacity of a vehicle rather than the maximum weight as nominated by the operator. However, despite these changes, the CAM methodology is still largely unchanged.

7 Appendix 2 includes a summary of the evolution of the RUC system, and the relevant reviews and updates of the CAM.

The current CAM methodology

8 Appendix 1 shows how the allocation of costs works, using the example of the rates output by the CAM for the 2020 setting of RUC rates. There are four substantive steps.

8.1 The CAM calculates the number of units of five different cost drivers to be assigned to each RUC vehicle type based on the estimated impact each vehicle type has on the costs of investing in the network.

8.2 Total annual NLTP expenditure is broken down into the five cost drivers.

8.3 Based on total vehicle kilometres travelled, the CAM calculates how much needs to be charged per unit in order to cover the full costs of investment within each cost driver.

8.4 The unit cost for each cost driver (from step 3) is multiplied by each vehicle type's units (from step 1) to identify the rate required to ensure each vehicle is subject to a rate that covers its costs from using the network.

9 The five cost drivers are:

Cost driver	Costs intended to be recovered	How are costs allocated?	Examples of costs included
Heavy vehicle (HV)	Costs attributable only to heavy vehicles	1 unit to every vehicle >6T	Police's Commercial Vehicle Safety Team and some land purchases
Passenger car equivalents (PCE)	Costs that vary based on the amount of space a vehicle takes up	1 unit for light vehicles and trailers, 2 units for heavy vehicles	Some costs of new roads and land purchases
Gross vehicle weight (GVW)	Costs that support roads to manage heavy loads	1 unit per tonne of maximum vehicle weight	Bridges and strengthening pavement
Equivalent standard axles (ESA)	Cost to repair pavement wear caused by axle weight	A factor of axle weight to the power of four	Pavement maintenance, resurfacing and rehabilitation
Powered vehicle (PV)	Common costs that do not relate to weight or use	1 per powered vehicle (0 for trailers)	Road repairs due to age or weather-related damage, road signage, road markings, routine maintenance, traffic lights, road policing and public transport subsidies

Treatment of other costs and revenue

10 The CAM takes into account all investment and revenue related to the NLTP. This means that local government investment (e.g. into local roads) and Crown funding where directed via the NLTP (e.g. towards State highway projects) is included within the costs to be allocated. However, because that revenue is already sourced, it is taken off the total needed to be collected from common costs (PV). Similarly, revenue from motor vehicle registration and licensing fees is deducted from common costs.

11 FED revenue is treated similarly to light RUC, in that the CAM assumes that the contribution made from FED is proportionate to the same cost drivers as for a light diesel vehicle.

Key limitations of the CAM and areas for further consideration

The CAM's focus is on setting rates for heavy vehicles

12 Heavy vehicles travel over 4 billion kilometres per year, about 10 percent of all kilometres travelled on the road network. However, through RUC, heavy vehicle operators pay for approximately 93 percent of the costs of road wear. This is the result of the fourth power rule which reflects that the damage to roads increases exponentially based on vehicle axle weight.

13 As a result, small changes to how the ESA parameter in the CAM is calculated, or in the amount of costs attributed to ESA, can have a major impact to the total costs of heavy RUC.

The CAM has a relatively limited impact on light vehicle RUC rates

14 As only ESA has an exponential factor, the other cost drivers are spread more evenly across all kilometres travelled and have a smaller impact on rates. As the ESA component for light vehicles is small, there is limited rationale to charge different rates of RUC to light vehicles weighing up to 3.5 tonnes. The following table shows what differentiated weight RUC rates would have been at two extremes for different light vehicles, based on the methodology for the 2020 CAM.

Cost driver	**Vehicle weight**		
	1.5 tonnes (lightest RUC vehicles) ($)	2.78 tonnes (average light RUC vehicle) ($)	3.5 tonnes (heaviest RUC vehicles) ($)
Heavy vehicle (HV)	0.00	0.00	0.00
Passenger car equivalents (PCE)	9.54	9.54	9.54
Gross vehicle weight (GVW)	2.04	3.78	4.76
Equivalent standard axles (ESA)	0.08	0.92	2.31
Powered vehicle (PV)	57.69	57.69	57.69
GST	10.40	10.79	11.15
Total including GST	**79.75**	**82.72**	**85.45**

The CAM has several limitations

15 There are several known limitations of the CAM. Key ones include:

15.1 Vehicle weights are based on estimated averages. The CAM assumes, for the purposes of the ESA calculation, that vehicles operate unladen for half their distance travelled, and maximum vehicle laden weights are averaged within each vehicle class, based on operator stated weight from the system prior to 2012.

15.2 It accounts for average road use. This means it does not take into consideration the actual road usage by an individual vehicle, the type of pavement it travels on, and geographic boundaries. If the system identified vehicle weight and location, there may be a case to use more precise rate setting — for example, a second power rule for ESA might be more appropriate on some State highways, and a seventh power rule on lower quality local roads.

The CAM is considered a tool to guide setting RUC rates rather than a rigid rate-setting device

16 The CAM is generally a tool to help set rates, but given potentially significant swings up and down in rates, Ministers typically use discretion and limits to the extent to which they adopt the theoretical CAM rates. Exact CAM rates have not been applied in recent decades, and 2018 was the last time the CAM was used to influence rate-setting, where increases to specific heavy vehicle rates ranged from 2–10 percent, subject to the extent the CAM estimated the vehicle to be under- or over-paying. In 2019 and 2020, RUC increases were applied as blanket percentage increases to all rates, regardless of the CAM's guidance.

17 The policy process for the 2020 RUC increases (as documented in the Regulatory Impact Statement[1]) demonstrates how this has worked in practice.

17.1 The government was seeking an overall 5.3 percent increase in total RUC revenue.

17.2 The Ministry used the CAM to develop five options for setting RUC rates to achieve the increase, including adopting the CAM rates in full (with some big decreases and some big increases), increasing all rates between 0–10 percent subject to CAM relativities, and a blanket 5.3 percent increase across all rates.

17.3 The decision was taken to apply a 5.3 percent increase across all rates, to ensure an equivalent impact on all users, despite it moving RUC rates further from what was specified by the CAM.

18 As a result of successive decisions consistent with the above, current RUC rates differ significantly from the CAM-suggested rates. Based on the CAM rates modelled in 2020 (based on forecast expenditure for 2020/21 and vehicle kilometres travelled for 2019/20) the CAM calculates heavy vehicles would overpay by about $200 million per year, and that light RUC rates should be approximately 9 percent higher. Some individual heavy vehicle types have RUC rates that over-recover by more than 75 percent.

19 This is a consideration for Ministers, and not an inherent issue with the CAM itself. We will continue to support decision-making in line with the CAM, and therefore greater cost recovery, while recognising that alternatives may be in the public interest.

We consider the current CAM to be largely fit for purpose

20 Based on the scope and how thorough previous reviews were, and that they did not result in substantive changes, we do not consider there to be a strong rationale for a wide-scale review. Previously reviews have been initiated as a result of sector discomfort with the system, and we are not aware of concerns being raised by the heavy vehicle industry about how rate increases have been attributed recently.

[1] https://www.transport.govt.nz/assets/Uploads/RIA/RIS-RUC-increase-2020.pdf

21 Given the limited impact the CAM has on light RUC rates, we also do not consider that the transition of petrol vehicles to RUC warrants a major review.

22 However, we are aware of several areas for further investigation that can be progressed internally, that could broadly support a move towards greater application of cost recovery and fairer RUC rates.

Opportunities for future changes to the model in the context of the fleetwide transition

23 Prior to consideration of any changes to the workings of the CAM we propose to update the expenditure and travel data used — this has not been done since 2020 and may result in an increase in weight-related costs (such as pavement maintenance spending) and a decrease in common costs (such as public transport). This in turn could result in the CAM recommending lower rates for light vehicles and higher rates for heavy vehicles.

24 Opportunities for changing the CAM include:

24.1 updates to average weight and load factor assumptions — such changes could significantly impact the relativities between different heavy vehicle rates, but would have minimal impact on overall revenue collected or the distribution of costs between light and heavy vehicles

24.2 revise the treatment of Crown funding and local share — external funding sources are removed from the total revenue needed to be collected from common costs only, but there may be a case to consider a different approach that reflects where these funding sources are directed

24.3 considering changes to support the transition of petrol vehicles (including motorcycles) into the RUC system.

25 We will report back to you in May 2025 with initial findings based on our update to the CAM, and more analysis on the potential inclusion of the above updates.

APPENDIX 1: HOW THE CAM WORKS

The CAM assigns a certain number of units of five cost drivers to each vehicle type based on the vehicle's impact on network costs

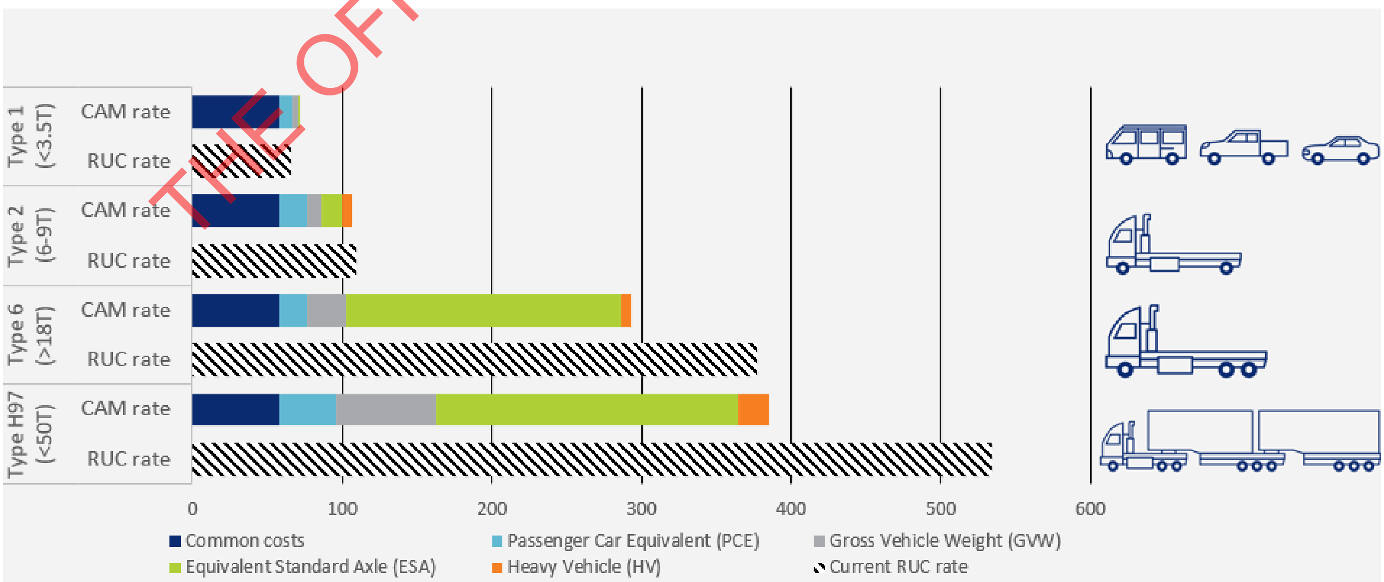
units	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
Type 1 <3.5T	0	1	2.78	0.0048	1
Type 2 6–9T	1	2	6.9	0.0737	1
Type 6 >18T	1	2	19.05	0.9657	1

Total NLTP expenditure is broken down into the five cost drivers

$ million	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
2020/21 forecast spend	28.2	518.3	287.0	552.6	4,537.1

Based on total vehicle kilometres travelled, the CAM calculates how much needs to be charged for each unit

$ per 1,000km per unit	Heavy vehicle (HV)	Passenger car equivalents (PCE)	Gross vehicle weight (GVW)	Equivalent standard axles (ESA)	Powered vehicle (PV)
Unit cost	6.72	9.54	1.36	190.79	57.69



APPENDIX 2: HISTORY OF THE CAM

- The establishment of the CAM dates to the 1973 New Zealand Transport Policy Study which recommended the abolition of regulatory restrictions on the use of trucks in competition with New Zealand Railways and instead proposed the use of pricing to ensure efficient allocation of traffic between the modes. To achieve this, it recommended a cost allocation study as a basis for the calculation of user charges and the appropriate level of non-user contributions. The Officials Committee established to consider and where appropriate implement the Study's recommendations developed proposals for what became the RUC system.

- The CAM has been subject to several substantive reviews. In 1984 the model was updated to reflect the expansion of the National Road Fund. Later in 1996 the CAM was independently reviewed which informed a final report in 2001 from an officials Working Group. The group was chaired by the Ministry of Transport and included representatives from Transfund NZ, Transit NZ and The Treasury.

    - The recommendations from this 2001 report were used to develop an Excel spreadsheet — an evolution of which is currently used to by the Ministry.

    - An extensive review in 2008/09 assessed land transport cost allocations. The purpose of this review was to ensure costs were being allocated to road users in an appropriate way. Prior to this RUC licences were self-nominated by operators based on the maximum weight the vehicle could be at any time during the licence.

    - Recommendations from this review included re-evaluations to use-related CAM parameters, so ESA measures could properly reflect the uncertainties of attributing the effects of road wear to heavy vehicles.

    - The 2009 review was followed by a review of all engineering assumptions in the CAM by GHD/Merrik in 2011. This resulted in a new heavy vehicle parameter being added, along with some other minor changes.

- As a result of the 2009 review NZTA undertook further research into the appropriate way of estimating road damage on different types of pavements and whether the so-called "fourth power rule" was a reasonable assumption for the rate at which road damage increases with axle weight. This research concluded that while a lower power may be appropriate for some roads (typically new State highways built to a high standard) and higher for others (local roads built to a poor standard), the fourth power continues to represent a reasonable average.

- The CAM is broadly consistent with methodology used overseas, which has developed over similar timeframes.

    - A similar method is currently used in Australia for calculation of annual licensing fees for heavy vehicles. Their model is based on average historical cost in terms of road investment and uses similar cost drivers for allocating costs between different heavy vehicle types as used in our CAM.

    - Weight related costs are allocated using the fourth power rule. This rule is based on historical research from New Zealand, South Africa and the USA, and is widely accepted as a rule of thumb for road design.