MINISTRY OF TRANSPORT
TE MANATŪ WAKA

OC250367

20 May 2025

[redacted]

Tēnā koe [redacted]

I refer to your email dated 22 April 2025, requesting copies of the following briefings under the Official Information Act 1982 (the Act):

> *"The December 5, 2024 document "Proposed Work Programme: Implementing Ten Year Investment Planning", reference number OC241297*
>
> *The December 6, 2024 document "Transition to Road User Charges: Initial Advice for Cabinet Report Back", reference number OC241190*
>
> *The February 12, 2025 document "Tier Two Briefing to the Incoming Minister of Transport – Time of Use Charging", reference number OC250045*
>
> *The February 19, 2025 document "Public Transport Regulatory and Policy Framework", reference number OC 250050"*

Of the four briefings requested, three are released with some information withheld and one is refused. The document schedule attached as Annex 1 outlines how the documents you requested have been treated under the Act.

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

6(c)	as release would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
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
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, Ministerial and Executive Services

Annex 1: Document Schedule

Doc #	Reference number	Date	Title of Document	Decision on request
1	OC241297	5/12/2024	Proposed Work Programme: Implementing Ten Year Investment Planning	Released with some information withheld under sections 9(2)(a), 9(2)(ba)(i), and 9(2)(f)(iv),
2	OC241190	6/12/2024	Transition to Road User Charges: Initial Advice for Cabinet Report Back	Released with some information withheld under sections 6(c), 9(2)(a) and 9(2)(f)(iv).
3	OC250045	12/02/2025	Tier Two Briefing to the Incoming Minister of Transport - Time of Use Charging	Refused under section 18(d). The briefing is available here (refer to page 3): https://www.transport.govt.nz/assets/Uploads/BriefingtoincomingMinister-1.pdf
4	OC250004	19/02/2025	Public Transport Regulatory and Policy Framework	Released with some information withheld under sections 9(2)(a) and 9(2)(f)(iv).

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Document 1

5 December 2024 OC241297

Hon Simeon Brown **Action required by:**

Minister of Transport Friday, 13 December 2024

PROPOSED WORK PROGRAMME: IMPLEMENTING TEN YEAR INVESTMENT PLANNING

Purpose

Seek your agreement to high-level policy decisions and a work programme to improve long-term planning through Government Policy Statements on land transport.

Key points

- The Government Policy Statement on Land Transport (GPS) guides the allocation of over $8 billion each year into our land transport system. The GPS provides direction on how funding is invested over a ten-year period, but the certainty of what will be invested in beyond each three-yearly review period is limited.

- You have sought advice on shifting investment planning to a ten-year horizon and improving the information and evidence basis for setting each GPS. We are providing this advice within the context of the current planning-led approach to setting land transport direction, and largely within existing legislative settings.

- We consider that the core legislative framework guiding national and regional land transport planning largely supports ten-year investment planning already. However, national direction (in both the GPS and National Land Transport Programme (NLTP)) does not currently provide credible and transparent long-term investment signals to support optimal investments at the right time, for the lowest cost.

- s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv) [redacted]

- As you are aware, you are required to review, and issue, the GPS by 30 June 2027, and have signalled a desire to publicly consult on a draft GPS by early 2026. To meet this timing, we propose s 9(2)(f)(iv) [redacted] (see **Attachment A**):
    - s 9(2)(f)(iv) [redacted] (2025): setting foundational expectations for delivering GPS 2027 over 2025, including NZTA and the Ministry jointly reporting back to you in February 2025 on agreed standards and expectations for NZTA's modelling of proposed expenditure and quality standards over 2027-36, and
    - s 9(2)(f)(iv) [redacted]

Recommendations

We recommend you:

1	s 9(2)(f)(iv) [redacted]	Yes / No
2	**Direct officials** to report back in February 2025 on agreed standards and expectations for NZTA's modelling and analysis of proposed expenditure and standards of service over 2027-36 to support GPS 2027	Yes / No
3	s 9(2)(f)(iv) [redacted]	Yes / No

4 s 9(2)(f)(iv) [redacted]

David Wood
DCE – Investment and Monitoring

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
Charlotte Vannisselroy, Principal Advisor - Investment	s 9(2)(a) [redacted]	
Tim Herbert, Manager - Investment		✓
David Wood, DCE – Investment and Monitoring		

PROPOSED WORK PROGRAMME: IMPLEMENTING TEN YEAR INVESTMENT PLANNING

Background

1 The Government Policy Statement on Land Transport (GPS) 2024 commits to adopting 10-year investment planning from GPS 2027, with commitments to:

1.1 Amend the Land Transport Management Act to require future Government Policy Statements on land transport to adopt a 10-year investment plan, bringing it into alignment with local government Long Term Plans (LTPs), and providing the NZTA Board with greater confidence and certainty to invest in long-term projects and deliver on a long-term transport infrastructure pipeline.” – page 8; and

1.2 “…move to a 10-year National Land Transport Programme (NLTP), which will provide more certainty to local authorities and their commercial partners, and to the travelling public.” – page 4.

2 In response to our initial advice on adopting ten-year investment planning (OC240850 refers), you requested that we focus on improving the information on land transport investment and asset management requirements, including the funding needs to maintain and operate the system, so that future GPSs can be set based on a clearer view of long-term funding needs and trade-offs.

3 s 9(2)(f)(iv) [redacted]

Status quo

Legislation enables ten-year investment planning and requires three-yearly reviews

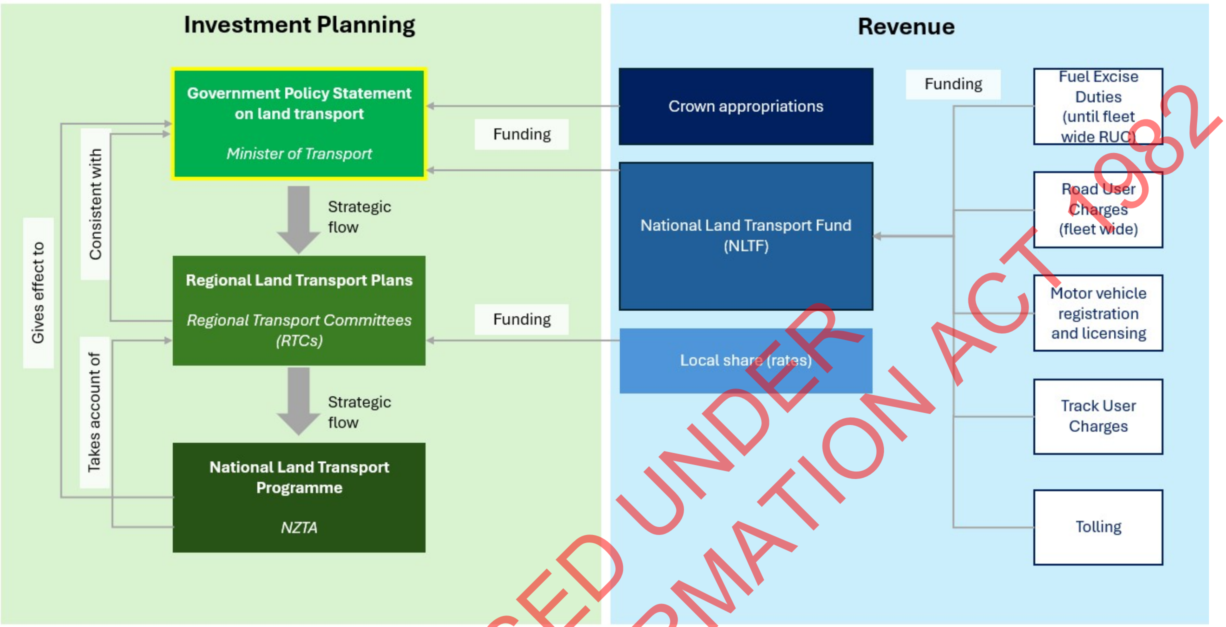
4 The Land Transport Management Act 2003 (LTMA) sets out the framework guiding the planning and funding of the land transport system. The LTMA requires the GPS to set out the Government’s land transport strategy, available National Land Transport Fund (NLTF) revenue and expenditure over ten years.[1] Figure One illustrates how the GPS guides NZTA and local government land transport investment decisions through:

[1] Specifically, s68(1)(a) requires the GPS to provide at least a 10-year view on the results the Crown wishes to achieve from the allocation of funding from the NLTF, collectively s68(2)(b)(vii) & (c) requires the Crown’s land transport investment strategy to forecast funding ranges for activity classes (expenditure categories) over ten years, and s68(2)(d) requires the Crown’s land transport investment strategy to state the overall investment likely to be made in the land transport sector over a period of 10 financial years as well as the likely or proposed funding sources. We note that s68(2)(b) sets out other matters the Crown’s land transport investment strategy must address for the first six financial years and <u>any subsequent years the Minister considers relevant</u>. This includes the likely NLTF revenue and expenditure targets (i.e., expected level of expenditure) for the National Land Transport Programme.

4.1 the NLTP, which NZTA prepares to outline activities likely to receive NLTF funding over the next three years, and

4.2 regional land transport plans (RLTPs), which regional councils prepare to outline activities they seek NLTF funding for.

Figure one: Land Transport Investment Planning and Key Revenue Sources



5 The LTMA requires the Minister of Transport to review the GPS at least once every three financial years.[2] Due to changing government priorities, this three-yearly review can result in considerable changes to investment priorities, especially asset and service improvements.

6 Every three financial years, NZTA must prepare and adopt a NLTP for the following three financial years.[3] Regional councils must review their respective RLTPs every three years.[4] Despite their three yearly cycles, these documents, like the GPS, are nonetheless required to have a longer-term focus:

6.1 the NLTP must, among other things:

6.1.1 indicate any nationally or regionally significant activities likely to receive funding in the three financial years following (ie, over six years), and a statement of NZTA's anticipated revenue and expenditure in respect of the NLTP for ten financial years since its inception.[5]

[2] LTMA, s67(2).
[3] LTMA, s19A(1).
[4] Specifically, RLTPs must be reviewed by regional councils during the 6-month period immediately before the expiry of the third year of their RLTP. LTMA, s18CA(1).
[5] LTMA, s19C(g) & (h).

6.1.2 include activities that NZTA has approved for NLTF funding under a previous NLTP (i.e., payments for in-train activities are not revoked due to the release of a new GPS that has different priorities and criteria).[6]

6.2 RLTPs must include a statement of transport priorities and forecast revenue and expenditure for their relevant region for the ten financial years from the start of these RLTPs.[7]

7 These core LTMA provisions guide land transport planning through the GPS, NLTP and RLTPs. We consider that they largely enable ten-year investment planning already. However, in practice the GPS, NLTP and RLTPs tend to take a three-year view, with information beyond three years increasingly less credible and meaningful. Key reasons for this are discussed below.

Problem with existing arrangements

The GPS is not sufficiently informed by analysis that allows cost/service level trade-offs to be made

8 The GPS guides the allocation of over $8 billion each year on our transport system. This represents one of the most material regular fiscal decisions required of the government and warrants a high standard of information and analysis on which each GPS is based.

9 The current approach to developing the GPS does not provide decision makers (i.e., Ministers) with a clear view on the short- and long-term service level, cost implications and market capacity implications of different investment scenarios. As a result, the GPS cannot clearly convey expected outcomes (or service levels) and associated costs associated with different priorities.

10 The Minister must consult NZTA about the proposed GPS, but there are no statutory obligations on the Minister to consider any specific evidence or information when setting the GPS investment strategy, revenue and expenditure levels. Nor are there expectations on NZTA or regional councils to provide specific evidence or information to inform the Minister's GPS review (i.e., expenditure and revenue over ten years).[8]

NZTA's three-year investment view lacks compelling information and evidence

11 Past practice of GPS development involves the Ministry advising the Minister on GPS activity class and revenue setting choices, informed by NZTA modelling of expenditure required to maintain the system and meet existing commitments (i.e., deliver approved activities).

12 In our experience developing GPS 2024, NZTA's GPS expenditure modelling lacked information on corresponding service-level implications, and on key assumptions and evidence to enable cost/service-level trade-offs. This assessment is supported by the

[6] LTMA, s19C(d). To be clear, this does not mean that NZTA is committed to delivering entire *projects* from previous NLTPs – only the phases for which funding is already committed.
[7] LTMA, s16(2)(a) & (b).
[8] For completeness, one of NZTA's general functions under Part 4 of the LTMA is to provide the Minister with any advice relating to its functions that the Minister requests.

results of KPMG's rapid review of NZTA's three-year (2024-2027) forecasts supporting the setting of GPS 2024. KPMG concluded that:[9]

12.1 the forecasts provided an adequate basis to inform immediate GPS24 decisions, but the standard and practice for the forecasts is not as high as it would expect for a process of this significance or in comparison with some other network infrastructure providers;

12.2 the primary approach has been for models and analysis created for the purpose of NZTA internal forecasting to be repurposed for the GPS process; and

12.3 NZTA's models are, by their nature, status quo oriented and not designed to inform the macro-level cost/service level trade-offs that the process should preferably be working toward.

Limited investment planning undertaken by NZTA and regional councils beyond three-years

13 Our observation is that both NZTA and regional councils undertake limited investment planning beyond three years when constructing their NLTP and RLTPs. NZTA's 12-year investment forecasts – provided to your office in November 2024 (MIN-4725 refers) – is not currently in a form that will support you to make informed cost/service level trade-offs when setting GPS 2027, over three years or ten years.

14 In its current form, NZTA's 12-year investment forecasts indicate a $57.7 billion funding gap (or $16.8 billion, excluding Waitemata Harbour Crossing and RoNs) over 2027/28 – 2035/36. This funding gap is based on the key assumption that forecast expenditure should align with the activity class mid-points set in GPS 2024.

15 We do not consider that activity class mid-points are a useful expenditure target to derive a 'funding gap' as they were not informed by evidence on the investment needed to maintain the system to a particular quality standard/service level, such as those agreed performance measures in its Statement of Intent and Statement of Performance Expectations (e.g., at least 93 percent of the state highway network meeting minimum asset condition requirement).[10]

16 s 9(2)(ba)(i) [redacted]

Recommendations to improve the cost/service level trade-offs made at each GPS review

17 s 9(2)(f)(iv) [redacted]

[9] KPMG – Review of GPS24 Activity Class Range Forecasts, Final Report, 15 June 2023.
[10] NZ Transport Agency Waka Kotahi Statement of intent 2024–2028, page 27.

s 9(2)(f)(iv)

18 [redacted]

19 [redacted]

s 9(2)(f)(iv)

20 [redacted]

Insufficient controls preventing a GPS or NLTP from signalling a level of expenditure that exceeds projected levels of revenue over ten years

21 The GPS and NLTP signal commitments to significant long-term expenditure (e.g., ten-years or more) that is not backed by commitments to sufficient revenue. This does not provide a credible basis on which NZTA and the sector can plan investments, and reduces certainty to the supply market, potentially increasing costs and delivery delays.

22 The longer-term gap between expenditure and revenue has been worsened by recent practice of topping up the NLTF with time-limited Crown grants and loans that provide temporary relief over a three year period signalling a revenue drop over the ten-year period. To illustrate:

22.1 About 38% (or $8.3 billion) of the $22.2 billion NLTF revenue over 2024/25 – 2026/27 is Crown grants or debt. This revenue will not be available from 2027/28, after which debt repayments will be required on the $5.1 billion Crown loans provided over 2021/22 – 2026/27.[15]

22.2 Nominal NLTF revenue, net of debt repayments, is forecast to drop by $3.3 billion (or 16%) over 2027/28 - 2029/30 in 2027/28 compared to 2024/25-2026/27, once Crown grants and debt drops off. This is after accounting for the 12 cents per litre FED increase (and equivalent in RUC) in January 2027 (and 6 cents in January 2028 and 4 cents annually thereafter from 2029).

s 9(2)(f)(iv) [redacted]

---

s 9(2)(f)(iv) [redacted]

[15] $2 billion was provided over 2021/22 – 2023/24, and $3.1 billion is expected to be provided over 2024/25-2026/27. Debt repayments are currently scheduled from 2031.

23 s 9(2)(f)(iv)

24

Next steps

25 We seek your agreement to s 9(2)(f)(iv) outlined in **Attachment A**.

26 s 9(2)(f)(iv)

ATTACHMENT A: PROPOSED WORK PROGRAMME – IMPLEMENTING TEN-YEAR INVESTMENT PLANNING

See separate A3

Attachment A: Proposed work programme – Implementing ten-year investment planning

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Recap of problem

- The GPS guides the allocation of over $8 billion each year on our transport system, representing one of the Government's most material regular fiscal decisions.

s 9(2)(f)(iv)

[redacted]

Objectives

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

ATTACHMENT B: s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

[redacted]

![Ministry of Transport Te Manatū Waka logo]

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Document 2

6 December 2024 | OC241190

Hon Simeon Brown
Minister of Transport

Action required by:
Wednesday, 11 December 2024

TRANSITION TO ROAD USER CHARGES: INITIAL ADVICE FOR CABINET REPORT BACK

Purpose

Seeks preliminary agreement to core elements of the plan to transition all vehicles into road user charges in preparation for your report to Cabinet in March 2025, and identifies some matters requiring further analysis.

Key points

- You are due to seek Cabinet decisions on the fleetwide transition to road user charges (RUC) in March 2025. This briefing sets out a proposed scope for that Cabinet paper, focusing on the key improvements needed to enable a transition to begin in 2027.

- As discussed with you on 11 November 2024, this advice has been developed in parallel to the market soundings work being completed. Market soundings will provide insights into the private sector's potential role in providing RUC services, both during initial transition and beyond. However, even with the market soundings information, there will be some inherent uncertainty about the exact role of the private sector.

s 9(2)(f)(iv)

[redacted] Taking this into account, we propose that your March report back to Cabinet:

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv)

[redacted] These improvements will require careful consideration of the costs and time needed to implement and further analysis.

s 9(2)(f)(iv)

[redacted]

Recommendations

We recommend you:

1 **agree** that the draft Cabinet paper will seek agreement to :

a) the objectives of the transition are to:

i.	ensure all road users are fairly charged for road use	Yes / No
ii.	improve revenue sustainability	Yes / No
iii.	move towards a digital future	Yes / No

s 9(2)(f)(iv) [redacted] Yes / No

c) essential changes to the RUC payment approach, namely:

s 9(2)(f)(iv) [redacted] Yes / No

Yes / No

s 9(2)(f)(iv)

[redacted]

2 **note** that other changes to the payment approach are being investigated, including:

s 9(2)(f)(iv)

[redacted]

4 **note** that further work will be undertaken to assess the feasibility and implementation of auto-purchasing and account-like pre-payment systems for the NZTA-administered RUC system.

5 **note** that the draft Cabinet paper will also set out the most effective way to remove fuel excise duty.

s 9(2)(f)(iv) [redacted]

pp

Matt Skinner
Manager, Revenue Policy

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
Matthew Skinner Manager, RUC Transition	s 9(2)(a) [redacted]	✓
Jonathan Petterson, Principal Adviser, RUC Transition		

TRANSITION TO ROAD USER CHARGES: INITIAL ADVICE FOR CABINET REPORT BACK

We are preparing for your March 2025 report back to Cabinet on the transition to road user charges

1 At the Transport Officials meeting on 11 November 2024, we discussed the work to date and upcoming advice on transitioning the light petrol fleet to RUC.

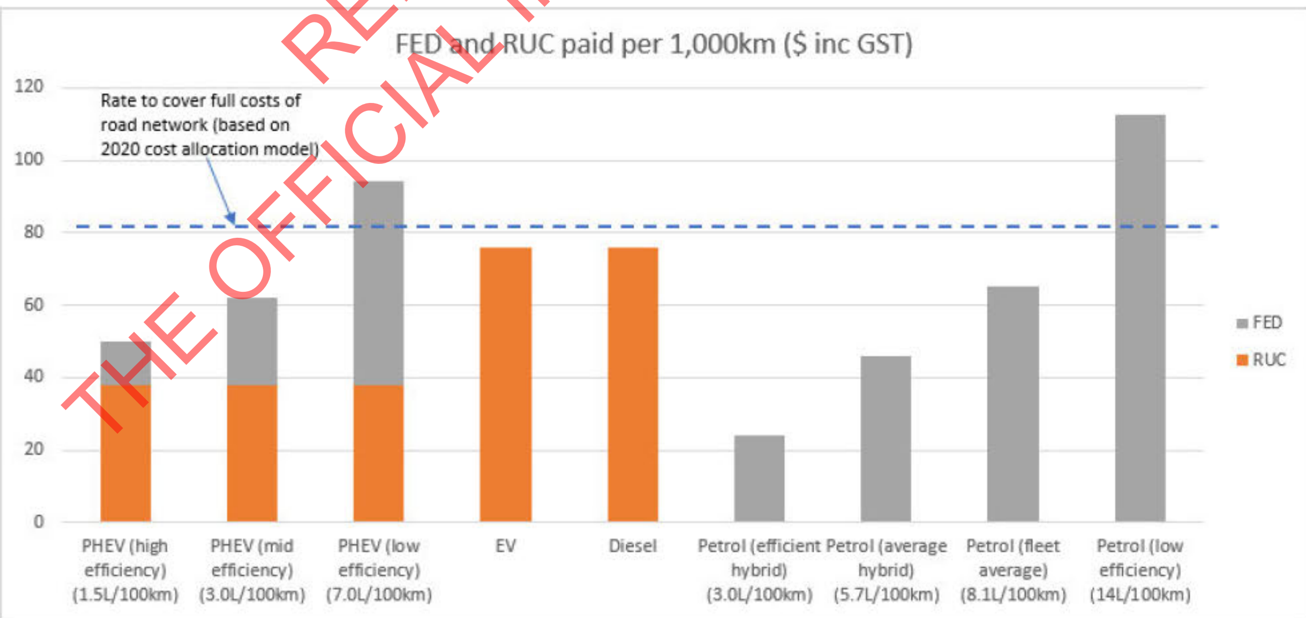
2 In March 2025, you intend to report to Cabinet seeking decisions to improve the RUC system necessary to transition the fleet. s 9(2)(f)(iv) [redacted]

3 This paper outlines, for your preliminary agreement, the core components of your March report back, identifies issues requiring further analysis, s 9(2)(f)(iv) [redacted]

Cabinet should reaffirm the policy rationale for the transition

Revenue from petrol vehicles is eroding and the system is becoming increasingly unfair

4 Over time, the increasing average fuel efficiency of the petrol vehicle fleet has begun to erode the amount of revenue raised per kilometre travelled. It has also led to a situation where owners of inefficient petrol vehicles are paying more in tax to travel the same distance than owners of efficient petrol or hybrid vehicles. The graph below breaks this down in more detail.



5 The graph shows the amount of tax, including GST, paid for different vehicle types to travel 1000 kilometres. Key takeaways from the graph are:

5.1 Petrol vehicles with lower fuel efficiency face higher tax burdens due to increased fuel consumption under the fuel excise duty (FED) system.

5.2 Diesel and electric vehicles face a tax burden through RUC that is roughly equivalent to petrol vehicles with average fuel efficiency.

5.3 The amount of tax paid by owners of petrol vehicles and plug-in hybrid electric vehicles (PHEV) varies significantly based on fuel efficiency, and low-efficiency PHEVs (eg, an older Mitsubishi Outlander) pay a comparable amount of significant tax, similar amounts to less fuel-efficient petrol vehicles.

5.4 Most vehicle types are below the rate needed for full cost recovery of the roading network, indicating that most vehicle types cover their share of the cost. However, electric vehicles (EV) and diesel vehicles - due to RUC - are generally closer to full cost recovery than petrol vehicles.

6 This has also impacted the overall balance of how we collect revenue. Despite accounting for a large majority of the vehicle fleet, total revenue from FED is only marginally more than the total revenue derived from RUC. RUC revenue is projected to continue to increase as the fleet evolves, whilst revenue from FED is projected to decrease.

The key objectives of the transition are to address these issues

s 9(2)(f)(iv)

[redacted] the primary rationale for the transition, namely:

7.1 **all users contribute a fair amount per kilometre travelled:** Under the current system, the amount users contribute varies significantly (in some cases, road users pay three or four times more for similar vehicles) depending on whether they pay FED or RUC and their vehicle's efficiency. RUC is fair for everybody.

8 We also have two secondary objectives for the transition:

8.1 **improved revenue sustainability:** Revenue from FED will decline with improved fuel efficiency unless FED increases, exacerbating existing fairness concerns. RUC ensures revenue is proportionate to a vehicle's contribution to roading costs.

8.2 **moving towards a digital future:** The transition enables a framework for more affordable electronic RUC (eRUC) systems, reducing costs and integrating vehicle-related charges.

s 9(2)(f)(iv)

[redacted]

9 In April, Cabinet was advised that work was underway on improving the odometer-based system and enabling more affordable eRUC options for 2027. Road users can choose either odometer-based RUC or eRUC when the transition commences.

10 Changing how 3.5 million road users pay for their road use within 2–3 years is a significant undertaking. Gaining public acceptance will be critical to its success and mitigating the risks to revenue s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv)

[redacted]

Reforms to payments

s 9(2)(f)(iv)

[redacted]

s 9(2)(f)(iv) [redacted]

14 Other changes to payment options are planned – we do not consider that these require Cabinet approval:

14.1 **app purchases.** Allowing users to purchase RUC through a mobile app could improve convenience and accessibility. This would give users a more flexible and user-friendly platform for purchasing RUC.

14.2 **provide reminders.** A website or app to allow users to sign up for notifications to repurchase potentially based on time intervals.

15 These changes will improve the RUC system, making it easier to comply with and resulting in less need for expensive enforcement activity. [redacted] s 9(2)(f)(iv) [redacted]

16 However, even with these changes, the fundamentals of the RUC payment system will remain unchanged. Users will still need to track their odometer readings, and self-initiated action will be needed to purchase RUC. The option to sign up for reminders will likely help users and address a key reason people report falling behind (forgetting to repurchase). However, individuals will still need to take action to purchase RUC.

Reforms to enforcement arrangements

s 9(2)(f)(iv) [redacted] We propose that reforms to the enforcement focus on the following areas:

s 9(2)(f)(iv) [redacted]

s 6(c)

[redacted]

19 Most of these matters can progress within the current legislative framework or may require changes to be implemented in secondary legislation. Any changes to offences will require an amendment to the *Road User Charges Act 2012* (RUC Act).

s 6(c)

[redacted]

s 9(2)(f)(iv)

[redacted]

22 The March 2025 Cabinet paper will also need to seek decisions on other matters, including the approach to transition (how do we bring everyone into the RUC system, when and how do we switch FED off). [redacted]

s 9(2)(f)(iv)

s 9(2)(f)(iv)
[redacted]

23 By the time Cabinet considers the paper, we will better understand the private sector's readiness to deliver RUC services following the completion of the market engagement exercise. The Request for Information phase of the market engagement concludes on 12 December 2024. An overview of market interest will be provided in the New Year. s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv) [redacted] However, the existing framework provided in the RUC Act is already relatively enabling.

s 9(2)(f)(iv) [redacted] Examples of possible additional improvements could include:

s 9(2)(f)(iv)
[redacted]

Managing equity impacts of the transition

26 Shifting to RUC will improve equity in the sense that people driving efficient vehicles will pay the same as someone driving a less efficient one.

27 However, FED has the benefit of being automatically or simultaneously paid as a vehicle is used, and it is not possible to fall behind on payments. The RUC system, which relies on voluntary compliance and currently encourages bulk purchasing (in 1,000-kilometre increments, plus administration fees for each transaction), may be a barrier for lower-income people. Enabling purchases in smaller increments and reviewing administration fees could assist lower-income people in complying.

28 The most significant equity issues may arise from the potential for people to fall behind with their RUC payments to the extent that they accumulate considerable debt and even potential criminal penalties. This is already an issue in the current system, but its scale will increase with all private vehicles in RUC. Similar issues arise in the broader tax system, and we would look to apply experience there to mitigate RUC debt and non-compliance.

s 9(2)(f)(iv)

[redacted]

30 The change to paying RUC rather than petrol tax directly at the pump will be a big change for New Zealanders. [redacted]

s 9(2)(f)(iv)

The overall impact on revenue depends on several factors

32 We are working to assess the overall potential impact on revenue. This impact will depend on several factors, including the effectiveness of the transition, compliance levels, administrative costs, and how RUC rates are determined. [redacted]

s 9(2)(f)(iv)

Next steps

33 The next immediate deliverable is an update on the outcome of the market engagement exercise. Once completed, we will provide an update and a briefing assessing the market's interest in offering RUC services [redacted]
s 9(2)(f)(iv)

34 In February 2025, we plan to provide further advice on the steps needed to transition the fleet, and we aim to confirm the advice given in this document, subject to the results of market engagement. s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv)
[redacted]

38 The table below outlines the subsequent proposed deliverables.

January 2025	Results of market engagement – assessment of the private sector interest and readiness to deliver RUC for the 2027 transition
February 2025	Briefing paper

s 9(2)(f)(iv)
[redacted]

Annex 1 is withheld under section 9(2)(f)(iv).

MINISTRY OF TRANSPORT
TE MANATŪ WAKA

Document 4

19 February 2025 | OC250004

Hon Chris Bishop | **Action Required by:**

Minister of Transport | Monday, 24 February 2025

PUBIC TRANSPORT REGULATORY AND POLICY FRAMEWORK

Purpose

To confirm whether you would like to provide direction to NZ Transport Agency on your priorities for public transport, s 9(2)(f)(iv) [redacted]

Key points

- To ensure your expectations are clearly communicated to the NZ Transport Agency (**NZTA**), we recommend that you write to the NZTA Board Chair setting out your priorities and expectations to inform the development of operational policies. The substantive content from a draft letter originally provided to Minister Brown is attached (**Annex 1**) and we welcome your feedback on whether this correctly captures your priorities.
- s 9(2)(f)(iv) [redacted]
- [redacted]
- [redacted]
- [redacted]

Recommendations

We recommend you:

1 **agree** to set your expectations for the public transport operational policies being developed by the New Zealand Transport Agency — Yes/No

2 If yes, **provide** feedback to officials on the content in Annex 1

3 s 9(2)(f)(iv) [redacted] — Yes/No

4

Ruth Fairhall
Deputy Chief Executive – Policy Group
19 / 02 / 2025

Hon Chris Bishop
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
Ruth Fairhall, Deputy Chief Executive – Policy Group	s 9(2)(a) [redacted]	
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PUBLIC TRANSPORT REGULATORY AND POLICY FRAMEWORK

We would like to confirm your direction on outstanding work commissioned by Minister Brown relating to the Government's expectations for public transport

1 In the second half of 2024 we provided several briefings to Minister Brown regarding his expectations for public transport:

1.1 *Public Transport Policy Direction* (OC240457 refers) provided an overview of the legislative and policy framework for public transport and sought his direction on the way forward.

1.2 *Public Transport Expectations for New Zealand Transport Agency* (**NZTA**) (OC241050 refers) identified high-level priorities, outcomes, and objectives for the public transport system that could be set for NZTA's work on public transport and provided a draft letter to send to the NZTA Board Chair.

2 s 9(2)(f)(iv) [redacted]

3 [redacted] we are seeking your direction on:

3.1 Your priorities for public transport and whether you would like to send a letter to NZTA outlining these priorities and your expectations regarding NZTA's operational policies.

s 9(2)(f)(iv) [redacted]

The framework for planning, procuring, and delivering public transport services

4 The LTMA regulates the planning, procurement and delivery of public transport services. Part 5 of the LTMA sets out the objectives and governing framework. The Ministry of Transport (the Ministry) administers this legislation. The LTMA is relatively permissive and there is considerable flexibility for how NZTA and Public Transport Authorities (**PTAs**) operate within the framework.

5 The legislative framework is largely implemented though operational policies developed by NZTA. The primary objective underpinning NZTA's operational policies is its responsibility to

obtain the best value for money. The operational policies are also guided by the principles in the LTMA, the expectations in the Government Policy Statement on land transport 2024 (**GPS 2024**), and any expectations you may want to set directly for these policies.

6 PTAs must adhere to NZTA's operational policies to be eligible for funding of public transport from the National Land Transport Fund.

Previous Governments have modified the framework for public transport delivery through a combination of legislative changes and directives for operational policies

7 In 2013, the introduction of the Public Transport Operating Model (**PTOM**) resulted in substantial changes to public transport provisions in the LTMA. The PTOM aimed to increase the commerciality of public transport services and create incentives for services to become fully commercial. It also aimed to grow confidence that services are priced efficiently and that there is access to public transport markets for competitors.

8 Between 2019 to 2021, the Ministry reviewed the PTOM to assess whether it was meeting its original outcomes and to identify areas for improvements. In 2023, the previous Government established the Sustainable Public Transport Framework (**SPTF**) to modify the PTOM. The SPTF retained key structural features of the PTOM, including the responsibilities of PTAs for planning, procuring, and delivering public transport services. It also includes a focus on efficiency and delivering value for money.

9 Amendments to the LTMA to give effect to the SPTF involved the following:

9.1 establishing new principles to guide the regulation of public transport

9.2 enabling in-house provision of public transport services and providing more flexibility for PTAs around how assets can be controlled

9.3 supporting benchmarking and more transparent pricing

9.4 improving roles and relationships between PTAs and operators

9.5 updating the regulation of exempt services that do not receive public transport subsidies

9.6 clarifying the treatment of on-demand public transport services (i.e. services that have flexible routes and timetables, which change based on the location and destinations of passengers who book a trip).

10 Alongside the LTMA amendments, the former Minister of Transport set expectations for NZTA to develop operational policies and guidance that would support more specific changes. The Minister set these expectations through a letter to the NZTA Board Chair on 30 August 2022.

We recommend communicating your expectations to NZTA to inform their operational policies

11 NZTA is in the process of re-orienting their operational public transport policies to align with the expectations in the GPS 2024 to deliver value for money and to increase the focus on performance and efficiency. Setting your expectations for operational policies would give

NZTA assurance that this work aligns with Government expectations and allow them to deliver it at pace.

12 In September 2024, the Ministry recommended sending a letter outlining the Government's priorities for the public transport system and expectations for how NZTA should give effect to these priorities. Minister Brown provided feedback on the letter, however it was never sent. Substantive content from this draft letter is attached as **Annex 1**.

13 We welcome your feedback on whether this captures your priorities, and can work with your Office to prepare a standalone letter to the NZTA Boad Chair, or include your expectations in the upcoming Letter of Expectations.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

[redacted]

The 2023 amendments to the LTMA enabled PTAs to deliver transport services in-house which could affect competition but there is no indication that PTAs intend to deliver services in-house

26 Prior to 2023, the LTMA required public transport services to be outsourced with competitive procurement and contractual oversight of service delivery and performance. The 2023 Amendment Act removed this requirement for public transport services and allowed PTAs to deliver public transport services through a range of pathways, including by outsourcing and contracting with private operations, and/or by providing public transport services in-house

without the need for a contract. The main policy reason for this change was that outsourcing public transport services may not always align with objectives for public transport services.

27 s 9(2)(f)(iv) [redacted] In our view, while there are clear benefits from outsourcing, the risks posed by the provisions are low. No PTA has signalled interest in pursuing this to NZTA, and if a PTA were to put forward a proposal for in-house delivery NZTA's procurement procedure would set a high threshold before it was approved to ensure it is obtaining the best value for money. For instance, it would require PTAs to clearly demonstrate that in-house delivery would be more efficient and cost effective than delivery by private operators.

More flexible asset control/ownership arrangements can support competition and value for money

28 The 2023 Amendment Act enabled flexibility around public control/ownership of public transport assets. Minister Brown was concerned that this could negatively impact competition and value for money.

29 While there is a risk, we consider this needs to be balanced against whether different asset control/ownership models can result in new commercial opportunities that could stimulate competition. Public control of assets is common practice in the rail and ferry sectors for the purpose of enabling market entry and competition. Where PTAs are considering the control of strategic public transport assets (like depots), it is for the same reason.

30 Several PTAs are exploring asset control approaches for the purposes of enabling competition for service delivery contracts and potential cost efficiencies. NZTA have advised that they would expect this to be occurring irrespective of the LTMA amendments where there is clear value for money and operating efficiencies to be had. The risks are managed because NZTA will still need to make investment decisions considering the value for money from these different arrangements.

31 The Ministry supports retaining flexibility for asset control arrangements given the potential for this to support better value for money and competitive markets, innovation and network integration. We can advise you if we see any risk to competition or value for money emerging.

s 9(2)(f)(iv)

[redacted]

34 NZTA is preparing a briefing to you about its work programme to deliver on the Government's public transport priorities. We understand that through this work, NZTA may identify system barriers to operationalising these priorities. We recommend that any further advice is timed to align with the findings of NZTA's engagement with PTAs on implementing your priorities. We anticipate this advice would be available to you mid-2025.

Annex 1 is withheld under section 9(2)(f)(iv).

ANNEX 2: LAND TRANSPORT MANAGEMENT ACT 2003 PRINCIPLES FOR PUBLIC TRANSPORT DELIVERY

Section 115 Principles

(1) All persons exercising powers or performing functions under this Part must be guided by each of the following principles to the extent relevant to the particular power or function:

(a) well-used public transport services reduce the environmental and health impacts of land transport, including by reducing reliance on single-occupant vehicles and using zero-emission technology:

(b) public transport services support a mode shift from private motor vehicle use and equitable access to places, facilities, services, and social and economic opportunities if they are co-ordinated, integrated, reliable, frequent, accessible, affordable, and safe:

(c) fair and equitable employment or engagement of people in the public transport workforce should ensure that there is a sufficiently robust labour market to sustain and expand public transport services:

(d) regional councils, territorial authorities, and public transport operators should work together to co-ordinate public transport services, the provision of infrastructure, and land use as necessary—

(i) to meet the needs of passengers; and

(ii) to encourage more people to use the services:

(e) public transport services should be provided in a way that assists—

(i) public transport investment to be efficient; and

(ii) public transport investment to give value for money.

(2) Without limiting subsection (1), the principles specified in subsection (1) must be taken into account by—

(a) the Agency when—

(i) approving procurement procedures under section 25(1):

(ii) preparing guidelines to be issued under section 95(1):

(iii) approving the approach to procurement under section 120(3):

(b) the Environment Court when it considers an appeal against a regional public transport plan under section 140:

(c) the Minister when the Minister considers making a recommendation under section 150.

(3) In this section, **territorial authority** includes Kāinga Ora–Homes and Communities if there are any specified development projects in the region.