

OC230505

21 June 2023

Tēnā koe 

I refer to your email dated 2 June 2023 requesting the following briefings under the Official Information Act 1982 (the Act):

“Waka Kotahi NZTA Performance: 2022/23 Year-to-date

Meeting with City Rail Link Limited's Chair, Incoming Chair, and Chief Executive on 12 April 2023

Monthly Dashboard ERP - March 2023

Freight and supply chain strategy - Options for implementation

3 Developing a National Approach to Funding and Financing Major Rapid Transit Projects

Rapid Transit Framework - engagement and next step

Advice on governance of Let's Get Wellington Moving

2023 Legislation Programme - Reassessment of bids

Seeking approval to consult on proposed changes to parking regulation and towage and storage fees

Updated Cabinet Paper: Implementing the Euro 6/VI Emissions Standard

Budget Economic and Fiscal Update 2023 - Forecast of National Land Transport Fund revenue”

Of the 11 briefings you requested:

- five are released with some information withheld
- four are withheld in full
- two are refused.

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

- | | |
|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(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 |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |
| 9(2)(h) | to maintain legal professional privilege |
| 9(2)(i) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities |
| 18(d) | the information requested is or will soon be publicly available |

The above information is summarised in the document schedule at Annex 1.

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 website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman
Manager, Ministerial Services

Annex 1 - Document Schedule

Doc #	Reference	Document	Decision on release
1	OC230236	Waka Kotahi NZTA Performance: 2022/23 Year-to-date	Released with some information withheld under Sections 9(2)(a), 9(2)(g)(i) and 9(2)(i).
2	OC230257	Meeting with City Rail Link Limited's Chair and Chief Executive on 12 April 2023	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(f)(iv) and 9(2)(g)(i).
3	OC230307	Transport Chapter ERP Dashboard as at 31 March 2023	Released with some information withheld under Section 9(2)(f)(iv).
4	OC230304	Freight and Supply Chain Strategy - Options for Implementation	Refused under Section 18(d). When published, the briefing will be available here: https://www.transport.govt.nz/area-of-interest/freight-and-logistics/new-zealand-freight-and-supply-chain-strategy/
5	OC230162	Developing a National Approach to Funding and Financing Major Rapid Transit Projects	Withheld in full under Section 9(2)(f)(iv).
6	OC230181	Rapid Transit Framework - Engagement and Next Steps	Withheld in full under Section 9(2)(f)(iv).
7	OC230287	Advice on Governance of Let's Get Wellington Moving	Withheld in full under Section 9(2)(f)(iv).
8	OC230312	2023 Legislation Programme - Reassessment of Bids	Withheld in full under Section 9(2)(f)(iv).
9	OC230065	Seeking Approval to Consult on Proposed Changes to Parking Regulation and Towage and Storage Fees	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv), 9(2)(g)(i), and 9(2)(h).
10	OC230343	Updated Cabinet Paper: Implementing the Euro 6/VI Emissions Standard	Refused under Section 18(d). When published, this briefing will be available here: https://www.transport.govt.nz/area-of-interest/environment-and-climate-change/harmful-vehicle-emissions/
11	OC230296	Budget Economic and Fiscal Update 2023 - Forecast of National Land Transport Fund Revenue	Released with some information withheld under Section 9(2)(a).



3 April 2023

OC230236

Hon Michael Wood

Minister of Transport

Wednesday, 12 April 2023

cc Hon Kiri Allan

Associate Minister of Transport

WAKA KOTAHI NZTA PERFORMANCE: 2022/23 YEAR-TO-DATE

Purpose

To provide you with a performance assessment of Waka Kotahi NZTA (Waka Kotahi / the Agency) during the 2022/23 year-to-date, and its key risks and issues.

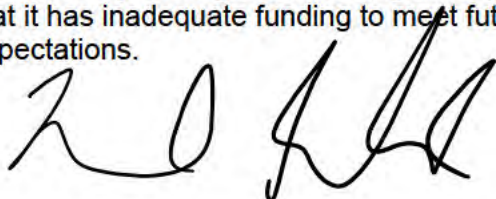
Key points

- Waka Kotahi has made significant progress across a complex work programme during the 2022/23 year-to-date, despite a challenging operating environment.
- The Agency is facing increasing pressure however, including cost and time pressures across the portfolio of capital projects. Resourcing remains a critical risk given high demand for people, plant and materials at all stages of the infrastructure lifecycle combined with a tight labour market, and ongoing supply chain constraints.
- Recent storm events have exacerbated deterioration of the condition of the state highway asset and adversely impacted maintenance and renewals programmes across the country. Additional work and diversion of resources are required for unplanned activities because of these extreme weather events.
- Of the 13 key strategic risks identified by Waka Kotahi, four are currently categorised as extreme:
 - sustainable funding
 - health, safety and wellbeing
 - failure of critical infrastructure
 - cyber and information security.

Recommendations

We recommend you:

- 1 **note** the significant progress made by Waka Kotahi during the 2022/23 year-to-date, but that project and Statement of Performance Expectations targets are under increasing pressure – most notably from recent storm damage to the road network
- 2 **note** the key strategic risks facing the Agency, including the growing 'extreme' risk that it has inadequate funding to meet future commitments and stakeholder expectations.



Sarah Polaschek
Manager Governance

03 / 04 / 2023

Hon Michael Wood
Minister of Transport

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Minister's office to complete:

- ☐ Approved
 ☐ Declined
☐ Seen by Minister
 ☐ Not seen by Minister
☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Sarah Polaschek, Manager - Governance	s 9(2)(a)	✓
Chris Jones, Principal Advisor - Governance		
Emma Petrenas, Advisor - Governance		

WAKA KOTAHİ NZTA PERFORMANCE: 2022/23 YEAR-TO-DATE

Background

- 1 The Waka Kotahi 2022/23 Statement of Performance Expectations (SPE) is an important public accountability document which includes targets and deliverables for the Agency in the financial year ending 30 June 2023.
- 2 This briefing takes an exceptions-based approach to the Agency's performance, compared with 2022/23 SPE targets. Therefore, the primary focus is on those activities and projects/programmes that are currently off-track and unlikely to be achieved by year-end. It also highlights the Agency's key strategic risks and challenges, which will influence future performance.
- 3 This briefing draws upon many inputs, including the Agency's quarter two 2022/23 performance report; and takes account of more recent developments, most notably in relation to the severe storm damage during the March quarter.

Waka Kotahi is facing a number of complex issues and risks in a challenging environment

Significant activities are mostly on track for completion by year-end...

- 4 Waka Kotahi outlines the completion of 15 significant activities in its 2022/23 SPE. As at the end of December 2022, Waka Kotahi assessed seven as off-track but likely to be achieved by year-end, and one as off-track and unlikely to recover. The activity most at risk relates to the identification of bilingual traffic signs for consultation.

...but SPE measures and project targets are under pressure.

- 5 Figure 1 summarises the proportion of Waka Kotahi measures and projects that are at greatest risk of *not* being achieved in 2022/23, as assessed in September and December 2022 (i.e. Q1 and Q2 2022/23). It indicates a significant increase in the proportion of 2022/23 SPE targets that are unlikely to be achieved by year-end.

Figure 1: Percentage of Waka Kotahi 2022/23 SPE measures and projects off-track and unlikely to achieve year-end targets

	Q2 2022/23	Q1 2022/23
Strategic measures	42%	25%
Output class measures	14%	14%
Total measures	27%	19%
NLTP projects	15%	8%
NZUP projects	25%	0%
Total capital projects	18%	6%

- 6 A significant number of (strategic and output class) road safety-related measures are off-track and unlikely to be achieved by year-end.
- 7 At 2,807, the number of deaths and serious injuries (DSIs) recorded on NZ roads increased 10% in the 12-month period ending December 2022, compared with the 12-month period ending September 2022. While DSIs are lower than the 2018 baseline, they are above the target of 2,418 for the year ending 30 June 2023 (consistent with the Road to Zero target of a 40% reduction in DSIs by 2030).
- 8 Other safety-related measures that are off-track and unlikely to achieve year-end targets include:
 - 8.1 Significant incident frequency rate (actual rate of 10.67 in Q2 2022/23, compared with a target of below 9.0 by year-end)
 - 8.2 Number of deaths and serious injuries involving a vehicle with a low safety rating (865 recorded in the 12 months ending December 2022, compared with a target of below 767 by year-end)
 - 8.3 Length of network treated with reduced speed limits (179 kilometres in the 12 months ending December 2022, compared with a target of at least 500 kilometres by year-end)
 - 8.4 Number of hours that mobile cameras are deployed¹ (28,445 hours in the 12 months ending December 2022, compared with a target of at least 80,000 hours by year-end).
- 9 The percentage of total National Land Transport Programme (NLTP) and New Zealand Upgrade Programme (NZUP) projects off-track and unlikely to meet year-end targets increased from 6% in Q1 to 18% in Q2.
- 10 Of the six NLTP capital projects off track at the end of December 2022, four are assessed as likely to recover by year end, while two are assessed as unlikely to recover. s 9(2)(g)(i)
- 11 Of the four NZUP projects off-track at the end of December 2022, three are assessed as likely to recover by year-end, while one is assessed as unlikely to recover. The s 9(2)(i) is most at risk of *not* meeting SPE objectives. The primary risks associated with this work programme concern the potential for further cost escalation and delays s 9(2)(i)
- 12 Waka Kotahi assesses the overall outlook for NZUP as 'red', reflecting programme-wide cost pressures and the risk of being unable to deliver the programme within the current funding envelope. Te Manatū Waka will continue working with the Treasury, NZUP Governance Group and Waka Kotahi to provide you with timely, high-quality advice on cost and milestone risks across the programme, and how these risks can be mitigated.
- 13 The adverse weather events that occurred during the March 2023 quarter will add further pressure to Waka Kotahi's performance over the remainder of the 2022/23 financial year (and beyond).

¹ Delivered by NZ Police.

Waka Kotahi is also experiencing significant cost pressures...

- 14 National Land Transport Fund (NLTF) revenue was \$298.9 million (12%) below budget in the six months to December 2022. This was primarily due to significantly lower-than-expected revenue from Fuel Excise Duty (FED) and Road User Charges (RUC), partly offset by an increase in Crown revenue to compensate Waka Kotahi for temporary FED and RUC reductions. Whilst revenue can be lumpy, and revenue has improved during the first two months of 2023, the decline in NLTF revenue is concerning.
- 15 The short-term impact of lower-than-expected NLTF revenue was partly offset by a \$156 million (6%) decline in expenditure during the six months to December 2022. This was mainly due to lower spending on state highway improvements and rail.
- 16 The NLTF 'deficit' (i.e., the gap between revenue and expenditure) has been financed via Waka Kotahi's borrowing facilities. Waka Kotahi drew down \$200 million of the NLTP 2021-24 loan facility in the second quarter to allow delivery during December 2022 and January 2023 – the total amount drawn down from this facility is now \$400 million. In addition, \$150 million of the short-term revolving (shock) facility was drawn down to fund the August 2021 COVID event.
- 17 As at 31 December 2022, Waka Kotahi had total financial liabilities of \$3,410 million, comprising: loans, Public Private Partnership (PPP) commitments and derivative financial liabilities. While total financial liabilities increased \$317 million (10%) in the six months to December 2022, they remain comfortably within the Agency's debt management ratios, and comparable to total financial liabilities over the past few years – refer to Figure 2 below.

Figure 2: Waka Kotahi loans and financial liabilities (\$ million)

	Dec 2022	June 2022	June 2021	June 2020
Loans	1,465	1,063	883	844
PPP commitments	1,932	1,899	1,842	1,677
Derivative financial liabilities	13	131	478	728
Total	3,410	3,093	3,203	3,249

...and faces significant risks to future performance.

- 18 Waka Kotahi has identified thirteen key strategic risks – four of which are currently identified as 'extreme':
 - 18.1 sustainable funding
 - 18.2 health, safety and wellbeing
 - 18.3 failure of critical infrastructure
 - 18.4 cyber and information security.

- 19 Sustainable funding: a risk that Waka Kotahi has insufficient funding to meet its commitments and stakeholder expectations. This risk is being mitigated by the land transport revenue review currently underway; but will need to be actively managed by the Board from a liquidity perspective and to minimise pre-commitments and financial pressure on the NLTP 2024-27. Waka Kotahi is also responding by improving its cost estimation and project management processes; and strengthening its governance and oversight practices.
- 20 Health, safety and wellbeing: Waka Kotahi is under pressure and faces a very challenging work programme over the next few years delivering business as usual while also contributing to the recovery and rebuild of the roading network. In response, Waka Kotahi is developing a health, safety and wellbeing management framework and is reviewing the working relationship and practices between the health and safety and operational teams.
- 21 Failure of critical infrastructure: defined as the failure to protect critical infrastructure from climate change, potential sabotage, or unforeseen accidents. Waka Kotahi is rolling out risk identification and monitoring tools across all its Network Outcome Contracts to help mitigate this risk. The extreme weather events that impacted the North Island earlier this year has placed greater emphasis on improving resilience of the roading network. Greater care will be required as to where and how roads are built in future as a result.
- 22 Cyber and information security: defined as systems or information that is unavailable, corrupted or inappropriately released. This risk rating is informed by ongoing risk assessments and work being undertaken by the Digital, Privacy and Security teams on the likelihood and consequences of systems and information becoming unavailable, corrupted or inappropriately released through cyber and information security breaches.
- 23 Waka Kotahi has a detailed work programme to identify and mitigate strategic and enterprise risks, including an internal audit programme to review internal processes and the effectiveness of governance and oversight arrangements. While the key strategic risks outlined above are unlikely to change over the short-term, the risk landscape will continue to evolve as new information becomes available – most notably, a more detailed understanding of the damage to New Zealand's roading network arising from the recent storm damage.

Next steps

- 24 Please review this briefing and the Agency's quarter two 2022/23 performance report and provide any feedback you may have.
- 25 This briefing provides useful context for your upcoming meeting with the Chair of Waka Kotahi, scheduled for 9.30am on 12 April 2023, which we will provide a separate briefing for.
- 26 It also provides useful context for the Agency's draft 2023/24 SPE, which you can expect to receive by 30 April 2023. You will have 15 working days (from the date of receipt) to provide feedback on the draft SPE, which the Agency must consider before it is finalised by 30 June 2023. Te Manatū Waka will assist you with this process.

5 April 2023

OC230257

Hon Michael Wood
 Minister of Transport

MEETING WITH CITY RAIL LINK LIMITED'S CHAIR AND CHIEF EXECUTIVE ON 12 APRIL 2023

Snapshot

You are scheduled to meet with City Rail Link Limited's (CRL's) Chair and Chief Executive on 12 April 2023. To support you in your meeting, we have provided suggested talking points in **Annex One**.

Time and date	2.30pm – 3.00pm, 12 April 2023
Venue	Zoom
Attendees	John Bridgman, Chair, CRL Dr Sean Sweeney, Chief Executive, CRL
Officials attending	Brent Johnston, Acting Deputy Chief Executive, System Performance and Governance Stephen Moore, Principal Advisor, Programme Assurance and Commercial
Agenda	Item 1: Update on the City Rail Link budget and schedule Item 2: Day One Readiness Item 3: Workforce update (including health and safety)
Talking points	Suggested talking points for the agenda items are provided in Annex One

Contacts

Name	Telephone	First contact
Brent Johnston, Acting Deputy Chief Executive, System Performance and Governance	s 9(2)(a)	✓
Sarah Polaschek, Manager, Governance		
Alex Beedell, Senior Advisor, Governance		
Sarah Mackenzie, Adviser, Governance		

Meeting with City Rail Link Limited's Chair and Chief Executive on 12 April 2023

Key points


- This is your first meeting with John Bridgman since he became the Chair of CRLL on 1 April 2023. A brief biography is attached below.
- Your last regularly scheduled meeting with the Chief Executive and the former CRLL Chair Sir Brian Roche was on 9 February 2023. Topics discussed included:
 - **Update on the City Rail Link budget and schedule:** CRLL advised that the impacts to budget and schedule of the Auckland Anniversary weekend flooding were being assessed and an insurance claim is progressing.
 - **Update on City Rail Link Limited's upcoming funding request:** CRLL advised that this would be received in March 2023 and the increased funding has now been approved in the governance processes of the respective Sponsors.
 - **Workforce update (especially regarding health and safety):** CRLL's immediate focus following the Auckland Anniversary flooding was the health and safety of people who work on the construction sites. s 9(2)(ba)(i)

Item 1: Update on CRL budget and schedule

CRLL requested additional Sponsor funding in March, which has now been approved by Cabinet and the Auckland Council Governing Body

- 1 Now the funding is confirmed, CRLL can sign the negotiated Heads of Agreement (HoA) with the Link Alliance (the Alliance) s 9(2)(ba)(i), s 9(2)(b)(ii), s 9(2)(f)(iv)
- 2 s 9(2)(ba)(i)
- 3 The Project Delivery Agreement (PDA) between Sponsors and CRLL will need to be amended to reflect the increased budget and changed practical completion date, and the Sponsors Agreement between Auckland Council and the Crown will also need to be amended.
- 4 The practical completion date in the PDA is later than the practical completion date in the PAA as it reflects the entire project not just the work undertaken by the Link Alliance.

s 9(2)(b)(ii), s 9(2)(ba)(i)




s 9(2)(ba)(i)



Item 2: Day one readiness

s 9(2)(ba)(i)



s 9(2)(ba)(i)

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Biographies

John Bridgman



John Bridgman has had significant experience in engineering and project management roles for over 35 years, across Australasia and Asia. He was, until the end of March 2023, the Chief Executive of Ōtākaro Limited, a Government entity delivering Crown-led anchor projects in Christchurch, which is being repurposed as a central Crown Infrastructure Delivery agency.

John has held a variety of senior leadership positions and governance roles including at global infrastructure building company AECOM (as Industry Director – Civil Infrastructure in Australia and as Managing Director for the New Zealand business), as well as governance and leadership roles on major infrastructure projects in New Zealand, Australia, Asia, and the United Kingdom. He is also a director of Waka Kotahi – NZ Transport Agency and Kainga Ora – Homes and Communities.

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Annex 1: Talking Points

Item	Proposed talking points
Update on the City Rail Link budget and schedule	<ul style="list-style-type: none"> You may like to take this opportunity to outline any expectations you have for CRL over the upcoming 2023/2024 year, noting from the Letter of Expectations: <ul style="list-style-type: none"> That CRL will continue to mitigate risk to the project budget and schedule where possible, Strong community engagement and reducing the impact of construction disruption.
Day one readiness	
Workforce update (including health and safety)	

Transport Chapter ERP Dashboard

As at 31 March 2023

A Portfolio overview of the priority areas within the Transport Chapter of the Emissions Reduction Plan (ERP).

Key Messages from this Period

Key successes for March 2023 include:

- The EV Charging Strategy was published for public consultation on 22 March 2023.
- The Land Transport Management (Regulation of Public Transport) Amendment Bill was introduced on 16 March 2023, with the first reading on 29 March 2023.
- The national bus driver shortfall has reduced from about 860 in December 2022 to about 606 in March 2023.
- The Clean Car Standard sets an annual target for the average grams of CO₂ per km of all imported light vehicles. Vehicle importers are on average overachieving the legislated CO₂ target for 2023 and are 21 g/km under the target as at March 2023 (the 2023 targets are 145 g/km for passenger vehicles and 218.2 g/km for light commercial vehicles).

Update on monitoring and reporting of the priority areas: The Emissions Programme Office (EPO) has reviewed the application of the RAG status for tracking overall delivery progress through this dashboard. In the past, the overall delivery rating was an aggregate of the milestone RAG ratings. Effective March 2023, the application of the RAG status will now take a more holistic approach which will enable the EPO to take into account a wider set of factors that impact project performance.

Programme level updates

Budget 2023

- Budget 2023 decisions will impact the delivery of the priority areas in this dashboard as well as initiatives in the wider transport emissions reduction programme. Once decisions are communicated, the Ministry will set up funding agreements and/or projects as needed so implementation can begin quickly.

Updating emissions modelling to reflect the current status of the programme

- There are now several transport initiatives that have been discontinued, delayed or changed in scope compared to what was included in the ERP following Ministerial decisions. Additionally, some initiatives in the transport programme remain not resourced or under resourced, while others are proving to be more successful than originally estimated. We will provide you with more detail on this in the upcoming quarterly report.
- Ministers have requested updated emissions modelling across all sectors to reflect the latest changes to baseline projections, as well as updates to reflect the best understanding we have of policy initiatives. This advice is expected to be provided in May 2023.

Climate Change Commission advice to be released

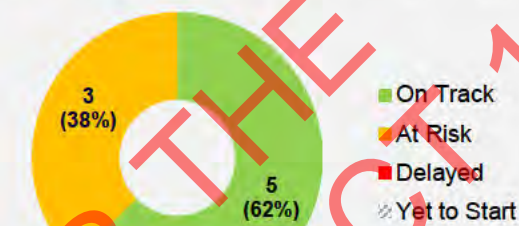
- The Climate Change Commission will be releasing its draft advice which will inform the development of the ERP2 by the end of April 2023. Once the advice is released, there will be a cross-agency approach to responding to the advice which transport will be involved in.

Upcoming Cabinet/Ministerial Decisions (For Priority Areas)

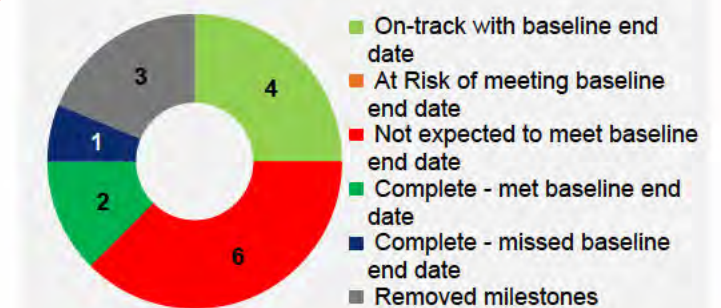
Minister and Cabinet Decisions relating to priority ERP initiatives	Week Ending
Reflecting ERP commitments in the next GPS <ul style="list-style-type: none"> Cabinet agreement to release Draft GPS 2024 for public consultation 	19 May 2023
Freight Decarbonisation Work Programme <ul style="list-style-type: none"> s 9(2)(f)(iv) 	19 May 2023
EV Charging Infrastructure & Budget Bid <ul style="list-style-type: none"> ENV and Cabinet agreement to final Strategy 	30 June 2023

Priority Area and Milestones Overview

Delivery Schedule Status for the Priority Areas



Milestone status



CERF Financial Update

Overall Financial Status ●

Year-to-date spend for March is \$7.22m, making up 4.74% of the \$152.37m appropriated funding. The decrease from the February YTD spend of \$9.44m is due to the discontinued priority area Vehicle Transition Programme (Social Leasing Scheme and Vehicle Scrap and Replace Scheme), which made up \$3.40m of spend in February.

Overall, YTD spend is much lower than forecast which reflects the challenges with starting new programmes and getting in place funding agreements and others structures needed for delivery and assurance. We expect the 2022/23 full year forecast to be significantly decreased when the financial forecasts are updated in May as these forecasts will reflect funding transferred to the next financial year through the IPET process. This process will ensure the money is available to use for the initiative next year and is not reallocated to other projects.

While we expect the 2022/23 forecast to decrease, we expect funding flows to increase in final quarter for the **Retaining and Recruiting Bus Drivers – Improving Terms and Conditions initiative**. Waka Kotahi has indicated funding will be drawn down in the last quarter, and the intent is that it will be paid to PTAs in arrears (backdated to when PTAs self-funded increases to driver wages last year) so a significant proportion will be spent.

Mar-23 Spend (\$)

- The March spend for both **Mode-Shift and Reducing Light Vehicle Kilometres Travelled** and **Decarbonising the Public Transport Bus Fleet** are both establishment payments provided to Waka Kotahi.
- Community Connect**: Refund received from Waka Kotahi of overclaimed \$816k in Dec-2022.

	Mar-23 Spend (\$)	Total Actual YTD Spend (\$)	Original CERF Approved Budget (\$)	BEFU 22/23 Forecast Spend (\$)	YTD Spend / BEFU 22/23 Forecast Spend (%)
Mode-Shift and Reducing Light Vehicle Kilometres Travelled	\$1.00 million	\$6.00 million	\$110.30 million	\$67.00 million	9%
Community Connect – Public Transport Concessions for Community Services Cardholders	-\$0.82 million	\$0.22 million	\$24.78 million	\$5.81 million	4%
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions	\$0.00 million	\$0.00 million	\$13.00 million	\$13.00 million	0%
Decarbonising the Public Transport Bus Fleet	\$1.00 million	\$1.00 million	\$4.29 million	\$4.29 million	23%
Total	\$1.18 million	\$7.22 million	\$152.37 million	\$90.10 million	8%

Delivery Progress as at 31 March 2023

Key

Overall delivery progress:

On-track

At Risk

Milestone status:

On-track with baseline end date

At Risk of meeting baseline end date

Complete – missed Baseline end date

Not expected to meet baseline end date

Complete – met Baseline end date

Baseline End Date:

This is the scheduled end date when the milestone was established

Forecast End Date:

This is the revised end date of the milestone, taking into account set backs/developments

Milestones completed

Milestone	On-track	At Risk	Total
EV Charging Infrastructure & Budget Bid	3	0	3
Freight Decarbonisation Work Programme	3	0	3
Public Transport Improvement Initiatives	4	0	4
Reflecting ERP commitments in the next GPS	2	0	2
Congestion Charging	2	0	2
Transport Choices Package	2	0	2
VKT Reduction Plan and Programmes	4	0	4
Clean Car Standard	1	0	1

Legend:
■ Milestones completed - Within baseline end date
■ Milestones completed - Missed baseline end date
■ Total milestones reported since October 2022

EV Charging Infrastructure & Budget Bid

The draft National EV Charging Strategy and discussion document were released for public consultation on 22 March 2023. The due date of the submission analysis is 11 May 2023.

The overall delivery progress is now rated as "on-track" due to the release of the EV Charging Strategy happening in line with Ministerial expectations, and the overall objective of the initiative being on track for delivery this year.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	30/12/2022	29/03/2023	EV Charging Strategy published for public consultation	At Risk	Complete – met Baseline end date
1/05/2022	30/06/2023	31/08/2023	Final EV Charging Strategy approved by Cabinet	At Risk	At Risk

Freight Decarbonisation Work Programme

Ministerial decision has confirmed that EECA will stand up and deliver an alternative grant scheme to provide discounts for zero emission trucks.

The milestone "Seek policy decisions on a Clean Truck Discount" that was introduced in February has now been removed as the Ministry will no longer seek policy decisions, given that it has been agreed EECA will implement an alternative grant scheme and this will be led by MBIE.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
13/03/2023	11/07/2023	No change	REMOVED FROM MAR-23: Seek policy decisions on a Clean Truck Discount	On-track	At Risk
TBD	TBD	-	NEW MILESTONE IN DEVELOPMENT	At Risk	At Risk

Public Transport Improvement Initiatives

The Land Transport Management (Regulation of Public Transport) Amendment Bill was introduced on 16 March 2023, with the first reading on 29 March 2023.

Agreements have been signed in Otago and Canterbury to move driver wages to \$30 per hour (timing yet to be confirmed). Significant progress is being made with negotiations by Auckland Transport. Overseas recruitment has ceased since the median wage threshold for access to Accredited Employer Work Visas (AEWV) increased in February 2023. This cannot recommence without an immigration sector agreement or further increases in wage rates. Waka Kotahi is continuing to work with MBIE on the sector agreement.

For Community Connect, an Establishment Letter has been signed by the Ministry and Waka Kotahi to release funding to PTAs who have incurred implementation costs.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	31/03/2023	No change	Bill to incorporate the Sustainable Public Transport Framework into the LTMA is introduced	On-track	Complete – met Baseline end date
1/05/2022	31/03/2023	1/07/2023	Community Connect launched nationwide	At Risk	At Risk
1/05/2022	31/03/2023	30/04/2023	Contestable funding model for Bus Decarbonisation is launched	At Risk	At Risk

Reflecting ERP commitments in the next GPS

The revised Draft GPS (which includes the high threshold test) has been updated to reflect the impact and consequences of Cyclone Gabrielle and other weather events. It has been provided to Ministers for review, with departmental consultation expected to occur early-mid April 2023.

The overall delivery progress is rated "on-track" due to the priority area advancing in line with Ministerial expectations and because the initiative is expected to be completed within the overall timeframe outlined in the DTAP.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	31/03/2023	30/07/2023	Undertake public engagement on the draft GPS 2024	At Risk	At Risk
1/05/2022	30/09/2023	No change	Publish final GPS 2024	On-track	On-track

s 9(2)(f)(iv)

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	31/03/2023	8/05/2023	s 9(2)(f)(iv)	On-track	At Risk

Transport Choices Package

The Transport Choices is progressing well, with several councils demonstrating confidence in delivery and projects progressing to implementation. Funding Agreements have been finalised for all councils except Taranaki and Northland. Waka Kotahi are continuing to work with the remaining councils to finalise these. While the milestone is on track, there is ongoing risk to the delivery of the programme related to council resource and prioritisation which is reflected in the amber rating.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	31/03/2023	No change	Provide update to joint Ministers on investment package	On-track	Complete – met Baseline end date

VKT Reduction Plan and Programmes (including sub-national VKT targets)

Waka Kotahi are working closely with Tier 1 councils to allocate the funding to support the development of urban programmes through an expression of interest (EOI) process. Applications are expected to be approved in May 2023.

The milestone "Proposed sub-national targets for Tier 1 and 2 major urban areas published in the DTAP" will be removed from March-23. This was not published in the DTAP, and targets will now be published in the Strategy document.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	31/12/2022	N/A	MISSED MILESTONE: Proposed sub-national targets for Tier 1 and 2 major urban areas published in the DTAP	At Risk	At Risk
1/05/2022	30/06/2023	No change	Engagement with councils, iwi/Māori and other partners on the national plan	On-track	On-track
1/05/2022	30/06/2023	No change	Sub-national VKT targets finalised	On-track	On-track
1/05/2022	30/06/2023	31/08/2023	National plan published	At Risk	At Risk

Clean Car Standard

Between 1 Jan and 31 Mar 2023, importers created 2,360 CO₂ Accounts and over 70,000 light vehicles have been entered into the CCS system. There are significantly more CO₂ gm/km credits than charges. The three technology releases were successful and the system is functioning well.

The milestone changed to green as it is on track for the major deliverables on 1 June 2023, which include importers paying charges and transferring CO₂ gm/km credits between accounts. The milestone "Implementation of the full policy by Waka Kotahi" has now been removed, as it duplicated the other milestone being monitored.

Actual Start Date	Baseline End Date	Forecast End Date	Milestone	Feb-23 Status	Mar-23 Status
1/05/2022	30/06/2023	No change	REMOVED FROM MARCH-23 Implementation of the full policy by Waka Kotahi	On-track	At Risk
1/05/2022	30/06/2023	1/06/2023	Implementation of the legislated targets	At Risk	On-track



20 April 2023

OC230065

Hon Kiritapu Allan

Action required by:

Associate Minister of Transport

Monday, 24 April 2023

SEEKING APPROVAL TO CONSULT ON PROPOSED CHANGES TO PARKING REGULATION AND TOWAGE AND STORAGE FEES

Purpose

Provides you with a draft Cabinet paper (and associated documents) seeking approval to consult on proposals to amend parking regulation and towage and storage fees.

Key points

- Parking and towage and storage regulation support the delivery of a safe, fair, and efficient transport system. These regulatory levers also play crucial roles in the achievement of other key Government priorities. For example, the effective management of on-street parking is an essential component in response to urban intensification and the achievement of emissions reductions targets. Similarly, changes to regulated towage and storage fees are crucial to the delivery of proposals to address fleeing drivers.
- Following Hon Michael Wood, Minister of Transport's direction in October 2022 (OC220775 refers), we have drafted the attached Cabinet Paper (Appendix One) seeking approval to consult on proposed changes to both parking regulation and towage and storage fees. The consultation document, draft regulatory impact statement (RIS), and draft Land Transport (Road User) Amendment Rule are attached at Appendix Two, Three, and Four respectively.
- The proposed changes to parking regulation and the towage and storage proposals have been combined into a single package for consultation. However, if preferable, the proposals could be progressed separately on different timelines.
- We are seeking your agreement to consult your Ministerial colleagues over the period of 24 April – 5 May 2023 on the proposed changes. We are also seeking your approval to lodge the attached Cabinet paper for you to take, along with the consultation materials, to the Cabinet Economic Development Committee on 17 May 2023.
- A six week period of public consultation is currently planned for 29 May – 7 July 2023, following Cabinet agreement to consult. Consultation will provide us with the opportunity to better understand the impacts of the current regulatory status, as well as the potential impacts that the proposed changes could have on particular groups.

- If you do not wish to proceed with all of the proposals for consultation, we recommend proceeding with consultation solely on proposed changes to parking requirements in the Land Transport (Road User) Rule 2004 (the Rule). The proposed amendments to the Rule are minor and seek to clarify parking requirements; there are no proposals to amend penalties. As such, you can proceed with these proposals without Cabinet agreement, and we can start consultation from 8 May 2023.
- We will report back to you on the outcome of consultation in July 2023, seeking your agreement on next steps.

Recommendations

We recommend you:

- 1 **indicate** whether you would like to discuss the proposed changes with officials Yes / No
- 2 **agree** to consult your Ministerial colleagues over the period of 24 April – 5 May 2023 on the proposed changes. Yes / No
- 3 **provide** feedback, if any, on the consultation documents by 9 May 2023 Yes / No
- 4 **agree** to take the attached Cabinet paper and consultation package to the Cabinet Economic Development Committee (DEV) on 17 May 2023 seeking Cabinet approval to consult for six weeks from 29 May – 7 July 2023 on proposed changes to:
 - parking penalty levels Yes / No
 - clarify the use of publicly provided evidence for parking enforcement Yes / No
 - towage and storage regulated fee levels Yes / No
 - implement a regular cycle of review for parking penalties and towage and storage fees. Yes / No
- 5 **agree** to proceed with public consultation on proposed changes to parking requirements amendments in the Land Transport (Road User) Rule 2004 Yes / No



 Megan Moffet
Manager Regulatory Policy
 20 / 04 / 2023

 Hon Kiritapu Allan
Associate Minister of Transport
 / /

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Seen by Minister	<input type="checkbox"/> Not seen by Minister
<input type="checkbox"/> Overtaken by events	

Comments**Contacts**

Name	Telephone	First contact
Megan Moffet, Manager, Regulatory Policy	s 9(2)(a)	
Bronwyn Turley, Deputy Chief Executive, System and Regulatory Design		✓

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SEEKING APPROVAL TO CONSULT ON PROPOSED CHANGES TO PARKING REGULATION AND TOWAGE AND STORAGE FEES

In 2021, we undertook an assessment of the parking system's performance

- 1 In October 2021, we updated Minister Wood on the completion of our initial assessment of the performance of New Zealand's parking regulatory system (OC210623 refers).
- 2 This assessment found that parking penalty levels and towage and storage regulated fees have not been updated since 1999, over which time their value has decreased due to inflation (OC210623 refers). As a result, parking penalty levels are no longer proportionate to the impacts of parking offences and are not effectively deterring people from committing offences. Similarly, towage and storage fees are no longer effectively covering operating costs, leading to difficulties sourcing operators willing to tow illegally parked vehicles and to store vehicles that have been impounded by Police.
- 3 We have progressed two workstreams as a result of this assessment: one to review parking penalty levels and offences, and another to review regulated towage and storage fees (for both Road Controlling Authorities (RCAs) and Police-ordered towage and impoundment). This will be followed at a later date by a larger-scale review of the towage and storage regulatory system.

In late 2022, we sought Minister Wood's agreement to draft a joint consultation package on proposed changes to both parking regulation and towage and storage fees

As part of proposed changes to parking regulation, Minister Wood agreed we should draft amendments to parking requirements in the Land Transport (Road User) Rule 2004

- 4 In August, Minister Wood agreed we should issue drafting instructions to the Parliamentary Council Office (PCO) to draft several minor regulatory stewardship amendments to parking requirements set out in the Land Transport (Road User) Rule 2004 (OC220643 refers).
- 5 We have now finalised the draft Land Transport (Road User) Amendment Rule (the draft Amendment Rule) which will form part of the consultation package on changes to parking requirements. The draft Amendment Rule is included in Appendix Four.

Minister Wood also agreed we should prepare a joint consultation package covering proposed changes to both parking regulation and towage and storage fees

- 6 In October 2022, Minister Wood agreed that we should draft a consultation document on proposed changes to various aspects of parking regulation (including penalties, requirements, and the use of publicly provided evidence for enforcement) and towage and storage regulated fees (OC220775 refers).

Local Government Road Controlling Authorities use parking regulatory tools to ensure the transport system functions fairly, efficiently, and effectively

- 7 Many parking requirements are designed to make sure the transport system can operate efficiently, for example, to keep loading zones clear, and to encourage parking turnover so more people can access the places they need to go.
- 8 Parking requirements also enable more equitable access, for example, by providing clear access to mobility parking for those who need it.
- 9 Other parking requirements are also intended to improve safety for all transport users, for example, by protecting safe access to footpaths and cycleways for pedestrians and cyclists, or by making sure people do not park in places where they could inhibit the visibility of oncoming traffic.

RCAs use parking penalties to encourage people to comply with these parking requirements

- 10 If someone commits a parking offence, RCAs issue infringement notices (commonly referred to as parking tickets) which set out the financial penalty (or the cost of the ticket). The financial penalty is designed to deter people from breaching parking requirements in the first place and sends a signal about the significance of the impacts of the offence.

RCAs and Police rely on towage and storage operators to keep our roads safe and free from obstruction

- 11 Towage and storage operators play an essential role in traffic enforcement to keep our roads safe and accessible. If the Police want to impound a vehicle or remove an abandoned vehicle, they rely on towage and storage operators being willing to come and collect and store these vehicles for the impoundment period.
- 12 This keeps roads clear of obstruction and ensures people who have had their vehicles impounded for unsafe driving behaviour cannot gain access to their vehicle until the impoundment period has lapsed.
- 13 Many RCAs also work with tow operators to remove vehicles that are obstructing the flow of traffic or posing a safety risk to other transport users, and the fee for towage is charged to the vehicle's registered person.

Effective parking and towage and storage regulation contributes to several key Government priorities

- 14 Both national and local government priorities require RCAs to actively manage road space. From a central government perspective, the transition to a low-emissions economy depends on actions taken at a local level. Many local councils are developing their parking strategies around the need to reduce emissions, support new placemaking and urban development initiatives, and to deliver efficient transport options for a growing population.

Emissions reductions

- 15 One of the key actions for transport in the Emissions Reductions Plan is to reduce reliance on cars by supporting people to walk, cycle, and use public transport.
- 16 To achieve this, RCAs need to be able to use parking charges to encourage mode shift and effective parking financial penalties to keep footpaths, cycleways, and bus lanes safe, efficient, and easy to access. RCAs also rely on tow operators to remove incorrectly parked vehicles from these areas.

Urban development

- 17 Placemaking and urban development projects designed to prioritise active and low-emissions modes and increase urban density can result in increased pressures on on-street parking.
- 18 Effective parking penalties and towage services will support the fair and efficient allocation of public space that is in increasingly high demand.

Responding to fleeing drivers and dangerous driving

- 19 An effective towage and storage sector enables Police to respond to dangerous and unsafe behaviour on roads. The impoundment of vehicles is a crucial enforcement tool, along with others such as penalties and licencing to enable Police to ensure public safety and deter negative behaviour.

Without regular updates, the parking regulatory system cannot support these priorities...

- 20 Parking penalty levels have not been updated since 1999, over which time inflation has eroded their value. As a consequence, they are no longer an effective deterrent and are not proportionate to the impacts created by parking offences.
- 21 Because of these low penalty levels, people are choosing to commit parking offences and risk getting a ticket instead of complying with parking requirements.
- 22 The public is becoming increasingly aware of this lack of financial incentive. We have noted posts on social media platforms and newspaper articles about the fact that it frequently costs more to pay for parking than it does if you choose not to comply.
- 23 Individuals have written to the Ministry as well as to Minister Wood in his capacity as Minister of Transport calling for changes to parking penalty levels to improve parking compliance. Early engagement with groups including the Cycling Action Network, Living Streets Aotearoa, and CCS Disability Action has also highlighted the realities of the safety and accessibility impacts parking offences can have.

...and towage and storage fees are becoming increasingly unsustainable

- 24 This legislation has also not been updated since 1999, meaning storage and mileage fees have not been adjusted to account for inflation and increased operating costs (including increases in fuel prices).

- 25 This has negative implications for:
- 25.1 safety – due to a shortage of operators willing to tow and store impounded vehicles
 - 25.2 credibility of enforcement – where police and RCAs cannot effectively tow and impound vehicles
 - 25.3 unsustainable workarounds – where RCAs are using funding to subsidise towing costs or no longer towing vehicles due to an inability to recover costs, and where some operators are using revenue from other sources to be able to continue providing services for police impounds.

26 s 9(2)(g)(i)



The attached consultation document includes proposed changes to parking and towage and storage regulation...

Parking Requirements

- 27 Four parking requirements in the Land Transport (Road User) Rule 2004 have been identified as being unclearly or inconsistently worded, as well as being difficult to enforce. The proposed changes will improve clarity and consistency in the legislation, to make these parking requirements easy to understand and enforce.
- 28 Please see Part 1 of the attached consultation document for details of the proposed changes (Appendix Two).

Parking Penalties

- 29 Minister Wood recently approved the public release of the Effective Financial Penalties Framework and Tool (the Framework and Tool) which provides a step-by-step process for developing penalty levels that are consistent, proportionate, and an effective deterrent (OC210982 refers). We have used the Framework and Tool to develop the proposed penalty levels in the consultation document.
- 30 These proposals are intended to ensure penalty levels are fair and proportionate to the impacts of the offence and are effective in deterring people from committing parking offences.
- 31 Please see Part 2 of the attached consultation document for details about the proposed changes (Appendix Two).

Towage and storage regulated fees

- 32 In late 2022, Minister Wood agreed that we should include proposals to amend towage and storage fees in our parking consultation package (OC220775 refers).

- 33 Proposed changes are intended to improve cost recovery to support the continuation of vehicle towage and storage services that support the safety and efficiency of the transport system.
- 34 Please see Part 4 of the attached consultation document for details about these proposals (Appendix Two).

Regular cycle of review

- 35 We have also included a section in the consultation document seeking public feedback about options to implement a periodic review of parking penalties and towage and storage fees.
- 36 This proposal is designed to ensure parking penalty levels and towage and storage fees do not become outdated again in future.
- 37 Please see Part 5 of the attached consultation document for details about this proposal (Appendix Two).

...and also includes a proposal to clarify the ability of parking wardens to use publicly provided evidence to enforce parking requirements

We have provided Minister Wood with previous advice about the impact of legislative change

- 38 In June 2021, we provided Minister Wood with advice about the legal status of publicly provided evidence for parking enforcement (OC210535 refers).
- 39 [Section 139\(6\) of the Land Transport Act 1999](#) states that if a parking warden has “reason to believe” that a parking offence has been committed, they “may issue an infringement notice in respect of the alleged offence”. The legislation does not describe the specific types of evidence that a warden must use, or the considerations they need to have, when forming their “reason to believe”.
- 40 Current legislation allows RCAs to use evidence provided by the public to enforce parking offences. RCAs have raised concerns that legislative changes would not change the operational difficulties they face when determining the validity of this kind of evidence

We have included a proposal to clarify the legislation in the attached consultation document

- 41 As requested, we have included a proposal in the attached consultation document to clarify that RCAs can use evidence provided by the public when forming their “reason to believe” an offence has been committed.
- 42 Please see Part 3 of the attached consultation document for details about this proposal (Appendix Two).

There are several risks associated with progressing this proposal

- 43 s 9(2)(f)(iv), s 9(2)(h)

44

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

45

46 Consultation will provide us with an opportunity to better understand the impacts of this proposal.

47 Details about this proposal are included in Part 3 of the consultation document.

Key risks

Negative public and media interest is expected if consultation goes ahead

48 Proposals to amend parking penalty levels and towage and storage fees are expected to receive a level of public and/or media interest, given that they would impose greater costs to the public should they commit a parking offence, when compared to the status quo.

49 Officials are preparing a consultation strategy, which includes consideration of approaches to feedback or media interest that proposals may receive.

There could also be increased dissent and abuse directed at parking enforcement

50 One key risk of consulting on the proposed changes is that it will increase verbal and physical abuse directed at parking wardens if members of the public are angered by the proposed changes.

51 Having said this, RCA parking teams are already experiencing this kind of response from the public, and are broadly very supportive of the proposed changes, in particular, to parking penalty levels.

Key risks of not progressing with changes to parking regulation

52 De-prioritisation or termination of this work could exacerbate existing pressure on the integrity of the parking system. For example, with fewer and fewer people opting to pay for their parking, the ability of the system to fairly and efficiently allocate scarce parking resources will continue to be undermined.

53 This could lead to worsening outcomes for safety, equitable access, economic prosperity, environmental sustainability, and overall efficiency of the transport system.

Key risks of not progressing with changes to towage and storage

54 Prior advice, which was forwarded to the Minister of Justice's office (OC221046 refers) outlines that, given the proposed changes to penalties for failing to stop for Police in

the draft Road Safety Bill and the increased seizure powers being introduced by the CAIL Bill, we will see a significant increase in the number of Police-ordered impoundments. We reasonably expect that this could be up to 16,000 extra 28-day impoundments (or equivalent) which is a 50-70% increase on the current rate.

- 55 While the Ministry is working to provide advice on how long-term impoundment could be implemented, we know that even with the Crown investing in the system, it is likely to take time for the system to grow sufficiently to undertake the required towage and storage. Feedback received from industry during the Select Committee process for the CAIL Bill outlined that there was a strong demand for towage and storage regulated fees to be reviewed and increased, to alleviate the financial burden that operators are facing. s 9(2)(g)(i)

We are seeking your and Cabinet's agreement to consult publicly on proposed changes

We have allowed time for you to consult with your Ministerial colleagues and for us to incorporate feedback from other government agencies

- 56 We are seeking your agreement to consult the general public on the proposals set out in the consultation document. We will make stylistic and editorial changes to the consultation document before the document is released for formal consultation.
- 57 We have built in two weeks for you to consult with your Ministerial colleagues prior to seeking Cabinet agreement to consult. We may also receive further comments from relevant agencies during this period, and any agency or Ministerial feedback will be included in the revised draft for lodging.
- 58 The attached draft regulatory impact statement (RIS) is awaiting final review from the Ministry's regulatory impact analysis review panel. We will provide a final revised version of the RIS in time for lodgement.
- 59 Two elements of the consultation, the draft parking-related rule amendments and the proposal in relation to publicly provided evidence, have received regulatory impact analysis exemptions due to limited impacts.

With your agreement your Office will then lodge the final Cabinet paper in March

- 60 Following your agreement and Ministerial consultation, you will need to take the final Cabinet paper and consultation package to the Cabinet Economic Development Committee (DEV), scheduled for Wednesday 17 May 2023.
- 61 You will then need to seek Cabinet confirmation the following Monday, 22 May 2023.

With approval, public consultation will commence for six weeks

- 62 Public consultation is planned for six weeks starting on 29 May until 7 July 2023.

- 63 Along with a consultation document on our website, we intend to meet with a range of key stakeholders during the consultation period and are currently developing a communications and engagement strategy to support the consultation approach.
- 64 We also intend to undertake engagement with Māori groups, such as local Marae, to better understand the impacts that proposed changes could have on Māori.

Following consultation, we will provide you with a summary of submissions and finalised proposals for Cabinet's final policy decisions

- 65 Following consultation, we will work to summarise the submissions received and collect views in a summary of submissions document. We will also suggest any amendments to proposed changes in response to public feedback.
- 66 We will then provide information to support report back to Cabinet for final policy decisions in July 2023.

All annexes to this briefing are withheld under Section 9(2)(f)(iv)

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26 April 2023

OC230296

Hon Michael Wood

Minister of Transport

BUDGET ECONOMIC AND FISCAL UPDATE 2023 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

Purpose

To update you on the 2023 Budget Economic and Fiscal Update (BEFU 23) forecast for the National Land Transport Fund (NLTF).

Key points

- Compared to the Half Year Economic and Fiscal Update (HYEFU 22), we expect a 16 percent decrease in NLTF revenue in 2022/23 and a 6 percent decrease, or \$635 million, over the 2021-24 National Land Transport Programme (NLTP 2021).

Table 1: Forecast NLTF revenue for NLTP 2021.

Financial Year	BEFU 23	HYEFU 22	Difference	
	(\$ million)	(\$ million)	(\$ million)	(%)
2021/22	3,809		n/a	n/a
2022/23	2,867	3,397	-529	-16%
2023/24	4,216	4,322	-106	-2%
Total	10,892	11,528	-635	-6%

- The decrease in revenue in this forecast is attributable to the Government's cost-of-living package that provides a 36 percent reduction in road user charges and 25 cent per litre reduction in fuel excise duty.
- Foregone revenue to the NLTF will be backfilled from a \$1.9 billion Crown appropriation. As at the start of April, the drawdown from this fund has been \$1.27 billion. Our forecasts indicate that the full appropriation will be utilised, but we will continue to monitor its drawdown. BEFU 23 will be published on the Treasury website on budget day, 18 May 2023¹. If you need additional information or support for any future public messaging, we are available to assist your office.

¹ <https://www.treasury.govt.nz/publications/budgets/forecasts>

Recommendations

We recommend you:

1 **refer** this briefing to Hon. Grant Robertson, Minister of Finance

Yes / No



 Marian Willberg
Manager, Demand Management and Revenue
 ..26/04/2023....

 Hon Michael Wood
Minister of Transport
 / /

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

Name	Telephone	First contact
Marian Willberg, Manager, Demand Management and Revenue	s 9(2)(a)	✓
James McDevitt, Senior Adviser, Demand Management and Revenue		

BUDGET ECONOMIC AND FISCAL UPDATE 2023 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

We provide updated National Land Transport Fund (NLTF) forecasts to the Treasury for its six-monthly Economic and Fiscal Updates

- 1 In 2012, Cabinet directed Te Manatū Waka the Ministry of Transport to report to the Minister of Finance and Minister of Transport on actual and forecast NLTF revenue and expenditure.
- 2 We refresh our forecasts of NLTF revenue based on the most up-to-date data at each of the Treasury's forecasting rounds. These six-monthly forecasts are based on a range of inputs such as fuel price, vehicle kilometres travelled and a range of macro-economic variables.
- 3 Revenue forecasts are intended to provide you with an opportunity to:
 - 3.1 identify and respond to immediate revenue pressures
 - 3.2 understand the revenue available under current policy settings to meet expenditure priorities, and help guide the development of funding ranges for the Government Policy Statement on land transport (GPS)
 - 3.3 help inform long-term revenue implications.
- 4 We compare the latest revenue forecasts with corresponding GPS 2021 forecasts that were used to set the expected expenditure for the 2021-24 National Land Transport Plan (NLTP 2021). When there are significant differences in revenue forecasts, this may require:
 - 4.1 Waka Kotahi NZ Transport Agency (Waka Kotahi) to reconsider how it gives effect to the GPS (for example, reprioritisation of activities or money between activity classes)
 - 4.2 you and your Cabinet colleagues to consider the transport revenue and investment settings (for example, change of direction in the GPS or the level of fuel excise duty (FED) and road user charges (RUC)).
- 5 These economic and fiscal update forecasts estimate future revenue to the NLTF, not the overall financial position of Waka Kotahi. They do not consider the investment demands or cost escalations, so they do not give the full picture of any potential investment gap. Further advice on expenditure, and forecast revenue, is provided through the GPS 2024 workstream.

Compared to the Half Year Economic and Fiscal Update (HYEFU 22), our updated forecasts predict a significant drop in NLTF revenue for 2022/23 due to the Government's temporary reductions to FED and RUC

- 6 Our forecasts make the following key assumptions:

- 6.1 There are no forecast increases to FED and RUC rates. This is consistent with the GPS 2021, which states there will be no increases in the next three years (2021, 2022, 2023).
- 6.2 There are no further significant travel restrictions due to COVID-19. This is in line with Treasury's assumptions and macroeconomic forecasts for this update.
- 6.3 The Government's transport decarbonisation policies are revenue neutral. It's unlikely this would be the case, but we are in the process of updating our models so that we can reliably include the impact of these policies in our revenue forecasts (refer OC220995).
- 7 Table 2 sets out a summary of the forecast revenue flow to the NLTF over the coming financial year. The drop in revenue is driven by the extension of the FED and RUC discounts provided as part of the Government's cost-of-living package, as announced in January this year.
- 8 Compared to HYEPU 22, Budget Economic and Fiscal Update (BEFU 23) forecasts a \$529 million, or 16 percent, reduction in revenue for 2022/23. Revenue from RUC is forecast to reduce by 16 percent, or \$251 million and FED revenue by 18 percent, or \$277 million.

Table 2: Comparison of forecast NLTF revenue for the 2022/23 financial year.

	BEFU 23	HYEPU 22	Difference	
	(\$ million)		(\$ million)	(%)
Road user charges	1,342	1,593	-251	-16%
Fuel excise duty	1,274	1,551	-277	-18%
Motor vehicle registration and licensing fees	235	236	-1	-1%
Track user charges	16	16	0	0%
Total	2,867	3,397	-529	-16%

- 9 Table 3 calculates the foregone revenue for low, medium and high volume NLTF revenue scenarios relative to the lower expenditure range in GPS 2021. In NLTP 2021, we are projecting a \$1.99 billion deficit compared to the lower expenditure range for the medium volume scenario. Similarly, we anticipate a \$2.1 billion deficit for the low-volume scenario, and a \$1.86 billion shortfall for the high-volume forecast.
- 10 Across all three scenarios, approximately 73 \pm 3 percent of the foregone revenue of the cost-of-living package occurs in 2022/23 and 22 \pm 1 percent in 2021/22, with 5 \pm 4 percent of the impact in 2023/24.

Table 3: Impact of low, medium, and high -volume NLTF estimates on meeting GPS 2021 lower expenditure ranges throughout NLTP 2021.

	GPS 2021 Lower Expenditure Range	NLTF		NLTF		NLTF	
		Low Scenario		Medium Scenario		High Scenario	
		(\$ million)		(\$ million)		(\$ million)	
2021/22	4,245	3,809	(-436)	3,809	(-436)	3,809	(-436)
2022/23	4,315	2,837	(-1,478)	2,867	(-1,448)	2,898	(-1,417)
2023/24	4,320	4,121	(-199)	4,216	(-104)	4,312	(-8)
Gap/Flexibility			(-2,112)		(-1,988)		(-1,860)

Note: yearly gap/flexibility is denoted in brackets against each scenario as either +/-.

- 11 A \$1.9 billion Crown appropriation was established to backfill the NLTF but this isn't included in our forecasts because of the Treasury's BEFU requirements (refer Treasury Circular 2023/01). To date, \$1.27 billion has been provided to Waka Kotahi to backfill the NLTF. If the Crown appropriation is drawn down in full there will be sufficient funds to meet the lower expenditure range for NLTP 2021 (Table 3). In general, our forecasts tend to underestimate revenue, especially since COVID-19 as people have been avoiding public transport and preferring private modes. We present a high to low traffic volume range in our forecasts to accommodate this variability. We expect actual revenue for financial year 22/23 to be between the medium and high-volume forecasts in Table 3.

We will continue to monitor NLTF revenue, and our next forecast will be the Pre-election Economic and Fiscal Update (PREFU 23)

- 12 We will continue to monitor actual NLTF revenue received on a quarterly basis, and we will update you through the weekly report if there are any material changes to the information in this briefing. We will also regularly assess the impact that any reduced revenue is having, or forecast to have, on expenditure under the NLTP 2021.
- 13 The next NLTF revenue report will be PREFU 23 and it will be provided to your Office and published on the Treasury website in August/September 2023. PREFU 23 will include actual NLTF revenue figures up to the 2022/23 financial year. Therefore, it will include the financial balance of the FED and RUC reductions for the full cost of the cost-of-living package if it is not extended further.