ANNEX 1 – LTIB requirements

The LTIB is a statutory requirement to be led by chief executives

1 The Public Service Act 2020 (Schedule 6, clauses 8 and 9) introduced a requirement for agencies to develop a Long-term Insights Briefing (LTIB) at least once every three years.

2 LTIBs are designed to be led by chief executives, who:

- are asked to produce a briefing in time for it to be presented to Parliament by 30 June 2022.
- are required to select the subject matter for the Briefing. They must do this by considering those trends, risks and opportunities that are particularly relevant to their department's functions.
- can select the time horizon that is the most appropriate for the area under investigation.
- must consider the consultation feedback when finalising the subject matter for the LTIB (before it is drafted) and then the content of the LTIB. This means genuinely considering matters raised during consultation. However, the final decision rests with chief executives and there may be good reasons not to adopt an approach suggested during consultat on.
- also need to appropriately consider Māori and Treaty interests as part of their thinking on the LTIBs.

3 The Public Service Act requires LTIBs to be produced independently of Ministers. This means that we will be keeping you informed of progress on a 'no surprises' basis.

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Document 10

20 July 2022

OC220518

Hon Michael Wood

Minister of Transport

cc Hon Kieran McAnulty

Associate Minister of Transport

UPDATE ON GPS 2024 DEVELOPMENT

Purpose

This briefing provides you with an update on the development of the Government Policy Statement on Land Transport 2024 (GPS 2024). Specifically, this briefing provides a proposed series of briefings for you and discusses options to structure GPS 2024 to help it to achieve your strategic priorities.

Key points

- We suggest a series of briefings for you to ensure officials remain aligned with your views as different parts of the GPS are developed. The topic of each briefing is tied to development stages of the GPS. This series of briefings will enable you to stay abreast of developments, while providing guidance or decisions as and when required.
- An A3 addressing some other GPS 2024 issues is appended, for your consideration and feedback. We are seeking your views on:
    - Whether the GPS should present a broad land transport strategy or limit itself to the scope of investment possible through the National Land Transport Fund (NLTF)
    - How directive you want to be on GPS priorities
    - How much focus there should be on the longer-term direction for land transport

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Recommendations

We recommend you:

1. **Note** the proposed timetable of briefings and engagement on GPS 2024
2. **Either:**

   Advise the Ministry of your feedback on the questions in the attached A3 — Yes / No

   OR:

3. **Agree** to meet with officials to discuss the questions in the A3 — Yes / No

Tim Herbert
Manager
20 / 07 / 2022

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
Tim Herbert, Manager, Investment	s 9(2)(a) [redacted]	✓
Alastair Farr, Principal Advisor, Investment		
Paul Hawkes, Senior Advisor, Investment		

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UPDATE ON GPS 2024 DEVELOPMENT

Background

1 We have previously reported to you on our plans for preparation of the next GPS (OC210614) and discussed possible strategic priorities for that document.

Strategy and the wider structure of GPS 2024

2 The GPS sets out the Crown's land transport investment strategy. Waka Kotahi and local authorities are then required to enact their parts of the government's strategy.

3 Providing clear, targeted strategic priorities helps local authorities understand your objectives, and gives them a strong indication of the types of projects that are likely to receive funding. Signalling of priorities will therefore aid in delivery of the associated outcomes.

4 Under the Land Transport Management Act 2003 (the Act), the scope of the land transport investment strategy is not limited to NLTF spending. Therefore, if a substantial proportion of land transport investment is to be direct-funded by government, the strategy can also provide signals about how the government intends to target its direct investments.

5 Once approved by Cabinet, such a strategy would also provide a foundation for future Budget and Climate Emergency Response Fund (CERF) bids.

6 You have indicated (OC210614 and Officials' meeting of 22 March 2022) your preferred strategic priorities for GPS 2024. s 9(2)(f)(iv) [redacted]

7 We are now seeking your views on:

- Whether the GPS should present a broad land transport strategy or limit itself to the scope of investment possible through the National Land Transport Fund (NLTF)
- How directive you want to be on GPS priorities
- How much focus there should be on the longer-term direction for land transport.

8 An A3 outlining these options is attached. We would welcome the opportunity to discuss this with you at your convenience.

Next steps

9 A high-level project plan for development of GPS 2024 is attached as Annex 1. This schematic provides a more streamlined view of the work-streams than that described in OC210614, but still covers the same territory.

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10 Based on this plan, we envisage a series of briefings for you as shown in Table 1 below. The topic of each discussion is tied to the development stage of the GPS. This series of briefings will enable you to stay abreast of developments and provide officials with guidance or decisions, as and when required.

s 9(2)(f)(iv)

[redacted]

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Annex 1: Plan at a Glance

Annex 2: Strategic Priorities A3

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Annex 1: Plan at a Glance

GPS on Land Transport 2024

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Update on GPS 2024 Development [OC220518]

	Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23
Strategic priorities	**July 2022** Refine strategic priorities for GPS **September 2022** Strategy for Budget 2023			
Emissions Reduction	**July 2022** Outline how GPS needs to support delivery of ERP actions			
Funding and financing	**June 2022** Determine base spend requirements (WK) **July 2022** Determine discretionary expenditure for priorities **August 2022** Align activity classes with priorities (WK)	**October 2022** Collate existing commitments and id gap **December 2022** Submit budget bids (TSY) **October 2022** LTRR completed (TSY) (WK)	**March 2023** Update NLTF revenue forecasts (MBU)	
Monitoring and VFM	**August 2022** Draft evaluation reports **September 2022** Options for performance measures (WK) **September 2022** Baselining GPS (WK)			
Design of the GPS	**August 2022** Review effectiveness of GPS framework, and consider mechanisms (WK) **September 2022** Preliminary draft completed (WK)			
Engagement	**June 2022** Standing up working arrangements (WK) **July/Aug 2022** Preliminary public engagements – listening sessions	**TBC 2022** LGNZ **TBC 2022** Māori engagement	**February / March 2023** Public consultation process	
Ministerial engagement	**Regular meetings with Minister**	**December 2022** Draft consultation version to Minister	**Feb 2023** Min/Cab Approval **March 2023** Report back on consultation	**May 2023** Budget 2023 **May 2023** Min/Cab Approval **End June 2023** Publish final document

KEY

- Programme activities
- Public activities
- Related work

Key areas of focus for other agencies
- WK Waka Kotahi
- TSY Treasury

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Annex 2: Delivering your land transport priorities

GPS on Land Transport 2024

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Update on GPS 2024 Development [OC220518]

Context for GPS 2024

The next 10 years will represent a significant shift in the way New Zealand's land transport system operates. This will involve significant reductions in carbon emissions, while ensuring that the land transport system continues to meet the needs of all New Zealanders - from congested urban centres through to rural and provincial communities.

GPS 2024 is a critical opportunity for Government to set the right guidance for investments that will achieve these objectives.

Planning for uncertainty

While the transition is clearly signalled through the Emission Reduction Plan, it remains far from clear how the various actors within the transport system will respond.

Given this level of uncertainty the GPS needs to be as directive as possible about the Government's overall priorities and objectives, while maintaining sufficient flexibility to allow investments to adapt to a changing strategic environment and emerging patterns of behaviour.

Managing revenue and expenditure pressures

There is limited capacity within the NLTF to meet all of the Government's aspirations for land transport over the next ten years.

s 9(2)(f)(iv)

[redacted]

Increases in input costs are having impacts on the affordability of transport projects, resulting in project delays. The costs of maintaining and renewing the existing network are assuming a larger proportion of NLTP revenue.

On the revenue side, the more successful we are at reducing VKT, the less revenue is available. In addition, the Government has also responded to immediate cost-of-living challenges by discounting fuel taxes and public transport fares.

We need to find sustainable solutions to address the funding shortfall, while continuing transform the network to support the preferred future.

Your priorities

Your proposed priorities reflect the balance between driving system change, while ensuring the existing network remains available:

s 9(2)(f)(iv)

[redacted]

How can the GPS enable these priorities?

Provide a complete land transport investment strategy

Given the wider funding pressures (and increasing share of Crown funding), the GPS should provide a more holistic investment strategy that outlines how all funding sources will be used to support delivery.

This includes, for example, Crown funding sources such as CERF as well as innovative funding mechanisms, such as Green Bonds. This is a key focus for the Land Transport Revenue Review.

Send clear investment signals

Describe the priorities in a practical way to guide investment decision-making to maximise 'best' results – while giving Waka Kotahi and other partners the flexibility to manage the specific response.

This may involve, for example, providing guidance on the relative weightings of different priorities, and requiring integrated approaches to planning.

GPS should also set stronger signals to support the longer-term direction for the system. This, includes, for example:

- supporting the coordinated implementation of medium-term "mezzanine" strategies such as Emissions Reduction, Road to Zero and the National Freight and Supply Chain Strategy,
- the integration of transport planning into long-term regional spatial strategies.

Feedback on proposed directions

Your feedback is sought on the following questions

1 **Should the GPS present a land transport investment strategy that is wider than the NLTF?**

This ensures Government can set a holistic direction, and it is consistent with advice presented as part of the Land Transport Revenue Review.

However, this may present a challenge where the GPS signals strategic objectives in advance of the Budget process, where proposed investments are assessed against other Government priorities. On the other side, an investment strategy would signal intentions and objectives for the system which could be used to support the case for future investment.

s 9(2)(f)(iv)

[redacted]

2 **How directive do you want to be on GPS priorities?**

Developing clear guidance on achieving the priorities is essential, but we need to maintain flexibility for Waka Kotahi and partners to respond. This will be underpinned by appropriate performance monitoring.

Example: directing the response
The GPS could provide greater direction on how the priorities should be applied (especially where there is a conflict):

- confirming the order of priorities
- providing greater guidance on how the priorities to be achieved (to inform the responses sought)
- outlining a hierarchy of interventions to guide integrated responses.

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TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Document 12

21 July 2022

OC220536

Hon Kieran McAnulty
Associate Minister of Transport

cc Hon Michael Wood
Minister of Transport

DELEGATED BOARD APPOINTMENTS - YOUR ROLE AS ASSOCIATE MINISTER

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Purpose

To provide you with an overview of your role in making appointments to entities delegated to you by the Minister of Transport, decisions and action taken to date, and action required this year across all delegated appointments.

Key points

- This advice on board appointments follows your initial briefing on your delegated responsibilities as Associate Minister of Transport (OC220537 refers). It is a companion briefing to advice we will provide you on effective monitoring of your delegated Crown entities' performance (OC220575 refers).

- Board appointments are one of your key levers for improving the performance of your delegated Crown entities: the Civil Aviation Authority and Maritime New Zealand. To be effective, a board needs to have the right mix of skills, experience, and diversity. Crown entity board members in the Transport portfolio collectively require governance, financial, risk and assurance, regulatory, and relevant sector experience. Increasing diversity on boards and committees is also desirable across the portfolio.

- Appointments to the Oil Pollution Advisory Committee, Aviation Medical Conveners and Air Navigation System Review Panel are also within your delegated responsibilities.

- The Ministry will support you across the appointments process. This includes providing advice in advance of a member's term expiring, and facilitating the search, interview, and due diligence processes on your behalf. A summary of the appointments process is listed **at Appendix Two** for your reference.

- We would like to meet with you to discuss appointments further, including to understand your priorities and intentions. The most pressing action required is attending the Cabinet Appointments and Honours Committee (APH) meeting on 27 July 2022. At this meeting, APH will be asked to note the intention to appoint Alma Hong and reappoint Jill Hatchwell to the Civil Aviation Authority Board. We will liaise with your office to submit the paperwork in time for this meeting (briefing OC220428 refers).

- The next priority is addressing the position of Aviation Medical Convener. Although their term expires in October, there is no provision for them to continue past their term if they are not reappointed or replaced.

Recommendations

We recommend you:

1 **indicate** if you want to discuss your delegated board appointments further with officials. Yes / No

Sarah Polaschek
Manager, Governance
21 / 07 / 2022

Hon Kieran McAnulty
Associate 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
Allan Prangnell, Deputy Chief Executive, System Performance & Governance	s 9(2)(a)	
Sarah Polaschek, Manager, Governance		✓
Wayne Church, Governance Advisor		

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DELEGATED BOARD APPOINTMENTS - YOUR ROLE AS ASSOCIATE MINISTER

Determining who is on your delegated boards is one of your key levers to influence performance in the transport sector

1 As the Associate Minister of Transport with delegated responsibility for specific entities, your strongest influence towards shaping their governance direction is through setting expectations with those boards, ongoing engagement and monitoring, and through board appointments.

2 The extent of your appointing power is determined by either legislation or terms of reference. The different types of entities for which you have been delegated responsibility, and their appointment structures, are as follows:

2.1 **Crown Agents:** Sections 28 and 29 of the Crown Entities Act 2004 outline the roles and responsibilities of the Responsible Minister in relation to Crown entity appointments.

The Civil Aviation Authority (CAA) and Maritime New Zealand (MNZ) are two Crown agents for which you have been delegated responsibility. This includes appointing and (in exceptional circumstances) removing Crown agent board members, with the agreement of the Minister of Transport. Members may be appointed for terms of up to three years.

Crown agents have statutorily independent functions but must also give effect to government policy at your direction.

2.2 **Legislative and Technical Advisory Committees:** The Oil Pollution Advisory Committee (OPAC), Aviation Medical Conveners and Air Navigation System Review Panel are three bodies within the transport portfolio that fall within this remit. These groups exist to provide independent assurance or technical advice on a specific subject matter area.

2.2.1 **OPAC** advises MNZ's Board on New Zealand's Marine Oil Spill Response Strategy, the use of the Oil Pollution Fund, and other matters as directed by yourself or the Director of Maritime New Zealand. You have been delegated responsibility for both appointing and determining the terms and conditions of membership to OPAC under section 282 of the Maritime Transport Act 1994. OPAC is largely made up of industry representatives whose appointments are linked to their job.

2.2.2 The **Aviation Medical Convener** and Deputy Convener are appointed under section 27J of the Civil Aviation Act 1990 by the Responsible Minister to review medical certification decisions made by the Director of Civil Aviation. These roles are held by medical practitioners with knowledge in civil aviation and who can represent the public interest in aviation safety. The conveners can be appointed for up to three years at a time.

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2.2.3 The **Air Navigation System Review Panel** was established in May 2022 by the Minister of Transport to undertake a high level, first principles review of New Zealand's air navigation system. Under the review's terms of reference, members are appointed by the Minister for the period of the review, which is expected to run until May 2023.

3 A full list of all members is attached in **Appendix One** for your reference.

You have a statutory obligation to appoint members with appropriate skills, knowledge, and experience to enable the Crown entity to perform effectively

4 Appointing highly capable and effective boards with the right mix of skills and experience helps ensure CAA and MNZ deliver on your policy intent, and that they perform to a high standard.

5 Section 29 of the Crown Entities Act requires that you only appoint, or recommend the appointment of, individuals you consider have *"the appropriate knowledge, skills, and experience to assist the statutory entity to achieve its objectives and perform its functions."* You are also required to *"take into account the desirability of promoting diversity"* through your appointments to CAA and MNZ. There are very few specific rules on the composition of appointments within transport legislation, but in general, the Ministry seeks to ensure all Crown entity boards possess the following competencies at a minimum:

5.1 **at least two directors with strong governance experience, with one of these directors ideally being the Chair**: ideally, these directors have public and private sector experience and possess the ability to ask the right questions of management, distinguish between governance and management, and understand and perform governance functions. They should also be able to build strong relationships with a wide range of stakeholders, develop and guide an entity's strategy, and deliver on Government policy and direction.

5.2 **a director capable of chairing the Board's Audit and Risk Committee**: the Ministry considers audit and risk to be a core governance function of an entity, as strong risk and assurance functions ensure the Board can have confidence that an entity will deliver its core functions. The Ministry's preference is the Audit and Risk Committee Chair is not the Board Chair, to enable the Committee to have an independent perspective.

5.3 **at least one director with strong financial capabilities**: this director will have a deep understanding and experience of funding mechanisms, including a strong understanding of how public sector funding works, and cost recovery.

5.4 **at least one director with regulatory experience**: the Ministry considers this is a core competency for the boards of MNZ and CAA as these agencies are statutory regulators. Regulators ensure the safety and integrity of the transport system, and this director will have experience either in a regulated industry or as a regulator. They should also be able to understand the impacts of regulation on a sector. The importance of having this skillset on a board was emphasised in the reviews into the regulatory failure which occurred at Waka Kotahi.

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5.5 **at least one director with relevant sector experience**: both the Civil Aviation Act 1990 and Maritime Transport Act 1994 require that you appoint individuals who you “consider will represent the public interest” in civil aviation or maritime matters. Both Acts also include requirements around seeking nominations from industry for a certain percentage of positions.

5.6 **various professional competencies expected or sought from directors depending on each agency’s statutory functions.**

5.7 **teamwork and critical thinking**: directors should be able to work well as part of a team, act in the best interests of the entity they are governing and possess a diverse range of perspectives and approaches to issues.

How the Ministry will assist you

6 The Ministry, as your monitoring agency, manages the search, due diligence, and appointment process for members on your behalf and provides you with governance-related advice (particularly for the Crown entities) throughout the year. The Ministry also provides an induction for new Crown entity board members, ideally within three months of appointment. An overview of our standard appointments process is attached in **Appendix Two** for your information.

7 The Ministry completes the appointment process in close consultation with the Chairs of each entity (or in consultation with the Deputy Chair if the Chair’s position is under consideration). This relationship is critical as the Chair leads the performance of the entity, oversees board meetings and member performance, and is heavily involved in the processes for disclosing and managing conflicts of interest. We recommend you engage regularly with the Chairs of CAA and MNZ and that these meetings include opportunities to discuss board performance, appointments, current composition and gaps, development, succession planning and ideal candidates for future appointments.

8 The appointments process usually takes between six and nine months, depending on the nature of the appointment and search process agreed to. Reappointments take less time to complete as a search and interview process does not need to be conducted, and expedited appointments can occur at your discretion (generally speaking, this has occurred in exceptional or unexpected circumstances such as the resignation of a Chair). As a result, the Ministry will advise you well in advance of the end of a board member’s term about the process. **Appendix One** has the details of members’ terms for your delegated entities.

9 The Cabinet Manual enables you as an Associate Minister to submit appointment proposals for your delegated entities to the Cabinet Appointments and Honours (APH) Committee, with the agreement of the Minister of Transport. The Ministry will support you with the paperwork needed to submit appointment proposals to the APH Committee.

10 If an appointment process is not completed prior to the end of a term, most members can continue in their role until they are either reappointed or replaced. This is provided for in section 32(3) of the Crown Entities Act, or a committee’s terms of reference. The exception to this in your delegated entities are the Aviation Medical

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Conveners, as the legislation for these roles do not allow them to continue in office following the expiry of their term.

Appointments can be scrutinised

11 Appointments, particularly those of Chairs, can be subjected to high levels of scrutiny. Information about decision-making can be also requested under the Official Information Act 1982. It is important that the appointment process is completed as openly and transparently as possible, with the necessary time being allocated for due diligence testing of new appointees. The Ministry follows the Public Service Commission's *Board Appointments and Inductions Guidelines* to ensure the appointment process reflects best practice.

You can act if you are dissatisfied with a member or a board's performance

12 It is recommended that you discuss any concerns about a member or entity's performance with the Ministry, Minister of Transport, and/or the Chair as soon as practicable, to determine what action can be taken. The Ministry will raise matters with you as soon as possible to meet the 'no surprises' principles outlined in the Cabinet Manual.

13 The Ministry engages regularly with Crown entities as part of our ongoing monitoring work. We seek to ensure that Crown entities continue to deliver their functions to a high standard. Our experience, particularly following the reviews into the regulatory failure at Waka Kotahi and the CAA organisational culture review, is that Crown entity boards need to:

13.1 exercise active leadership across all their entity's functions

13.2 have all members aware of each of their entity's functions and have appointees with proven subject matter expertise and experience leading the oversight of those functions

13.3 ensure that good organisational culture and practices are in place, including a zero-tolerance approach to bullying and harassment and an understanding about how an organisation's policies are translated into practice.

14 Those reviews also highlighted the importance of the Ministry's monitoring function and recommended our monitoring approach critically assesses whether the right information is being fed to the board so that they can discharge their governance functions effectively. As monitors, we need to ensure our work programme covers all entity functions and insight gained from our work is communicated to yourself and Chairs.

15 If, however, you consider that board members are not performing to expectations, as the delegated Responsible Minister you have the option not to reappoint them at the end of their term, with the agreement of the Minister of Transport.

16 In exceptional circumstances, you can remove a board member or the entire board. However, removing multiple board members or the entire board is generally undesirable because it results in a loss of continuity, institutional knowledge and can

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create governance risks for an entity. Additionally, it may have negative reputational effects for the wider governance of Crown entities.

Appointments are needed for most of your delegated boards this year

17 Across your delegated boards, some appointment processes are more advanced than others, due to decisions already made by the Minister of Transport. **Appendix Three** summarises the current situation for each board's membership, the rationale behind decisions made, and the planned approach for the rest of this year. The steps highlighted in **bold** in Appendix Three is your expected involvement in each process.

18 In order of priority, the following decisions are required over the next month:

18.1 **CAA**: The Ministry has drafted a paper and talking points for the APH Committee meeting on 27 July 2022, proposing one member reappointment (Jill Hatchwell) and one new appointment of a sixth member (Alma Hong) to the CAA Board, which the Minister of Transport has agreed to. **We recommend you attend this APH meeting to speak to the proposal**.

s 9(2)(f)(iv)

[redacted]

18.3 **MNZ**: The Ministry will soon seek your agreement on a recommended shortlist for two member roles on the MNZ Board, once we receive the Chair's views on the candidates.

19 Later this year, we will provide you with advice on the CAA Board, particularly regarding the Chair and a member whose terms end on 2 December 2022. [redacted]
s 9(2)(f)(iv)

20 We will also recommend appointments to OPAC before the end of 2022, once we receive nominations from participating organisations.

Further diversity is needed across the Transport portfolio

21 Governments in the last two parliamentary terms have sought to improve diversity on public sector boards and committees, particularly gender and ethnicity. The *2020 Stocktake on Gender, Māori, Pacific and Ethnic Diversity on Public Sector Boards and Committees* identified that women represent 50.9 percent of all appointees to public sector boards and committees, while the ethnic composition is at 71.4 percent European, 22.3 percent Māori, 5.4 percent Pacific and 4.0 percent Asian.

22 The Transport portfolio is currently under-represented in both gender and ethnicity, with 35.2 percent of members across all boards and committees being female. For the Transport Crown entities, City Rail Link Ltd and Auckland Light Rail Board, the proportion of women on these boards increases to 45.2 percent. 4.4 percent of all members identify as having a New Zealand European ethnicity. The Ministry is

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endeavouring to improve these statistics, ensuring that diversity is carefully considered in each appointment process. We are also working with the Public Service Commission along with other appointing agencies on initiatives to identify and attract diverse candidates.

23 The Ministry is working with Chairs and other agencies to offer opportunities to talented individuals who aspire to serve on Crown boards, to increase the pool of suitable directors for roles across the public sector. The Chairs of CAA and MNZ have expressed interest in appointing Future Directors to their boards. These are non-voting positions, typically appointed for 12 or 18-month periods, which provide appointees with valuable experience participating on a governing board.

Remuneration for board and committee members will need to be reviewed next year

24 Fees for members of your delegated boards are set by the Cabinet Fees Framework (the Framework). Fee ranges in the Framework reflect the element of public service involved in being on these boards and committees.

24.1 For the CAA and MNZ boards, the Framework sets annual fee levels on the assumption that members spend around 30 days a year and a chair around 50 days a year on board matters.

Each entity's fees are currently set below or within the applicable fee range prescribe in the Framework and will need to be reviewed next year.

24.2 The Medical Convener is paid a daily fee, currently an exception outside the fee range in the Framework (briefing OC220494 will provide further detail).

24.3 Members of the Air Navigation Systems Review Panel are paid a daily fee.

24.4 Members of the Oil Pollution Advisory Committee are not paid any fees.

25 The Ministry was in the process of reviewing the fees for the transport sector Crown entities covered by the Framework prior to COVID-19, as many are out of step with comparable agencies and need to be increased. The current fees also do not adequately compensate board members for the increased responsibilities and accountabilities they are now subject to (for example, work in response to Ministerial reviews). The fees review was postponed due to the COVID-19 outbreak and the Ministry intends to revisit the matter at a more appropriate date next year.

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Appendix One: Current Membership on Delegated Boards

CIVIL AVIATION AUTHORITY (CAA)

Members	Original appointment date	Expiry date of current term
Janice Fredric (C)	03/12/2019	02/12/2022
Steve Haszard (DC)	08/03/2021	29/02/2024
Hon Harry Duynhoven	29/05/2019	30/06/2023
Jill Hatchwell*	01/07/2019	30/06/2022
Charles Spillane	03/12/2019	02/12/2022
[Agreed vacancy]		

*Continuing in office under section 32(3) of the Crown Entities Act 2004.

MARITIME NEW ZEALAND (MNZ)

Members	Original appointment date	Expiry date of current term
Jo Brosnahan (C)	01/07/2018	30/06/2024
Belinda Vernon (DC)*	01/05/2013	30/04/2022
Denis O'Rourke*	01/05/2019	30/04/2022
Danny Tuato'o	1/08/2020	30/06/2024
Roy Weaver	21/02/2019	30/06/2024

*Continuing in office under section 32(3) of the Crown Entities Act 2004.

AVIATION MEDICAL CONVENER & DEPUTY CONVENER

Members	Original appointment date	Expiry date of current term
Dr Martin Peterson	24/04/2009	31/10/2022
Dr Martin Robb (Deputy)	04/10/2010	30/04/2024

AIR NAVIGATION SERVICES REVIEW PANEL

Member	Original appointment date	Expiry date of current term
Debbie Francis (Chair)	1/06/2022	28/04/2023
Howard Fancy	1/06/2022	28/04/2023
Ed Sims	1/06/2022	28/04/2023
Danny Tuato'o	1/06/2022	28/04/2023

OIL POLLUTION ADVISORY COMMITTEE (OPAC)

Member	Representation	Original appointment date*
Kirstie Hewlett (Chair)	*Maritime New Zealand*	01/12/2021
Captain Keith Brown	*Shipping Industry Representative*	01/05/2018
Nigel Clifford (Interim Chair)	*Maritime New Zealand*	01/10/2012
Shelley Tucker	*Te Manatū Waka Ministry of Transport*	01/05/2018
Richard Wells**	*New Zealand fishing industry*	6/07/2015
Fred McLay	*Regional Council management*	10/10/2016
Captain James (Jim) Dilley	*Regional Council Representative*	11/08/2017
Professor Chris Battershill	*Community Representative*	12/08/2019
Carlton Bidois	*Iwi Representative*	12/08/2019
Leonard Bentley	*International container shipping representative (held by Maersk)*	22/03/2021
Dylan Reid	*Oil and gas production industry representative (held by OMV)*	01/12/2021
Rhys Wellbourn	*Port Chief Executives Group*	01/12/2021
Simon Lamping	*Ministry for the Environment*	01/12/2021
John Harbord	*New Zealand Shipping Federation*	18/05/2022
Kirstie Knowles	*Department of Conservation*	18/05/2022
Jessica Smith	*Te Puni Kōkiri*	18/05/2022
Captain Martin Burley	*Z Energy Ltd*	18/05/2022
Vacancy	*New Zealand Association of Shipping Agents*	N/A
Vacancy	*Regional Council Representative*	N/A
Vacancy	*BP Oil Ltd*	N/A
	Observer Status on Committee	
Toby Stone	*Australian Maritime Safety Authority*	2010
Nick Quinn	*Australian Marine Oil Spill Centre*	14/02/2012

*Terms expire when member changes job or resigns.

**Leaving in December 2022.

KEY

Term ends	2022
Term ends	2023
Term ends	2024
C	Chair
DC	Deputy Chair

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Appendix Two: Standard Appointments Process[1]

[1] This is an abbreviation of the Public Service Commission's *Board Appointment and Induction Guidelines* – available here: https://www.publicservice.govt.nz/assets/SSC-Site-Assets/System-and-Agency-Performance/Board-Appointment-and-Induction-Guidelines.pdf

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Appendix Three: Planned Approach for 2022 Appointments

Crown entity — Other entity — Current female member — Current male member — Female member proposed to be reappointed, or position filled by a new female member — Position to be filled by a new member

Civil Aviation Authority (CAA)	Maritime New Zealand	Aviation Medical Convener and Deputy Convener (the Convener)	Oil Pollution Advisory Committee	Air Navigation Services Review Panel
The Authority has 5 members (5 - 7 allowed) • 2 members are women (1 is proposed for reappointment). • Another woman is proposed for appointment as the 6th member ( ). • The terms of the Chair ( ) and 1 member ( ) expire in December 2022. s 9(2)(f)(iv) [redacted]	The Board has 5 members (5 - 7 allowed) • 2 members are women (1 is outgoing). • New appointments are needed to replace 2 members.	These are two positions (2 allowed) • Both positions are held by men. • The term of the Medical Convener expires at the end of October 2022. There is no provision for them to continue beyond the expiry of their term.	The Committee has 16 members (20 can be appointed) • Four members are women. • There are four vacancies for representatives from the NZ Association of Shipping Agents, Regional Councils, BP Oil, and NZ Fishing Industry.	The Panel has 4 members (no required number/limit) • The Panel operates for the duration of the review and will disband in May 2023. The review is a high level, first principles review of New Zealand's air navigation system.
Decisions and action taken • In May 2022, three candidates were interviewed for the 6th member position who had ICT expertise to oversee replacement of the CAA's regulatory technology platform. Minister Wood agreed to appoint Alma Hong to this role. She brings knowledge of ICT transformation in the public sector, understanding of emerging technologies, and ethnic diversity (Chinese New Zealander). • Minister Wood has also agreed to reappoint Jill Hatchwell.	***Decisions and action taken*** • In February 2022, Minister Wood decided not to reappoint Deputy Chair Belinda Vernon and member Denis O'Rourke. Their terms have expired, and they have agreed to continue until new appointments are made, which the Crown Entities Act 2004 allows. • The Ministry advertised the two member positions and a Future Director (non-voting) role in May 2022. Competencies sought include financial and accounting, governance, regulatory/health and safety/maritime experience, and understanding of supply chains, climate change and Te Tiriti and Te Ao Māori. • 50 applications and nominations were received. The Ministry has sought the Chair's views on a draft shortlist of nine candidates for the two member positions.	***Decisions and action taken*** s 9(2)(f)(iv) [redacted]	***Decisions and action taken*** • In April 2022, Cabinet confirmed Minister Wood's appointment of three new representative members to the Committee.	***Decisions and action taken*** • In May 2022, Cabinet confirmed Minister Wood's appointment of four members to the Panel.
Planned Approach • The Ministry has drafted a paper for the Cabinet APH meeting on 27 July 2022, proposing the appointment and reappointment. **We recommend attending this APH meeting**. If the APH Committee and Cabinet confirm the proposal, (re)appointment letters will be sent, and appointment gazetted. • The Chair is currently recruiting for a Future Director (non-voting member) who can bring a Māori and/or Pasifika perspective to the CAA. s 9(2)(f)(iv) [redacted]	***Planned Approach*** • Once we have the Chair's views, we will **seek your agreement on the shortlist** for the member roles and arrange interviews in July. • The Ministry will advise you of the outcome of the member interviews in August 2022 and **seek your agreement on appointees**. • Following due diligence, we will provide you with an APH paper for consultation. If there are no issues, the Cabinet APH Committee could consider the proposed appointments in September 2022. If Cabinet confirms the proposal, appointment letters will be sent, and appointments gazetted.	***Planned Approach*** s 9(2)(f)(iv) [redacted]	***Planned Approach*** • The Ministry has been approaching relevant organisations for nominations for the remaining four representative positions on the Committee. • Once enough nominations have been received, the Ministry will undertake interviews and other due diligence with the candidates. We will **advise you of recommended appointments** for these positions before the end of 2022.	***No further action needed in 2022***

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TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Document 13

21 July 2022 | OC220467

Hon Grant Robertson

Minister of Finance

Hon Jan Tinetti

Minister of Internal Affairs

Hon Michael Wood

Minister of Transport

CC: Hon Kieran McAnulty

Associate Minister of Transport

Action required by:

As soon as practicable

Chatham Islands Ship Replacement: Authorisation to access contingency funding for required maintenance

Purpose

To seek your authorisation to access Budget 2022 contingency funding to enable the Chatham Islands vessel, the Southern Tiare to undergo its required maintenance to remain legally seaworthy before March 2023. We have consulted the Treasury and Department of Internal Affairs (DIA) in writing this briefing.

Key points

- As part of Budget 2022, Cabinet approved $35.1 million in contingency funding to support the Chatham Islands to replace its current vessel, the Southern Tiare, and to support its maintenance until a replacement vessel is delivered.

- This briefing seeks joint approval to draw down s 9(2)(i) of the $35.1 million contingency funding to allow the Southern Tiare to receive its required maintenance before March 2023. This maintenance is known as a "special survey", which occurs every five years to ensure the vessel remains legally and operationally seaworthy.

- The maintenance costs are higher than initially anticipated. This may impact on future decision-making around the type of replacement vessel that can be purchased. The Chatham Islands Enterprise Trust (CIET) are aware that funding is finite and are managing this carefully.

- The vessel managers, ASP Ship Management, recently undertook the procurement process to select a shipyard to perform the special survey. They have recommended that Titan Marine Engineering in Auckland undertake this work largely due to the high risks associated with international supply chains and COVID-19 lockdowns in some overseas jurisdictions. It is expected to take two months and cost s 9(2)(i) (seeking s 9(2)(i) as a contingency).

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- The Ministry of Primary Industries has raised recently some concerns about animal welfare for the period which the ship is in survey. MPI is looking into whether an alternative ship may be required for that period. The Ministry has raised MPI's concerns with CIET. CIET notes that selecting a New Zealand shipyard result in less time where the ship is out of service, and that they are working with farmers to minimise any impacts. We will update Ministers on this issue if it continues to cause concerns.

- We note the Budget funding had a number of conditions attached to it, including determining the business operating model, ownership model and governance arrangements for the future shipping solution. Alongside this, the tagged contingency funding could be drawn down into either Vote Transport or Vote Internal Affairs.

- Given the urgency of the maintenance required on the Southern Tiare we seek agreement to draw down the maintenance funding into Vote Transport now.

- Further work will occur between agencies and CIET over the coming months to satisfy the full set of conditions and determine which agency should manage the appropriation and work going forward. Neither the Ministry of Transport (MoT) nor DIA have expertise in ship procurement and therefore more consideration needs to be given to how the procurement should be managed. MoT has begun engagement with the Ministry of Defence, who we understand has expertise in this area, alongside the Navy.

- s 9(2)(g)(i) [redacted] Treasury advised that a broader review of infrastructure investment, possibly led by the DIA, should be undertaken to consider what investments are being made and by whom, and consider future infrastructure requirements of the Islands. We are seeking clarity from Ministers on whether they wish to direct DIA to undertake this review before the ship procurement proceeds or if officials should just continue to proceed with the ship procurement process. A broader review is likely to take longer and could slow the procurement process, but may also inform the final ownership and operational arrangements.

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Recommendations

We recommend you:

1 **note** that as part of Budget 2022 financial recommendations agreed by the Minister of Transport and the Minister of Finance on 14 April 2022, Cabinet and the Ministers of Finance and Transport:

1.1 **agreed** to support the Chatham Islands to replace its current vessel, the Southern Tiare as it reaches the end of its life, including funding to support short-term maintenance of the Southern Tiare until a replacement vessel is delivered

1.2 **agreed** to establish a tagged operating contingency of up to the following amounts to provide for recommendation 1.1:

	$m – increase/(decrease)				
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services – Tagged Operating Contingency	-	11.020	24.080	-	-

1.3 **agreed** that the contingency may be drawn down by the Minister of Transport, the Minister of Internal Affairs and the Minister of Finance (establishing any new appropriations as necessary), upon their joint satisfaction with further work to confirm the ownership model, business operating model and governance arrangements for the future shipping solution

1.4 **noted** that the contingency may be drawn down into Vote Transport or Vote Internal Affairs as required

2 **note** that further work to determine which appropriation the contingency funding will be drawn down into (Vote Transport or Vote Internal Affairs) for the vessel replacement is ongoing

3 **note** that the Chatham Islands Enterprise Trust, with assistance from officials, are progressing work on the ownership model, business operating model and governance arrangements for the future shipping solution, with an expectation that further advice will be provided to Ministers on these matters in the coming two months

4 **note** that while this work is being completed, funding is urgently required to support the upcoming required special survey for the Southern Tiare

5 **agree** that as the Minister of Transport, the Minister of Internal Affairs and the Minister of Finance (Joint Ministers), you are satisfied funding for the short-term maintenance of the Southern Tiare can now proceed, noting further work will be undertaken to fulfil the funding conditions for the replacement vessel Yes / No

6 **agree** to establish the following new appropriation: Yes / No

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Transport	Minister of Transport	Ministry of Transport	Supporting a Chatham Islands Replacement Ship	Non-Departmental Other Expense	This appropriation is limited to funding to support the replacement of the current shipping vessel supporting the Chatham Islands, including the costs of short-term maintenance of the existing vessel until a replacement ship is delivered.

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7 **approve** the following changes to appropriations to provide for the decision in recommendation 5 above, with a corresponding impact on the operating balance: Yes / No

	$m – increase/(decrease)				
Vote Transport **Minister of Transport**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Non-Departmental Other Expense: Supporting a Chatham Islands Replacement Ship	-	s 9(2)(i)		-	-
Total Operating	**-**	s 9(2)(i)		**-**	**-**

8 **agree** that the proposed changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply Yes / No

9 **agree** that the expenses incurred under recommendation 6 be charged against the 'Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services tagged operating contingency', described in recommendation 1.2 Yes / No

10 **note** that, following the adjustments detailed in recommendation 6 the remaining balances and indicative phasing of the operating contingency described in recommendation 1.2 will be:

	$m – increase/(decrease)				
	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
	-	s 9(2)(i)	24.080	-	-

11 **note** the Treasury's view that Crown investments being made into the Chatham Islands to date have been largely ad hoc, and that no single agency has oversight of the range of investments being made

12 **consider** the options to progress work on the vessel replacement:

a. **instruct** officials from the Department of Internal Affairs, to conduct a broad-based review of infrastructure investments and sustainability of the Chatham Islands infrastructure Yes / No

and / or

b. **instruct** officials to continue working on the Chatham Islands ship replacement project with that Chatham Islands Enterprise Trust without the need for a review in recommendation 12a Yes / No

and / or

c. **meet** with officials from the Department of Internal Affairs and the Ministry of Transport to discuss an appropriate way forward. Yes / No

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Joanna Heard **Policy Delivery Lead, Supply Chain** ..... / ...... /	Hon Grant Robertson **Minister of Finance**
Hon Jan Tinetti **Minister of Internal Affairs** ..... / ...... /	Hon Michael Wood **Minister of Transport** ..... / ...... / ......

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Contacts

Name	Telephone	First contact
Joanna Heard, Policy Delivery Lead, Supply Chain	s 9(2)(a)	
Callum Gill, Senior Adviser, Supply Chain	s 9(2)(a)	✓

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Background

1 Officials previously wrote to Ministers (Transport and Internal Affairs) regarding the Chatham Islands vessel replacement in October 2021 (MoT OC210765 refers). This advice outlined the case for Government investment in supporting the Chatham Islands Enterprise Trust (CIET) to replace its aging vessel, the Southern Tiare.

2 That paper provided an overview of the key information in the CIET's business case for a replacement vessel. It also outlined several unresolved issues, such as finalised ship design, the role of Government in owning or having ownership interests in a new vessel and Government's desired outcome for any support.

3 Given the urgency of the matter (specifically the requirement of a special survey in early 2023 and an aging ship), we recommended that this be taken forward as a Budget bid for consideration as part of Budget 2022. As a result, $35.1 million was approved as contingency funding. This funding is to cover the replacement of the vessel and any required maintenance to the current vessel to ensure it remains seaworthy before its replacement is available.

4 Ministers have imposed conditions on accessing this funding, directing officials to provide further advice relating to confirming the ownership model, business operating model and governance arrangements for the future shipping solution. Ministers also noted this funding could be drawn down into either Vote Transport or Vote Internal Affairs. Work on this has begun and we intend to report back to Ministers in the coming two months.

5 The immediate focus of officials and CIET is to work on securing funding for the Southern Tiare to ensure it can enter special survey on time. Based on our discussions with Treasury officials, we believe these conditions were imposed specifically for the vessel replacement and not for the required maintenance – which is unavoidable and must occur. We are seeking authorisation now as parts and steel need to be purchased in preparation of going into dry dock to minimise the time the vessel is out of service.

6 MoT is reliant on assurances and information from CIET through this process. CIET is providing information from the work undertaken by their ship manager, ASP Ship Management (ASP).[1] MoT notes that it is not an expert in commercial shipping operations.

7 We have consulted the Treasury and Department of Internal Affairs in writing this briefing.

What is a special survey?

8 A "survey" is a maritime requirement for an independent check to confirm that the vessel and equipment are sound and serviceable, fit for their intended use and operating limits, and meet all applicable maritime and marine protection rules.

9 There are three types of surveys: special survey (required every 5 years), intermediate survey (occur between every special survey), and annual surveys.

[1] ASP Ship Management is the same company who managed New Zealand's coastal tankers before they ceased operations earlier this year.

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10 At the completion of all repairs and preventative maintenance, a successful survey results in the granting of certificates of compliance – allowing the vessel to sail legally and safely. Passing survey is also a requirement for vessel insurance.

CIET have taken the Southern Tiare through to survey several times

11 The CIET through Chatham Island Shipping Limited has taken the Southern Tiare through three intermediate and one special survey since taking ownership of the Southern Tiare in May 2013.

12 The last special survey for the Southern Tiare was completed by March 2018 in China. The vessel was away for 3 months and cost s 9(2)(i) [redacted]. A survey is often undertaken overseas where there is access to cheaper labour, materials, and shipyard availability. However, the most recent interim survey was completed in May 2021 at a cost of s 9(2)(i) [redacted] and was undertaken in New Zealand.

13 Choices can be made to complete less work at special survey in anticipation of selling/scrapping a vessel before intermediate survey. However, given the lengthening build times for new vessels around the world (two years or possibly longer), there is a possibility the Southern Tiare will need to be taken through intermediate survey in 2025/2026. The intent would be to have the replacement vessel come online before the intermediate survey requirement to avoid this additional cost.

Total maintenance is higher than first anticipated, at s 9(2)(i) [redacted]

14 The current vessel managers, ASP Ship Management, completed their procurement process to select a shipyard to perform the special survey in late June 2022. ASP invited 14 shipyards across the Asia-Pacific region to submit a proposal to undertake the required maintenance for the Southern Tiare. Of those invited, only four responded with a quote to undertake works (China, Indonesia, New Zealand, and Papua New Guinea). Yard availability for small vessels in Asia is limited as their focus is on vessel construction to meet global freight demand.

15 s 9(2)(b)(ii) [redacted] the New Zealand yard (Titan Marine Engineering) provided a thorough break-down of costs with a high level of confidence – this fact is reflected in price.

16 Titan Marine Engineering quoted s 9(2)(i) [redacted] to undertake the works, whereas the Asian shipyards quoted s 9(2)(i) [redacted] CIET noted that while the quoted price is low for Asian shipyards it is concerned that many aspects of vessel repair were not quoted, which would lead to unknown increases in cost.

17 As a result, ASP have recommended that Titan Marine Engineering in Auckland undertake this work. The survey is expected to take two months and cost s 9(2)(i) [redacted]

18 CIET have supported this recommendation for several reasons:

- Titan Marine have had the most recent engineering involvement with the MV Southern Tiare and know it better than the other quoting yards

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- Having work undertaken in New Zealand reduces risks during travel to Asia (such as mechanical breakdowns) as well as any further international border restrictions that could occur

- The proposed timeframe for works to be completed is two months, which is half of the allowed time and is a full month quicker than any of the international yards.

19 The Chatham Islands Enterprise Trust are aware that funding is finite and higher maintenance costs will result in less available funds for the replacement vessel. In considering this they have chosen the option that provides greater cost certainty and less time away from the Islands.

Animal welfare concerns raised by MPI

20 The Ministry of Primary Industries (MPI) recently went to the Chatham Islands to engage with a number of stakeholders primarily regarding animal welfare and farming practices. A consistent message received from the farming community was that the current level of service presents a barrier to successful farming on the island. Animal welfare issues arise when excess stock cannot be moved off island due to infrequent voyages and low capacity before feed supplies are exhausted. Officials will continue to engage with MPI around these issues as the vessel procurement proceeds.

21 MPI also raised concerns that animal welfare issues will be exacerbated during the period that the vessel will be in survey. MPI are exploring whether a vessel might be available for livestock to minimise animal welfare concerns while the Southern Tiare is in dry dock in early 2023. The M nistry has received a media inquiry on this issue as well.

22 CIET has noted that selecting a New Zealand shipyard will mean less time where the ship is not serving the Islands and that they are working with farmers to minimise any impacts. Officials will report back to you if risks materialise on this issue.

Cashflow for the vessel is required well before the March 2023 special survey timeline

23 As noted, various inspections are undertaken so that materials and parts can be purchased in advance of going to dry dock. ASP have recommended an initial timeline for cash expenditure that is earlier than anticipated, primarily around supply chain difficulties and lead times:

s 9(2)(i)

[redacted]

24 Given the above, we are seeking authorisation to access Budget funding now rather than later this year.

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Key risks

Maintenance costs are high, and the Ministry is not an expert in commercial shipping operations

25 As noted, the maintenance costs are higher than were initially anticipated (originally estimated at s 9(2)(i) [redacted] in 2021). This will eat into funding that was intended for the ship procurement, which CIET are aware of.

26 MoT also notes that we are reliant on the information from the current ship manager and assurances from CIET in providing you this briefing. MoT does not have expertise in this area to verify whether the high maintenance costs are justified. Similarly, we will need to consider what assurances are put around the ship procurement to ensure views from all stakeholders on the Islands are considered (Council, iwi, farmers etc).

27 As we move into the ship procurement, a key consideration will be ensuring the lead agency has the right expertise to undertake this process and satisfy the Budget 2022 conditions. MoT has begun discussions with the Ministry of Defence (MoD) who, alongside the Navy, has expertise in this area and may be able to assist. MPI have suggested they may also be able to assist. Alternatively, we may need to explore the need for external expertise to assist us if the MoT is to lead this work going forward.

Crown investments in the Chatham Islands' infrastructure are being made in isolation of each other

28 s 9(2)(g)(i) [redacted] Ministry of Transport officials would like direction on what Joint Ministers would like to do on this issue, as it is not a transport issue. The outputs of this work may assist with addressing the conditions imposed by Ministers, such as who owns the vessel going forward.

29 The primary agencies with investment interests in the Chatham Islands include: DIA, which has current ownership and oversight of the Waitangi Wharf and provide an annual appropriation to the Chatham Islands Council; Ministry of Business, Innovation and Employment (MBIE), which has investments in the airport runway, energy and digital connectivity; and Crown Infrastructure Partners, which has investments in broadband and telecommunications.

30 There are different options for Ministers to consider regarding what work you would like to occur before the remainder of the vessel funding is drawn down. You could direct officials to undertake a broader review or stocktake of the Crown's relationship with the Islands, with a focus on the longer-term financial sustainability and the Islands' ongoing ability to afford the costs associated with operating and maintaining its various assets. This is likely to take some time and will need to be led by DIA.

31 Alternatively, if Ministers consider the primary issue is the future governance and operations of the ship, then the Ministry of Transport could continue to work with the CIET and DIA on undertaking this work. However, this is not BAU work for the Ministry or DIA – we would need to determine how to appropriately resource this

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project and what assurance Ministers are expecting around the work of CIET. As noted, MoD, and/or the Navy may be able to assist.

32 We seek your views on whether officials should undertake such a review before the next report-back, expected in the coming two months.

Next steps

33 We recommend you agree to establish an appropriation in Vote Transport of s 9(2)(i) [redacted] to ensure the Southern Tiare can enter special survey before March 2023. We note that this is more than the s 9(2)(i) [redacted] quote, as any excess funding will be used for the ship replacement process. It also avoids officials returning to Joint Ministers seeking additional funding.

34 We also seek your feedback on whether you want officials to undertake a review of Crown investments being made on the Islands. This is likely to take longer than the work to address the conditions for the ship replacement and could occur in parallel but should ensure Government is more joined up when making future investments.

35 Officials intend to provide you with further advice on the vessel replacement in the coming two months, following further work with CIET and DIA. These will cover the specific conditions and to which Vote the remaining funding should sit with for the vessel procurement.

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TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Document 15

25 July 2022

OC220616

Hon Michael Wood
Minister of Transport

MEETING WITH THE AOTEAROA COLLECTIVE FOR PUBLIC TRANSPORT EQUITY

Snapshot

Mika Hervel has requested a meeting with you, on behalf of the Aotearoa Collective for Public Transport Equity (the Collective), to discuss the potential for free public transport fares and the petition the Collective presented to you in March 2022.

Time and date	**10.00am, 27 July 2022**
Venue	via Zoom
Attendees	Mika Hervel
Officials attending	Olivia Kitson, Senior Adviser, Mobility and Safety
Agenda	The Collective wants to discuss: • The 2022 Budget and the Emissions Reduction Plan • What avenues exist for funding free fares for students, community services card holders, under 25s, and Total Mobility card holders and their support people • The petitions process regarding the petition the Collective presented to you in March 2022 • The possibility for free fares to be realised through Budget 2023 • Questions around Total Mobility cardholders and what public transport might look like for them in the future.
Talking points	Talking points are provided at Annex 1.

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Contacts

Name	Telephone	First contact
Olivia Kitson, Senior Adviser, Mobility and Safety	s 9(2)(a) [redacted]	✓
Matt Skinner, Acting Manager, Mobility and Safety	s 9(2)(a) [redacted]	

MEETING WITH THE AOTEAROA COLLECTIVE FOR PUBLIC TRANSPORT EQUITY

Key points

- Mika Hervel wants to meet with you on behalf of the Aotearoa Collective for Public Transport Equity (the Collective). He wants to discuss their petition, and other avenues available to fund free public transport fares for Community Services Card (CSC) holders, tertiary students, and all other people under the age of 25.

- The Petitions Committee is currently considering the Free Fares petition. Te Manatū Waka and Waka Kotahi have both given evidence to the Petitions Committee regarding this petition.

- The Government is committed to improving public transport accessibility. Budget 2022 extended funding for half price public transport fares until August 2022; Ministers have since agreed to extend this until 31 January 2023. The Government has also agreed to fund Community Connect through Budget 2022. This will provide 50 percent public transport concessions for CSC holders nationwide from 1 February 2023.

- Further Crown funding could be an option for funding free fares in the future. However, officials recommend focusing efforts first on implementing Community Connect and maintaining public transport services, before considering free fares. International research into the impact of free fares elsewhere suggests that such a policy may not achieve the mode shift outcomes we might expect

- Te Manatū Waka further advises that free fares would reduce the revenue available to make investments in public transport, which may degrade the level of service over time. It could put greater demand on other funding sources, requiring trade-offs to be made. An element of user-pays is valuable for the long-term sustainability of the service.

The Collective advocates for *Free Fares*

1 The *Aotearoa Collective for Public Transport Equity* (the Collective) comprises over 60 student associations, churches, community organisations, climate advocacy groups, unions, academics, and local government authorities. It campaigns for free public transport for Community Services Card (CSC) holders, tertiary students, and all other people under the age of 25.

2 In September 2021 you met with the *Pōneke Collective for Public Transport Equity* which is an overlapping group with the Collective. On 17 March 2022, you met with Collective representatives to discuss and receive its *Free Fares* petition.[1]

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[1] The Free Fares petition is formally named "Petition of Hana Pilkinton-Ching: Free public transport for CSC holders, students, and young people"

The Petitions Committee is considering the *Free Fares* petition

3 The Petitions Committee is currently considering the contents of the *Free Fares* petition. Following an invitation from the Committee, Te Manatū Waka provided a response to the petition (see Appendix 2). In its response, Te Manatū Waka identified a range of challenges associated with providing free public transport. Waka Kotahi also prepared a response to the petition for the Committee (Appendix 3).

4 The Committee will require more time to consider the petition as well as the information provided by transport agencies. Once it has formed a view the Committee will either directly (or through you as Minister of Transport) submit a report to Parliament outlining recommended steps in response to the petition.

The Government is committed to improving public transport accessibility

The Emissions Reductions Plan and Budget 2022 demonstrate the Government's commitment to public transport accessibility

5 The Government published the Emissions Reduction Plan (ERP) in May 2022. Encouraging mode-shift away from private motor vehicle use towards public and active transport is a core ERP goal. To achieve this goal, the ERP includes actions to improve the reach, frequency, and quality of public transport, and to improve public transport accessibility for the disadvantaged.

6 Budget 2022 also funded two initiatives which support public transport accessibility:

- Half price public transport fares for all – Extended this programme for two months (from the initial end date of 30 June 2022 to 31 August 2022).
- Community Connect – Discussed further below.

7 The Government recently announced a further extension to half price fares for all, until 31 January 2023. As part of that, Ministers agreed to defer Community Connect until 1 February 2023.

Community Connect will help improve public transport affordability for disadvantaged New Zealanders

8 Community Connect will provide a 50 percent public transport concession for Community Services Card (CSC) holders. The concession will be available at all times of day.

9 Community Connect is expected to improve transport equity, lowering public transport costs and improving access to social and economic opportunities. The concession is fully funded by the Crown, with over $98 million being provided over four years. Targeting reduced fares towards those less able to afford them will encourage greater mode shift, reduce emissions, and support a just transition.

10 The concession will apply to public transport services that are contracted by local councils, which will include most bus, train and ferry services. Public transport services not contracted by local councils, such as the Waiheke Ferry, will not be eligible for the concession. The concession will not apply to the Total Mobility Scheme.

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Possible avenues for funding Free Fares

11 While officials do not recommend advancing Free Fares at this time, if it were to be implemented, alternative funding mechanisms could include:

11.1 the Budget process or the Climate Emergency Response Fund — the Treasury processes for these will commence across Government in the coming months

11.2 the National Land Transport Fund (NLTF) via the Government Policy Statement on land transport (GPS) — GPS 2024 will be developed over the coming year

11.3 local government funding — as a co-funder, councils can choose to increase their share with or without central government support.

The Total Mobility scheme may change as a result of a Review

12 Eligible people with long-term impairments can currently access the Total Mobility scheme which provides a 50 percent fare subsidy (up to a maximum set by the relevant local authority). There are issues with the Scheme, with users reporting:

12.1 hours-long waits for taxis

12.2 inflexibility of services

12.3 a lack of night-time services.

13 This has led to feelings of loneliness and isolation, and passengers being unable to make essential trips.

14 Te Manatū Waka has committed to a review of the Total Mobility scheme, which will consider the Scheme in its entirety and informed by the experiences of disabled people using the Scheme.

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

There are challenges with making public transport free

16 Making fares free would reduce the revenue available to improve public transport. Fare revenue provided around $300 million a year pre-COVID and around $250 million per year during the COVID pandemic to meet the cost of public transport nationally. This revenue is vital for maintaining public transport services.

17 The lost fare revenue would undermine investment into public transport, which will lead to reductions in service quality and frequency. It will also create funding pressures for the NLTF, and local government funding which will force trade-offs between public transport and other important initiatives.

18 Providing free travel at peak times may overwhelm the capacity of peak services, without any financial return to fund extra capacity. This would place further pressure on the NLTF and local government funding to meet extra capacity costs.

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International evidence suggests that removing fares may result in unintended negative consequences for the public transport system

19 There is some research from overseas that suggests removing fares altogether can encourage people who might otherwise have walked or cycled short distances to take the bus, instead of encouraging people out of private vehicles. [2] We need to weigh up this evidence when considering how to address transport disadvantage most effectively, particularly as the Government has also committed to encouraging more active travel.

20 For instance, free fare initiatives in Europe found most patronage growth comes from existing public transport users making more trips. In Germany, an initiative in Templin saw 30-40 percent of new public transport journeys come from what were previously cycling trips, and 10-20 percent were from car trips.

21 Research also indicates that service reliability and punctuality suffer when public transport is free. Longer travel times occur as more passengers on board leads to longer boarding and disembarking times. There is also a greater likelihood of crowding on board.

22 There is also research indicating price alone will not encourage greater public transport patronage, particularly for low-income households. Public transport also needs to be convenient and frequent, to be more attractive to potential users. Research indicates that areas of higher deprivation or lower incomes are not as well served by existing public transport services, limiting their access to employment opportunities.[3]

23 Improvements to availability of services, at times and locations that are more convenient to low-income households is therefore also crucial for achieving mode shift and transport equity. This is area officials are looking to investigate further through an evaluation of Community Connect.

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[2] Cats et al (2017) The prospects of fare-free public transport: evidence from Tallinn http://www.diva-portal.org/smash/get/diva2:839330/FULLTEXT01.pdf; N Fearnley (2013) Free Fares policies: Impact on Public Transport Mode share and Other Transport Policy Goals https://www.researchgate.net/publication/269079753_Free_Fares_Policies_Impact_on_Public_Transport_Mode_Share_and_Other_Transport_Policy_Goals.
[3] S Adli et al (2019) Justice in public transport systems: A comparative study of Auckland, Brisbane, Perth and Vancouver. *Cities* 90 88-99.

Biographies

Mika Hervel

Mika Hervel is an organiser for the Free Fares Campaign. He is a student at Victoria University of Wellington.

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Annex 1: Talking Points

- The Petitions Committee is considering your Free Fares petition and I look forward to seeing the recommendations that come out of that process.

- I note that Te Manatū Waka and Waka Kotahi have presented some evidence to the Committee to support its consideration.

- Once the Committee has considered your petition it will be presented to Parliament.

The 2022 Budget and the Emissions Reduction Plan (ERP)

- Through the Budget and Climate Emergency Response Fund (CERF) process, the Government has already demonstrated commitment to improving public transport:
    - The ERP commits us to improve public transport accessibility for the disadvantaged.
    - Budget 2022 extended the half-price public transport fares for all New Zealanders for an additional two months. It also funded Community Connect.
    - As you know, the Government has recently announced a further extension to half price fares.

The possibility for free fares to be realised through Budget 2023

- The priorities for investment through the CERF, which would be the most likely funding source for free fares, are primarily to deliver commitments from the ERP.

Other avenues for funding free fares

- Beyond the Budget process, the National Land Transport Fund (NLTF) and councils could also support reduced or free fares.

- You may wish to talk with councils to see if funding is available to adopt some version of free fares at a regional level

- I also invite you to engage with Te Manatū Waka Ministry of Transport over the coming year when they begin public engagement on the next Government Policy Statement on land transport. This document sets out the priorities for investment from the NLTF.

Questions around Total Mobility cardholders and what public transport might look like for them in the future.

- Transport officials recognise that the Total Mobility Scheme has some challenges, and they are planning to undertake a review.

- I am very supportive of the review and anticipate it will investigate opportunities to improve accessibility and affordability.

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Annex 2: Te Manatū Waka submission to the Petitions Committee

Annex 3: Waka Kotahi submission to the Petitions Committee

These annexes are refused under Section 18(d) and are publicly available at:

- Waka Kotahi submission: www.parliament.nz/resource/en-NZ/53SCPET_EVI_121162_PET2942/113e7436e24a5683bdff5a9f4deae28ee8d3fc8
- Te Manatū Waka submission: www.parliament.nz/resource/en-NZ/53SCPET_EVI_121162_PET2855/95a0a457ca8822b4fc5a1b3a6bace9e373918ae8

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Document 17

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

OIA BRIEFING

26 July 2022

OC220574

Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 2 August 2022

OFFICIAL INFORMATION ACT REQUEST FROM s 9(2)(a) [redacted] REGARDING LET'S GET WELLINGTON MOVING PAPERS

Purpose

Seek your agreement to the proposed response to an Official Information Act 1982 request.

Name of Requester	s 9(2)(a) [redacted]
Request	*"Under the Official Information Act 1982, I request a copy of "Let's Get Wellington Moving – Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles", referenced in WQ 19900 (2022).* *Where information is withheld, I request that you provide the title and date of the communication/document withheld, the reason for refusal, and the grounds in support of that reason as required by section 19(a) of the Official Information Act."*
Statutory deadline	Tuesday, 2 August 2022
Risks	None

Recommendations

We recommend you:

1 **consider** the proposed response to the request under the Official Information Act 1982

2 **sign** the attached letter to s 9(2)(a) [redacted] Yes / No

MWillberg

Marian Willberg
Manager, Demand Management and Revenue

..25/07/2022....

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

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Contacts

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

OFFICIAL INFORMATION ACT REQUEST FROM s 9(2)(a) [redacted] REGARDGING LET'S GET WELLINGTON MOVING PAPERS

Two documents fall within the scope of the request

1 **Table 1** below sets out the documents that fall in the scope of request and our proposed response.

2 We do not anticipate any risks related to this response.

Table 1

	Document	Description of information proposed to be withheld	Previously released?
	Cabinet paper: Let's Get Wellington Moving - Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles	Withhold in full under section 18(d) the information requested is or will soon be publicly available.	No
	Climate Implications of Policy Assessment: Let's Get Wellington Moving - Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles	Withhold in full under section 18(d) the information requested is or will soon be publicly available.	No

Consultation

3 We have consulted Waka Kotahi New Zealand Transport Agency, Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development and Te Tai Ōhanga the Treasury as part of the proactive release of the Let's Get Wellington Moving Cabinet paper as these agencies contributed to its development. These agencies are comfortable with our approach.

4 We have also consulted with Waka Kotahi and the Let's Get Wellington Moving programme on the associated Climate Implications of Policy Assessment (CIPA) document as these agencies contributed to its development. Both agencies are comfortable with our approach to publish the CIPA.

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Hon Michael Wood

MP for Mt Roskill

Minister of Immigration
Minister of Transport
Minister for Workplace Relations and Safety

s 9(2)(a)
[redacted]

Dear s 9(2)(a) [redacted]

I refer to your email dated 5 July 2022, requesting the following under the Official Information Act 1982 (the Act):

"Under the Official Information Act 1982, I request a copy of "Let's Get Wellington Moving – Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles", referenced in WQ 19900 (2022).

Where information is withheld, I request that you provide the title and date of the communication/document withheld, the reason for refusal, and the grounds in support of that reason as required by section 19(a) of the Official Information Act."

I am refusing your request under Section 18(d) of the Act because the information requested is or will soon be publicly available. The document will be made available on the Ministry of Transport's website.

The documents that fall within the scope of your request are:

- Let's Get Wellington Moving - Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles Cabinet paper

- Climate Implications of Policy Assessment - Let's Get Wellington Moving - Transformational Programme: Preferred Option Progress and Mass Rapid Transit Funding Principles.

Both papers were taken to Cabinet on the 27th of June.

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**.

Yours sincerely

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Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand
+64 4 817 8731 | m.wood@ministers.govt.nz | beehive.govt.nz

Hon Michael Wood
Minister of Transport

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Document 18

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

27 July 2022

OC220546

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 1 August 2022

TARGETED CONSULTATION ON CLEAN VEHICLE STANDARD REGULATIONS

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Purpose

Seek permission to release draft Land Transport (Clean Vehicle Standard) Regulations 2022 (the Regulations) with vehicle industry organisations for the purpose of targeted consultation, and inform you of details in the Regulations.

Key points

- The Regulations must be in force on or before 1 December 2022 to support the implementation of the Clean Vehicle Standard (the Standard), set out in Part 13 of the Land Transport Act 1998 (the LTA).

- The Regulations will be made under section 167C of the LTA to provide the technical and administrative detail to support the operation of the Standard, including formulas for the vehicle weight adjustment of carbon emission targets, and the process and criteria for an importer to be approved to operate on an annual compliance basis (known as a Category 1 Light Vehicle Importer).

- Section 167C of the LTA does not require you to consult on the Regulations unless they prescribe future carbon dioxide (CO_2) emission targets (for 2028 and beyond). While the proposed Regulations do not include targets, we recommend that you consult with industry stakeholders to gain a technical review of the content and to identify any detailed concerns with the policy. The proposed list of stakeholders is provided in Appendix 1.

- Draft government legislation is subject to legal professional privilege and Ministerial approval must be sought before it may be released outside the Crown. The privilege in draft government legislation lies with the Attorney-General, who has agreed that his approval is not required in certain circumstances. One of these is where the draft legislation will be released to a small pre-determined group outside the Crown on an in-confidence basis and subject to legal professional privilege, and the Chief Legal Adviser of the department confirms the release will not create a legal risk for the Crown.

- The Chief Legal Adviser of Te Manatū Waka Ministry of Transport has confirmed he considers the proposed release to a select group of vehicle industry stakeholders will not create a legal risk to the Crown.

- In July 2021 you agreed to the weight adjustment slope for the Standard [OC210558 refers]. We recommend that this be used for 2023 and 2024, then be updated every second year using a process outlined by the Regulations. The industry is supportive of this approach.
- s 9(2)(f)(iv) [redacted]
- Next steps detail how the Regulations will be in force by 1 December 2022, with a draft Cabinet paper to you in late September and a Cabinet Legislation Committee paper in late October 2022.

Recommendations

We recommend you:

1	**agree** to release the draft Land Transport (Clean Vehicle Standard) Regulations 2022 (the Regulations) outside of the Crown for the purpose of targeted consultation with the stakeholders identified in Appendix 1;	Yes / No
2	**note** the risks of releasing the draft Regulations outside the Crown described by this paper.	

Jemima de Lacey **Policy Delivery Lead, Environment, Emissions, and Adaptation** 27 / 7 / 2022	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
Jemima de Lacey, Policy Delivery Lead – Environment, Emissions and Adaptation	s 9(2)(a) [redacted]	✓
Sigurd Magnusson, Senior Adviser – Environment, Emissions and Adaptation	s 9(2)(a) [redacted]	

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TARGETED CONSULTATION FOR MAKING CLEAN VEHICLE STANDARD REGULATIONS

Background

Regulations must be in place by 1 December 2022 for the implementation of the Clean Vehicle Standard (the Standard)

1 The Land Transport (Clean Vehicles) Amendment Act 2022 was passed in February 2022, inserting a new Part 13 into the Land Transport Act 1998 (the LTA) to establish the Standard. Regulations may be made under section 167C of the LTA to provide for the administrative and technical detail required to support the successful operation of the Standard. Section 185 of the LTA requires every light vehicle importer to hold a carbon dioxide (CO_2) account by 1 December 2022, and from that date no light vehicles may be certified for entry until the (CO_2) emissions of the vehicle have been recorded in an account (section 187 LTA).

2 The proposed Land Transport (Clean Vehicle Standard) Regulations 2022 (the Regulations) prescribe the matters necessary for the implementation of the Standard on 1 December 2022, including:

2.1 formulas to calculate weight-adjusted targets and how they will be updated;

2.2 entry and exit processes and criteria for different aspects of the Standard; and

2.3 specifying the vehicle types excluded from the Standard.

3 The draft Regulations are technical. A working draft has been circulated with your office. Officials will provide you with an updated draft at the same time it goes to industry stakeholders for their review.

Purpose of regulations

The Regulations will prescribe formulas to determine weight-adjusted targets and how they will be updated

4 The (CO_2) emission targets for the Standard are set out in section 175 of the LTA. The ta gets ensure that small vehicles, which already have low average emissions, are given slightly stricter targets than heavier vehicles. This approach is modelled on the system used in the European Union.

5 The targets set out in section 175 of the LTA will provide the basis for calculating weight adjusted targets that will apply to each vehicle importer based on the specific mix of light vehicles they have imported in the obligation year. The weight adjusted targets will be calculated in accordance with the formulas set out in the Regulations. The formulas include a variable called ‘the slope of the limit line’ which will be determined by assessing the unladen weight and (CO_2) emissions of applicable light vehicles entering New Zealand over a certain period (called the ‘reference period’). To prevent unreasonably strict or overly generous targets at the extremes, light vehicles below a ‘floor’ of 1200kg or above a ‘ceiling’ of 2000kg for passenger cars, and 2200kg for commercial vehicles, are treated as though they weigh those limits.

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6 Last year, you agreed to use light vehicle data from 2019 and 2020 to set the initial weight-adjusted slope [OC210558 refers]. This information has been shared with the Motor Industry Association (MIA) and their members, who strongly desire these settings to be retained, because their vehicle orders for the next year are already locked in. The Regulations therefore reflect that the reference period, for 2023 and 2024, the first two years of the Standard, is based on vehicle data from 2019 and 2020.

7 The MIA has asked that the weight adjustment be updated, with notice, every two or more years. We consider two years to be a fair balance between accuracy and administration. We therefore recommend that light vehicle data from 2023 be used to determine the slope used in the 2025 and 2026 obligation years. And that light vehicle data from 2025 be used to determine the slope for the 2027 and 2028 obligation years. The process will continue on that basis every two years.

8 The Regulations will set out the reference period that must be used to determine the slope of the limit line for a particular obligation year. Using this formulation, the vehicle industry will receive at least one year's notice before the new 'slope' is set, which will ensure they have sufficient information to plan future vehicle imports. The slope of the limit line for the initial reference period will be contained in the Regulations. Future slopes will be approved by the Minister and published in the *Gazette* to provide industry with certainty.

The Regulations will prescribe the entry and exit processes and criteria for different aspects of the Standard

9 Under the LTA, every vehicle importer who imports a light vehicle on or after 1 December 2022 must hold a (CO_2) account with the Director of Land Transport. We recommend that the process and criteria for opening a (CO_2) account is straightforward. By default, importers will be *Category 2 light vehicle importers,* subject to a vehicle-by-vehicle compliance basis, meaning they must pay a financial charge on any vehicle above its CO_2 target before it can be certified for entry, unless preceding low emission vehicles have placed that importer into a credit position.

10 Some importers will seek approval to be a *Category 1 light vehicle importer*, which affords them special compliance benefits, including being assessed against their CO_2 emissions targets on an annual rather than per-vehicle basis, and having the ability to defer compliance until the following obligation year.

11 Because an annual compliance model could result in a higher risk of non-payment of any applicable charges, we recommend that the application process for approval as a Category 1 light vehicle importer should be more onerous, including:

11.1 being required, on an annual basis, to share projected vehicle sales information to show how the targets will be met, and being required to inform the Director where this is not going to plan;

11.2 not being recently convicted of an offence under the Fair Trading Act 1986 or Motor Vehicle Sales Act 2003, a conviction of an offence involving dishonesty, or having been prohibited under Companies Act 1993 (and similar) from being a director or holding a management position;

11.3 for used vehicle importers, that they've been in business for 5 years; and

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11.4 the Director may impose further 'appropriate and reasonable' conditions in approving an application.

12 The Regulations will allow the Director to revoke an importer's Category 1 light vehicle importer status if they fail to maintain the conditions needed for approval, or where the importer fails to pay applicable charges or poses an unacceptable financial risk to the Crown. An importer whose status has been revoked will be entitled to comply as a Category 2 light vehicle importer (i.e. vehicle by vehicle compliance).

The Regulations will specify the light vehicle types excluded from the Standard

13 Cabinet has already agreed that the Standard will not apply to certain classes of vehicles [CAB-21-MIN-004 and CAB-21-MIN-0553 refers]:

13.1 agricultural vehicles;

13.2 special interest vehicles;

13.3 vehicles over 40 years old when imported;

13.4 military vehicles;

13.5 low volume scratch-built vehicles; and

13.6 motor sport vehicles.

14 The Regulations will include these vehicles as excluded vehicles for the purpose of the Standard.

We recommend a period of targeted consultation on the Regulations to test technical aspects

15 The Regulations include technical content including the formulas for determining weight-adjusted vehicle targets. This detail would benefit from input from the vehicle industry to test the technical accuracy and workability of these provisions. While the broad policy design has been consulted on over the past year, much of the operational detail in the Regulations is new. We think that testing the processes and criteria set out in the Regulations with targeted stakeholders will improve the quality of the final Regulations.

16 Draft government legislation is subject to legal professional privilege and Ministerial approval must be sought before it may be released outside the Crown. The privilege in draft government legislation lies with the Attorney-General, who has agreed that his approval is not required in certain circumstances. One of these is where the draft legislation will be released to a small pre-determined group outside the Crown on an in-confidence basis and subject to legal professional privilege and the Chief Legal Adviser of the department confirms the release will not create a legal risk for the Crown.

17 s 9(2)(h) [redacted]

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s 9(2)(h)

[redacted]

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s 9(2)(h)

[redacted]

s 9(2)(f)(iv)

[redacted]

Overview of the timing

20 A brief overview of the timing for finalising the Regulations is provided in the table below:

Milestone	Date
Targeted consultation and regulations finalised	August/September 2022
Draft Cabinet paper to you for review and Ministerial consultation	Late September 2022
Paper submitted to Cabinet Legislation Committee and Cabinet	Late October 2022
Regulations in force	1 December 2022

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Appendix 1: Proposed stakeholders to be consulted on the draft Regulations

- Drive Electric
- Financial Services Federation
- Imported Motor Vehicle Industry Association (VIA)
- Low Volume Vehicle Technical Association Incorporated
- Motor Industry Association of New Zealand Inc (MIA)
- Motor Trade Association Inc
- New Zealand Automobile Association
- Phill Haynes *(independent motor vehicle consultant)*
- Rental Vehicle Association
- SOC NZ *(business involved in sourcing emissions data on vehicles)*
- Special Interest Vehicle Association of New Zealand
- Tesla New Zealand *(not an MIA member)*
- The ICCT *(an NGO that can give independent advice on transport policy)*
- Vehicle Inspection New Zealand Ltd (V NZ)
- Vehicle Testing New Zealand Limited (VTNZ)

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Document 19

28 July 2022 OC220613

Hon Michael Wood
Minister of Transport

QUANTITY OF PETROL AND DIESEL DISTRIBUTED SINCE 2018

Your questions on Waka Kotahi New Zealand Transport Agency's regional fuel tax quarterly report

1 Following your review of Waka Kotahi's regional fuel tax quarterly report (third quarter January to March 2022), you asked the Ministry of Transport why:

1.1 diesel volumes have overtaken petrol volumes in Auckland

1.2 the total fuel volume (both petrol and diesel) increased in Auckland but decreased in the rest of the country.

The changes are likely due to increases in the diesel fleet, changes in travel due to COVID-19 and economic activity

2 **Graphs one** and **two** (over the page) compare the amount of petrol and diesel supplied in Auckland and the rest of New Zealand, using the data in Waka Kotahi's quarterly report. The overall trend is likely more important than quarter-by-quarter changes, so trendlines have been added to the graphs. The trendlines show the quantity of:

2.1 petrol distributed in Auckland has decreased whilst the amount distributed in the rest of New Zealand has remained almost unchanged

2.2 diesel distributed has slightly increased both within Auckland and the rest of New Zealand.

3 How can we explain the changes in fuel volumes?

3.1 Petrol – the changes in petrol volumes are more likely to reflect changes in private vehicle travel, rather than improvements in the efficiency of the petrol fleet. One impact of COVID-19 is that more people are working from home. A greater proportion of the Auckland population (compared to the rest of New Zealand) could be working from home, resulting in reduced petrol use.[1] Those

[1] Google COVID-19 Community Mobility Report (15 July 2022), which is based on cell phone place/location data, shows that compared to baseline data (3 Jan to 6 Feb 2020), for Auckland, a 24 percent decline in the location 'workplace' being detected on Andriod phones. This differs for other regions: Bay of Plenty (-0 percent), Gisborne (+5 percent), Hawke's Bay (-2 percent), Manawatu-Wanganui (+12 percent), Marlborough (-9 percent), Nelson (-6 percent), Northland (-1 percent), Otago (-4 percent), Southland (-7 percent), Taranaki (-6 percent), Tasman (+2 percent), Waikato (-9 percent), Wellington (-19 percent) and the West Cost (-3 percent).

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who live outside Auckland may need to use their vehicles more for work purposes, explaining the consistent amounts of petrol supplied outside Auckland.

3.2 Diesel – increases in diesel volumes is more likely the result of increases to the size of the diesel fleet and increased economic activity. Diesel is mainly used in the commercial sector where workers are more reliant on using their vehicle for their trade. The top selling vehicles in New Zealand for many years have been utes, and diesel vehicles tend to travel 25 percent further than petrol vehicles. We also note that oil consumption (especially diesel) is strongly correlated with economic activity and that the increase in diesel usage could suggest economic activity has been strong.

4 **Overall, we think lock downs in Auckland have suppressed petrol use slightly more than diesel.** We note there are some limitations when reviewing Waka Kotahi's quarterly reports and comparing quarters:

4.1 Timing – In Waka Kotahi's quarterly report, Auckland's fuel volume data is one quarter ahead of the data available for the rest of New Zealand. The most recent data on Auckland presented in the report is for quarter three of 2021/22 (1 Jan - 31 Mar), while data for the rest of New Zealand is for quarter two of 2021/22 (1 Oct – 31 Dec).

4.2 Data sources – Over the last few years there have been two different data sources for Auckland's fuel volumes. Before the regional fuel tax was implemented on 1 July 2018, Auckland Council's Local Authorities Fuel Tax returns provided the data for fuel distribution in Auckland. Data for subsequent quarters is from the regional fuel tax returns. For this reason, Q4 data has been excluded from the graphs below. The baseline data is intended to show the quantity of fuel distributed prior to the Auckland regional fuel tax.

5 **Graphs one** and **two** correct the limitations by excluding pre-regional fuel tax data and not including Q3 2021/22 due to the lag in the rest of New Zealand's data. **Graph three** shows the quantity of petrol and diesel supplied in New Zealand since March 2018 (from Ministry of Business Innovation and Employment's data) as a point of comparison, which also shows an increase in diesel and a slight decline in petrol. **Graph four** shows indicative regional fuel tax revenue.

6 Waka Kotaki has been consulted on this advice. Waka Kotahi advises it has no comments.

MWillberg

Marian Willberg
Manager, Demand Management and Revenue

..28/07/2022....

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
Marian Willberg, Manager, Demand Management & Revenue	s 9(2)(a)	✓
Andrew de Montalk, Adviser, Demand Management & Revenue		

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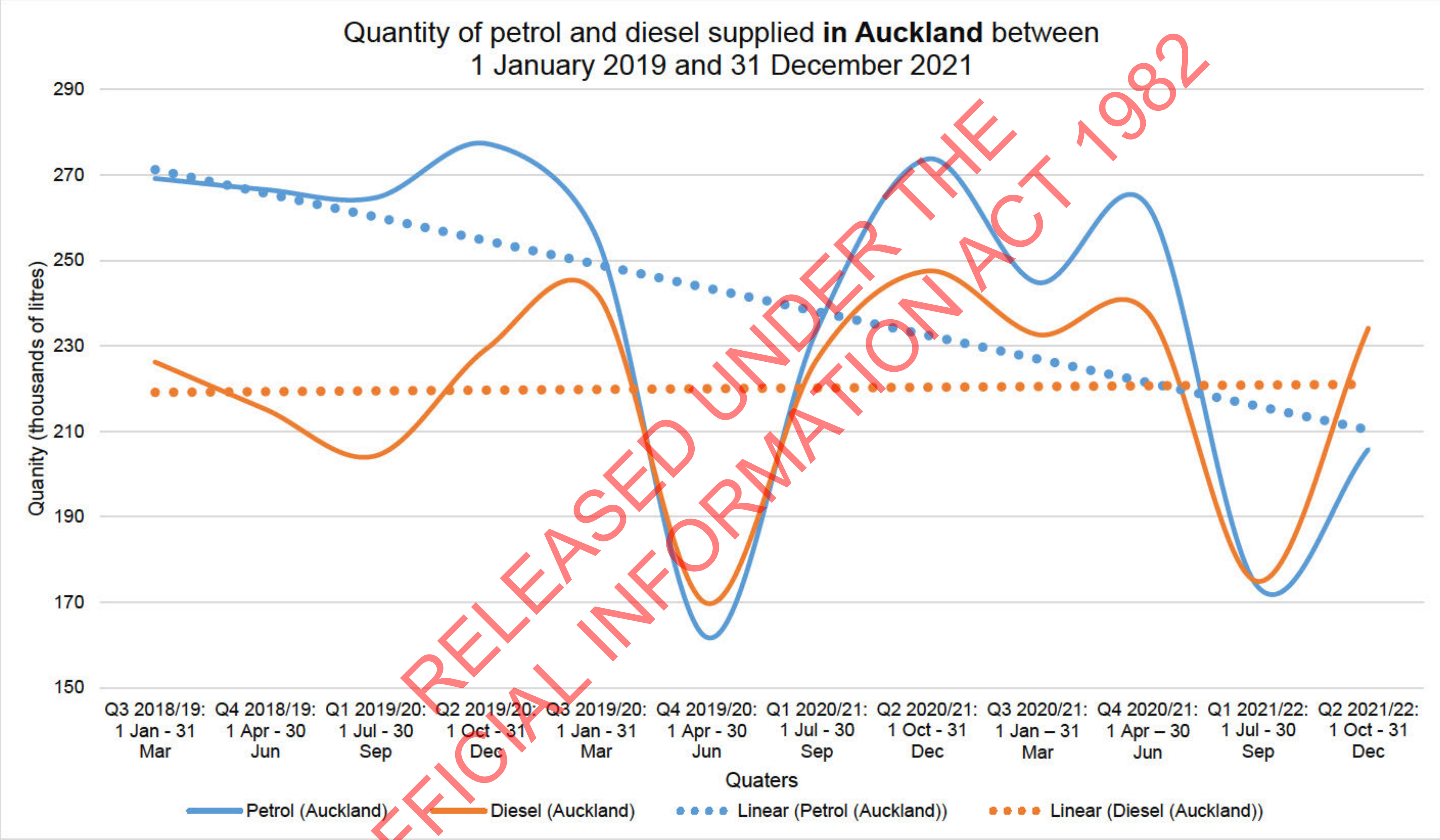
Graph one: the volume of petrol and diesel distributed in Auckland from 1 Jan 2019 to 31 December 2021



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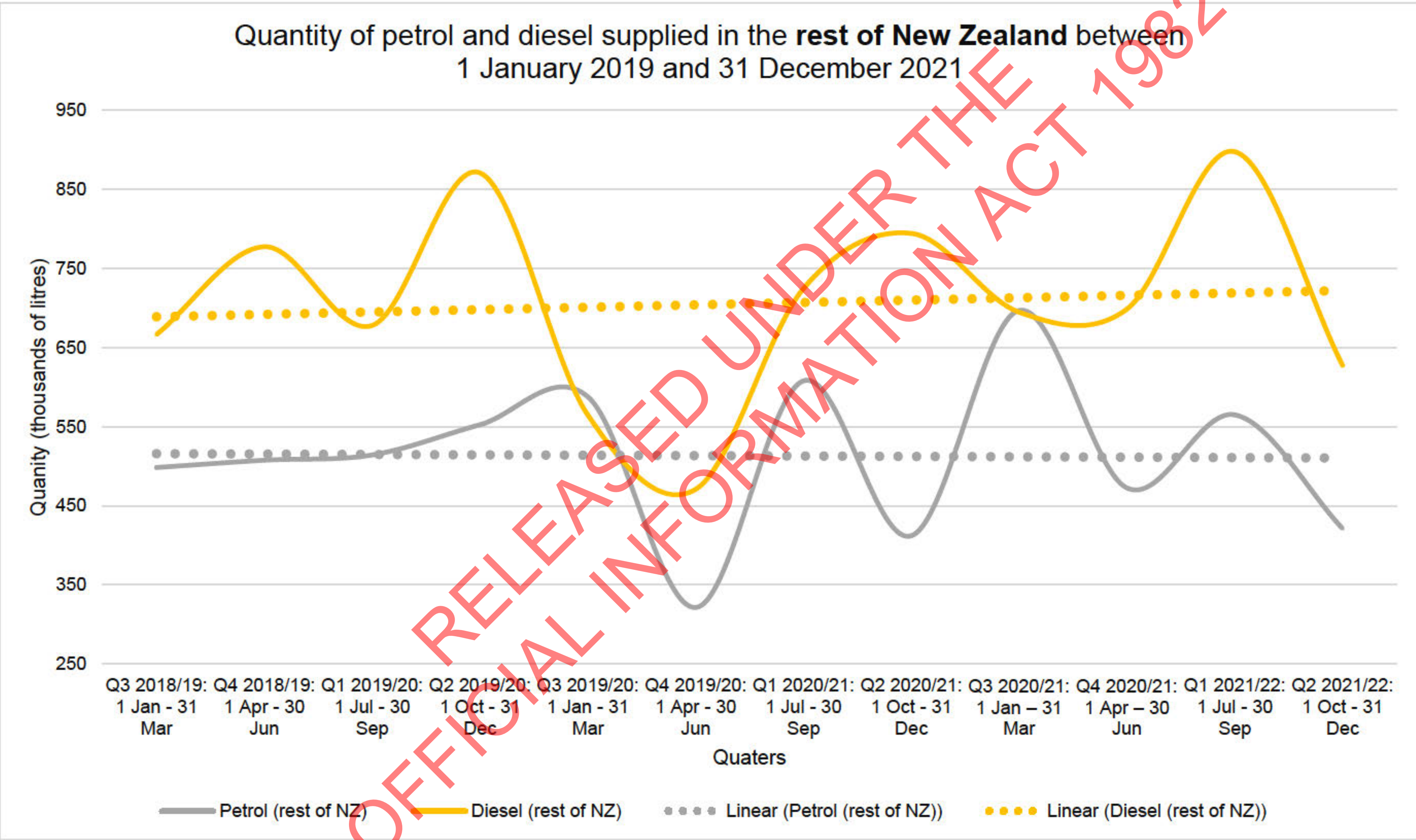
Graph two: the volume of petrol and diesel distributed in the rest of New Zealand (excluding Auckland) from 1 Jan 2019 to 31 December 2021



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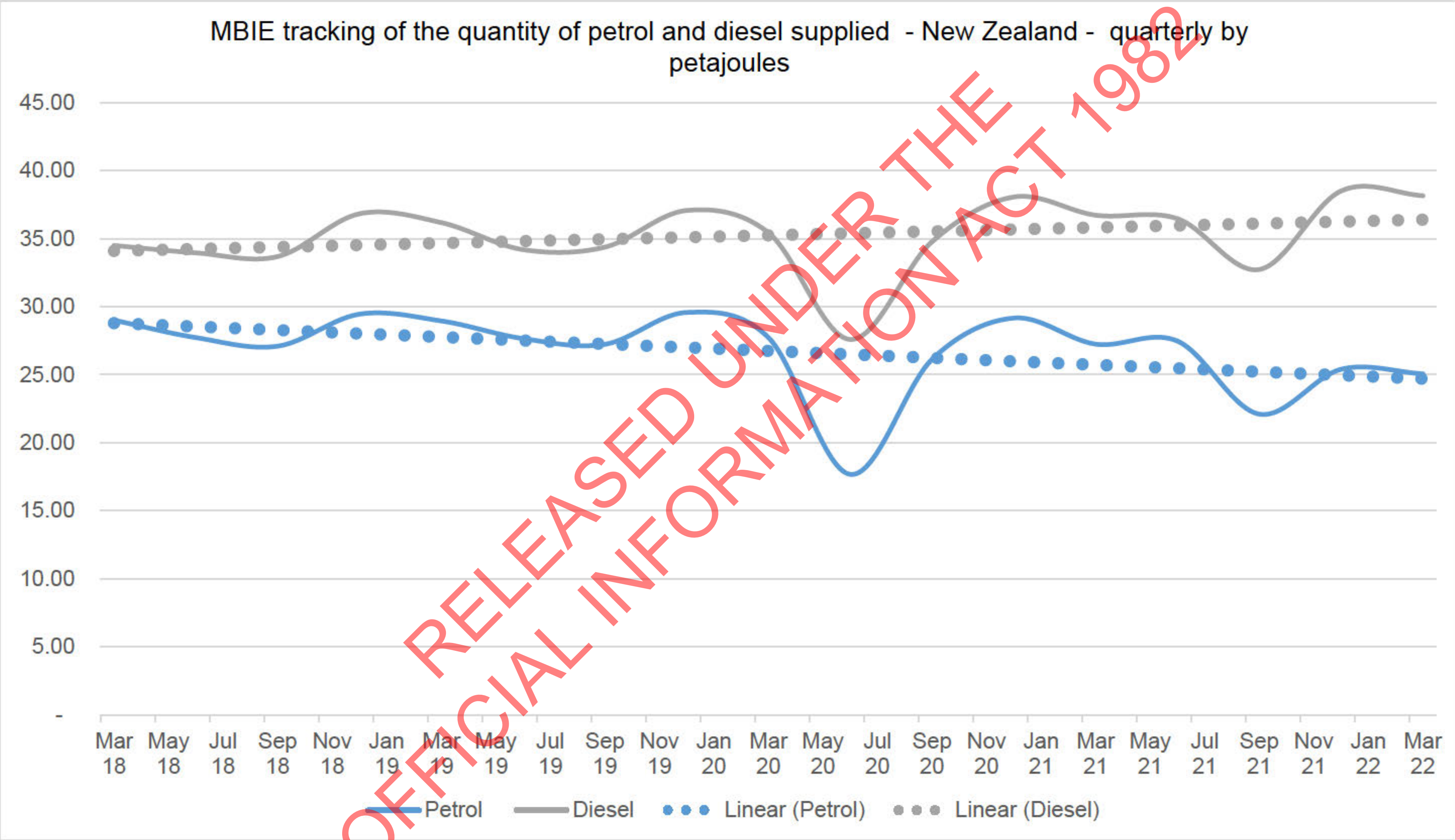
Graph three: MBIE monthly tracking of the quantity of petrol and diesel supplied in New Zealand March 2018 to March 2022



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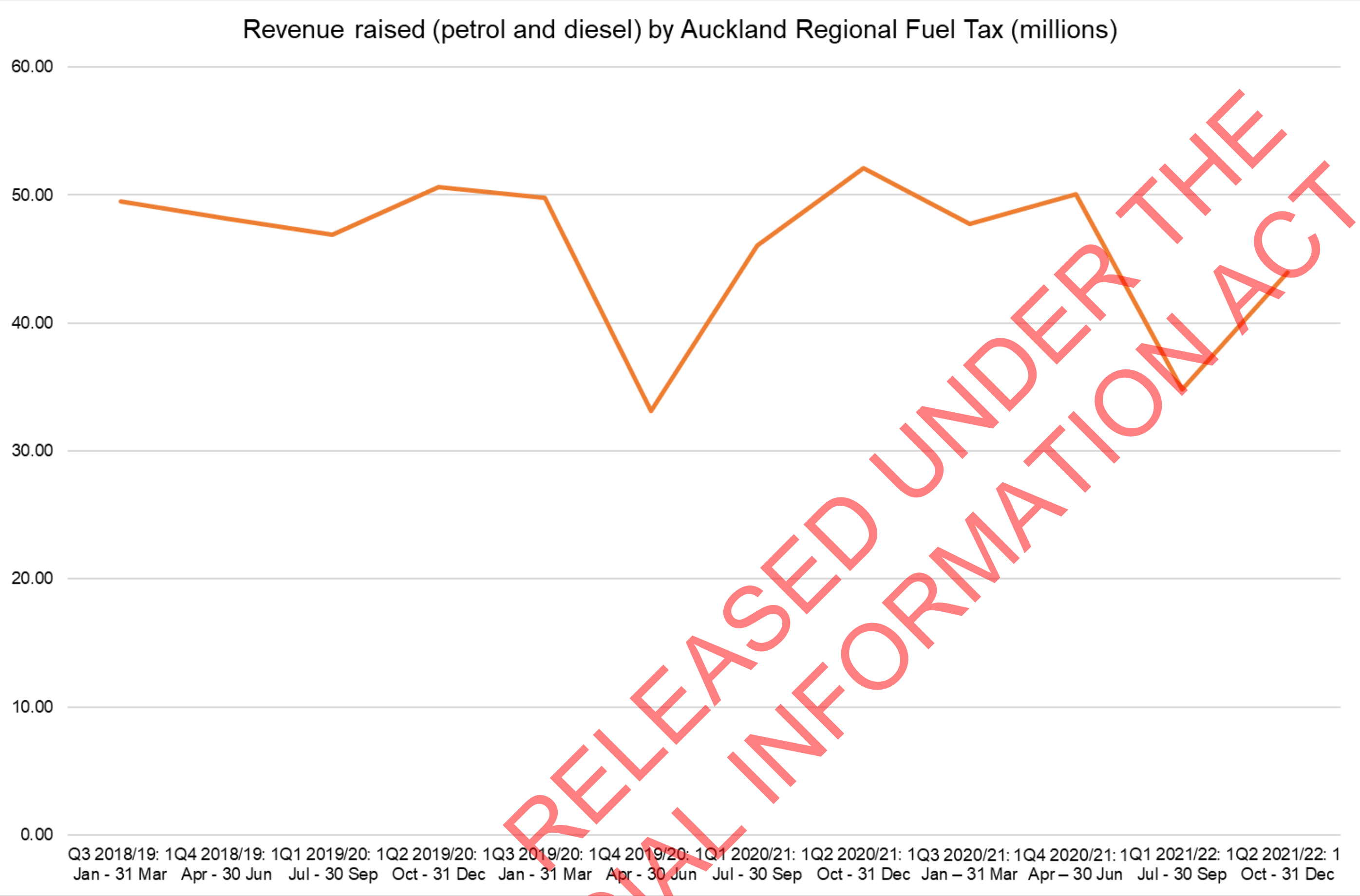
Graph four: the amount of revenue raised by Auckland Regional Fuel Tax



Total Auckland RFT revenue (million)

Q3 2018/19: 1 Jan - 31 Mar	$49
Q4 2018/19: 1 Apr - 30 Jun	$48
Q1 2019/20: 1 Jul - 30 Sep	$46
Q2 2019/20: 1 Oct - 31 Dec	$50
Q3 2019/20: 1 Jan - 31 Mar	$49
Q4 2019/20: 1 Apr - 30 Jun	$33
Q1 2020/21: 1 Jul - 30 Sep	$46
Q2 2020/21: 1 Oct - 31 Dec	$52
Q3 2020/21: 1 Jan – 31 Mar	$47
Q4 2020/21: 1 Apr – 30 Jun	$50
Q1 2021/22: 1 Jul - 30 Sep	$34
Q2 2021/22: 1 Oct - 31 Dec	$43
TOTAL REVENUE ($m)	**$553**

The table above represents the Ministry's estimate of the amount of revenue from the regional fuel tax collected by Waka Kotahi. Prior to transferring the revenue to Auckland Council, Waka Kotahi makes deductions for off-road rebates and administration costs.

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