Ministry of Transport
TE MANATŪ WAKA

Briefing to the Incoming Minister

Your Guide to the Transport System

2020

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Introduction

Tēnā koe Minister and congratulations on your appointment as Minister of Transport.

Transport gives people access to family and whānau, places of learning and employment, and supports their participation in society. It contributes to the economic prosperity of cities, towns, local neighbourhoods and rural communities. Transport connects New Zealand economically and culturally with the rest of the world, and brings people and a myriad of products to our shores. It shapes land use, urban form, and street-level interactions. It affects our health by influencing how people and goods travel, how physically active we are, and how safe it is to journey from one place to another. It also affects the quality of our environment, including air and water quality, biodiversity gains or losses, and global greenhouse gas emissions.

Many organisations, both public and private, are responsible for planning, designing, building, and providing services within it. These organisations operate within a web of laws, rules, processes and funding mechanisms. And the system is dynamic, needing to constantly adapt and change in the face of changing public expectations and external influences, such as COVID-19.

You and the Government will want transport to support your specific transport priorities, as well as your broader priorities such as how we grow our economy, reduce emissions, and address pressures in our cities. The transport system we have today has been shaped over many decades, and decisions made in the past have determined the options that are available to people today. Achieving meaningful change in such a large and complex system takes time, but the decisions that you make over your term as Minister will shape the system well into the future.

This briefing sets out how you can give effect to your priorities and influence the longer term direction of transport as a system. These choices, about how you match your priorities with interventions, will offer many opportunities as well as challenges.

To help you to utilise these opportunities and resolve the challenges, we have outlined the levers available to you for influencing the transport system. This briefing also describes the roles and responsibilities of the government transport agencies, state-owned enterprises and some of the other stakeholders you will work with. On behalf of the transport agencies and state-owned enterprises, we look forward to working with you and discussing how we can help you be successful in your role.

Nāku noa, nā

P. Mersi.

Peter Mersi

Secretary for Transport

Your portfolio

Resilience and security

81%

81% of adults felt safe on their last screened domestic flight; however only **63%** of people on non-screened domestic flights felt safe.

As of 2018/19

27

27 security incidents occurred in 2018

Environmental sustainability

72%

Around **72%** of vehicle fleet are light passenger travel vehicles, **20%** are light commercial vehicles, and **6%** are heavy trucks

As of 2019

90.7%

Road emissions make up **90.7%** of total transport emissions; more than **70 percent** of road transport emissions are estimated to be from light vehicles.

2018 NZ emission inventory

2.3%

Electric vehicles make up **2.3%** of light vehicle registrations

As of August 2019

Transport accounted for **21 percent** of total domestic GHG emissions in 2018 and is the fastest growing source of emissions, a **90 percent** increase over the 1990 level.

Healthy and safe people

55.9%

In 2017, light passenger vehicles were responsible for **55.9%** of CO_2 emissions, followed by heavy fleet (**26.7%**) and light commercial (**17.1%**)

14%

14% drop in walking levels and **60%** drop in cycling levels

In the last 25 years

367

367 died on road, **15** on rail, **20** on maritime, and **13** on air

In 2018/19

11,000km
of state highways

and

83,000km
of local roads

3,938km
of rail network

9
largest container ports

5
international airports

Auckland, Wellington, Christchurch, Queenstown, Dunedin; pre-COVID. In total there are **14** international and domestic airports, that have more than **120,000** departing passengers per year.

Economic prosperity

4.9%

Transport and freight movements contributed **4.9%** to New Zealand GDP

As of 2017/18

5.8%

Tourists, arriving by planes and cruise ships, directly contributed **5.8%**, and indirectly contributed **4%**, to New Zealand GDP

Year ended March 2019

$64 billion

About **44 million tonnes** of freight was exported in 2018/19, and valued over **$64 billion dollars**.

Inclusive access

12.9% → 16%

Household spending on transport increased from **12.9%** in 2010 to **16%** in 2019

Auckland 33%
Wellington 19%
Christchurch 24%

% of population with access to frequent public transport services in 2018/19

12%

12% of adults were unable to make a beneficial transport journey in the past week

In 2018/19, due to cost, time, a lack of transport, and/or traffic

Shaping our transport system

The Transport Portfolio

Transport is a complex system that has developed over generations. It forms a significant part of our social and economic infrastructure, providing the links that help establish and sustain society. Transport also has deep connections with other systems. As Minister, you are also responsible for making sure the transport system supports the aspirations of small communities, big cities and regions.

Transport is a delivery arm of many broader government strategies, and a number of key government priorities will not be achieved unless transport plays its part: reaching New Zealand's emissions targets; growing the economy and connecting to markets; and enabling economic and social mobility in our towns and cities. Transport cannot achieve these priorities by itself, but its absence can slow or prevent their delivery.

You will face complex and sometimes, conflicting choices, including:

- balancing transport-specific priorities against broader Government priorities that transport must support
- ensuring delivery in the short-term, while setting up the system for long-term success
- dealing with uncertainty, especially with COVID-19 continuing to cause disruption to the transport system.

Your role as Minister is to create the settings that direct and influence actors in the system, and which provide choices to transport users. In doing so, it is important to recognise that each part of the system operates differently. For example, much of the aviation and maritime sector is delivered by the private sector, while government funds and delivers much of the land transport infrastructure. There are differences in the way that the various levers are exercised for each mode, and each mode has its own regulatory model. In some parts of the sector the design of the system has led to a degree of "path dependency" (a tendency for things that have happened in the past to continue happening, even if alternatives are available). Some of this path dependency is necessary; some of it has been coincidence.

The different parts of the transport system

The transport system includes:

- vehicles that move people and products
- physical infrastructure (e.g. airports and seaports, the rail network, roads, and car parks)
- digital infrastructure (e.g. satellite-based navigation infrastructure and aids, travel apps, communications technologies)
- transport services (e.g. public transport, bike-sharing, ride-sharing)
- institutions and regulatory systems that influence how the transport system functions and develops (e.g. through their structures, management practices, rules, policies, and funding/investment tools).

Central government is heavily involved in this system as a planner, funder, partner, enforcer and regulator. The Ministry of Transport (the Ministry) is a government department, while Waka Kotahi NZ Transport Agency (Waka Kotahi), the Civil Aviation Authority (CAA), Maritime New Zealand (MNZ) and the Transport Accident Investigation Commission (TAIC) are transport agencies, with TAIC as an independent Crown entity.

There are also three state-owned enterprises (SOEs): KiwiRail, Airways Corporation of New Zealand Ltd (Airways), and Meteorological Services of New Zealand Ltd (MetService). Local government, the private sector, researchers and iwi are also key players in shaping the transport system.

The section "Transport sector agencies and SOEs" page 36 provides a detailed explanation on the different types of organisations in the transport system.

The Transport Outcomes Framework

The Transport Outcomes Framework (the Framework) is intended to help you and Government set priorities for the system and measure progress. The Framework has five inter-related outcomes and is closely aligned with the Treasury's Living Standards Framework. It was implemented in 2018 and is used by all the transport entities. It is a powerful tool for alignment, role clarity and accountability.

The outcomes are not priorities, but allow for you to articulate your priorities so they can be delivered in a joined-up way across the system, with a consistent approach to assessing the effectiveness of delivery. The Framework helps us to understand and prioritise transport's many areas of influence across society and the economy, and to be more explicit about the trade-offs between the outcomes that are sometimes required.

Because the outcomes are inter-related, they need to be met through a range of interventions to improve intergenerational equity and wellbeing. We expect different Governments to place a differing emphasis across the outcomes and there is no single 'right' approach. The Framework also signals the need to balance the present needs and priorities with those of the future.

An example of how you can use the Framework is through the Government Policy Statement on land transport (GPS). The GPS allows you to set your priorities for investment in the transport sector, which Waka Kotahi and local government then deliver. Waka Kotahi's role is to implement your priorities through its investment and planning functions. These priorities guide Waka Kotahi and local government in deciding the types of activities that should receive funding from the National Land Transport Fund (NLTF).

Transport Indicators 2018/19

Economic Prosperity

CONTRIBUTION TO THE ECONOMY

Contributing to economic development through transport and freight sector activities

- Contribution of transport and freight movements to NZ GDP

MOVEMENT OF PEOPLE

Supporting economic activity through local, regional and international travel connections

- Passengers arriving and departing NZ
- Travel time reliability on priority tourist routes

MOVEMENT OF FREIGHT

Supporting economic activity through local, regional and international freight connections

- Freight imports and exports
- Freight carried domestically (local and regional)
- Travel time reliability for freight transportation
- Load efficiency
- Freight productivity / utilisation
- Farm expenditure on freight

Inclusive Access

ACCESS

Providing viable transport options for people to access work, education, and healthcare, and to participate in society

- Household spending on transport (% of income)
- Population with access to frequent public transport services
- Access to jobs

BARRIERS TO ACCESS

Reducing barriers for people to access social and economic opportunities and essential services

- Rural households without access to a motor vehicle
- People unable to make a beneficial transport journey
- Unmet need for GP services due to a lack of transport

PERCEPTIONS

Improving public transport and active travel modes, so that they are perceived as good options

- Perception of public transport
- Perceived safety of walking and cycling

Healthy and Safe People

PUBLIC SAFETY

Ensuring that people arrive safely at their destinations

- Transport-related deaths
- Transport-related serious injuries

WORKPLACE SAFETY

Ensuring that people who work in the transport sector are protected from work-related injuries

- Transport-sector work injuries

ACTIVE TRAVEL

Improving physical and mental health through physically active travel

- Time spent travelling by active modes

AIR AND NOISE POLLUTION

Protecting people from exposure to harmful pollution from the transport system

- Harmful emissions from fuel combustion
- Exposure to elevated levels of noise from the transport system

Resilience and Security

SECURITY

Ensuring that transport users are protected from security risks

- Security incidents
- Perceived personal safety while using the transport system

READINESS TO RESPOND

Ensuring that the transport sector has the capability and options to respond to disruptive events

- Response capability
- Preparation for loss of traditional transport options

Environmental Sustainability

WATER QUALITY

Protecting NZ's marine environment

- Marine oil spills in NZ waters

AIR QUALITY / CLIMATE CHANGE

Supporting NZ's transition to net zero carbon emissions

- Greenhouse gases emitted from the NZ transport system
- Vehicle fleet compositions
- Mode share of short trips

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Measuring progress

To support the Framework, the Ministry – with input from sector stakeholders – developed a set of quantitative indicators to track transport's contribution to wellbeing and livability through the five outcomes over time. The indicators provide high-level insights to the performance of the transport system, and help to inform decisions and policy across government.

Five transport levers

As Minister, you have a range of levers to influence the transport system. Our advice to you will focus on how you can make use of five key levers. Achieving most government objectives and priorities relies on multiple agencies using a combination of these levers together, and in a coordinated way over time.

For example, decreasing unsafe road user behaviour is a major component of reducing road trauma. We have taken a balanced approach to making our roads safer by investing in safety improvements to infrastructure while also increasing safe driving messages. Only focusing on driver behaviour would overlook the reality that people will always make mistakes on the road, so the driving environment itself needs to minimise the impact of these.

The five key levers are:

- Investment and revenue – investing in the transport system from dedicated and general funding sources to create capacity, enhance or maintain existing infrastructure and services, and influence behaviour by providing alternative travel options
- Economic and educational tools – using economic incentives, such as pricing, ideally in combination with soft measures like information campaigns, to drive behaviour change
- Regulation – influencing behaviour, and providing the legal frameworks that enable the system to operate effectively
- Influencing the international environment – influencing international rules and treaties that affect New Zealand
- Monitoring and oversight – setting your expectations for, and monitoring, the transport agencies.

Delivering your priorities

The Ministry can help you to consider how to use the available levers to achieve your medium to longer term goals. Using the five transport levers will have a bigger impact if you can consider how your priorities should be delivered over the short, medium and long-term. The way we have framed this previously has been based around:

- developing a view of the longer term choices in the system that can extend out to 30-50 years (framed by a Generational Investment Approach)
- producing medium term (mezzanine) strategies, like Road to Zero that have a single priority, but are coordinated across agencies using multiple levers
- delivery against 3-10 year delivery plans (such as the GPS, and the Rail Plan).

The Ministry has the system role of helping to embed this approach as the 'system steward' and connecting it with whole of government priorities. We work with you to establish the medium and longer term system strategies, translate them into coordinated delivery plans, and monitor overall progress. The plans work best when they are developed collaboratively with others.

The Ministry is also responsible for the overall planning and purchase of transport assets and

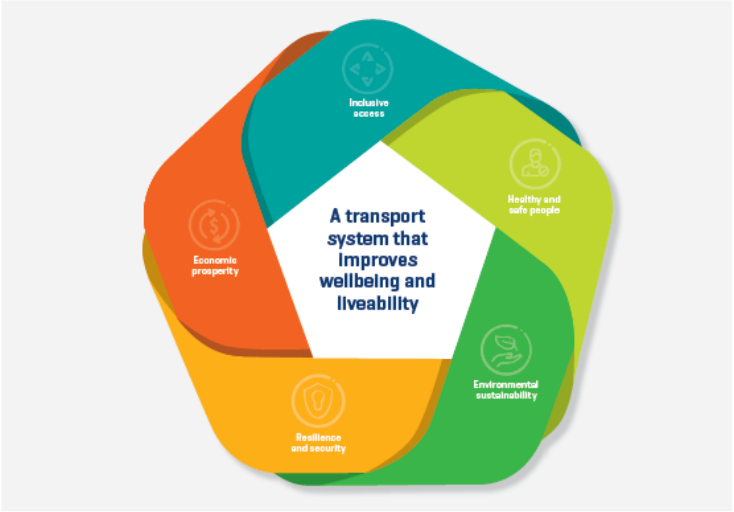
services that depend on direct investment from the Crown (i.e. are not paid for out of fuel excise duty (FED) and road user charges (RUC) contributions to the National Land Transport Fund). This includes new emerging modes, such as rapid rail.

Strategic delivery of transport: how it works

The Transport Outcomes Framework gives you and Government a way to set your priorities for the transport system, and for you to measure progress.

The Framework connects the transport system with other systems, such as the wider economic system, and has been adopted by all transport agencies. The individual outcomes also help us better understand transport's contributions to the economy and society.

The outcomes are inter-related, and need to be met through a range of interventions to improve intergenerational wellbeing.



Long term: generational planning

Some challenges can only be addressed if current day delivery is linked to long-term objectives. The Generational Investment Approach sets out investment option choices 10-50 years from now.

Generational Investment Approach (GIA)

Medium term: mezzanine strategies

"Mezzanine" strategies drive outcomes for 10-15 years into the future by packaging suites of measures to address specific issues or problems. Examples of current mezzanine strategies are illustrated on the right.

- e.g. Road to Zero
- e.g. Transport Emissions Action Plan
- e.g. Supply Chain Strategy
- e.g. Taking Flight – Drone integration paper

Shorter term: delivery through the levers

A useful way of considering how to deliver on your priorities is through the five key levers, illustrated on the right.

Delivery of most government objectives and priorities rely on a combination of the five levers to be used together, in a coordinated way over time. Mezzanine strategies are "unpacked" through these lever.

Delivery of your priorities is often done through delivery plans, which have a timeline of 3-10 years depending on how often you refresh them, and how agencies implement them.

- Investment
- Economic and educational tools
- Regulation
- Monitoring and oversight
- Influencing the international environment
- e.g. NZ Rail Plan
- e.g. New Southern Sky
- e.g. GPS
- e.g. Rail Network Investment Programme

Collaboration

Collaboration with other stakeholders is critical to realising transport outcomes.

Central government, local government, the private sector, iwi/ and hapū, as well as non-governmental-organisations.

Transport indicators

The Ministry has developed a set of indicators we can use system-wide to measure progress based on the Transport Outcomes Framework. An example is economic prosperity, as illustrated on the right:

In addition, the indicators enables a "feedback loop" where data continues to inform future policy work and decisions.

The Ministry makes this data openly available.

Economic Prosperity

CONTRIBUTION TO THE ECONOMY

Contributing to economic development through transport and freight sector activities

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- Freight carried domestically (local and regional)
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- Load efficiency
- Freight productivity / utilisation
- Farm expenditure on freight

Delivering your transport priorities

You can execute your priorities through the transport levers, often by incorporating them into one of several transport delivery plans. These have a delivery horizon of 3-10 years depending on how often you refresh them, and how the delivery agencies implement them.

Some of the key plans include:

- the *GPS*, which sets Waka Kotahi's investment and planning priorities. The GPS is a statutory document and the Land Transport Management Act (LTMA) expects you to set a GPS every six years with a review at three (this is covered in more detail on the discussion of Investment and Revenue as a lever on page 14
- the *New Zealand Rail Plan*, which provides a single plan for the rail system. The Rail Plan reflects the long-term nature of rail as an asset, and the need to co-ordinate investment across several agencies and sources. The Rail Plan is not a statutory document
- the programme of road policing activities that you approve under the LTMA for funding every three years (i.e. the *Road Safety Partnership Programme*).[1]
- the *Rail Network Investment Programme* produced by KiwiRail that you approve under the LTMA for funding every three years
- *New Southern Sky*, which is a 10 year plan (2014-2023) led by the CAA to modernise New Zealand's airspace and air navigation system
- the *Transport Regulatory Stewardship Plan*, which sets out our approach to regulatory stewardship, in partnership with our transport agencies, to ensure the transport regulatory system is up to date and fit for purpose.

Planning for the medium term – 'mezzanine' strategies

Strategies for cross-cutting priorities can be created to get bigger change in the system. Mezzanine strategies can deliver outcomes for 10-15 years into the future by packaging suites of interventions and measures to address specific issues or problems. Recent examples include *Road to Zero* - a strategy for reducing the number of deaths and serious injuries on New Zealand roads, and the *Transport Emissions Action Plan*, which you will receive shortly. Work is underway on others, such as the *Supply Chain Strategy*, and the Ministry will brief you further on these over the upcoming weeks.

Increasingly, transport strategies are informing the use of the levers in more sophisticated ways that allow each lever to be fully utilised, while minimising unintended consequences and costs. There are harder approaches, like changing the process for setting speed limits, and softer approaches, like releasing discussion or issue papers. Such papers raise awareness of an upcoming opportunity, and start wider discussions about the longer-term choices and roles for government and industry to achieve system change.

The Ministry plays the lead role in helping you establish these strategies but all agencies in the transport sector should be involved in developing them. Māori are a vital partner and have an important role to play in the planning process. Māori are closely engaged by delivery agencies like

[1] Road policing is also one of 15 actions set out in the Road to Zero action plan for 2020-2022, with funding committed to under GPS 2021 Road to Zero activity class.

Waka Kotahi when they are dealing with the specific aspects of delivery, but there are opportunities to improve the way we partner and work with Māori at a strategic level when developing medium and long term plans for the transport system. Hei Arataki, the Ministry's Māori Strategy, sets out how we will do this and better fulfil our responsibilities both as partners in Te Tiriti o Waitangi and in ensuring that the transport system enables all New Zealanders, including Māori, to flourish.

Planning for the long-term – generational planning and investment

Transport is a delivery arm of New Zealand's economic, social and other long-term strategies. All of these require concerted effort over time to deliver, and an understanding of the full legacy of choices made today. Some challenges, such as climate change and city growth, can only be addressed if current day delivery is part of a well formed, long-term plan.

The Ministry is leading work with other transport agencies and SOEs, and with the Infrastructure Commission, on a Generational Investment Approach (GIA) that will consider options out to 30-50 years from now. The GIA uses the transport outcomes to evaluate the broader value of potential future transport investments to the government's and communities' desired outcomes. It is currently being populated for the first time.

The GIA will help you to identify potential and beneficial future investments. It will also help you to shape transport delivery plans and mezzanine strategies, as well as identifying steps that may be needed today in the short term to deliver them or realise the benefits of longer term options. The GIA enables more than one pathway forward. It recognises that planning for the longer term involves challenging public policy choices and the application of values, but it will enable you to plan as far as 30-50 years out if you wish to.

The work has also been informed by working with councils and others, such as on the redevelopment of Drury and the Hamilton to Auckland Corridor, where longer term planning is being done on the ground. This is enabling us to develop analytical tools to measure the value of particular interventions in the context of local spatial plans, as well as their contribution to the broader transport network and the economy. It is also helping us to consider the intergenerational funding and financing approaches that will be needed for the biggest projects.

Delivering in partnership with local government through area deals

Local government is an important partner in the delivery of all transport modes. Local authorities prepare Regional Land Transport Plans that set out their transport priorities in a way that supports the development of their communities. Both central and local government have a stake in the long-term success of areas that are growing or could grow, and are working more closely together.

Area deals are a good example of where central and local government set out a shared commitment to long-term priorities. These deals provide a way of recognising the characteristics and needs of different regions and cities when delivering mezzanine strategies. Area deals also allow those strategies to align with other government or regional priorities, such as intensification, to achieve long-term outcomes for an area. Together, these are unpacked and incorporated into the relevant delivery plans, such as the National Land Transport Programme (NLTP), and *New Zealand Rail Plan*, which set out the current decade of investment from the NLTF and Crown.

The Auckland Transport Alignment Project (ATAP) is the best known and most mature of these area deals, but there are other parts of the country that work differently and have their own arrangements.

Like ATAP, some are comprehensive and encompass all transport investment while others, are more limited; in the case of Wellington, other transport investments are required outside of *Let's Get Wellington Moving*.

If broader, longer term agreement is needed on the outcomes being sought from any area deal, the Ministry and other central government agencies will be closely involved. Detailed planning and implementation are led by the transport delivery agencies and local transport authorities.

Using evidence

Good decision making requires robust and objective evidence. There is a range of data and evidence available to inform your decisions. The Ministry, the transport agencies, and SOEs have access to and the ability to analyse numerous datasets including vehicle fleet statistics and emissions data, and the Freight Information Gathering System. This access enables agencies to offer evidence based insight into trends, future projections and possible impacts on many policy decisions. This includes long-term evidence, such as the Transport Outlook and advice on how we can set the system up for longer term challenges.

We can help you better understand the consequences of your decisions, from modelling the impacts, to monitoring and evaluating the effectiveness of policies.

The Transport Evidence Base Strategy (TEBS) sets out a path to ensure the transport sector has the right data, information, research and evaluation to policy decisions based on good evidence. Implementation of the TEBS is the responsibility of your transport agencies and SOEs, working alongside local government and other stakeholders.

CASE STUDY: WHY ARE SERIOUS CAR CRASHES INCREASING?

The Ministry analysed factors in fatal and serious injury car crashes, modelled four years before and after 2013.

Data showed counts that were 49 percent higher than the lowest rates achieved in 2013.

The results suggested that New Zealand's successful road safety initiatives have been undermined by reduced levels of enforcement and an unexpected outcome from the graduated driver licence system.

The five transport levers

Investment and revenue

Investment is needed to keep the transport network running, but it can also improve the capacity, connectivity, and reliability of the system, while influencing the behaviour of the people who use it by offering them new options. Investment can often have long lead times, high costs, and leave long legacies.

There are a variety of funding and financing methods for government to use for investment in the transport sector. The Ministry has expertise and capability to advise you on these methods. These methods can vary widely, depending on factors like the type of project, its scale, potential funding partners and the institutional and funding settings that the investment will take place in. Your priorities for the transport sector can direct you to a particular investment method, as sources of funding are available for different parts of the sector and come with different obligations.

Transport revenue streams help fund the continued operation of the system

Revenue collection ensures the continued operation of the transport system. The relationship between where transport revenue comes from, and what it is used for, is illustrated in the chart below.

You recommend the rates to be paid by road users and other participants in the transport system. Changes to these charges affect businesses and households across New Zealand. It is good practice to conduct public engagement on planned rate changes. For FED and RUC, this is usually done through engagement on the draft Government Policy Statement on land transport.

The Ministry has responsibility for stewardship of the transport funding system. The Ministry applies funding principles in advising you; these principles reflect the purposes for which money is collected, and gives priority to transparency. These principles build on, and are consistent with, previous guidance issued by Treasury and the Office of the Auditor General. The principles support a consistent funding framework for activities across the Ministry and transport regulatory agencies, and provide transparency.

The principles are:

- the method of funding should support, and at least not conflict, with the objectives of the transport regulatory system
- the funding model should be sustainable over time
- costs should be allocated primarily according to those who creates risks in the system

Source of transport revenue	What the revenue funds
Levies, fees, and charges	Activities and services provided by transport agencies, in particular the regulatory functions of Waka Kotahi, the CAA, and MNZ.
Fuel taxes, road user charges, motor vehicle licensing fees, and track user charges	Land transport infrastructure, services, and maintenance, and Waka Kotahi's investment function.

- users should pay for transport services, unless there is a good reason not to, for example, users of buses should pay for bus services, although a subsidy for bus services may be justified if there is a rationale for increasing public transport usage.
- Crown funding should be limited to functions with broad, indirect, or very widely distributed benefits, for example, the Crown funding the Court system that helps to resolve transport incidents.

The transport regulatory agencies are primarily funded from fees, charges, and levies

As Minister, you have responsibility for seeking Cabinet's agreement to the rates at which fees, charges, and levies are set. These are critical decisions because they determine the resourcing available to the transport agencies to deliver their regulatory responsibilities.

The CAA oversees aviation safety, the civil aviation rules, and the Aviation Security Service as a separate division. The CAA's levies, fees and charges are collected from passengers and participants in the aviation sector, including airlines and other aviation businesses. The CAA receives some Crown funding for activities, such as policy advice, international engagement and assistance to Pacific Island countries on aviation safety.

Like the CAA, MNZ covers the costs of its regulatory and operational functions from fees, charges and levies. Crown funding is provided for activities, such as policy advice, international engagement, and maritime security. MNZ's levies and fees are collected from participants in the maritime sector, such as the maritime levy from commercial ship operators, and the oil pollution levy from offshore oil installations.

MNZ also receives funding for specific activities, including recreational boating safety and search and rescue coordination, from fuel excise duty. Recreational boat users pay fuel excise duty on the petrol used in their boats. Under the LTMA, you and the Minister of Finance decide the level of funding from the fuel excise duty allocated to MNZ.

Waka Kotahi also funds its regulatory function through fees, levies, and charges. However, Waka Kotahi's investment function is separately funded through the NLTF, and how this works is detailed in the next section.

The impacts of COVID-19 have reduced third party revenue for the transport agencies and SOEs, in some cases severely. The Ministry will provide you with early advice on the funding and financing of transport agencies.

The NLTF is mainly funded by motor vehicle users

Most revenue for land transport investment and operations is collected from motor vehicle users, and most is included in the hypothecated NLTF. The NLTF collects $4 billion of annual revenue and is administered by Waka Kotahi. Revenue from the fund is invested in state highways, the rail network, local roads, road policing, walking and cycling, and public transport. Local government matches the $1 billion contribution from the NLTF with another $1 billion per year of its own funding.

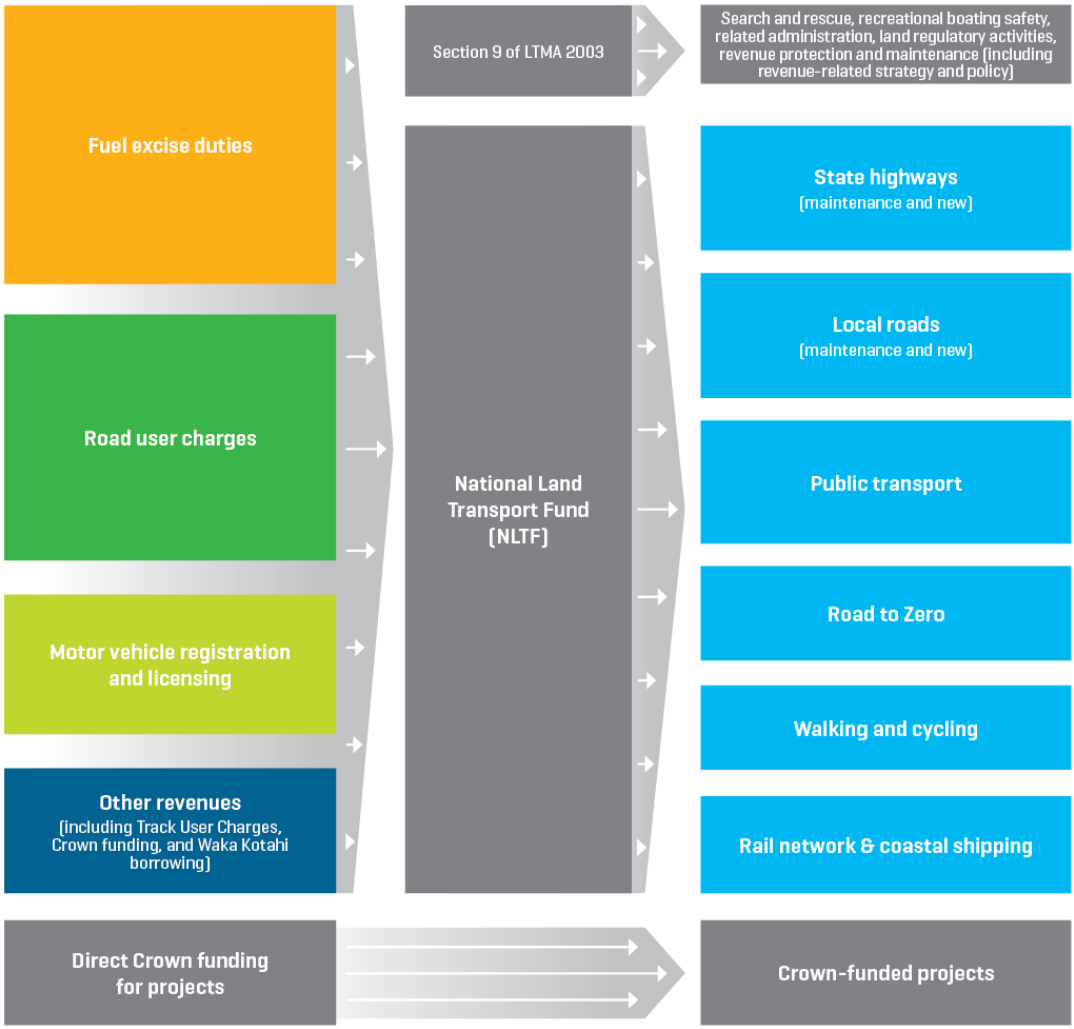
The diagram below illustrates the funding flows in and out of the NLTF. Under Section 9 of the LTMA, you and the Minister of Finance can agree to use a portion of FED for activities related to search and rescue, boating safety, Waka Kotahi's regulatory functions and the Ministry's associated monitoring functions.

You can adjust the rate of charges and duties for the NLTF to meet your priorities

The amount individual users pay reflects the costs of wear and tear from their use of the land transport system, but does not account for externalities generated by road users. The main sources of revenue for the NLTF are FED charged on petrol and RUC for diesel vehicles and heavy vehicles over 3.5 tonnes, but there is some revenue from motor vehicle registration and licensing fees as well. New Zealand's RUC system is world-leading because it attributes road maintenance costs to vehicles that cause road wear according to their weight and the distance they travel.

As shown below, NLTF revenue has been rising, primarily due to increased travel and increases in FED and RUC rates. The economic impacts of COVID-19, and restrictions to travel during the lockdown alert levels, materially reduced NLTF revenue. The magnitude of the reduction was estimated in March 2020 during the early stages of COVID-19, as part of the Treasury's Budget Economic and Fiscal Update. Observed reductions have been slightly less than estimated, and recent forecasting estimates that NLTF revenue will gradually increase over the following years. Nonetheless, the NLTF will face funding pressures for the time being.

RUC rates are set through the RUC Rates Regulations 2015 and changes must be confirmed by Parliament. FED is generally set through amendments to the Customs and Excise Act 2018



and, sometimes, by an Order in Council (that must also be confirmed by Parliament). Parliament has a role because FED and RUC are taxes. The portion of the motor vehicle licensing fee that goes to the NLTF has not changed since 1992.

Heavy rail infrastructure can also be funded from the NLTF. This was recently developed by the Land Transport (Rail) Legislation Act 2020. This Act also changed the Land Transport Act 1998 to allow you to set Track User Charges (TUC) by regulation. TUC will ensure that those who use the rail network and benefit from funding from the NLTF, contribute to the Fund in a fair and transparent way. Regulations setting TUC are required to come into force by 1 July 2021 to align with the GPS 2021.

Tolling can be used to pay for new roads

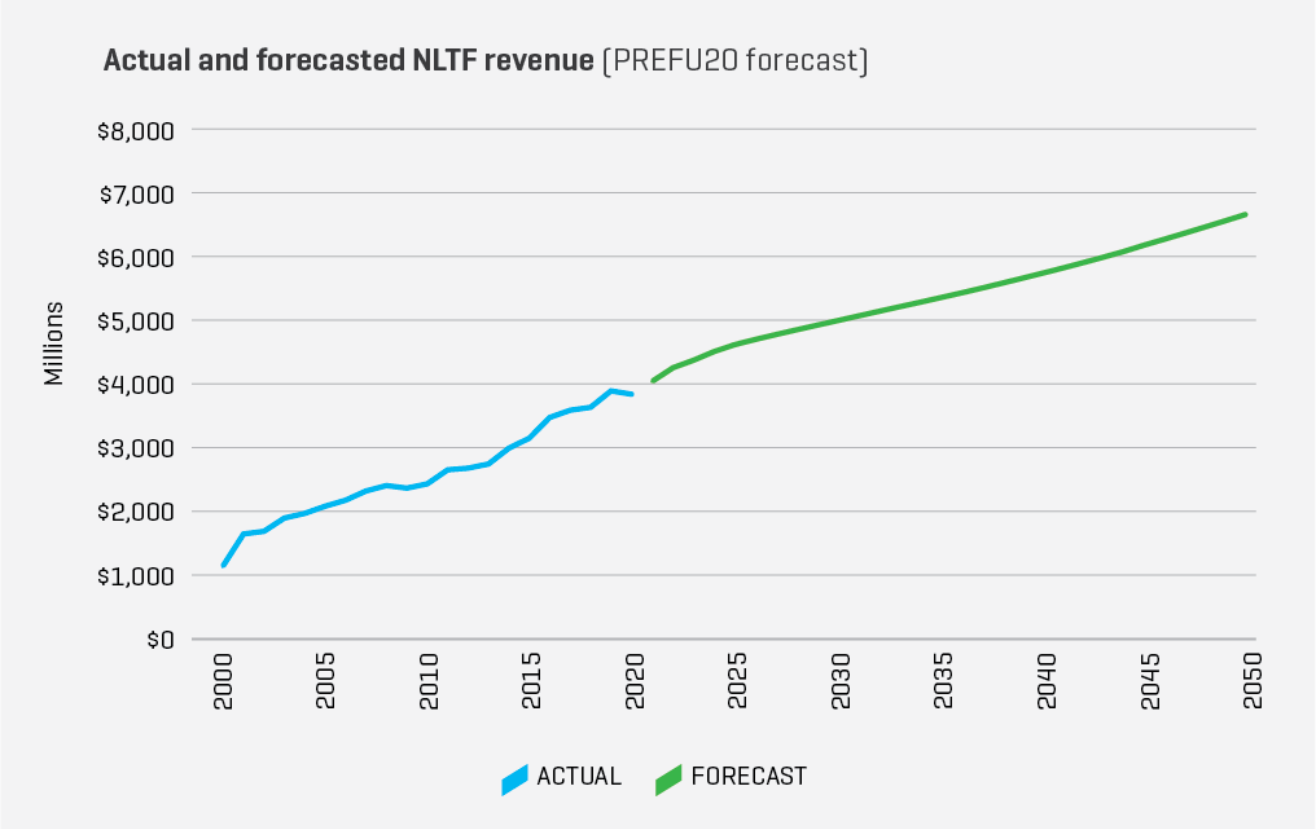
Another way to pay for the cost of new roads is tolling, although this method has not been used much to date. The LTMA gives you discretion to establish a road tolling scheme by Order in Council.

The LTMA states that you must be satisfied that the road proposed to be tolled is new, a free alternative route is available, and that there has been adequate public consultation on the proposed scheme.

Previous governments have implemented tolling for three roads to bring their construction and delivery forward. There are limited opportunities for tolls to generate significant amounts of revenue for new roads due to high administrative costs and other challenges, such as low traffic volumes and a lack of public support for tolls.

Regional fuel taxes can also be used for local government expenditure on land transport projects

Regional fuel taxes are a potential revenue source available for local government through the LTMA. However, the legislation prevents regional fuel taxes in regions other than Auckland until 1 January 2021.



The GPS allows you to guide investment from the NLTF

The GPS is a critical transport document outlining government's strategy for investment in land transport over the next 10 years. Prepared under the LTMA, the GPS is implemented by Waka Kotahi through its NLTP, which sets out a three year programme of land transport investments. The GPS is government's primary lever to guide expenditure from the NLTF.

The NLTF is primarily used for:

- maintaining the levels of service in the land transport system through activities such as public transport services, road maintenance, rail network maintenance and road policing, which currently costs around 70 percent ($2.8 billion) of the NLTF per year
- improving the public transport, road, rail, cycling and walking networks (by building new infrastructure and improving service levels), which is often referred to as the NLTF's "discretionary expenditure", and uses the remaining 30 percent ($1.2 billion) of the NLTF per year.

The LTMA's purpose – to contribute to making the land transport system effective, efficient, and safe in the public interest – establishes the parameters for decision-making under the Act. Within these parameters, you are able to use the GPS to set strategic priorities for the land transport system and reflect these priorities in your choices over the amount of funding you make available for different sets of land transport activities (known as activity classes).

The GPS establishes a funding range for activity classes, such as road maintenance, road infrastructure, rail, walking and cycling infrastructure, coastal shipping, and public transport. The GPS contains a 10-year financial forecast based on assumptions about how much revenue will be collected from expected vehicle use and expected rates of FED and RUC over the forecast period.

While you can set priorities, you cannot specify individual projects

While you can use the GPS to indicate what types of transport activities you want delivered, you cannot specify what individual projects are funded. The LTMA gives Waka Kotahi statutory independence to select projects for the NLTP. However, the GPS can set an expectation for Waka Kotahi to consider government programmes when allocating funding through the NLTP. For example, Waka Kotahi must consider the Auckland Transport Alignment Project when making decisions under the current GPS.

In exchange for its statutory independence, Waka Kotahi works solely from the priorities set by you in the GPS, and over the period it covers (ten years, with the ability to finance over longer periods by agreement). However, to help it plan into the medium term and to support regional planning, Waka Kotahi has a framework and evidence base called Arataki that looks at options after the three years of a current NLTP, but within the ten year window over which each GPS applies. Arataki is not a decision-making tool, but it provides a summary of evidence to inform regions as they plan.

Influencing local government investment can help to advance your objectives

The GPS also helps to incentivise local government investment in land transport in the setting of priorities and objectives. Each local authority puts forward projects to align with the priorities of the GPS to qualify for funding assistance. The amount of funds allocated to local government activities from the NLTF are determined by funding assistance rates (FARs) that Waka Kotahi sets. Engaging with local government as each GPS is prepared ensures that government's priorities and

local governments' objectives are aligned as much as possible.

Under the LTMA, you can choose how and how often you set GPS priorities. Ministers of Transport have sometimes chosen to change the GPS priorities more often than the six years suggested by the LTMA. Doing this can be necessary if government priorities change, but this also limits Waka Kotahi's and local government's ability to plan with certainty.

Crown funds can supplement transport revenue and be used to purchase specific projects or programmes

Not all of the investment needed in the transport sector can be met from the NLTF. Increasingly the Crown has made direct investments in specific activities in the transport system. This is managed through the annual budget process led by the Minister of Finance and is usually done through an annual assessment process running between October and April. However, additional Budget rounds took place in 2020 in response to COVID-19, and more generally ad-hoc investments can also be made using Crown funds with Cabinet's agreement.

Recent transport investments made through the budget process include the ongoing maintenance and renewal of the rail network, and new ferry assets to support a resilient and reliable rail freight system. The process enables a strong case for transport investment in areas including:

- aspects of the aviation and maritime sectors not funded through private investment or fees and charges
- regular investment in the rail system
- reflecting increased costs in areas with ongoing Crown funding, such as maintaining the SuperGold public transport concession scheme.

Crown funding can be used to bring forward land transport investment, or to invest in broader priorities through the transport system. This includes investment that:

- would usually qualify for investment through the GPS, but has not gone ahead due to constraints on the NLTF, for example, projects in the New Zealand Upgrade Programme or
- has broader objectives than the GPS priorities that make it worth progressing, for example, recent investments in 'shovel-ready' transport projects were designed to create economic stimulus.

Ministers are accountable for activities funded by the Crown directly, unlike investment from the NLTF where the Waka Kotahi Board has an independent role in overseeing and monitoring expenditure. While bodies like Waka Kotahi or KiwiRail may deliver Crown-funded activities and investment programmes, the Crown usually establishes additional oversight arrangements for any projects or programmes with Crown funding. These arrangements are to assure accountable Ministers that their outcomes are being achieved.

Crown funding can also be prioritised to leverage local or private investment to maximise total investment beyond the Crown's contribution. Recent examples include:

- the Crown Infrastructure Partners Ltd's process for COVID-19 response, which called for applications for funding from local government, with an expectation of some co-funding into 'shovel-ready' projects
- the Urban Cycleways Programme, which used $100 million of Crown funding to encourage increased local share alongside NLTF funding to deliver a total $333 million cycleways programme.

The draft New Zealand Rail Plan outlines government's long-term vision and priorities for the national rail network, including government's

investment priorities for a reliable and resilient rail network. The heavy rail network is part-funded from the NLTF and the Crown. Other rail assets (e.g. ferries and locomotives) are funded by the Crown and from KiwiRail's commercial revenues. Direct Crown funding of rail reflects that the commercial freight business should be supported by the Crown as owner. Some rail investments are of a 'catch up' nature or achieve broader Crown outcomes.

New infrastructure is not always the best solution for managing transport problems, or the best use of limited government funds

Any transport problem you seek to solve through investment should be assessed against a range of options. While investing funds in new infrastructure can create jobs and improve the efficiency of people's travel journeys, building infrastructure may not be the optimal solution to a problem. Many large-scale infrastructure projects require lengthy periods of planning and construction, so any outcomes of your investment may not be evident for some time.

While new infrastructure can achieve a range of benefits, the costs should be considered in the context of alternative mechanisms to shape people's transport choices. For example, the reduction in road traffic during the COVID-19 Alert Levels and the new experience of working from home for many people led to an improvement in road congestion, travel by active modes, and levels of pollution from transport. Looking for other opportunities to influence travel behaviour and demand may be a useful alternative to new infrastructure in the context of rapidly rising populations in some cities and government efforts to reduce New Zealand's carbon emissions. New Zealand's use of the Better Business Case methodology embeds this practice.

Applying Travel Demand Management (TDM) principles to investment decisions can ensure investments are balanced and diverse, and incorporate supply-side (infrastructure) and demand-side (non-infrastructure) interventions in combination.

There are also opportunities to leverage the enormous private sector investment we are seeing in new and innovative transport technologies both within New Zealand and globally. Over the past term of government we have seen rapid growth in new technologies and business models, such as car-sharing, shared e-bikes and scooters, and drones. This trend is likely to accelerate, and over the next three years we expect highly automated vehicles to become an increasingly prominent feature of our transport system. Not all of these technologies will help achieve your objectives, and some of them will bring new risks which need to be managed. We need to be deliberate about how we use our investment and regulatory levers to shape the use of these technologies in a way that aligns with our long-term objectives.

There can be tensions between raising revenue and using pricing to change driving behaviour

The charges and taxes used to collect land transport revenue have tended to be a blunt method of influencing travel behaviour or the level of externalities that road transport generates. There can be a tension between using revenue mechanisms to influence outcomes or behaviours and the need to collect revenue. Land transport revenues are heavily dependent on vehicle use, so raising certain charges or levies to discourage vehicle use may reduce the revenue available to invest. This was demonstrated by COVID-19. Much-reduced vehicle use during Alert Levels 4 and 3 created cash flow issues for the NLTF.

The Ministry is exploring solutions to these issues, and a broader range of ways to pay for transport services and infrastructure. This includes the Future of the Revenue System project, which looks at how the core needs of the land transport system

are paid for by users; work on how we establish the right funding and financing arrangements for bigger generational projects like mass transit; and working with Auckland Council and other government partners to investigate whether to introduce congestion pricing in Auckland, a pricing mechanism that can influence travel behaviour and raise revenue.

Economic and educational tools

You can use economic and educational tools to drive behaviour change within the transport system

Economic tools can help to better inform people of the impacts of their travel choices and influence the choices they make in the future, by putting a price on those impacts. The price of transport can reflect the direct costs of using the network, the externalities/indirect costs (such as emissions), or it can be set relative to other modes to influence the use of one mode over another.

Examples of economic tools to drive behaviour change include:

- differential pricing of public transport eg reduced off-peak fares
- subsidised public transport fares, regardless of time
- congestion charging
- parking fees.

Educational tools can help to nudge people into changing their behaviour by communicating or consolidating information about their travel choices. Examples of educational tools to influence behaviour change include:

- travel planning
- social media marketing
- information provision
- mass media campaigns.

The greatest benefits come from combining economic and educational tools with complimentary harder measures, such as infrastructure provision. In doing so, these measures can help achieve the outcomes you want to see in the transport system, such as reduced congestion, reduced emissions and better health outcomes in a more efficient way.

Existing transport charges do not directly influence behaviour, but there is an opportunity to do more in the future

Existing economic tools in New Zealand are intended to recover the cost of maintaining the transport system and to fund transport projects. The use of economic tools or 'transport pricing' as it is often known, is an emerging focus both in New Zealand and internationally as a way of influencing travel behaviour and efficiently managing network demand.

Internationally, there are examples of economic tools being used in the transport system to achieve broad outcomes (including reduced congestion, improved air quality, and greater uptake of active modes and public transport). Congestion pricing is a well-established demand management tool internationally. It intends to change people's travel behaviour by imposing a charge on the use of congested roads at peak times. This can encourage some people to travel at different times, to travel by public transport, by active modes such as walking and cycling, or not at all (such as by remote working), rather than travelling by private car.

The primary objective of congestion pricing is to improve network efficiency, not to raise additional funds from road users. While congestion pricing does raise some revenue, and successful international schemes have used this to invest in transport projects, it should not be relied upon as a source of revenue. The Strategic BIM discusses the need to review the existing revenue system

including the potential use of congestion charging in cities.

Educational tools can be complimentary when seeking behaviour change

While economic tools can efficiently influence travel choices, they may not be sufficient on their own. Educational tools can nudge people to change their behaviour without an economic push, and are most effective when those tools are sustained in the longer term. For example, marketing campaigns and information provided through education, advertising and app-based systems can support and influence people to choose more sustainable modes of transport.

There are a range of these incentives already being used around the world. For example, some cities have journey planner apps that show users not only the trip times for different modes available to them, but also the health impacts of those modes, such as the calories they could burn from walking or cycling to their destination.

Tools such as advertising campaigns have already been used in New Zealand with varying success. In the road safety space, public information campaigns have long been used to show the consequences of drink driving in combination with regulatory measures, such as penalties, to reduce road tolls.

Case study: integrated approach to congestion using Travel Demand Management (TDM)

New Zealand's urban centres, tourist destinations, and some inter-regional corridors are experiencing high and increasing traffic volumes. Traffic congestion results in negative economic, social, health and environmental impacts. As our population increases, so too will travel demand and, unless managed effectively, this demand could exacerbate these impacts.

TDM is the application of strategies, policies and interventions to create and manage demand in the transport system. It is an integrated, whole-of-system, approach to managing transport that focuses on the following outcomes (known as the 4 R's): to re-mode travel (often referred to as 'mode shift'), reduce total travel, re-time travel (e.g. shift to off-peak), and re-route travel.

An integrated TDM approach

- **Investment:** additional and improved public transport services, separated cycle paths, high-occupancy vehicle lane on motorways.
- **Policy and Regulation:** removal of on-street carparking, require increased mixed-use and higher-density development near public transport (transit-oriented development).
- **Pricing:** a congestion charge on a specific zone, reduced public transport fares, subsidised e-bikes, which would contribute to some mode shift and potentially encourage people to travel at different times (if variable pricing), take alternative routes or reduce their number of trips.
- **Information**: mass media, direct social marketing and education campaigns that explain 'what' interventions are being implemented, 'when', 'where' and most importantly 'why'. Also, information about travel options available and where / how to use them.

There are several TDM tools that can be used on their own or in combination to address the impacts of congestion. The diagram below illustrates an integrated approach that combines economic and educational tools, as well as regulatory and investment levers more broadly.

There are no silver-bullet interventions to address traffic congestion. Therefore, by combining different economic measures and soft incentives, we can expect greater behaviour change and greater public acceptability. Because people are motivated differently (e.g. cost, health, time savings and environment), it is important not to rely on single interventions which may only affect behaviour change amongst certain groups.

Regulation

You have a range of tools in the transport regulatory system to deliver good transport outcomes

The transport regulatory system helps protect New Zealanders from harm and achieve other transport outcomes. The system is comprised of laws made by Parliament (primary legislation) and second order regulations, rules and instruments that those laws allow (secondary legislation). Legislation, however, is only part of the picture. Transport Crown entities, as well as the Ministry, need to deliver services, educate and inform and make sure that people follow the requirements set out in legislation. The regulatory system works together to shape people's behaviour.

Through the transport regulatory system, you are able to deliver your priorities through the licensing, certification and regulation of people, organisations, and vehicles. At an individual level, regulatory powers are exercised by the transport agencies (through the actions taken by the Director in each of these agencies). The regulatory system also establishes the mechanisms used to gather revenue, invest in land transport infrastructure and public transport, and fund transport Crown entities through third party fees and charges.

The parts of the transport regulatory system is illustrated on the following page.

You have responsibility for a variety of legal instruments

Legislation forms the core of the transport regulatory system comprising primary legislation, secondary legislation, transport instruments, and local government bylaws[2].

Transport Acts set out:

- the roles and functions of the Ministry, transport agencies, and SOEs
- the planning and funding arrangements for land transport
- the roles and powers of local authorities and road controlling authorities
- licensing and certification arrangements for transport system participants, vehicles and technology
- the requirements for making transport regulations and rules
- compliance tools to promote adherence to safety, security and environmental requirements across transport modes.

You are responsible for the passage of primary transport legislation through Parliament, supported by the Ministry.

Transport rules contain detailed technical standards, requirements, and procedures governing the construction, maintenance, licensing, certification and operation of transport activities within modes. You are empowered under primary legislation to make these rules through delegated responsibilities. You are expected to advise Cabinet that you intend to make a rule if there would be wide-ranging impacts. There is an expedited rule making process where urgent changes can be made by Order in Council. The transport Crown entities develop the majority of transport rules with the Ministry's involvement, but the Ministry leads policy development on significant Rules.

[2] As Transport Minister you have powers to amend, replace or disallow some local government bylaws.

Transport regulatory system mapping

Simplified version based on Transport System Regulatory Stewardship Plan 2019-2022

AVIATION TRANSPORT OBJECTIVES

Integrated, safe, responsive and sustainable transport system.

Obligations under international agreements are implemented.

LAND TRANSPORT OBJECTIVES

Integrated, safe, responsive and sustainable transport system.

Obligations under international agreements are implemented.

MARITIME TRANSPORT OBJECTIVES

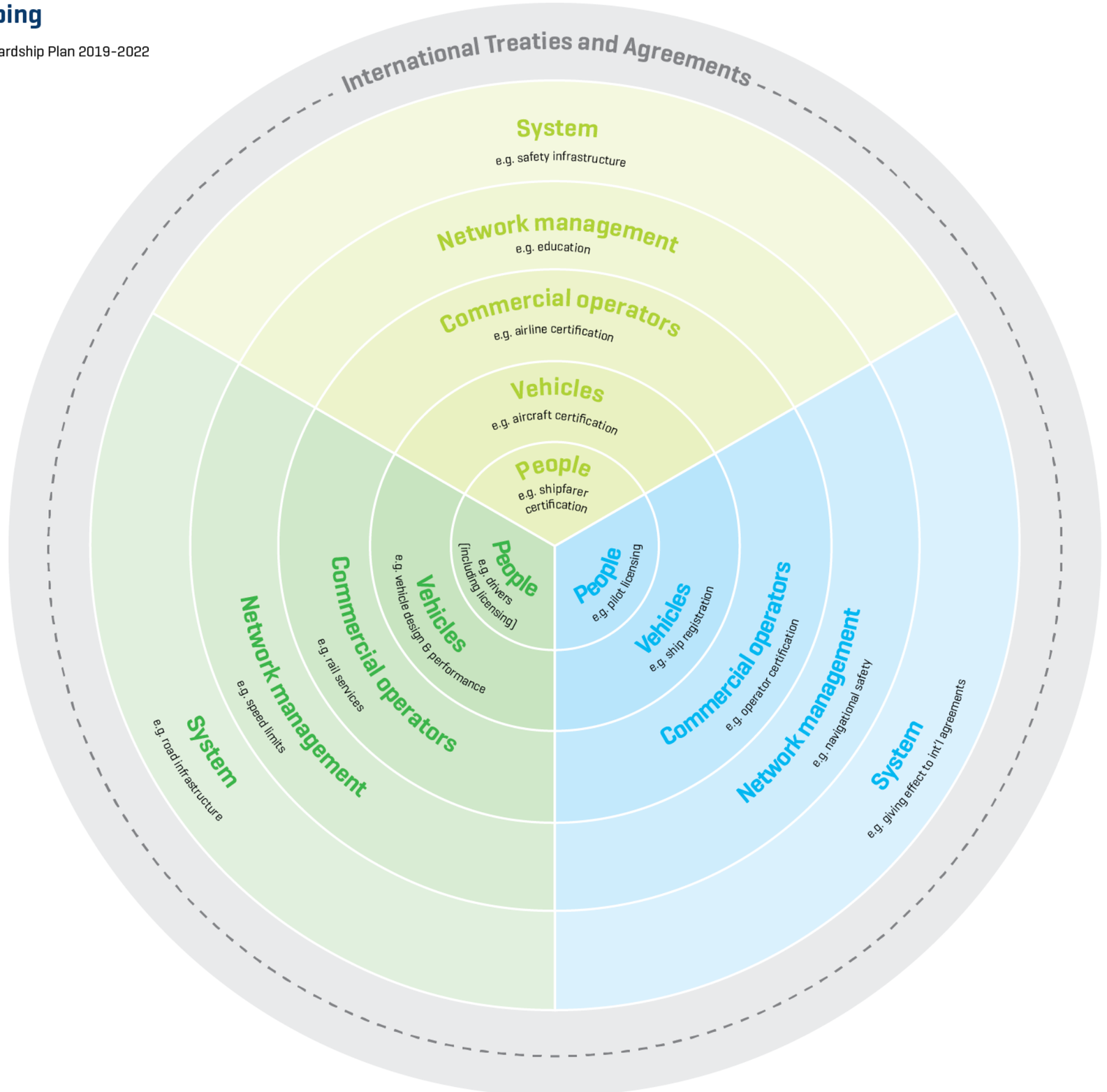
Safe, clean, secure.

Integrated, safe, responsive, and sustainable transport system.

Obligations under international agreements are implemented.

Protection of marine environment.

Preparedness for and ability to respond to marine oil pollution spills.



Transport regulations mainly set out the associated rule-related offences and penalties, and fees and charges that fund the work of the transport regulators. The Ministry leads the development of these with involvement from transport agencies and SOEs, and the NZ Police depending on the subject. Regulations must be approved by Cabinet.

Transport instruments are a proposed tool to help support a more flexible regulatory system. The consultation requirements on transport instruments are more customised than those for Rules, meaning that changes that only affect a small number of transport users can be progressed quickly. Instruments currently proposed for land and maritime in a Bill before the house, and for aviation through the upcoming Civil Aviation Bill.

If agreed, they will be outlined in a rule made by you as Minister of Transport, with the design and management delegated to a specified official (such as the Director of the relevant transport regulator). For example, a transport rule may describe the need to carry certain safety equipment on a vessel, and the related transport instrument could then set out what safety equipment is required and where it should be placed.

The regulatory system, through legislation, rules, and regulation implements requirements under international conventions and agreements that New Zealand has joined. There are some 50 international transport related agreements. However, only a small number require regular updates of our regulatory system.

The regulatory system has a dual function: to prohibit or control certain activity or behaviour and to create an enabling environment. Regulation is not just 'red tape', but can (if used well) contribute to the economic opportunities and other outcomes. Regulating emerging technologies can also enable better market access to firms by providing a permissive and transparent environment with appropriate safeguards. This can support the uptake of emerging technology and increase productivity in the sector.

Regulatory stewardship is embedded in the Ministry's work

There is a responsibility to develop robust regulation that reflects considered choices about the best regulatory tool to use, the right type of regulatory design (performance-based or prescriptive), and who is best placed to apply them. Regulatory stewardship is a public service principle and statutory responsibility for all government departments, including the Ministry. It involves adopting a whole-of-system, lifecycle view of regulation and requires a proactive and collaborative approach.

The Ministry has published Transport Regulatory Stewardship Plan 2019 – 2022 that sets out how we fulfil our regulatory stewardship responsibilities in collaboration with the transport agencies (Waka Kotahi, the CAA and the MNZ). It includes the priority actions we will take to address some of the issues outlined below.

The regulatory system requires constant review and renewal as part of our stewardship responsibilities. Otherwise, it might not cope well with emerging risks, shocks, or disruptive technologies. Parts of the current regulatory system have proven to be flexible and able to deal with most emerging issues without the need to change primary legislation, where other parts have not. Some parts of the regulatory system are out of date, and changes have been made over time in an ad hoc way. This raises questions about whether the system remains coherent. Compliance with international conventions is patchy in some

areas, leading to reputation and coordination issues.

The Ministry and the transport Crown entities are working collaboratively to develop and deliver a multi year programme of work which will progress your priorities and the delivery of transport outcomes, and other priority actions to maintain and renew the system. We are also developing a strategy to determine where, and how, we engage on the international agreements and conventions that affect our regulatory system, implement international standards, and how we meet our obligations.

The independent Crown Entity, TAIC plays an important role in regulatory stewardship, as well as other aspects of safety within the transport sector. TAIC is independent of other public sector organisations and government when it investigates aviation, rail, and maritime accidents and incidents and publishes its findings, with the aim of avoiding future occurrences. TAIC's recommendations enable transport agencies (including the Ministry) to take up its recommendations, and review and renew regulatory settings to avoid future accidents.

CASE STUDY: EFFECTIVE TRANSPORT FINANCIAL PENALTIES

The Ministry is taking a regulatory stewardship approach to ensure that financial penalties in transport legislation support compliance. This responds to several opportunities identified to improve how transport-related financial penalty levels are set and better-support their effectiveness.

Previously, financial penalties have been developed somewhat arbitrarily and in isolation, without due consideration to the consistency of penalty levels within and across the transport modes. The resulting penalties are not always proportionate to the levels of risk and harm expected from the offences, nor set at an appropriate level for different offender types. In part, this is because penalties have not been regularly reviewed to ensure they are up-to-date, fit-for-purpose, and consistent with penalties for comparable offences in other more modern legislative frameworks.

To address these problems we are finalising an Effective Transport Financial Penalties Policy Framework, which we expect to brief you on in December 2020. The Framework provides a systematic approach to inform the setting of transport-related penalty levels by considering the following principles:

- Respond to the offence's severity
- Act as a deterrent to undesirable behaviour
- Be proportionate
- Be reasonable
- Consider responsibilities of the person or entity in the system.

To implement the Framework there is an associated Financial Penalties Categorisation Tool. The Tool outlines a staged process of applying the Framework's principles to set penalty levels. This involves assessing the severity of harm (to the transport system, people, environment and property) that arises from an offence (or is likely to arise) and the type of offender (for example, an individual versus a business or undertaking).

Applying this framework across all transport-related offences is a multi-step process. It will take time to implement, given the number of offences in the system. Eventually, we intend to apply the Framework to all transport-related offences and their related financial penalties.

The Framework's purpose is not to change all financial penalties. However, individual fees and fines may increase or decrease as they are aligned to the Framework. Any proposed changes will go through the appropriate legislative change process, including engagement with the Ministry of Justice, public consultation, Cabinet, and, for changes to primary legislation, consideration by Parliament.

Influencing the international environment

International frameworks play an important role in our transport system

New Zealand's transport regulatory systems are significantly shaped by international obligations, standards and recommended practices. New Zealand benefits strongly from international transport regulatory frameworks, which underpin our international connections and facilitate our trade in goods and services.

As steward of the transport system, the Ministry's roles are to:

- monitor and understand what is happening internationally, and how it affects, or may in future affect, New Zealand's transport system
- influence relevant international standards to protect and promote New Zealand's interests
- ensure New Zealand meets its international transport commitments.

The impact of COVID-19 on international aviation and maritime networks, and the consequent impact on international people movements and supply chains, demonstrated the importance of international transport frameworks. The Ministry is playing a core role in cross-government work on reconnecting international borders and markets. The Ministry is also engaging in discussions on how international transport bodies conduct their business, in an environment where travel is heavily restricted.

A wide range of international organisations influence New Zealand's transport settings. The table below shows the key organisations the Ministry works with and their functions.

Organisation	Role
The International Civil Aviation Organisation	Sets standards and regulations for the aviation sector (international safety, security, and environmental protections).
International Maritime Organisation	Sets standards and regulations for the maritime sector (international safety, security, and environmental protections).
International Labour Organisation	Sets conditions of work and employment on ships (under the Maritime Labour Convention).
United Nations working parties	New Zealand has obligations as a party to two United Nations Agreements relating to road vehicle and road vehicle standards. Under these agreements, United Nations' working parties set regulations and standards to improve road safety and facilitate international trade.

World Meteorological Organisation	Fulfils New Zealand's obligations under the World Meteorological Organization, the United Nations specialised agency for weather, climate, and water, by way of the Ministry's contract with MetService.

A step-change in our international engagement is required to leverage benefits for New Zealand

In recent years, the Ministry's international engagement has tended to be piecemeal and focused on responding to urgent issues, with some exceptions – notably leadership on Air Services Agreements and our open skies policy.

We are working to improve our performance at the international level, recognising that international engagement is a key lever to achieving New Zealand's transport outcomes. The Ministry is developing an international engagement strategy to guide this work, working closely with the transport agencies. The aim is to:

- maximise our ability to influence international standards that directly affect our transport system
- mitigate the risks from non-compliance, including safety, security economic and reputational risks
- draw on international expertise to support domestic policy outcomes. This is particularly important for emerging transport technologies and policy issues
- better support transport agencies to deliver their core roles – particularly the CAA and MNZ, who are heavily engaged in international work at an operational and technical level
- contribute to wider New Zealand policy outcomes, such as emissions reduction and engagement with Pacific Island countries.

Your engagement at the international level can be important

The Ministry will provide advice on where we consider there will be good value in your engagement in Ministerial-level forums. Key opportunities over the next year may include:

- International Transport Forum (ITF) Annual Ministerial Summit. The ITF is the OECD body that acts as a think tank for transport policy issues. The annual summit is a key opportunity for you to engage on transport policy issues with counterparts from the 59 member countries.
- Asia-Pacific Economic Cooperation (APEC) 21 Transportation Ministerial Meeting: the three-yearly meeting of Transport Ministers from APEC's 21 member economies was cancelled this year. If held in 2021 as part of New Zealand's virtual hosting of APEC 21, it would be appropriate for you to lead as Minister of Transport.
- The Transport and Infrastructure Council. The Council brings together Commonwealth, Australian State and Territory, and New Zealand Ministers with responsibility for transport and infrastructure issues, as well as the Australian Local Government Association. It would be appropriate for you to attend Council meetings (the next one is on 20 November 2020).

- Pacific Transport Ministerial-level meetings. New Zealand has a direct interest in the safety and security of Pacific Island countries' transport systems, given our aviation and maritime links with the region and the number of New Zealanders who travel regionally under normal circumstances. The New Zealand Aid Programme funds MNZ to deliver the Pacific Maritime Safety Programme, and the Ministry of Foreign Affairs and Trade funds the CAA to deliver the Pacific Aviation Security Capacity programme. There is also a place for increased engagement and experience-sharing at a policy/strategic level.

Monitoring and oversight

Crown monitoring is a key mechanism to deliver your priorities

The majority of service delivery and regulation in the transport system is carried out through the transport Crown entities and companies: Waka Kotahi, MNZ, the CAA, and City Rail Link Limited (CRLL).[3] The Transport Accident Investigation Commission delivers independent, no-blame safety investigations of accidents and incidents. Because of the nature of their roles and functions, Crown entities and companies operate with varying levels of statutory independence from their responsible Minister.

Ministers are ultimately accountable for a Crown entity's activities and performance, despite their operational independence. The two most critical methods available for you to oversee Crown entity performance is through regular interactions with the board chairs of each organisation, and ongoing monitoring of Crown entities.

Crown entity boards have the primary responsibility for their entity's performance. They exercise the power and perform the functions of each entity, and hold responsibility for the operational decisions of their entities. You appoint and oversee those boards as responsible Minister and are assisted by a monitoring agency in discharging your statutory functions.[4] The Ministry is your monitoring agent for the transport Crown entities.

In addition to carrying out oversight and monitoring of the Crown entities and Crown companies on your behalf, the Ministry also conducts other funding, contracting and reviewing activities for Crown entities and Crown companies. These activities include:

- **Transport sector funding reviews**. These reviews set the fees, charges and levies on third parties which fund the CAA, MNZ, and Waka Kotahi's regulatory functions. These reviews are critical for determining value for money and the resourcing available to fund capacity and capability that these agencies require to deliver their responsibilities

- **MetService contract**. Under the Meteorological Services Act 1990, you are responsible for ensuring that New Zealand has a National Meteorological Service that fulfils the World Meteorological Organisation Technical Regulations. The Ministry contracts MetService to deliver this

[3] Note that MetService, KiwiRail, and Airways fall within the State-Owned Enterprises portfolio instead of your Transport portfolio, and so monitoring over all three is undertaken by the Treasury.
[4] The Governor-General appoints the TAIC board, based on your advice.

- **Joint venture airports**. The Ministry administers a five year, multi-year appropriation (2018/19 to 2022/23) to manage the Crown's 50 percent interest in Westport, Whakatāne, Whanganui, Whangarei, and Taupō joint venture airports.

You have a vital role in overseeing the delivery and performance of key transport agencies

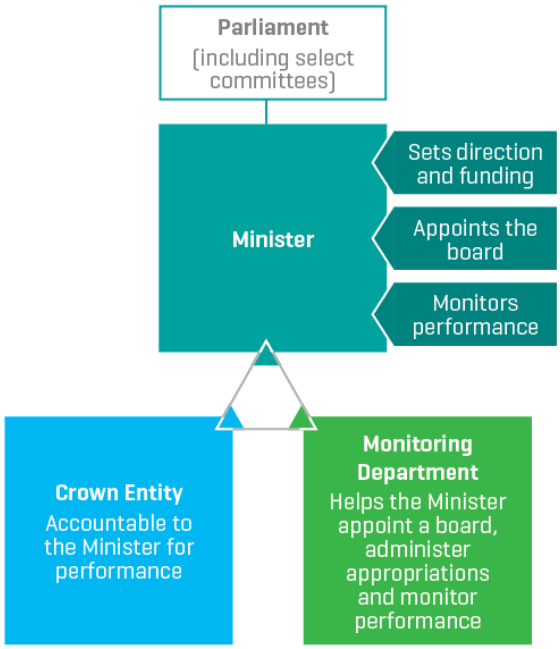
You are responsible for overseeing the performance, and managing the Crown's interest in, Waka Kotahi, the CAA, MNZ and TAIC. You also have a role in overseeing the performance of CRLL, alongside the Minister of Finance and Auckland Council. The Ministry leads the overall monitoring programme.

Your oversight role, supported by the Ministry, is vital in ensuring the transport Crown entities are effectively performing their functions, many of which deliver critical services to New Zealanders.

The Crown Entities Act 2004 sets out the specific roles of Ministers, monitoring departments and Crown entities. The figure on the right illustrates the relationship between you, the Crown entities, and the Ministry as your monitoring department.

As your monitoring department, the Ministry is responsible for assisting you in discharging your role in overseeing the delivery and performance of the transport Crown entities. The Ministry assists you in appointing board members and assessing board performance, setting the entities' strategic direction and monitoring entity delivery and performance.

Below are a range of accountability mechanisms that the Ministry will advise you on to assist you in overseeing the transport Crown entities and meeting your statutory responsibilities.



Accountability mechanism	Description
Letter of Expectations	Primary mechanism used to set the priorities and performance expectations on an annual basis. You can expect to receive draft letters from the Ministry around October/November. These letters are sent out well in advance of the financial year, so that Crown entities can respond effectively.
Statement of Intent	Sets out the entity's strategic intentions against the Government's priorities and direction. The Statement of Intent is developed by an entity for at least a four year period.
Statement of Performance Expectations	Sets out the entity's annual delivery and performance expectations against your Letter of Expectations and the Statement of Intent. Entities are required to provide their final drafts of their Statements of Performance Expectations for your comment before 1 May each year.
Annual Report	Sets out entities' annual non-financial and financial performance against the expectations set out in the Statement of Performance Expectations. You can expect to receive annual reports from each entity around October.
Quarterly reporting	Performance reporting provided by the entity against the priorities and expectations set out in the Statement of Performance Expectations. You can expect this reporting around seven weeks after the end of the quarter.

In addition to the core accountability mechanisms, you will have regular meetings with the Crown entity chairs to discuss entity governance, performance and key risks. The Ministry will provide you with advice to assist in your engagement with board chairs. We also recommend you regularly engage with the entity boards, potentially on a quarterly basis, to discuss key opportunities and risks across the entities.

The capability and performance of the transport entity boards is critical in delivering your priorities and expectations

Each Crown entity and company is governed by a board. There are a maximum of 54 ministerial appointed positions across the transport sector. This is comprised of 22 positions on Crown entities, five positions on the CRLL Board, two aviation Medical Convener positions, and 25 advisory committee positions.

As appointments fall due, we will provide you with advice to support the appointment and re-appointment of board members. As part of this process, we will provide you with an overall assessment of board capability and recommendations on the skills and capabilities needed to ensure your boards are well governed, effective and high performing. We will provide you with ongoing advice on the capability and performance of the Crown entity boards through

our monitoring programme. This includes developing and refining a framework for monitoring board performance.

The Ministry has significantly enhanced its monitoring function

Over the last two years, the Ministry has put significant effort into lifting its monitoring capability and performance. The Ministry has been influenced by the findings from the review into regulatory failure at Waka Kotahi in 2018 and the review of the CAA's organisational culture, which was finalised in early 2020.

The Ministry has implemented an enhanced monitoring framework that provides a more structured and risk-based approach. This approach assesses entity governance, capability and performance – particularly how entities communicate information to the board, their assurance mechanisms for key projects and programmes, and whether the board is receiving the necessary information from an entity to effectively discharge their governance functions. The approach is informed by your priorities and our assessment of key risks for each entity.

Each quarter, the Ministry undertakes specific assessments against identified focus areas agreed with you to provide additional confidence over the entity's governance, capability and performance to the information you receive directly from boards. Examples of specific focus areas include risk and assurance, board capability and performance, organisational culture, regulation, and investment management.

We use agreed lines of enquiry to provide insights against each focus area. The outcomes for these focus areas are reported back to you as the responsible Minister and can be used as part of your regular engagement with the boards.

These assessments will provide you with confidence that the transport Crown entity boards are effectively governing the operation, performance and key risks across the entities. The primary focus of our monitoring assessments is focused on how the boards are discharging their functions. The assessments do not represent a deep dive, but could be used to inform a more detailed review by the boards or the Ministry.

The Ministry will engage with you as soon as possible to assist in setting your expectations for the entities, which will inform a tailored monitoring programme over the next 12 months.

The road and rail sectors regulates

276,784 Learners
299,640 Restricted
3,176,864 Full
drivers licences

(September, 2020, Class 1 licences only)

76,890 Goods service
3,877 Rental service
29,585 Small passenger service
26,603 Large passenger service
1,404 Vehicle recovery

transport services licences
(September, 2020)

82
Rail licences
(October, 2020)

The maritime sector regulates

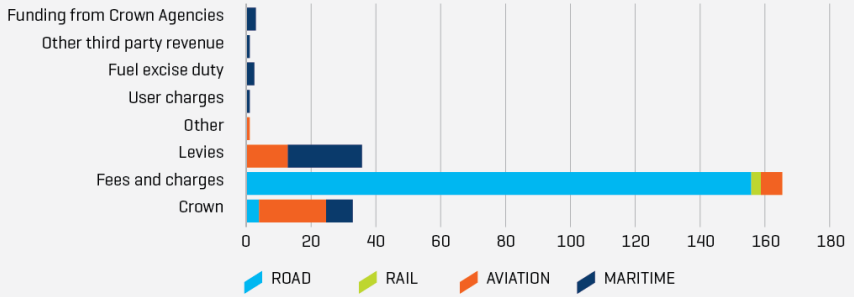
2,421
Registered ships
(30 June 2020, includes NZ flagged ship, domestic commercial vessel > 24 metres, and any NZ vessel that will travel into international waters)

1.5 million +
Recreational boats and vessels
(2020 estimate, includes powered and unpowered craft)

1,345
Commercial operations under the Maritime Transport Operator System

16,011
Total number of Seafarers holding current certificates
(30 June, 2020)

Total revenues for regulatory activities by source
Budget 2020/2021 $ millions



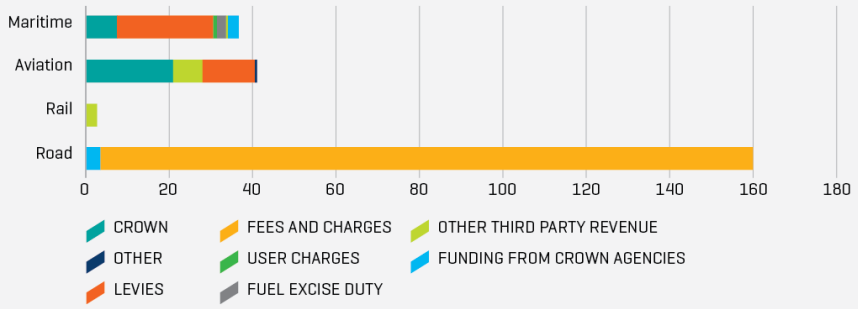
The aviation sector regulates

833
organisation aviation documents
33,207
individual aviation documents
(October, 2020)

5,406
Aircraft
(October, 2020)

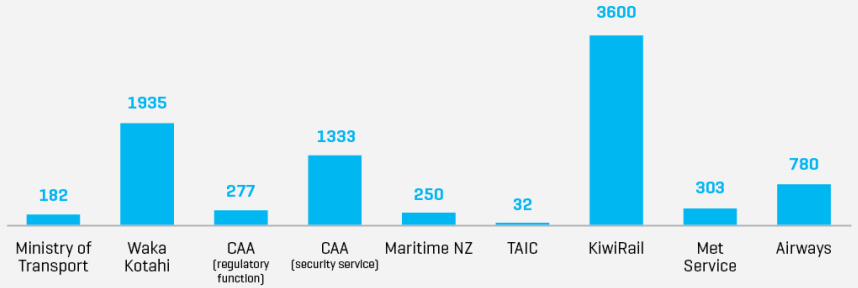
8,565
international flights
42,015
domestic flights
(Fourth quarter, 2019)

Total revenues for regulatory activities across maritime, aviation, rail and road
Budget 2020/2021 $ millions



Source: Statement of performance expectations, 2020/2021 from Waka Kotahi, Civil Aviation Authority, and Maritime NZ

Headcount of the Ministry, transport agencies, and SOEs
(2020)



Source: agency enquiries circa September 2020; KiwiRail number from website and is an estimate.

Transport sector agencies and SOEs

In your day-to-day work, you will be closely interacting with transport sector agencies and SOEs. These agencies comprise the Ministry, four transport Crown entities, three SOEs, and City Rail Link Limited (as a Schedule 4A Public Finance Act 1989 company). Each of these agencies operate with varying levels of statutory independence, and the nature of these relationships is listed below:

- The Ministry reports directly to you as government's principal adviser on transport policy
- Crown entities work under both expectations set by you, and a board that you appoint but operate independently at 'arm's length'. Waka Kotahi, the CAA and MNZ are Crown Agents who give effect to government policy when directed by the Minister, while TAIC is a standing commission of inquiry and is an independent Crown entity that operates independently from government policy
- City Rail Link Limited is the sole company under Schedule 4A of the Public Finance Act, jointly established by the Crown and Auckland Council to deliver Auckland's City Rail Link (CRL) project from 1 July 2017. The Crown and Auckland Council jointly own City Rail Link Limited (each have a 50 percent shareholding). You are jointly responsible, with the Minister of Finance, for the Crown's interest in City Rail Link Limited (as shareholding Ministers). Board appointments require joint agreement from the Crown and Auckland Council. The Board operates independently at arm's length to shareholding Ministers and Auckland Council, in accordance with the Project Delivery Agreement. The Project Delivery Agreement is a contractual agreement between the Crown, Council and City Rail Link Limited that sets out the terms for City Rail Link Limited to manage the delivery of the CRL project on behalf of the Crown and Council, as joint Sponsors of the project
- SOEs, including KiwiRail[5], MetService and Airways, work at arm's length to shareholding Ministers according to a commercial mandate. However, the activities of these organisations still fulfil important public policy goals, such as the provision of information and data to the public. The shareholding Ministers for the above entities are the Minister of Finance and Minister of State Owned Enterprises, although the Ministry still has a close working relationship with each entity. In particular, the Ministry collaborated closely with KiwiRail through the Future of Rail Review and new planning and funding model set up for heavy rail, as well as oversight of some capital investment (e.g. the NZ Upgrade Programme)

[5] Within the State-owned Enterprises portfolio, there also exists the NZ Railways Corporation, which was established to support KiwiRail by providing a long-term lease of its railway land.

- The Crown is a majority shareholder (53 percent) in Air New Zealand Ltd, although it is not a SOE. Crown's interest in Air New Zealand is managed by the Treasury. You as Minister of Transport, however, exercise the power and rights of the "Kiwi share" in Air New Zealand. The $1 share is primarily intended to give the government the ability to maintain substantial ownership and effective control of the airline in New Zealand in order to protect the airline's designation under air services agreements.

Appendix 1 provides detail about the mandate and purpose of the transport sector agencies and SOEs, and their key functions. Appendix 2 describes the cross agency approach to emergency management, and search and rescue.

Briefings to the Incoming Minister provided by the respective agencies and SOEs will provide you with further detail on their respective organisations and key issues they are facing.

Collaboration in the transport system

Outside of existing collaboration between government agencies and SOEs, collaboration with other stakeholders in the transport system is critical to realising positive transport outcomes. These stakeholders include local government, the private sector, iwi and hapū, as well as non-government-organisations.

Many parts of the system are outside of government's direct control. For example, in the freight, aviation and maritime sectors, the majority of decisions are made by the private sector. Local government – particularly regional councils – play a particularly significant role in regional-level transport investments. Effective, meaningful engagement with stakeholders, like innovative companies in the private sector and local government, is critical to achieving government priorities.

The principles of transparency, open and clear communication, and information sharing have underpinned successful examples of collaboration in the transport system. This section sets out some of the key players in the transport system (outside of central government and SOEs), why they are important, and case studies of collaboration in action.

CASE STUDY: SYSTEM COLLABORATION TO REDUCE AIR POLLUTION FROM SHIPS THROUGH MARPOL ANNEX VI)

Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL VI) seeks to address the impact of air pollution from shipping activities on human health and environments in and around port communities, and the impacts of emissions from shipping activities on climate change and ozone layer depletion.

In close collaboration with the Ministry and the Ministry for the Environment, MNZ has led a project to design and implement rules to give effect to MARPOL Annex VI. MNZ has not previously been involved in monitoring or enforcing air pollution requirements and these new rules will require developing new technical capabilities, processes and procedures.

This cross agency partnership has further involved extensive engagement with iwi, community, and local government stakeholders on the following:

- Engagement with iwi and with community health and environmental groups to gather a broad range of stakeholder views (under COVID circumstances much of this engagement will be done remotely).
- Consulting with regional councils, to ensure that marine protection regulations under the Maritime Transport Act aligns with environmental regulations under the Resource Management Act.
- Bringing together technical advice, information, and peer review – and ultimately contribute to, and help test, the end-to-end implementation of the new rules.

New Zealand's accession to MARPOL Annex VI will help achieve a range of economic and environmental outcomes. This includes improving New Zealand's ability to play a credible role in international negotiations on climate change, strengthening New Zealand's position in the world economy, and reduction in maritime pollution.

Local government

Local government has a significant role in planning and funding transport at a regional and local level. Under the LTMA, local government is responsible for local road development and maintenance, planning and contracting for public transport, and walking and cycling infrastructure and initiatives. Many councils also partly or fully own airports and seaports in their regions.

Regional Transport Committees develop Regional Land Transport Plans, which set out the objectives, priorities and proposed land transport activities for a region. Regional Councils approve the Plans. Waka Kotahi chooses what activities from the Plans are included in its NLTP and, therefore, eligible for funding from the NLTF. Auckland Transport (Auckland Council's council-controlled-organisation) prepares Auckland's Regional Land Transport Plan because it is responsible for land transport in Auckland (except for state highways). This gives Auckland Transport significant influence over transport planning and investment in the Auckland region.

Local government is also responsible for setting and implementing regulatory requirements on the roads they control (e.g. speed limits), and enforcing stationary vehicle rules (e.g. parking infringements). Some councils also employ harbour masters to police their waterways.

Collaboration between central and local government is critical to achieving good transport outcomes. For example, Waka Kotahi works with regional councils on Regional Land Transport Plans, while the Ministry engages extensively with local government when preparing the GPS and on other key policies.

CASE STUDY: WORKING WITH AUCKLAND COUNCIL ON CRL

The prospect of a rail link in central Auckland has been included in Auckland's strategic plans.

In September 2016, Auckland Council and the Government signed off on jointly fund the CRL. This historical agreement kicked off the tendering process to build the CRL.

This involved the creation of a Crown Entity, City Rail Link Limited, owned by the Crown and Auckland Council. KiwiRail and Auckland Transport has a formal role in ensuring CRL operates with the wider rail work, and also providing technical and operational services. Construction on the CRL is now well underway,

A key consideration in many aspects of transport policy making is whether an issue is best dealt with locally or nationally. Recently, local government has often advocated for greater decision making powers ("localism"), including on transport issues. However, this needs to be balanced against government's broader goals for transport in New Zealand, the need for consistency in different parts of the country, and who is best placed to meet the costs of undertaking a particular function.

The private sector

The private sector is the 'engine room' of the transport system. It is a major employer and significant investor in the transport system.

The private sector can bring a pragmatic perspective to policy development. It is also leading innovation in areas such as autonomous vehicles, drones, and 'shared mobility' (shared transport services such as e-scooters, bikes and car-sharing schemes). These new technologies and innovations will have a significant impact on the future of the transport system.

Arguably, the most important thing government can do to support the private sector is to provide certainty and early notice of upcoming decisions that will impact them. Government can often play the role of facilitator, bringing together different private sector stakeholders in formulating cross-sector strategies and sharing information.

Compared to the private sector, government's role in aviation is predominately as a policy maker and regulator, although it has some ownership and operational functions.

CASE STUDY: ENGAGING WITH PRIVATE SECTOR ON GREEN FREIGHT

The Ministry's Green Freight project focuses on opportunities to reduce greenhouse gas emissions from heavy road freight in New Zealand. As part of creating the working paper for this project, the Ministry consulted extensively with private sector stakeholders – particularly in the road freight and energy sectors – and the process was well-received.

This work culminated in the publication of a working paper that discusses the challenges and opportunities facing the heavy road freight sector to transition to alternative green fuels – electricity, hydrogen and biofuels. The report also identifies a range of options for government to consider to help support uptake.

Iwi and hapū

Government has responsibilities under Te Tiriti o Waitangi – the Treaty of Waitangi – to acknowledge Māori as partners and their status as tangata whenua – the indigenous people of Aotearoa. Effective, meaningful partnership with Māori is key to improving transport and broader social outcomes for Māori, and to ensure the transport system serves all New Zealanders equitably.

Māori are disproportionately represented in transport statistics such as drink driving, and Māori in regional New Zealand are strongly impacted by investment in infrastructure like roads. Government has a responsibility to improve transport outcomes for all New Zealanders including Māori, while Māori and iwi groups will also have an expectation that they are meaningfully consulted on transport decisions that impact their everyday lives.

Iwi and hapū also have access to local peoples, connections, and expertise that may otherwise be missing from a Crown and central government perspective in policy development.

CASE STUDY: RANGIRIRI SECTION OF THE WAIKATO EXPRESSWAY

Occupying the narrow stretch of land between the Waikato River and Lake Kopūera, Rangiriri has long been an important transport route between Waikato and Auckland.

In 1965, the road was upgraded to pass around Rangiriri village; however, the new route involved cutting through the Rangiriri Pā, despite objections of Waikato-Tainui. This caused extensive damage to the site. During the 1990s, work began on the project that would become the Waikato Expressway. A new 4.8km route to take State Highway 1 closer to the Waikato River was designated in the Waikato District Plan in 2000.

Waka Kotahi committed to work in partnership with Waikato-Tainui to ensure that the historical significance of Rangiriri was acknowledged as part of the Expressway project. This led to the decision to 'right the wrongs' of 1965, filling in the cutting and reinterpreting the pā site as it may have looked at the time of the 1863 Battle of Rangiriri. A new alignment taking traffic to the west of the pā site provided an opportunity to refill the cutting and create a lasting feature which reflects the cultural and historical significance of the area.

In late 2019, 10 new pouwhenua (pou) were unveiled near the Rangiriri section of the Waikato Expressway to further commemorate the 1863 Battle of Rangiriri. Pou, are carved wooden posts used by Māori, to mark territorial boundaries or places of significance. The pou form part of the cultural mitigation of the Waikato Expressway and the trench fortifications that extended from Waikato River to Lake Kopūera. The six metre high pou were carved by Waikato-Tainui and each has a kaupapa relating to the events and people of the time.

Waikato-Tainui's involvement goes beyond advising on cultural matters and wāhi tapu (sacred sites), to assisting the project with ecological and environmental management and urban design. This project is an important symbol of the successful partnership between Waka Kotahi and Waikato-Tainui. Together, a vision of realising the past while building for the future was realised.

The partnership approach with tangata whenua has been applied across all sections of the Waikato expressway. Waka Kotahi is proud to construct safer and more efficient journeys while acknowledging the cultural and historical importance of the area.

Industry associations and advocacy groups

Within the transport system, there are a large number of industry associations or other groups advocating for the perspectives and interests of particular parts of the sector. This includes groups advocating for particular types of transport (e.g. cycling advocacy groups), neighbourhood groups (e.g. for a public road) and other groups that may be established to support or oppose a specific policy or initiative.

Given the broad range of perspectives among these groups, it is challenging to develop policies that accommodate them all. Engaging with these groups is a critical aspect of a democratic process and good policy development, as they can bring important perspectives, data and evidence to the policy process, and draw attention to issues that might otherwise be overlooked. However, some representative bodies may also have vested interests on behalf of certain interest groups, which do not always align with the wider public good.

CASE STUDY: CONSULTATION ON ACCESSIBLE STREETS

Accessible Streets is a set of proposed rules that aim to increase safety and accessibility to accommodate the increasing use of 'micro-mobility' such as e-scooters.

Earlier in 2020 (up until mid-August), The Ministry worked together with Waka Kotahi to run the public consultation process for this proposal, attracting a diverse range of feedback from organisations such as councils, NZ Police and advocacy organisations including Footpaths4Feet and the Cycle Action Network.

Consultation has recently closed and officials are now working through the submissions. Officials will be providing you with policy advice in January 2021.

Appendix 1: Overview of Transport sector agencies and SOEs

The Ministry of Transport

The Ministry advises you, and government more widely, on all policy and regulatory matters within the transport system, and also on funding and governance of the transport Crown entities. With a budget of nearly $49 million (2020) and around 180 staff, the Ministry plays a critical leadership role in the transport system. The Ministry plays the following key functions in the transport system:

Leading the system – direction and strategy – As government's lead for the transport system, the Ministry plays a lead role in giving effect to government policy. The Ministry looks after the transport outcomes and indicators framework, and is the system's long-term planner

- **Shaping regulatory stewardship mechanisms** – As the steward of the transport system, the Ministry helps government give effect to policy by supporting the development of legislation and regulations
- **Driving revenue raising, investment and purchase choices** – The Ministry provides advice and manages government's investments and revenue raising choices in the transport system to realise the wider social and economic benefits of these investments. This includes stewardship of the NLTF and transport revenue system, and managing direct Crown purchases from Vote Transport
- **Influencing to achieve broader government outcomes** – The Ministry leads the transport agencies in system-wide initiatives, and makes sure transport strategies are connected with broader government priorities. It engages with key players, including local government, private sector and social organisations, to drive transport outcomes
- **Monitoring and evaluating system and agency performance** – The Ministry supports you in setting expectations for Crown entities and appointing their boards, while monitoring their performance to support your relationships with the entities and their Boards to provide assurance of effective governance
- **Influencing the development of international standards** – The Ministry engages with international organisations to ensure that New Zealand meets international obligations, supports the adoption of these obligations, and influences the development of international rules and standards.

The Ministry has an important role in wider discussions on work across government where the transport portfolio interconnects with other portfolios such as Economic Development and Urban Development. For example, the Ministry is leading negotiations with airlines through the International Air Freight Capacity scheme, which helps to ensure that critical trade links are maintained despite the downturn in international aviation due to COVID-19. The Ministry also plays in a key role in leading and coordinating cross-agency work programmes around new technologies, such as drones. This helps to ensure that the economic potential of new technology is realised while managing risks around safety and privacy.

The Ministry plays a key role in facilitating collaboration, planning and information sharing between transport agencies and SOEs. In practice, agency collaboration happens both through day-to-day work,

and through more formal channels. One example is the Transport Sector Leadership Group where Chief Executives from the transport agencies and SOEs meet on a six-weekly basis to discuss ongoing issues and recent developments within the sector.

Waka Kotahi New Zealand Transport Agency

Waka Kotahi is government's land transport delivery arm. It is a Crown entity and its functions are set out in the LTMA. The objective of Waka Kotahi is to "undertake its functions in a way that contributes to an effective, efficient and safe land transport system in the public interest". Waka Kotahi's functions include investing in, managing most aspects of the land transport network, including rail.

Waka Kotahi also has regulatory compliance and enforcement responsibilities relating to aspects of rail safety, driver licensing, vehicle testing, and certification and revenue collection. Together, the functions give Waka Kotahi an important role in supporting New Zealand to achieve social, economic and environmental outcomes now and into the future.

Waka Kotahi has a key role in the development and management of the transport system. Waka Kotahi's strategic priorities focus on creating a safer, more resilient and sustainable transport system that improves access to social and economic opportunities and improves the wellbeing of all New Zealanders. Waka Kotahi has approximately 1500 staff based in 13 offices throughout New Zealand, with an annual operating budget of $400 million.

Waka Kotahi has a set of statutorily independent functions, including determining which activities should be included in the NLTP. Waka Kotahi also approves activities as qualifying for payment from the NLTF, approving procurement procedures for land transport activities, issuing or suspending any land transport document or authorisation, and exercises enforcement powers.[6] As a transport regulatory agency, Waka Kotahi plays a key role in ensuring that its systems are intuitive and clear so that people and operators are safe, that people make good transport choices, and harmful behaviours are swiftly dealt with.

[6] Waka Kotahi also undertakes functions to aspects of a range of other legislations relating to land transport, railways, roading and road user charges, and undertakes funding and oversight functions for road policing, public transport, SuperGold Card, and transitional rail.

Civil Aviation Authority (CAA)

The CAA is a Crown entity established under the Civil Aviation Act 1990. Led by the Director of Civil Aviation, the Authority has two functional divisions:

- **Civil Aviation Authority** – performs safety and security regulatory functions.
- **Aviation Security Service (known as Avsec)** – delivers aviation security services at New Zealand's six security designated airports (Auckland, Wellington, Christchurch, Invercargill, Dunedin and Queenstown).

Under the Civil Aviation Act, the primary objective of the CAA is to carry out 'safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system'. Within the context of the overall strategic direction of the transport system, and the expectations set by you as Minister, CAA achieves this through five main outputs:

- **Policy and regulatory strategy** – ensuring the delivery of policy and regulatory projects, international linkages and Ministerial services. This includes, for example, coordinating CAA's strategic engagement in the international aviation system, administering New Zealand's civil aviation obligations and interests within your delegation, delivering services to you (e.g. briefing you on key matters), proactively identifying emerging issues for aviation, and delivering major policy projects.
- **Outreach** – providing increased understanding and knowledge of aviation safety among aviation sector participants and the public by fostering and promoting safety and security across the civil aviation sector and raising public awareness.
- **Certification and licensing** – ensuring the robust assessment of participants and products as safe and fit to be participating in New Zealand's civil aviation system by exercising control over the entry and exit through the issuance or suspension of key aviation documents, as well as approvals to organisations, individuals, and products.
- **Surveillance and investigation** – providing the continued assurance that the civil aviation system in New Zealand is safe and secure through inspections and audits. This also includes assessment of safety data, and appropriate enforcement.
- **Security service delivery (carried out by Avsec)** – keeping passengers and people in the air and on the ground safe from aviation security threats through protocols such as passenger and baggage screenings, and other security measures.

CAA is governed by a five-member Board appointed by the Minister. The Director of Civil Aviation has independent statutory powers under section 72I of the Civil Aviation Act. This includes powers to control entry into the civil aviation system (e.g. granting aviation documents), and to monitor and enforce regulatory requirements.[7]

[7] These independent powers mean that the Director is not accountable to you or CAA's board when he or she issues or removes an aviation document from a participant such as an Air Operator Certificate or a pilot license, or takes action against individuals or operators for breach of the Civil Aviation Rules.

Maritime New Zealand (MNZ)

MNZ is responsible for promoting a safe, secure, and clean maritime environment for all commercial and recreational activities on the water, and minimising the impact of maritime incidents and accidents on New Zealand and its people.[8] The Agency has both a domestic and international focus. MNZ is governed by Board of five members appointed by you under the Maritime Transport Act 1994.

New Zealand's maritime sector is complex, diverse, and a major contributor to and enabler of the New Zealand economy through activities such as international shipping, marine manufacturing, and fishing. MNZ leads international engagement to support New Zealand's interests in the maritime sector. International rule-making and standards facilitate New Zealand's trade, protect its maritime environment and enhance seafaring safety.

MNZ operates as a modern regulatory, compliance and response agency, with an intelligence-led, risk focused and evidence-based approach to deliver its areas of responsibility. MNZ's three core roles are: MNZ operates as a modern regulatory, compliance and response agency, with an intelligence-led, risk focused and evidence-based approach to deliver its areas of responsibility. MNZ's three core roles are:

- Regulation – help to develop and maintain the national safety, security, and environmental protection regulations that govern the operation of vessels, ports and offshore installations in New Zealand waters through its work domestically and internationally. MNZ supports, encourages, and requires operator compliance by licensing and certifying operations, educating the maritime community, auditing operators and service providers, investigating incidents, and enforcing regulations.

- Compliance – supporting, encouraging and requiring operator compliance with those regulations through MNZ's regulatory regimes and compliance operating model.

- Response – providing a national land, sea and air search and rescue coordination service and managing national maritime incident and marine pollution response capability.

These three core roles drive and achieve three key outcomes for New Zealand in the maritime domain:

- Safe: People & Operations – supporting physical, social & economic wellbeing through safe maritime operations.

- Secure: Ports & Ships – protecting people, goods and New Zealand's social and economic interests and resilience. The Maritime Security Act makes Maritime New Zealand responsible for ensuring that the provisions of the International Ship and Port Security (ISPS) Code[9] are complied with by

[8] The Maritime Director is not accountable to you or MNZ's board when he or she issues or removes a maritime document from a participant or takes action against individuals or operators for breach of Maritime Rules.

[9] New Zealand expects all ports and vessels that operate under the ISPS Code, to maintain international best practice with regard to maritime security. The ISPS Code is a comprehensive set of measures to enhance the security of ships and port facilities.

international trading ports in New Zealand, and commercial freight and passenger vessels visiting New Zealand.

- Clean: Seas & Waterways – keeping New Zealand's marine environment clean by minimising harmful emissions & discharges from ships.

MNZ has approximately 243 staff located throughout New Zealand including nine regional offices; two offices in Wellington; the Rescue Coordination Centre New Zealand in Lower Hutt; and the Marine Pollution Response Service in Te Atatu, Auckland. MNZ has also recently refreshed its strategic framework to reflect the growing spectrum of its core functions, and ensure alignment to the Transport Outcomes Framework.

Transport Accident Investigation Commission (TAIC)

TAIC is a standing commission of inquiry, and an independent Crown entity. TAIC was established to assist New Zealand to comply with its international aviation obligations of ensuring independently conducted, safety-focused accident and incident ('occurrences') investigations, a role that has since expanded to include investigations of maritime and rail occurrences. The Commission has a range of investigative (not enforcement) powers. TAIC is independent of other public sector organisations, and government, in the conduct of its accident inquiries.

The four member board of TAIC employs a Chief Executive, who in turn employs 31 staff to support the Commission. This includes a Chief Investigator of accidents and 17 specialist investigators. TAIC is Crown funded with an annual budget of $7.73 million for 2020/21, and expects to publish 15-25 reports for domestic inquiries in 2020/21, assisting four to eight overseas jurisdictions' inquiries with a New Zealand connection.

The Commission's core purpose is to determine the circumstances and causes of certain aviation, rail and maritime occurrences with a view to avoiding similar occurrences in the future, rather than to ascribe blame. In the case of each occurrence, the Commission decides whether to investigate (based on the occurrence's implications for transport safety), coordinate the investigation, consider evidence gathered by investigators, and publish its key findings.

The Commission has broad investigative powers, including the power of entry and inspection and the power to seize, remove and protect evidence. It also has powers under the Commissions of Inquiry Act 1908, including the power to require a person to produce any papers, documents, records or things, or to summons any person to appear before its commissioners. Most evidence gathered, such as witness interviews and submissions, is protected from general disclosure except for the purposes of the investigation, reflecting TAIC's independence and purpose.

The Commission identifies safety issues and makes recommendations. The recommendations are addressed mainly to transport sector regulators, who are able to influence the system.

KiwiRail

KiwiRail is a commercially focused and vertically integrated SOE, responsible for operating freight and tourism passenger services on 3,700 kilometres of rail network and three inter-island ferries. KiwiRail owns, maintains and upgrades the national rail network and associated infrastructure, including the rail networks used by Auckland and Wellington passenger rail services. KiwiRail will also be responsible for operating Te Huia (Hamilton to Auckland start-up service), once it is operational.

Auckland Transport (AT) and Greater Wellington Regional Council (GWRC) are responsible for planning, funding and procuring operators for the passenger rail services in their regions. They also own the passenger rolling stock and related infrastructure required to support operations, such as station buildings and maintenance depots.

KiwiRail's core purpose is to move people and freight, and to cooperate with other players in the sector to create integrated transport solutions for customers. KiwiRail is focused on efficient freight movements (via rail and ferry) and helping customers to be more competitive.

KiwiRail is managing a significant, multi-year programme of capital investment, replacing life expired assets including ferries and locomotives.

As part of a multimodal transport system, moving freight by rail produces up to 70 percent fewer carbon emissions than moving freight by road, so rail also has the potential to play a role in meeting New Zealand's climate commitments. The Minister's responsibility for KiwiRail covers the regulations of its operations.

Responsibility for funding the majority of KiwiRail's capital programme sits with the Minister of Transport through Vote Transport. Shareholding Ministers also have a role in signing of equity injections into KiwiRail, and setting expectations for KiwiRail through its Letter of Expectations. The Provincial Growth Fund has also made lead investments in a range of regional rail projects delivered by KiwiRail, to capture the benefits rail offers to those areas.

Waka Kotahi has primary regulatory responsibility for rail in New Zealand. Its role is to provide independent assurance to stakeholders and the public that safety risks posed by the activities of rail participants are being managed effectively. It maintains a licencing and monitoring regime of those rail participants directly managing rail activities, and has statutory powers to react to safety risks from the activities of non-licenced participants.

In 2017, government initiated the Future of Rail review, which sought to identify the role rail could play in New Zealand's transport system and put in place a sustainable approach to funding rail over the longer-term. The Ministry is leading this review alongside KiwiRail, Waka Kotahi, and the Treasury, with input from GWRC and AT.

Key outcomes of this review to date include the establishment of a new planning and funding framework for rail, and the New Zealand Rail Plan, which outlines government's long-term vision and priorities for the national rail network. Implementation of this framework is underway. It will require all entities with rail responsibilities to work together to plan and fund the rail network and is a significant system changes for the Ministry, KiwiRail, Waka Kotahi, AT, AC and GWRC. The first Rail Network Investment Plan is expected to be implemented alongside GPS 2021 and the National Land Transport Programme.

Meteorological Service of New Zealand Ltd (MetService)

MetService's core purpose is to provide weather services that support safety of life and property and, as a SOE, add value to the New Zealand economy. The weather impacts significantly on New Zealand's economy, transport safety, primary industries, energy production/consumption and general public safety. MetService provides a wide range of weather information services and data to government (including other transport sector agencies), business, and directly to the public, to promote public safety and inform weather-related risk management and decision making.

On behalf of government, under the Meteorological Services Act 1990, you are responsible for ensuring the provision of meteorological services in New Zealand, including the country's authorised meteorological warning service. MetService is contracted by the Ministry to deliver New Zealand's National Meteorological Service function, which includes:

- providing weather forecasts and warnings to support public safety in New Zealand
- providing severe weather guidance and other meteorological support to States in the Southwest Pacific, and marine forecasts and warnings for New Zealand coastal waters and large areas of the South Pacific and Southern Ocean
- collecting meteorological data and exchanging it with other World Meteorological Organization Member States and representing New Zealand at the World Meteorological Organization (a United Nations Specialised Agency).

The Ministry works to support your interests to ensure the required services are provided in accordance with World Meteorological Organisation Technical Regulations at an appropriate cost. Shareholding Ministers are responsible for the performance of MetService as a SOE.

MetService works closely with other transport sector agencies. It provides specialised road environmental information services to Waka Kotahi and its Network Operations Contractors (contracted to maintain the operations of road networks), and for the management of weather impacts on the State Highway network and other major roads.

MetService provides commercial weather services for domestic and international aviation, including airports and airlines. For example, it supports the CAA in meeting New Zealand's obligations to the ICAO, including operation of the Wellington Volcanic Ash Advisory Centre, one of nine centres worldwide.

MetService also provides 24/7 support for land-based and marine search and rescue operations, and works closely with MNZ to promote safer boating. MetService's website, apps and social media channels provide a platform for communicating weather and other relevant information, including road snowfall warnings and Waka Kotahi traffic incidents updates.

Airways Corporation of New Zealand Ltd (Airways)

Airways is a world-leading commercial Air Navigation Service Provider (ANSP) that is committed to ensuring safe skies for today and tomorrow. Airways works with partners to provide global aviation customers with safe, integrated airspace management through a proactive safety culture, expert knowledge, and technology-enabled solutions.

Airways provides air traffic control services and infrastructure to enable safe, reliable and efficient air transport within the New Zealand Flight Information Region (FIR, a specified region of airspace where flight information is provided), which totals 30 million square kilometres. Before COVID-19, Airways managed more than 1 million air traffic movements per year into and around New Zealand's FIR.

Airways is also responsible for maintaining and investing in the aviation infrastructure that supports New Zealand's air traffic management system. Airways invest in new technology that enhances safety, and delivers real economic and environmental benefits for customers and the public.

In addition to its statutory role of providing safe and efficient air traffic control services, Airways is enabling new entrants to use New Zealand's airspace. Airways is active in the development of airspace integration in New Zealand and is a key supporter of AirShare, New Zealand's drone user hub that enables drone users to plan flights, request access to controlled airspace, and receive relevant information on how to operate safely. Airways also supports space and near space operations in New Zealand.

As a SOE, Airways operates a fully self-funded model and collects fees from airlines, as well as selling products and services to global aviation customers. As a result of the impact of COVID-19 on air traffic volumes, Airways has received financial support from government to ensure continuation of safe services as the industry recovers and returns to profitability. Airways sets prices through a building block pricing model, which includes thorough stakeholder consultation. The current pricing is established for the period 2019 – 2022. Airways intends to review its pricing framework for the 2022 – 2025 pricing period to ensure it can continue to create innovative best-in-class traffic management systems that are cost effective and support its customers' needs.

Airways provides training, digital products, aeronautical information management, procedure design and aviation consultancy services to aviation customers in the Middle East, Asia, Hong Kong, the Pacific, Africa, Europe and North America. Airways is globally recognised for its air traffic control training programmes, advanced simulation and selection solutions, and interactive learning resources that help other ANSPs achieve lower training costs and higher success rates.

As an ANSP, Airways is regulated by the CAA and provides its service in line with Civil Aviation Rules and international standards. Airways is certified by the CAA to provide air navigation and flight information services at airports. Airways is also contracted by the CAA to provide Aeronautical Information Services for pilots. To ensure these relationships function without undue influence, roles and responsibilities are separated between you, the Minister of Finance and Minister of State Owned Enterprises as shareholders, the CAA as regulator, and Airways as the service provider.

Appendix 2: Emergency management and search and rescue functions

Emergency management

The transport sector is vulnerable to shocks and major events that disrupt services. The sector plans for future needs and emergencies and is able to respond quickly to failures that disrupt or damage infrastructure. Cross-government emergency management exercises are regularly held to ensure departments and management systems are efficient and can respond effectively.

New Zealand Search and Rescue Council

New Zealand's 30 million km^2 Search and Rescue (SAR) region (the world's third largest) extends from the South Pole to the southern border of the Honolulu region, halfway to Australia and Chile, and includes American Samoa, Cook Islands, Niue, Norfolk Island, Samoa, Tokelau, and Tonga. Collectively, the SAR sector comprises approximately 12,600 people from a wide variety of public, non-government and commercial organisations of whom around 95 percent are volunteers. During the 2018/19 year, the sector saved 144 lives, rescued 653 people, and assisted a further 800 people. These actions averted $562 million in social costs to New Zealand.

The New Zealand Search and Rescue Council, established by Cabinet in 2003 provides strategic governance, leadership to the SAR sector, manages the governments investment into the sector and provides SAR advice to Ministers. The Council consists of the chief executives of departments with SAR responsibilities and includes the Ministry (chair), MNZ, CAA, Department of Conservation, NZ Police, New Zealand Defence Force, Fire and Emergency New Zealand, and a non-government independent member.[10]

The Ministry receives funding for, and hosts the NZSAR Secretariat. Either the NZ Police or the Rescue Coordination Centre (which is an operating group within MNZ) coordinates SAR operations. The responsible coordinating authority will request the use of search and rescue assets depending on the requirements of the operation. A wide variety of organisations may participate in search and rescue operations, including the Department of Conservation, LandSAR, Coastguard NZ, Surf Life Saving NZ, rescue helicopters, NZ Police, commercial vessels, NZ Defence Force and a variety of smaller organisations or assets including members of the public.

The search and rescue sector's revenue comes from a variety of sources, including Crown funding through Vote Transport, Vote Police, Vote Conservation, and Vote Defence, and hypothecated funding collected under the LTMA (which recognises the FED paid by recreational boat users). Commercial sponsorship, local fundraising, community grants, class 4 gaming (including gaming machines from pubs and clubs) and the Lotteries Grants Board also provide funding to the wider search and rescue and recreational safety sectors.

[10] This person's role is to represent the non-governmental elements of the SAR sector at the NZSAR Council.

Ministers of Transport and Finance are empowered under the LTMA to allocate FED funding for SAR purposes. The NZSAR Council (on behalf of the Ministry) administers approximately $16.5 million per annum of FED investment into SAR sector agencies. The NZSAR Council (on behalf of the Ministry) also administers the government's investment of $15 million per annum into frontline water safety services (Coastguard NZ and Surf Life Saving NZ). This funding is sourced from the COVID-19 Response and Recovery Fund foundation package through Vote Transport. A review of the SAR and Recreational Safety Sectors will take place between 2020 and 2022.

Ministry of **Transport**
TE MANATŪ WAKA