

OC220596

5 August 2022

s 9(2)(a)

Tēnā koe s 9(2)(a)

I refer to your email dated 13 July 2022 requesting 17 documents, as referenced on the April briefings list on our website, under the Official Information Act 1982 (the Act).

All 17 documents that fall within scope of your request are listed in the document schedule attached as Annex One. The schedule outlines how each document has been treated under the Act. Of the 17, we are releasing seven, withholding five and refusing five. Certain information, or full documents have been withheld or refused under the following sections of the Act:

9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)
18(d)	the information requested is or will soon be publicly available.

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

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

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'HAR', followed by a period.

Hilary Penman
Manager, Ministerial Services

Annex One - Document Schedule

Doc#	Reference number	Title of Document	Decision on request
1	OC210903	Tackling Unsafe Speeds Programme - Final Policy Decisions	Refused in full under Section 18(d). This paper is publicly available and can be found on the <i>Tackling Unsafe Speeds</i> page of the Ministry's website: www.transport.govt.nz/assets/Uploads/OC210903-Cabinet-paper-Tackling-Unsafe-Speeds-programme-final-policy-decisions-Final-7.pdf
2	OC220192	Taking action on fuel prices - reducing road user charges, related finance matters and reimbursing track user charges	Refused in full under Section 18(d) as it will soon be publicly available.
3	OC220233	Electric vehicle supply - Challenges and opportunities	Refused under Section 18(d) as it will soon be publicly available.
4	OC220177	Essential Transport Connectivity - Exit Approach	Some information withheld under Sections 9(2)(b)(ii), 9(2)(f)(iv) and 9(2)(g)(i). You will note the addition of the following note on page 3, paragraph 27: <i>Please note this figure is now out of date.</i>
5	OC220015	Public Transport Operating Model Review - outstanding policy issues	Withheld in full under Section 9(2)(f)(iv).
6	OC220184	Retaining New Zealand's Coastal Fuel Tankers	Refused in full under Section 18(d). This paper is publicly available and is available on the Ministry of Business, Innovation and Employment's website: www.mbie.govt.nz/dmsdocument/21354-retaining-or-redeploying-new-zealands-coastal-shipping-capability-proactiverelase-pdf
7	OC220012	Work with Te Rūnanga O Ngāi Tahu on new housing developments with shared transport	Some information withheld under Section 9(2)(a).
8	OC220234	Meeting with the Civil Aviation Authority Chair and Chief Executive 20 April 2022	Some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).
9	OC220237	Considerations for nationwide roll-out of Community Connect	Refused in full under Section 18(d) as it will soon be publicly available.

10	OC220261 T2022/879	City Rail Link Limited - Letter of Expectations 2022/23	Some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(g)(i) and 9(2)(j). Please note the copy of the letter attached to this briefing paper is a draft. The final version that was sent out contained one further expectation.
11	OC220263	Clean Car Sector Leadership Group: provision of secretariat services	Some information withheld under Section 9(2)(a).
12	OC220264	Response to your comments on the 2 March 2022 KiwiRail entity form briefing	Withheld in full under Section 9(2)(f)(iv).
13	OC220209	Budget economic and fiscal update 2022 forecast of National Land Transport Fund Revenue	Some information withheld under Section 9(2)(a). Please note that financial support has been agreed by Cabinet to cover lost revenue from FED and RUC reductions.
14	OC220288	Meeting to discuss Auckland Light Rail - mana whenua sponsors representation, 27 April 2022	Withheld in full under Section 9(2)(f)(iv).
15	OC220136	The financial assistance for the trial of the equity- oriented vehicle scrappage scheme	Withheld in full under Section 9(2)(f)(iv).
16	OC220302	Meeting with the Waka Kotahi NZ Transport Agency	Some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
17	OC220197	Penlink Road Tolling Scheme - Assessment of the tolling proposal	Withheld in full under Section 9(2)(f)(iv).

IN CONFIDENCE

In Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

Essential Transport Connectivity Exit Approach**Proposal**

- 1 This paper seeks agreement to extend the Essential Transport Connectivity (ETC) scheme to 30 June 2022 and to delegate authority to the Minister of Finance, Associate Minister of Finance (Hon David Parker), Minister of Economic and Regional Development, and Minister of Transport to consider a final extension of the scheme to 31 October 2022 at the latest.

Relation to government priorities

- 2 This proposal supports the Government's economic response to COVID-19 through its efforts to cushion the financial blow to whānau and families, workers, businesses, and communities from the impacts of COVID-19, position New Zealand for recovery, and reset and rebuild our economy.

Executive Summary

- 3 The ETC has been an important to ensuring domestic transport connectivity has been maintained while operators manage the short-term impacts of COVID-19. Current arrangements with providers are set to expire on 30 April 2022.
- 4 Market conditions for most ETC providers remain challenging, given New Zealand is in the midst of the Omicron outbreak. This is impacting domestic willingness to travel. Additionally, we are approaching the winter season, which is traditionally a period of lower demand.
- 5 In the medium-term prospects are much brighter – as New Zealand comes out of the Omicron outbreak, traveller behaviour is expected to return to closer to normal levels, and tourists are starting to return.
- 6 Therefore I am proposing an extension to the ETC to 30 June 2022. This allows time for passenger numbers to recover. No new funding is required to support this proposal.
- 7 I am also seeking agreement to delegate authority to the Minister of Finance, Associate Minister of Finance (Hon David Parker), Minister of Economic and Regional Development, and Minister of Transport to consider a final extension of the scheme to 31 October 2022. The extent of traveller recovery will be better known by mid 2022, and joint Ministers will be able to take this into account when determining whether there is a need to provide support over the winter.

- 8 s 9(2)(g)(i), s 9(2)(f)(iv)
[Redacted text]

- 9 s 9(2)(f)(iv) and s9(2)(g)(i)
[Redacted text] s 9(2)(f)(iv)

IN CONFIDENCE

s 9(2)(f)(iv)

Background

- 10 On 11 May 2020, Cabinet agreed to establish the Essential Transport Connectivity (ETC) scheme [CAB-20-MIN-0219.28 refers]. The ETC's purpose is to provide support to transport operators to ensure essential transport services continue to operate while managing the fall-out from COVID-19. Operators must meet financial criteria for support. In March 2021, the ETC was extended to 30 April 2022.
- 11 The ETC currently supports nine providers, including aviation and bus operators. All these providers were approved following an assessment process undertaken by the Ministry of Transport (the Ministry).
- 12 Contracts with ETC providers are varied but use a similar contractual model where the Ministry agrees to fund a set of routes. s 9(2)(b)(ii)
- 13 ETC operators depend on the support provided through the scheme to continue operating their services while traveller demand is low due to impacts from COVID-19. The ETC is considered a funder of last resort, and only provides funding to operators who deliver essential connectivity services

Conditions for ETC operators are challenging in the short-term, but will improve

- 14 ETC operators have noted current traveller demand is very low. Domestic travel is currently being impacted by travel hesitancy due to the Omicron outbreak, as well as reduced commuter demand (likely caused by a shift to work from home). Additionally, for many transport providers, the winter season is traditionally lower in passenger demand.
- 15 The outlook for domestic travel is more promising over the medium term, particularly as New Zealand moves through the Omicron peak, with case numbers expected to drop in the coming months. This is expected to have a positive flow-on impact to domestic travel demand.
- 16 Tourism demand is not likely to be at a level to sustain operators for some time. While the border is progressively opening to international travellers through 2022 under the Reconnecting New Zealanders plan, there is a lag between removing restrictions and tourists making travel decisions. In the medium-term, the return of the tourists should significantly improve prospects for ETC operators.

I recommend extending ETC to 30 June 2022

- 17 In light of these challenges, I am proposing an extension to the ETC scheme to 30 June 2022. This will allow most providers to start returning to a sustainable level of demand before support is ceased.
- 18 Providing this extension will enable ETC providers to continue to trade through these challenges, while setting a clear expectation of a return to market-driven dynamics as we move to the 'new normal'. This approach closely aligns with the purpose of the ETC.

19 Under this approach, the Ministry will extend the contracts of relevant ETC providers¹ to 30 June 2022. This date was selected as it is considered sufficient time to allow for:

19.1 New Zealand to move through the Omicron peak, to a position where domestic travel behaviour returns to a more normal state

19.2 tourists to book and arrive in New Zealand under the Reconnecting New Zealanders plan.

20 During the extension period, the Ministry will closely monitor the performance of providers, as some may be able to have their support ended sooner, or have certain routes removed from their support package due to commercial viability at that point.

21 The Ministry will also close the ETC to future applicants.

There may be a need to consider a final extension to ETC

22 I am also proposing the Minister of Finance, Associate Minister of Finance (Hon David Parker), Minister of Economic and Regional Development, and Minister of Transport are given delegated authority to consider a final extension to ETC to 31 October 2021 at the latest.

23 By mid-2022, we will have better information on the full extent of traveller recovery. There may be a need to provide a short, final extension so providers can reach the beginning of the 'summer period' of trading, where they are expected to have secured higher levels of forward bookings.

s 9(2)(f)(iv) and s9(2)(g)(i)

[REDACTED]

Financial Implications

27 No new funding is required to support this proposal. The ETC scheme is supported by a multi-year appropriation and will have sufficient funding remaining (~\$7m) to

Please note this figure is now out of date.

s 9(2)(b)(i)

keep the ETC operating at the same or a reduced level until 31 October 2022 if necessary.

- 28 *[Under consideration by DEV on 6 April 2022 and CAB on 11 April 2022 - Cabinet is also considering a proposal to extend the ETC's multi year appropriation to 30 June 2023 – this will enable the scheme to be able to, if extended, use the previously appropriated funded after the current expiry of the appropriation 30 June 2022.]*
- 29 ETC contractual mechanisms mean that as passenger recovery occurs, support payable under the ETC is reduced. If recovery is faster than anticipated, the total cost of operating the ETC would be reduced.

Legislative Implications

- 30 There are no legislative implications.

Regulatory Impact Statement

- 31 No Regulatory Impact Statement is required as this proposal does not introduce or change any legislation.

Climate Implications of Policy Assessment

- 32 A Climate Implications of Policy Assessment (CIPA) has not been prepared for this paper. The proposal recommends providing financial support for transport operators and services, which creates greenhouse gas emissions. Even with this support it should be recognised that the total number of domestic flights and road transport services provided per week would still be less than the number which operated prior to COVID-19.
- 33 More broadly I am looking at how to reduce emissions from the transport sector as part of the work in response to the Climate Change Commission's 2021 report.

Population Implications

- 34 This proposal has the following anticipated population impacts.

Table 1. ETC extension population implications

Population group	How the proposal may affect this group
Remote/rural populations	Many regions cannot justify transport services based solely on their population and these routes continue to be unviable without international tourists. Many more remote communities and individuals do not have nearby access to essential services (such as health and welfare services) and may not be able to travel to the nearest essential service without a transport connection.
Elderly, vulnerable, and disabled people	Many of the services support by the ETC scheme to date disproportionately support the elderly, vulnerable, and disabled people. These groups often have limited access to private vehicles, struggle with standard transport options, or have complex needs which require regular transport to a main centre to access.

Human Rights

- 35 There are no implications for human rights.

Consultation

36 The Treasury was consulted during the preparation of this paper.

Communications

37 I do not intend to make a public announcement about extending the ETC scheme. The Ministry of Transport will communicate directly with affected parties.

Proactive Release

38 Not proposed due to the discussion of commercially sensitive matters.

Recommendations

I recommend that the Committee:

- 1 **note** that on 11 May 2020 Cabinet established the Essential Transport Connectivity (ETC) Scheme to provide support to maintain essential transport routes and services negatively impacted by COVID-19 [CAB-20-MIN-0219.28].
- 2 **note** that the ETC Scheme has achieved the objectives originally set out by Cabinet and has allowed essential transport routes and services to continue despite the disruptions and negative impacts caused by COVID-19.
- 3 **note** that ETC operators continue to face short-term challenges related to low traveller demand due to the impacts of COVID-19.
- 4 **agree** to extend the ETC scheme to 30 June 2022 to allow the expected recovery of traveller demand to sustainable levels.
- 5 **authorise** the Minister of Finance, Associate Minister of Finance (Hon David Parker), Minister of Economic and Regional Development, and the Minister of Transport to consider a final extension to the ETC to 31 October 2022 at the latest, on the basis that no additional funding is required to support that extension.
- 6 **agree** that the ETC scheme will be closed to new applicants from 1 May 2022.
- 7 **note** that that this extension does not require any new funding and can be funded through the existing ETC multi-year appropriation.
- 8 **authorise** the Ministry of Transport to enter into contracts with operators to reflect the recommendation agreed in recommendation 4.

9

s 9(2)(i)(iv)

Authorised for lodgement

Hon Michael Wood
Minister of Transport



13 April 2022

OC220012

Hon Michael Wood

Minister of Transport

CC: Hon Dr Megan Woods

Minister of Housing

WORK WITH TE RŪNANGA O NGĀI TAHU ON NEW HOUSING DEVELOPMENTS WITH SHARED TRANSPORT

Purpose

Inform you of work the Ministry has started with Te Rūnanga o Ngāi Tahu via Ngāi Tahu Holdings Corporation Limited (Ngāi Tahu Holdings)

Key points

- The Ministry and Te Rūnanga o Ngāi Tahu are working to demonstrate the feasibility of new housing developments that incorporate shared transport options to incentivise reduced private vehicle ownership.
- Housing developments with shared transport could encourage lifestyle and cultural changes needed to reduce private vehicle ownership, and consequentially reduce transport emissions.
- The initial output will be a feasibility study to develop an optimal model(s) of how shared transport can best be incorporated into new housing developments around New Zealand. We issued an RFP for a supplier on 4 April 2022 and aim to complete the feasibility study around September 2022.
- Other agencies including Waka Kotahi – NZ Transport Agency, Te Tūapapa Kura Kāinga – Ministry of Housing and Urban Development, Te Tari Tiaki Pūngao – Energy Efficiency and Conservation Authority are participating on a steering group that will oversee the development of the feasibility study.
- There are no commitments for funding beyond the feasibility study. The future direction of this work will be informed by the feasibility study outcome. Your support would be sought before progressing further, especially if other sources of government funding are required.
- We will keep you updated on progress through your weekly report.

Recommendation

We recommend you:

1 **advise** if you would like to discuss the work in more detail.

Yes / No



Richard Cross
**Manager, Strategic Policy and
 Innovation**

13 / 04 / 2022

Hon Michael Wood
Minister of Transport

..... / /

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

Name	Telephone	First contact
Richard Cross, Manager, Strategic Policy and Innovation	s 9(2)(a)	✓
Liz Hopgood, Adviser, Strategic Policy and Innovation	s 9(2)(a)	

WORK WITH TE RŪNANGA O NGĀI TAHU ON NEW HOUSING DEVELOPMENTS WITH SHARED TRANSPORT

This work supports Te Rūnanga o Ngāi Tahu aspirations, the Ministry's transport outcomes and wider Government priorities

- 1 Te Rūnanga o Ngāi Tahu and the Ministry have been in discussions since late-2021 around working to demonstrate the feasibility of housing developments that incorporate shared transport options for residents. We previously advised you of this through the weekly report.
- 2 Ngāi Tahu Holdings is the investment arm of Te Rūnanga o Ngāi Tahu. Its commercial operations include farming, property, seafood, and tourism. It has residential developments in Christchurch, Auckland and Queenstown, and commercial developments throughout the South Island including some leased to the Crown.
- 3 Te Rūnanga o Ngāi Tahu strives to lead the way in sustainable property development and take an intergenerational approach to business. Te Rūnanga o Ngāi Tahu views the private car ownership culture in New Zealand as unsustainable and aims to change this to meet climate change goals and create better social outcomes. This will require effort from iwi, local and central Government, business, and all New Zealanders.
- 4 Ngāi Tahu Holdings on behalf of Te Rūnanga o Ngāi Tahu, with Te Tūapapa Kura Kāinga – Ministry of Housing and Urban Development, is building a high-density 300-unit development in Queenstown called *Te Pā Tāhuna*. One third of the units will be available to people who qualify for KiwiBuild.
- 5 Te Rūnanga o Ngāi Tahu is currently looking into introducing shared electric vehicles into *Te Pā Tāhuna* and is actively seeking funding for this project (separate from the work we are discussing here).
- 6 Promoting more sustainable housing developments will be a critical element to achieve the Government's Emissions Reductions Plan target of a 20% reduction in Vehicle Kilometres Travelled by 2035.
- 7 This work supports the Government priorities of addressing climate change, supporting wellbeing, and the transport outcomes of inclusive access, healthy and safe people, and environmental sustainability.

Housing developments with shared transport could be the future for New Zealand communities

- 8 Housing developments with shared transport including electric cars, scooters, and bikes are growing in popularity around the world. These developments reduce emissions and congestion and promote inclusive access and liveability.
- 9 There are already several completed housing developments in New Zealand with shared transport provided for residents, including:

- *26 Aroha* (Sandringham, Auckland) - a 13-unit development with one electric car and electric scooters.
 - *Rethinking Space* (Panmure, Auckland) - a 46-unit development with five electric cars and no carparks for further vehicles.
 - *Ōtautahi Community Housing* (Sydenham, Christchurch) - the 90-unit public housing complex has introduced two electric cars and five electric bikes that are subsidised for residents.
- 10 Widespread acceptance of housing developments with shared transport in New Zealand requires cultural and lifestyle changes for New Zealanders. Insight into and strategies to overcome these barriers could help create long lasting social and environmental benefits.
- 11 More research and evidence are needed on how shared transport can be incorporated into housing developments and communities in New Zealand and what impacts this would have. This work could provide the groundwork for more housing developments with shared transport to be implemented around New Zealand in the future.
- 12 The feasibility study will form a new knowledge base on housing developments with shared transport that can be used New Zealand-wide by both public and private enterprises.

The initial feasibility study will inform future work

- 13 The Ministry is funding a feasibility study to develop an optimal model(s) of how shared transport options (e.g. shared electric cars, scooters, and bikes) can be incorporated into new housing developments around New Zealand.
- 14 The feasibility study will explore how transport options may be incorporated into new housing developments, and how different funding and delivery models could be used to procure, manage, and charge for those services. This will include the broad financial feasibility for developers, the costs of establishing shared schemes, cost a location, any barriers and impediments to the scheme, and any potential regulatory changes.
- 15 We have a budget of \$200,000 to fund the feasibility study. The Ministry's usual procurement processes are being followed. We aim for the feasibility study to be completed by September 2022, when we will work with Ngāi Tahu Holdings to decide on the direction of any further work.
- 16 The feasibility study may show that housing developments with shared transport are not economically viable without extra funding and that there is a case for some form of government funding. The case for government funding, and other potential funding sources, could be explored further once the feasibility study is completed.
- 17 A steering group has been established and the Terms of Reference and Memorandum of Understanding have already been drafted. The Steering Group members are:

- Te Rūnanga o Ngāi Tahu
- Ngāi Tahu Holdings
- The Ministry
- Te Tūapapa Kura Kāinga – Ministry of Housing and Development
- Te Tari Tiaki Pūngao – Energy Efficiency and Conservation Authority
- Kāinga Ora – Homes and Communities
- Queenstown Lakes District Council

We are comfortable that any risks can be mitigated

- 18 This is a new and innovative way of working with iwi for the Ministry, and there is a risk that stakeholders may question the rationale and approach we are taking. We are comfortable that this can be mitigated, as we expect broad policy benefits from the work and there is no direct investment into a property development or any risk sharing with Te Rūnanga o Ngāi Tahu.
- 19 This is a new area of research that could result in long-term social, environmental, and economic benefits for New Zealand. We have made it clear to Ngāi Tahu Holdings that there is no guaranteed financial support from the Government beyond the initial feasibility study, and that working with Te Rūnanga o Ngāi Tahu does not preclude us from entering similar work programmes with other parties if there was a strong public policy rationale.



13 April 2022

OC220234

Hon Michael Wood
Minister of Transport

MEETING WITH THE CIVIL AVIATION AUTHORITY CHAIR AND CHIEF EXECUTIVE – 20 APRIL 2022

Snapshot

You are meeting with the Civil Aviation Authority (the Authority / entity) Chair and Chief Executive on 20 April 2022. To support you in your meeting, the Ministry of Transport has provided comments and suggested talking points on the proposed agenda items.

Time and date	2.00pm – 2.30pm, 20 April 2022
Venue	EW4.1, Parliament
Attendees	Janice Fredric, CAA Chair Keith Manch, CAA Chief Executive and Director
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance & Governance Chris Jones, Acting Manager, Governance Alex Beedell, Senior Adviser, Governance
Agenda	<ol style="list-style-type: none"> 1. Letter of Expectations and 2. Budget Outcomes (paragraphs 6 - 12) 3. YourView survey outcomes (paragraphs 13 - 18) 4. Part 102 Unmanned Aerial Vehicles Update (paragraphs 19 - 21) 5. Reserves (paragraphs 22 - 23) 6. Regulatory Strategy (paragraphs 24 - 28) 7. Authority Funding Review Update (paragraph 29)

Contacts

Name	Telephone	First contact
Allan Prangnell, Deputy Chief Executive, System Performance & Governance	s 9(2)(a)	
Chris Jones, Acting Manager, Governance		✓
Alex Beedell, Senior Adviser, Governance		

Meeting with the Civil Aviation Authority Chair and Chief Executive – 20 April 2022

Key points

- You are meeting with Janice Fredric (Chair) and Keith Manch (Chief Executive and Director) of the Authority on 20 April 2022. At your last meeting with the Authority on 3 March 2022, you discussed the following agenda items:
 - The Authority's work during Omicron
 - Quarterly report for the period ending 31 December 2021
 - Emissions Reduction Plan and Carbon Neutral Government Programme (CNGP)
 - Updated forecasting - at the time, the Authority was '*cautiously optimistic*' that the Liquidity Fund would be sufficient for the remainder of the 2021/22 year if activity remained at 3 percent of pre-COVID international passenger volumes, and 40-45 percent of domestic passenger volumes. s 9(2)(f)(iv)
- Te Kāhano update – the culture change programme began its transition into BAU in February 2022.
- This is the second of your regular meetings with the CAA Chair and Chief Executive this calendar year. The Authority provided its meeting advice to you on 13 April 2022.
- The meeting is an opportunity for you to discuss the ongoing impact of the pandemic on the Authority's deliverables in 2021/22 and the effects on the wider aviation sector. Suggested talking points are provided for your consideration in blue boxes.

It is likely that the Chair and Chief Executive will raise two items that are not included in the Authority's meeting advice

Your expectations following Budget 2022 outcomes

s 9(2)(f)(iv)

2. As your next meeting with the Chair and Chief Executive is 14 June 2022, we suggest that you use this meeting to outline your expectations for the Authority in 2022/23 when responding to your Letter of Expectations and Government priorities. This will enable the entity to complete its business planning.

3. s 9(2)(f)(iv)

Your thoughts on proposed interviewees for the Board's sixth member position and options to strengthen diversity in the short to medium-term

4. The Chair and Ministry agree that the Board's diversity needs to be strengthened, however, we recommend that this is addressed *after* the current appointment round for the sixth member is complete. This approach would enable the Authority to obtain the ICT and technology expertise it requires to effectively implement new regulatory software, EMPIC.
5. In earlier advice (briefing OC220127 refers), the Ministry provided you with three options to strengthen the Board's diversity over the short to medium-term. You may wish to discuss the following options with the Chair:

s 9(2)(g)(i)

- **Option two:** appoint a Future Director in 2023
- **Option three:** appoint a seventh member in 2022.

Agenda Items

Items one and two: Letter of Expectations and Budget outcomes

6. In your Letter of Expectations for 2022/23 you noted your expectation that, irrespective of Budget 2022 outcomes, the Authority should:
 - 6.1 continue to implement the Civil Aviation Bill
 - 6.2 maintain resilience and security activities
 - 6.3 respond appropriately to the Government's climate change commitments
 - 6.4 proactively focus on emerging aviation technologies and the implications for the aviation system, by continuing:
 - work to reduce the backlog of Civil Aviation Rule Part 102 Unmanned Aircraft Operator Certifications (Part 102)
 - sector engagement with the domestic sector, and the Authority's international partners
 - collaboration with government agencies including the Ministry and MBIE.
7. At the time of writing, the Ministry is expected to confirm Budget 2022 outcomes (in-confidence) with the Authority in advance of your meeting. We will confirm with your office if/when this discussion has taken place.

8. As your next scheduled meeting with the Chair and Chief Executive is on 14 June 2022, we suggest using this meeting to discuss your expectations and priorities for the Authority in 2022/23 (with reference to your Letter of Expectations and Government priorities) so that the entity can complete its business planning. *Figure one* below is provided to support your discussion.

Figure one: Budget 2022 outcomes for aviation bids

Budget bid	Objective	Outcome
Extension of Government funding to deliver minimum aviation safety and security functions	Extend the liquidity facility s 9(2)(f)(iv) to enable the Authority to deliver minimum aviation safety and security functions in 2022/23 s 9(2)(f)(iv)	Partially successful , funding for 2022/23 secured s 9(2)(f)(iv)
s 9(2)(f)(iv)	s 9(2)(f)(iv)	Unsuccessful
Supporting Implementation of Initiatives Detailed in the Enabling Drone Integration (EDI) Package	Enable the Authority to meet capacity requirements that would support the development, and regulation, of emerging aviation technologies by securing 13.5 new FTEs and \$1.75 million capital funding for the implementation of new digital systems	Successful – Budget 2022 will fund the implementation of the package of measures outlined in Cabinet paper <i>Enabling Drone Integration: Regulatory changes to progress unmanned aircraft integration</i> , to ensure that unmanned aircraft policies and regulation are fit-for-purpose, enabling the integration of drones into the aviation system.
s 9(2)(f)(iv)		Unsuccessful

9. In 2020, an independent value for money review found that the Authority was operating at 'below optimal levels for it to effectively carry out its core regulatory functions' and recommended the recruitment of 29 additional FTEs. In response to constrained resources and finances in 2021/22, the Authority prioritised the delivery of its core regulatory functions (BAU) resulting in non-discretionary workstreams (such as the funding review) being delayed. However, there remains pressure on the workforce to deliver both core functions and "non-discretionary" workstreams (as outlined in **Appendix One**).

10. s 9(2)(f)(iv)

To support this discussion, we have detailed the potential impact of Budget 2022 outcomes on non-discretionary workstreams in **Appendix One**.

Suggested talking points for Letter of Expectations and Budget outcomes

- You may wish to outline your expectations of the Authority in 2022/23, with respect to the activities outlined in your Letter of Expectations and Government priorities, and to ask:

s 9(2)(f)(iv)

Item three: YourView survey outcomes

13. To measure the impact of the Te Kāhano change programme, the Authority commissioned four staff surveys over an 18-month period. The results from the most recent of these surveys – in March 2022 – was provided to you on 13 April 2022 as part of the Authority's meeting briefing.
14. The table below details the average scores for the organisation, and its regulatory and safety functions, from three of the most recent surveys:

	March 2022 YourView survey	June 2021 Culture Change Pulse Survey	October 2020 YourView survey
Organisation score	65 percent	62 percent	61 percent
CAA average score	66 percent	68 percent	58 percent
Avsec average score	65 percent	60 percent	62 percent

15. The YourView (March 2022) survey results show that, overall, the Authority has made progress to better its organisational culture following the 2019 Ministerial review into the

Authority's organisational culture. We note that small fluctuations in the results (i.e., a decline of five percentage points or less) should be expected as outputs from Te Kākano are embedded into BAU.

16. Key results from the YourView (March 2022) survey include:

- 16.1 Avsec's average score increased five percentage points from June 2021
- 16.2 The Authority benchmarked *on par* with the State Sector benchmarking figure of 63 percent for *survey participation*
- 16.3 The average *question scores* by group on **page 5 of the results document** ranged between 61 percent (*good* on the Likert scale but an indication that there are *some* areas of potential concern) and 84 percent (*excellent* on the Likert scale)
- 16.4 The comparison *by category* section on **page 6 of the results document** suggests there are some areas that may require further attention: project processes (57 percent), internal communication (60 percent), client focus (61 percent), and technology (62 percent)
- 16.5 Compared with the YourView October 2020 survey, the average score increased across every business group.

17. In accordance with your Letter of Expectations, the Ministry and the Authority are taking a collaborative approach to determine the timing and scope of an independent evaluation of Te Kākano's outputs to assess if:

- 17.1 recommendations from the Organisational Culture Review Final Report have been adequately addressed and embedded within the organisation; and
- 17.2 outputs from the Te Kākano programme have been effective in improving the Authority's culture.

18. We anticipate that the evaluation will commence in October 2022, leaving a seven-month window for Te Kākano to be embedded into BAU before the outputs are assessed.

Suggested talking points for YourView survey outcomes

- You may wish to ask:
 - what information is the Board receiving on Te Kākano's transition into BAU, and how is this being used to make decisions on next steps?
 - what is the Board's assessment of the YourView survey results?
 - the YourView survey recorded an overall organisational score at 65 percent, what does the Board see as a 'good' score?

Item four: Part 102 Unmanned Aerial Vehicles Update

19. At an officials' meeting on 21 March 2022, you asked the Authority to provide regular updates on Part 102 applications through the weekly report.

20. As the technologies explored in Part 102 applications are complex, and it takes time to regulate new technologies, the Ministry suggested to the Authority that it reports to you monthly to show its progression using the following reporting categories:

- 20.1 the number of new applications received
- 20.2 the number of closed applications
- 20.3 the cumulative number of open applications
- 20.4 a distinction between different types of applications and the average time and effort they take to be processed
- 20.5 a clear indication of whether any numbers are 'good' or 'bad' or whether the change in number is 'good' or 'bad'.

21. The Ministry understands that there might be barriers to some of the reporting categories it suggested due to data collection issues. You may wish to confirm what information you would like to see in the Authority's Part 102 reporting, and to ask when you will receive your first update.

Suggested talking points for Part 102 Unmanned Aerial Vehicles Update

- The Chair and Chief Executive may ask you if there is any specific information that you would like to see included in the Part 102 updates.
- You may wish to confirm your expectations for the Authority's Part 102 reporting, and to ask when you will receive your first update.

Item five: Reserves

s 9(2)(f)(iv)

Suggested talking points for Reserves

s 9(2)(f)(iv)

Item six: Regulatory Strategy

24. The Authority's *draft Regulatory Strategy* (the strategy) provided to you on 15 March 2022, contains input from regulatory agencies and key aviation stakeholders.
25. The Ministry has reviewed the strategy and is comfortable with the content. We note a shift towards a more open, trusting and collaborative approach with the sector, to strengthen the Authority's ability to identify and respond to safety and security risks.
26. The strategy sets out the roles and responsibilities for the Authority, the Ministry, and the sector. It also outlines priorities for regulatory change, as well as clear processes to address regulatory risk through a Regulatory Decision-Making Model and a Regulatory Action Plan.
27. In line with your 2021/22 Letter of Expectations, the Authority will publish the strategy by 30 June 2022. Following publication, the strategy will take around three years to implement, with the Authority committing to the continual adjustment of the document in response to its internal and external environments.
28. The Ministry expects future iterations of the strategy to include further information on:
- 28.1 pathways for engagement with Māori in the long-term, as the Authority's maturity in Te Reo and Te Ao Māori develops
 - 28.2 the impact of emerging technologies / innovation on the regulatory space in the short-term, following Budget 2022 outcomes.

Suggested talking points for Regulatory Strategy

- You may wish to acknowledge the Authority's Regulatory Strategy, and ask:
 - how COVID has influenced the strategy?
 - how confident is the Board that aviation sector regulatory risks are being managed during a challenging period for the Authority?
 - if the strategy has identified any high-risk areas that require regulatory reform, or greater focus, to reduce harm in the system?

Item seven: Authority Funding Review Update

29. The Ministry has no comment on the Authority's briefing (provided to you on 13 April 2022) but notes ongoing resourcing constraints may affect the schedule and standard to which the funding review is delivered. The Ministry will work with the Authority to understand the impact of Budget 2022 outcomes on the delivery of the review and report back to you ahead of your next scheduled meeting with the Chair in June 2022.

Suggested talking points for Funding Review Update

- You may wish to ask:

s 9(2)(f)(iv)

○

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IN CONFIDENCE



13 April 2022

BRIEFING

OC220261
T2022/879**Hon Michael Wood**
Minister of Transport**Action required by:**
Wednesday, 20 April 2022**Hon Grant Robertson**
Minister of Finance

CITY RAIL LINK LIMITED - LETTER OF EXPECTATIONS 2022/23

Purpose

This briefing seeks your feedback on the draft Letter of Expectations (LOE) for City Rail Link Limited (CRL) for the 2022/23 financial year.

Key points

- The LOE is an annual letter from the Responsible Minister, on behalf of shareholders, that sets out expectations for the Board of CRL. It outlines shareholder priorities and includes s 9(2)(g)(i) expectations of the company. It also assists the Board in developing its Statement of Performance Expectations (SPE), which confirms how the company will deliver your expectations for the year ahead.
- Auckland Council officials and the Mayor's office have been consulted on the draft LOE attached and are comfortable with its content.
- We recommend that you provide the Ministry of Transport (the Ministry) or the Treasury with your feedback as soon as practicable. Early signalling of expectations in the LOE is a key method of ensuring quality measures are developed in the SPE.
- CRL will provide you with a draft SPE by 30 April. The Ministry and the Treasury will then provide you with advice on the draft SPE, enabling you to provide feedback to CRL within 15 working days of receiving the draft.

We recommend you:

- 1 **advise** the Ministry or the Treasury if there are any changes/additions you wish to make to the draft 2022/23 Letter of Expectations for City Rail Link Limited

Yes / No
Minister of Finance

Yes/ No
Minister of Transport

- 2 **agree** that the Minister of Transport, on behalf of shareholders, sign and send the attached 2022/23 Letter of Expectations to the Chair of City Rail Link Limited

Yes / No
Minister of Finance

Yes/ No
Minister of Transport

Hon Grant Robertson
Minister of Finance

..... / /

Hon Michael Wood
Minister of Transport

..... / /



David Taylor
**Manager, National Infrastructure Unit
The Treasury**

..... / /

Chris Jones
**Acting Manager, Governance
Ministry of Transport**

14 / 04 / 22

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments:

Contacts

Name	Telephone	First contact
Jenny Smith, Senior Adviser, Governance, Ministry of Transport	s 9(2)(a)	✓ (MoT)
Chris Jones, Acting Manager, Governance, Ministry of Transport		
David Taylor, Manager, National Infrastructure Unit, The Treasury		✓ (Treasury)

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CITY RAIL LINK LIMITED - LETTER OF EXPECTATIONS 2022/23

Suggested content for the CRLL LOE

The CRLL LOE is different from the LOE's for the other transport Crown entities

1. The content of CRLL's LOE is different from the other agencies within the transport sector, as the Project Delivery Agreement (PDA) already provides a clear set of expectations around what the company is to deliver. Therefore, the LOE will largely focus on ways CRLL gives effect to the PDA.
2. The LOE should also ensure that any directions set adequately reflect the Crown's interest, provide an appropriate balance between opportunities and risks, and are achievable by CRLL and the CRLL Board.

s 9(2)(g)(i) in consultation with Auckland Council, we propose the following content for the LOE

3. **Management of risks, costs and schedule:** A clear message should be given around the expectation that CRLL should continue to keep Sponsors well-informed on the achievement of interim milestones and forecast project costs as new information comes to hand. CRLL is undertaking a comprehensive review of both project costs and the delivery schedule during 2022, and it will provide an update on this to Sponsors in late 2022.
4. **CRLL in an alliance environment:** Sponsors will rely heavily on CRLL participating in the Alliance in a way that ensures that the Sponsors' interests, including those of Auckland Transport and KiwiRail, are protected. **s 9(2)(b)(ii), s 9(2)(j)**
5. **Supporting the assurance framework:** The regular reporting that Sponsors receive is an important contribution to the overall assurance framework for the project. Over the coming year it is particularly important that CRLL continues to work closely and transparently with Sponsor representatives and the Sponsors' Assurance Manager in providing timely access to relevant information, consistent with expectations set by the PDA. In particular, key information, such as the latest Link Alliance Programme Schedule, is needed by the Sponsors' Assurance Manager to complete their reviews
6. **Strong relationships with KiwiRail and Auckland Transport:** The LOE should set out the importance of maintaining healthy relationships with delivery partners to ensure that the project meets end-user requirements and supports CRL day one readiness, in line with the expected benefits of the CRL project.
7. **Health and safety:** CRLL reporting shows the recordable injury rate continues to track below the target set in CRLL's 2021/22 SPE. As the project progresses and the risk profile changes, a focus on health and safety is crucial and should be reflected in the LOE.

8. **Strong community engagement and working collaboratively to mitigate impacts on communities:** It is important to continue to emphasise to CRLL and the Link Alliance the expectation that they continue to work constructively with local businesses, residents and stakeholders, and seek to proactively ensure that disruption is minimised, wherever possible. The LOE should also acknowledge CRLL's work to establish the Targeted Hardship Fund (THF) to provide targeted assistance to small businesses that experience major and sustained disruption and genuine hardship relating to the C3 construction activity. We expect the dialogue with impacted businesses to continue and that THF applications will continue to be processed in a timely manner and in line with Sponsors' high-level guidelines for the THF.
9. **Supporting the wider development opportunities associated with the CRL project:** While the Joint Board Committee (Eke Panuku and Kāinga Ora) are leading the development of the advice for the Maungawhau and Karangahape sites, CRLL has an ongoing role in contributing to that advice. Once the Programme Business Case has been finalised by the Joint Board Committee, CRLL will need to work with Sponsors' officials to provide their expertise to help ensure Sponsors can make informed decisions within the context of the governance arrangements for CRLL.
10. **Reliance upon a fully engaged and effective Board:** The governance structure and information flows for the project are complex. As such, shareholders, as sponsors, rely heavily on the CRLL Board being fully engaged and informed.
11. We attach the draft LOE that includes the above content for your consideration.

Consultation

12. We have consulted with Auckland Council officials about the draft LOE, and they are comfortable with its content.

Risks

13. The effectiveness of Board governance, stakeholder engagement, and risk and assurance are common focus areas across the transport Crown entities' LOEs. It is important that each transport entity has a sufficient programme of work progressing across these areas. Without appropriate focus in these areas, there is the potential for governance and/or delivery and performance risks to emerge. These are common areas that are set out in the attached LOE for CRLL.

Please note this copy of the Letter of Expectations is a draft.
The final version sent out contained one further expectation.

Sir Brian Roche
Chair
City Rail Link Limited
PO Box 105777
AUCKLAND 1141

s 9(2)(a)

Dear Sir Brian

Letter of Expectations 2022/23 for City Rail Link Limited

I am writing on behalf of the shareholders to set out our expectations for City Rail Link Limited (CRL). While this letter is primarily to assist you in preparing your Statement of Performance Expectations, it also outlines other expectations for your consideration.

Core expectations of shareholders, as Sponsors of the City Rail Link (CRL) project, are expressed through the Project Delivery Agreement between Sponsors and CRL. Our overriding expectation is that CRL will continue to mitigate the risks to the CRL budget and timeframes where possible, to support Sponsors in realising the benefits arising from this significant piece of infrastructure within the Auckland network. As you develop your accountability documents for the year ahead, and the way in which you give effect to your role, we would like you to consider the following expectations for CRL.

Management of risks, costs and schedule

We thank CRL for continuing to keep Sponsors well-informed on achievement of interim milestones and forecast project costs as new information comes to hand. The impacts of COVID-19 on the delivery of infrastructure projects are significant and extend beyond delays from lockdowns into impacts of border closures on workforce availability and global shipping issues on materials cost and availability. We note that CRL is undertaking a comprehensive review of both project costs and the delivery schedule during 2022, and that CRL will provide an update on this in late 2022. This will be of significant interest to the Sponsors.

CRL in an alliance environment

We note that a number of milestones have been achieved recently by the Link Alliance, including the connecting of the Aotea site through to the end of the existing C2 tunnel in early December 2021, and the breakthrough of the Tunnel Boring Machine at Aotea Station later that month. We ask that you pass on our thanks to the Link Alliance for continuing to deliver significant progress under what have been very challenging circumstances this year.

In order to have assurance around project performance and objectives, Sponsors will rely heavily on CRL participating in the Alliance in a way that ensures that the Sponsors' interests, including those of Auckland Transport and KiwiRail, are protected throughout the course of the project.

[COMMERCIAL IN CONFIDENCE] s 9(2)(b)(ii), s 9(2)(j)

Supporting the assurance framework

Sponsors are appreciative of the regular reporting we receive, with these reports being an important contributor to the overall assurance framework for the project. Over the coming year, it will be particularly important for CRLL to continue to work closely, and transparently, with our officials and the Sponsors' Assurance Manager.

We request that the latest Link Alliance Programme Schedule is provided to the Sponsors' Assurance Manager by 30 April 2022 (noting any caveats at that point if not finalised) to enable the Sponsors' Assurance Manager to undertake their reviews for Sponsors in a timely way during 2022.

Strong relationships with KiwiRail and Auckland Transport

We note that CRLL, KiwiRail and Auckland Transport have worked collaboratively through the many challenges COVID-19 has presented to the CRL project, with the recent Christmas 'Block of Line' works being an example of a huge amount of co-operation and planning between the parties to successfully complete key works. We expect CRLL to continue to work collaboratively with Auckland Transport and KiwiRail. Maintaining these healthy relationships will ensure that the project meets end-user requirements and supports CRL day one readiness and enables the delivery of the expected benefits of the CRL project.

Health and Safety

Sponsors have a particularly strong interest in the safety of the people associated with the CRL project. While we note that the recordable injury rate continues to track below the target set in your 2021/22 Statement of Performance Expectations, we expect CRLL and the Link Alliance to continue to focus on the ongoing risks as the underground and station construction works progress and seek to make continuous health and safety improvements as the project progresses and the risk profile changes.

Strong community engagement and working collaboratively to mitigate impacts on communities

It is important that CRLL and the Link Alliance continue to work constructively with local businesses, residents, and stakeholders, and seek to proactively ensure that disruption is minimised wherever possible. Sponsors appreciate the hard work that has gone into the establishment of the Targeted Hardship Fund (THF) to provide targeted assistance to small businesses that experience major and sustained disruption and genuine hardship relating to the C3 construction activity. We particularly note the expedient processing of early applications as part of the THF Advance Interim Payment scheme to provide urgent support to local businesses. We expect the dialogue with impacted businesses to continue and that THF applications will continue to be processed in a timely manner and in line with Sponsors' high-level guidelines for the THF.

Supporting the wider development opportunities associated with the CRL project

Although the Joint Board Committee (Eke Panuku and Kāinga Ora) are leading the development of the advice for the Maungawhau and Karangahape sites, we thank CRLL for its ongoing role in contributing to that advice. Once the Programme Business Case has been finalised by the Joint Board Committee, please work with our officials to provide your expertise to help ensure Sponsors can make informed decisions within the context of the governance arrangements for CRLL.

Reliance upon a fully engaged and effective Board

Given the complexity of the relationships across the CRL project, Shareholders, as Sponsors, continue to rely heavily on the CRL Board being fully engaged in order for the project to deliver its intended benefits. We would like to take this opportunity to thank the CRL Board and all staff members for their hard work in continuing to progress this vital infrastructure project in Auckland and wish you well for the year ahead.

Yours sincerely

Hon Michael Wood

Minister of Transport

Copy to: Hon Grant Robertson, Minister of Finance
Hon Phil Goff, Mayor of Auckland
Bill Cashmore, Deputy Mayor of Auckland

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13 April 2022

OC220263

Hon Name of Minister

Action required by:

Minister of Transport

Wednesday, 27 April 2022

CLEAN CAR SECTOR LEADERSHIP GROUP: PROVISION OF SECRETARIAT SERVICES

Purpose

To provide you with advice on procuring external secretariat services for the Clean Car Sector Leadership Group (CCSLG).

Key points

- The Chair of the CCSLG (Mark Gilbert) has suggested that the Group's secretariat services should be outsourced to an external provider.
- To ensure that an appropriate (i.e., fair, transparent and impartial) procurement process is undertaken, and that any perceived or actual conflicts of interest are mitigated, a competitive tendering process is recommended.
- The Ministry can undertake the procurement process on your behalf and fund the Group's secretariat services from its existing baseline.

Recommendations

We recommend you:

- 1 **note** that the Chair of the Clean Car Sector Leadership Group has suggested outsourcing the Group's secretariat services to an external provider
- 2 **note** that the Ministry can fund these secretariat services from its baseline funding
- 3 **agree** to the Ministry undertaking an appropriate procurement process to secure secretariat services from an external provider.

Yes / No



Chris Jones
Acting Manager Governance

13 / 04 / 2022

Hon Name of Minister
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Chris Jones, Acting Manager Governance	s 9(2)(a)	✓
Allan Prangnell, DCE System Performance and Governance	s 9(2)(a)	

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CLEAN CAR SECTOR LEADERSHIP GROUP: PROVISION OF SECRETARIAT SERVICES

Background

- 1 You established the Clean Car Sector Leadership Group (CCSLG, or the Group) last year to provide you with independent advice on accelerating the uptake of clean (i.e., ultra low emissions) vehicles in New Zealand in pursuit of the net zero emissions targets set out in the Climate Change Response Act.
- 2 The CCSLG comprises: Drive Electric, Sustainable Business Council, Motor Industry Association, Vehicle Importers Association, Ākina Foundation, Consumer New Zealand, and Vector. It is chaired by Mark Gilbert, Chair of Drive Electric.
- 3 Officials from the Te Manatū Waka – the Ministry of Transport (Ministry), Waka Kotahi New Zealand Transport Agency, the Energy Efficiency Conservation Authority and Parliamentary officials also attend.
- 4 The Ministry has traditionally provided secretariat services to the Group, estimated at an average 10 hours per meeting (or 100 hours per year, based on 10 meetings p.a.). These services include preparing and circulating agendas & minutes, drafting discussion points, and regular correspondence with the Chair and members.
- 5 The CCSLG Chair recently questioned the sustainability of the current provision of secretariat services, and whether it would be more appropriate to outsource these to free up the Ministry's time and resource. The Ministry can fund secretariat services from baseline funding, on an ongoing basis.

Procurement of secretariat services

- 6 The Ministry's procurement policy is underpinned by five key principles (which apply to all government agencies):
 - 6.1 Plan and manage for great results
 - 6.2 Be fair to all suppliers
 - 6.3 Get the right supplier
 - 6.4 Get the best deal for everyone
 - 6.5 Play by the rules.
- 7 It is critical that the Ministry is fair, transparent and impartial (including identifying and managing conflicts of interest) when procuring goods and services. While the Ministry's procurement policy may permit direct sourcing of secretariat services for the CCSLG (given the estimated budget of \$5,000 per annum) it would be appropriate to seek more than one quote to manage any actual or perceived conflict of interest, if someone known to the Chair is likely to bid for the contract.
- 8 The Ministry can undertake an appropriate procurement process on your behalf, to secure secretariat services from an external party. Please indicate (via the recommendations) how you would like the Ministry to proceed.



20 April 2022

OC220209

Hon Michael Wood

Action required by:

Minister of Transport

Tuesday, 3 May 2022

BUDGET ECONOMIC AND FISCAL UPDATE 2022 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

Purpose

To update you on the 2022 Budget Economic and Fiscal Update (BEFU 2022) forecast for the National Land Transport Fund (NLTF), compared to the 2021 Half Year Economic and Fiscal Update (HYEFU 2021)

Key points

Table 1: Forecast revenue for the 2021-24 National Land Transport Programme (NLTP 2021).

Financial Year	HYEFU 2021	BEFU 2022	Difference	
	(\$ million)	(\$ million)	(\$ million)	(%)
2021/22	4,244	3,833	-411	-9.7
2022/23	4,404	3,999	-405	-9.2
2023/24	4,524	4,414	-110	-2.4
Total	13,172	12,246	-926	-7.0

- The inclusion of a 25 cent per litre reduction in fuel excise duty (FED), modelled across April to August 2022 reduces expected FED revenue in the 2021/22 financial year by 16.4 percent and 10.4 percent in the 2022/23 financial year.
- The equivalent reduction in all road user charges (RUC) rates, modelled across July to November 2022 contributes to a fall in expected RUC revenue for the 2022/23 financial year of 9.5 percent.
- This forecast does not include the financial support approved by Cabinet to cover lost revenue due to FED and RUC reductions.¹
- Year-to-date actual FED revenue has been significantly lower than the HYEFU 2021 forecast. A large portion of this is due to COVID-19 travel restrictions. However, since moving to the COVID-19 Protection Framework we are still observing a reduction in travel.


¹ CAB-22-MIN-0073

Recommendations

We recommend you:

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

Yes / No



 Marian Willberg
Manager, Demand Management and Revenue
 ..20/04/2022....

 Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

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

BUDGET ECONOMIC AND FISCAL UPDATE 2022 - FORECAST OF NATIONAL LAND TRANSPORT FUND REVENUE

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

- 1 In 2012, Cabinet directed the Ministry of Transport to report to the Ministers of Transport and Finance on actual and forecast NLTF revenue and expenditure². This is to ensure that Ministers are aware of NLTF performance, and to ensure that any risks are adequately managed.
- 2 We refresh our forecasts of NLTF revenue based on the most up to-date data at each of the Treasury's forecasting rounds. These six-monthly forecasts are based on a range of inputs such as fuel price, vehicle kilometres travelled and a range of macro-economic variables. The result of this process is the Half Year Economic and Fiscal Update (HYEFU) in the 2nd quarter of each financial year and the Budget Economic and Fiscal Update (BEFU) in the 4th quarter of each financial year.

Compared to HYEFU 2021, our updated forecasts predict a decrease in NLTF revenue over the short, medium, and long term

- 3 Our forecasts make the following key assumptions:
 - The temporary reduction to FED and RUC rates has been modelled to take effect across April to August 2022 and July to November 2022 respectively, affecting revenue for the 2021/22 and 2022/23 financial years.
 - FED and RUC rates return to pre-discount levels after a five-month period.
 - There are no forecast increases to FED and RUC rates above pre-discount levels. This is consistent with the Government Policy Statement on land transport (GPS 2021), which states there will be no increases in the next three years.
 - There are no further significant travel restrictions due to COVID-19. This is in line with the COVID-19 Protection Framework and Treasury's assumptions and macroeconomic forecasts for this update.
 - The impact of Government's transport decarbonisation policies are excluded. We need to undertake further work before we can reliably include the impact of these policies in our revenue forecasts.
- 4 Table 2 sets out a summary of the forecast revenue flow to the NLTF over the current financial year. Owing to COVID-19 travel restrictions there has been a reduction in travel, reducing NLTF revenue, and in particular fuel excise duty.

² EGI Min (12) 17/4 refers

Table 2: Comparison of forecast NLTF revenue for the 2021/22 financial year.

	HYEFU 2021	BEFU 2022	Difference	
	(\$ million)		(\$ million)	(%)
Road user charges	1,922	1,846	-76	-4.0
Fuel excise duty	2,084	1,742	-342	-16.4
Motor vehicle registration and licensing fees	231	238	7	3.0
Track user charges	8	8	0	0.0
Total	4,244	3,833	-411	-9.7

Note: Columns do not add up due to rounding

- 5 Table 3 shows forecasted revenue for the National Land Transport Programme (NLTP 2021) compared to lower activity class ranges set out in GPS 2021. Compared to HYEFU 2021, we expect increased revenue pressures for the NLTP 2021.

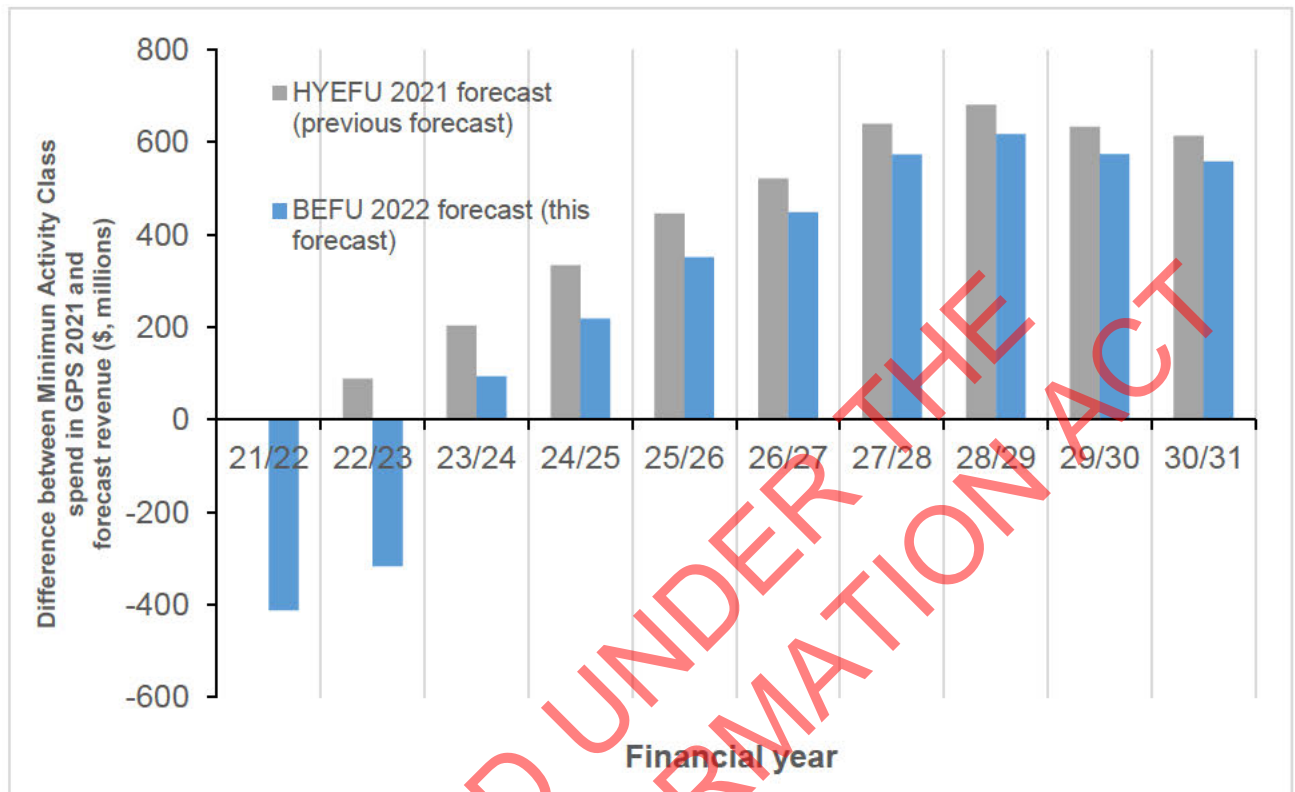
Table 3: Impact of Low, Medium, and High volume NLTF estimates on meeting GPS 2021 Lower Expenditure Ranges throughout the NLTP 2021.

	GPS 2021 Lower Expenditure Range (\$ million)	NLTF Low Scenario (\$ million)	NLTF Medium Scenario (BEFU 2022) (\$ million)	NLTF High Scenario (\$ million)
2021/22	4,245	3,805 (-440)	3,833 (-412)	3,862 (-383)
2022/23	4,315	3,917 (-398)	3,998 (-317)	4,082 (-233)
2023/24	4,320	4,316 (-4)	4,414 (+94)	4,515 (+195)
Gap/Flexibility	N/A	(-842) (-6.5%)	(-635) (-4.9%)	(-421) (-3.3%)

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

- 6 Our low volume scenario has a revenue shortfall of \$842 million (compared to the \$42 million of flexibility we forecast last year [refer OC210933]). Likewise, the BEFU 2022 medium and high scenarios have a gap of \$635 million and \$421 million respectively. However, this forecast does not include the financial support approved by Cabinet to cover lost revenue due to the FED and RUC rate reductions announced on 14 March 2022. This support will mitigate a large proportion of the revenue shortfall across the 2021/22 and 2022/23 financial years.
- 7 Across the full 10-year period covered by GPS 2021 we forecast a net reduction in revenue of 3 percent compared to HYEFU 2021. However, BEFU 2022 forecasts exceed GPS 2021 lower bound expenditure ranges in the long term, as shown in figure 1.

Figure 1: Ten-year comparison of GPS 2021 Lower Expenditure Ranges, HYEFU 2021, and BEFU 2022.



- 8 We are working with Waka Kotahi NZ Transport Agency and the Treasury to help understand and assess options to manage pressures on NLTP 2021. We will report to you on this shortly.

We will continue to monitor NLTF revenue and our next forecast will be completed by December 2022

- 9 We will continue to monitor the actual NLTF revenue received on a quarterly basis and we will update you on any immediate issues through the weekly report.
- 10 The next formal NLTF revenue report will be provided to your Office by December 2022 as part of the HYEFU 2022 process. This will advise if there is any significant deviation between actual revenue received and our NLTF revenue forecasts.



Meeting with the Waka Kotahi NZ Transport Agency

Minister of Transport, Hon Michael Wood
Meeting at 1pm on Wednesday, 27 April 2022

22 April 2022

OC220302

Purpose

This aide memoire supports your meeting with Waka Kotahi NZ Transport Agency (Waka Kotahi) on Wednesday 27 April 2022 at 1pm.

Attendance and agenda

Attendees	Sir Brian Roche, Chair, Waka Kotahi NZ Transport Agency Richard May, Chief of Staff, Waka Kotahi NZ Transport Agency
Officials attending	Bronwyn Turley, Deputy Chief Executive, Strategy & Regulatory Design Chris Jones, Acting Manager, Governance Brett Thomson, Principal Adviser, Governance
Agenda	<ol style="list-style-type: none"> 1. Update on strategic matters 2. Ministerial policy priorities. This will enable you to communicate your key priorities over the period ahead of the General Election 3. Performance against the 2021/22 Statement of Performance Expectation (SPE)

Appendices

Talking points are available for your meeting in **Appendix One**.

Contacts

Name	Telephone	First contact
Chris Jones, Acting Manager, Governance	s 9(2)(a)	✓
Brett Thomson, Principal Adviser, Governance		

Agenda item one: Update on strategic matters

You will receive a revised letter of expectations for 2022/23 for your consideration

- 1 The Ministry has been working with Waka Kotahi to revise the draft letter of expectations for 2022/23. This will support improved alignment around key priorities.
- 2 The Ministry recommends you communicate in this meeting your key priorities to Waka Kotahi for the period ahead of the next election. This will help Waka Kotahi focus its priorities within a challenging operating environment.

s 9(2)(f)(iv)

Waka Kotahi's financial outlook is deteriorating

- 5 Waka Kotahi has requested a \$200 million drawdown of the \$2 billion loan approved by Cabinet. Waka Kotahi has indicated that it will be in a deficit cash flow position by May 2022 and this drawdown would support a positive cash flow through to June 2022. The Ministry is expecting a further drawdown request within the next few months.
- 6 Waka Kotahi's projected cashflow for the 2021-24 National Land Transport Programme (NLTP) signals an expected utilisation of the \$2 billion loan, the \$250 million seasonal facility, and the \$250 million shock facility. This will mean the next NLTP period will require rebalancing to support financial sustainability and delivery of key projects.
- 7 Cabinet has approved one-off funding in 2021/22 from Budget 2022 for Waka Kotahi's regulatory function and to cover public transport revenue shortfall in relation to COVID-19. In addition, funding over four years for driver license support has been approved. This funding does *not* address Waka Kotahi's long-term financial sustainability. The Ministry is engaging with Waka Kotahi further on its financial pressures to better understand any impact on delivery.
- 8 The Ministry and Waka Kotahi will work together to brief you on Waka Kotahi's financial outlook in May 2022. This will support a meeting to develop a shared understanding of risks, options, trade-offs, and decisions around long-term financial sustainability.

Waka Kotahi's complex operating environment will require ongoing investment in core capability

- 9 The Ministry provided you a briefing (see OC220066) on 8 April 2022 outlining Waka Kotahi's latest performance update. In this briefing, the Ministry noted Waka Kotahi's extensive work programme, financial pressures, and delivery risks related to people and supply constraints.
- 10 Waka Kotahi is prioritising investment in digital technologies to mitigate risk and improve service delivery, while continuing to build people capability and capacity, to successfully position the organisation to respond to the increasing complex operating environment.
- 11 The Ministry is working with Waka Kotahi on agreeing the scope and timing of a review of its operating costs. This is expected to support a greater understanding of investment to date into core capability and support improving value for money in the future.

Update on key matters relating to the regulatory fees and funding review

- 12 Waka Kotahi has advised the Ministry that initial feedback from a range of industry stakeholders has been constructive and encouraging to date. The consultation period ends on 13 May 2022.
- 13 Waka Kotahi has advised you of one material error relating to the consultation document where some proposed charges were listed as GST exclusive. The consultation document states that all proposed fees and charges are inclusive of GST. The consultation document has been updated and is expected to be communicated to industry stakeholders and made public by the end of April 2022.
- 14 The Ministry and Waka Kotahi are working together to update the timeline to support sufficient time for you to consider proposals.

Agenda item two: Policy priorities for Waka Kotahi

Waka Kotahi plays a key role in supporting the Ministry to develop and implement policy related to the land transport system

- 15 Waka Kotahi has previously indicated that there are constraints in delivering a significant policy work programme and given this, the Ministry suggests that you discuss your policy priorities.
- 16 Some of the key policy priorities are outlined below to assist this discussion.

Environmental outcomes and emissions reductions

- 17 Waka Kotahi will need to balance its effort to support existing legislative functions around state highways and an increasing focus on supporting urban investment in walking, cycling and public transport consistent with the Government Policy Statement on Land Transport (GPS).
- 18 The 2024 GPS is expected to align priorities towards the Emissions Reduction Plan (ERP) and the 2021 GPS amendment will signal in advance the direction intended. Waka Kotahi should begin to reorient investment to maximise the emissions reduction potential of work underway. It should also ensure it is positioned in the future to quantify the emissions implications of projects in the decarbonisation targets the Government has set. The Ministry is planning for the implementation of the ERP and will need to work closely with Waka Kotahi.

Embedding Road to Zero

- 19 Waka Kotahi should continue to implement the recommendations of the Martin Jenkins review on Road Safety Investment and Delivery, including working with Police and the Ministry to strengthen the Road Safety Partnership Programme.
- 20 There have been delays to a number of policy workstreams led by the Ministry, including the road safety penalties review, vehicle safety, motorcycle safety, and strengthening regulation for commercial drivers. While this work is now underway, it will require sustained focus and commitment from the Ministry and Waka Kotahi to progress policy proposals through to implementation.
- 21 Waka Kotahi has indicated the social licence for progressing the Tackling Unsafe Speed package is a key barrier. While it can be challenging to gain public support for key initiatives, we know that aligning speed limits with what is safe and appropriate for the road, combined with effective enforcement (including through increased use of safety cameras), will be crucial to helping reach Road to Zero targets.
- 22 Waka Kotahi should work to progress operational and delivery improvements to the driver licensing testing system with a focus on improving access.

Actively engaging in regulatory stewardship

- 23 Waka Kotahi should prioritise contributing to the regulatory stewardship work undertaken by the Ministry, as this ensures the health of the land transport system to avoid potential regulatory failures.
- 24 As part of this work, Waka Kotahi needs to proactively raise system issues with the Ministry through appropriate channels as they are identified and readily provide data and support as necessary (for example, through the ongoing regulatory systems Act and rule amendment processes).

Implementing the temporary reduction in road user charges

- 25 Waka Kotahi has undertaken steps to ensure that the temporary reduction in road user charges is implemented. More than \$2 million is available to Waka Kotahi to administer the scheme. It is also responsible for ensuring that users receive clear messages about the level of purchasing of reduced rate Road User Charge that it will consider reasonable and monitoring to detect abuse of the scheme. This will include monitoring and reporting on the uptake of the scheme including revenue impacts.

Investment in the rail network

- 26 Waka Kotahi will convene a forum to bring together participants in New Zealand's metro rail system. This will support the implementation of recommendations from the independent review into the Auckland Metro Rail system issues.
- 27 Officials from the Ministry are initiating work on developing the next New Zealand Rail Plan (Rail Plan), following the release of the first Rail Plan in April 2021. The next Rail Plan will be developed, consulted upon, and released at the same time as the next GPS.

Developing a national supply chain strategy

- 28 The Ministry is developing a national freight and supply chain strategy, with an issues paper for public consultation released in April 2022. The strategy will outline pathways forward for freight decarbonisation, resilience, productivity and innovation, and equity and safety. Waka Kotahi will need to plan for its role in implementing the strategy in 2023 and beyond and support ongoing refinement.

Agenda item three: Performance against the 2021/22 SPE

- 29 Waka Kotahi has indicated it would like to update you on progress against the current SPE for 2021/22.

Waka Kotahi has indicated that it expects to complete all 30 significant activities by year-end as planned.

- 30 Waka Kotahi has been working with the Ministry of Transport to support development of the Government's Emissions Reduction Plan (ERP) and position Waka Kotahi to deliver on it when it is released.
- 31 Spatial plans are complete for Wellington-Horowhenua, Queenstown Lakes, and greater Hamilton. Joint work programmes are established and being progressed, including priority development areas for Auckland, Tauranga-Western Bay of Plenty and greater Christchurch.

11 of the 40 significant capital projects are unlikely to meet year-end SPE milestones due to delays and re-scoping

- 32 The list below highlights the projects that are unlikely to meet year-end milestones. Several of these projects have been impacted by COVID-19 restrictions, supply constraints, and cost escalation.

Key areas	Title of significant project	Waka Kotahi comment
Significant State highways	<ul style="list-style-type: none"> Peka Peka to Ōtaki 	<ul style="list-style-type: none"> The current expressway opening date is likely to be in late 2022 / early 2023 with completion early to mid-2023.
Significant investments in Auckland	<ul style="list-style-type: none"> Northern Corridor Improvements 	<ul style="list-style-type: none"> Completion is expected to be delayed until Dec 2023. In the short term the project will see the busway available in April 2022.
Significant investments in Wellington (Let's Get Wellington Moving)	<ul style="list-style-type: none"> Central City and SH1 Walking and Cycling Safer Speed Golden Mile Thorndon Quay & Hutt Road Mass Rapid Transit Strategic Highway Improvements 	<ul style="list-style-type: none"> The programme is focussing on completing the work to identify a preferred option for the transformational programme (mass rapid transit, strategic highway improvements and travel demand management).
Investments in regional connections	<ul style="list-style-type: none"> Mt Messenger Bypass 	<ul style="list-style-type: none"> A protracted legal issue involving the Environment Court and one landowner has caused delays. In the last judgement the Environment Court supported the Waka Kotahi view, which means construction activity can commence

Key areas	Title of significant project	Waka Kotahi comment
New Zealand Upgrade Programme – Transport	<ul style="list-style-type: none"> SH1/29 Intersection Improvements SH2 Melling Efficiency & Safety Improvements Rolleston Access Improvements 	<ul style="list-style-type: none"> Ten of the 18 significant capital projects are on track. Cost escalation and supply chain disruptions are the major contributors to the declining outlook. The programme is entering an intense phase of submissions including ministerial briefings.

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Appendix One – Talking points to support your meeting with Waka Kotahi

Item	Talking Points
Strategic update	<p>Financial sustainability</p> <p>I would like to understand risks, trade-offs, and options regarding your medium and long-term financial sustainability. Can you please work with the Ministry to brief me and be prepared to discuss in our next meeting?</p> <p>Waka Kotahi's capability</p> <p>I understand your operating environment has become increasingly complex. What further investment in Waka Kotahi's capability is required to position the organisation successfully to respond to this complexity?</p> <p>s 9(2)(f)(iv)</p>
Ministerial policy priorities	<p>Ministerial policy priorities ahead of the next General Election</p> <p>I acknowledge the constraints and challenges facing Waka Kotahi, so would like to understand the trade-offs that the Board is having to make and discuss my policy priorities.</p> <p>Policy support and resource</p> <p>I encourage Waka Kotahi to consider how it can best support the Ministry on delivering on my policy priorities.</p>
Performance against 2021/22 SPE	<p>With the COVID-19 operating environment improving within New Zealand:</p> <ul style="list-style-type: none"> • what areas of opportunity have you identified for advancing significant projects? • what are the key challenges, risks and constraints to successfully delivering significant projects on time and within budget?