

Proactive Release

This document is proactively released by Te Manatū Waka the Ministry of Transport.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by <ul style="list-style-type: none"> (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
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)



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Budget 2024

Vote Transport Initial Baseline Exercise

Draft for discussion 26 January 2024

PROACTIVELY RELEASED BY
TE MANATŪ WAKA MINISTRY OF TRANSPORT

Summary of <\$9 million agency savings included in Scenario 3 of Budget 2024 advice

As part of briefing OC231061 (*Budget 2024: Development of a Vote Transport Budget package and baseline savings proposal*), we advised that early modelling of scenarios for a baseline savings reduction indicated there will likely be <\$9 million per annum of funding that could be returned on an ongoing basis while still maintaining delivery of core functions. The table below provides a breakdown of the appropriation reductions that were assumed by that modelling.

Criticality rating	Appropriation	Agency	Savings assumed (\$m)			% reduction in appropriated funding	Justification in early December 2023
			24/25	25/26	26/27		
Low	Clean Car Standard - Operation	NZTA	2,800	2,800	2,800	24%	This amount was proactively proposed by NZTA as the initial funding was overbudgeted.
Medium	Transport - Policy advice, ministerial servicing, governance, and other functions	MoT	5,801	5,751	5,591	10%	Placeholder amount included while the Ministry undertakes a reforecasting exercise to understand the financial impact of our recent restructure. For modelling purposes, we are assuming a 10% reduction to relevant appropriations [this will be updated once the reforecast is complete and impacts are known].
	Land Transport Regulatory Services (Ministerial services and Crash Analysis components)	NZTA	132	132	132	10%	Administration funding only - recommend for baseline savings exercise.
	Improving Resilience of the Roothing Network - Operating Costs	NZTA	200	200	200	20%	Administration. This could impact the ability of NZTA to respond to future requests to administer the resilience fund (these numbers were provided by NZTA).
	Maritime Regulatory and Response Services (Maritime Safety and Marine Protection Services component)	MNZ	213	213	213	7%	s 6(a) These numbers were provided by MNZ.
Total funding assumed to be available			9,146	9,096	8,936		

Progress since December 2023 modelling

The scenario modelled in December 2023 was developed in the following context:

- Vote Transport was yet to receive a new baseline savings target, but we anticipated it would be significantly higher than the 2% (or \$15.23 million) requested by the previous government. As such, we began modelling the impact of a **10% reduction** to eligible expenditure, which meant developing options to generate savings of \$76.1 million per annum.
- The Ministry had recently undertaken a restructure and was in the process of analysing the financial impacts associated with FTE changes. A placeholder assumption of a 10% appropriation reduction was modelled to align with the scenario parameters outlined above.

Since December 2023, our context has shifted:

- We have been allocated a new savings target of \$38.5 million per annum (7.5%) with new parameters on expenditure that may be used to generate a savings proposal.
- Agencies have provided further validation of their baseline savings scenarios information, including volunteering additional savings in some instances, and clarifying the severity of risks of a 7.5% reduction
- The Ministry's reforecasting exercise has now been completed, and it is clear that a 10% reduction to baseline expenditure would have a significant impact on our ability to deliver core services and address the Government's priorities, particularly given our baseline funding is already reducing by 23% between 2023/24 and 2024/25. Please refer to slide 20 for more details.

The rest of this presentation describes the approach taken to modelling the new baseline savings proposal, and provides detail on the Ministry and Crown entity appropriation reductions assumed to meet our savings target (details on Slide 9). Please note we still believe we can deliver circa \$9 million per annum in ongoing baseline reductions.

Initial Baseline Exercise

Draft Vote Transport savings proposal

Overview of Budget 2024

Budget 2024 involves three* tracks, each with specific outputs that you are required to submit to the Minister of Finance on 16 February:

1 Initial Baseline Exercise

Proposal outlining how Vote Transport will permanently reduce operating expenditure by an average of \$38.5m per annum (or 7.5% of eligible baseline expenditure), from 2024/25.

2 Invited cost pressures and new spending

Submission of initiatives invited by the Minister of Finance which will be considered as candidates for new Crown funding:

- Civil Aviation Authority's liquidity facility in 2024/25
- North Island Weather Events: road response and recovery (NZTA)

3 Capital Pipeline Review

Agencies invited to participate in the Capital Pipeline Review must identify savings from stopping or rescoping options that can cover any cost escalations associated with capital initiatives.

This presentation focuses on **Output 1: the Initial Baseline Exercise**, and outlines advice on options to meet our savings target.

We also provide an overview of additional savings identified which are out of scope for the Initial Baseline Exercise, but which could be used to offset other cost of pressures within Vote Transport baselines. You are permitted to submit proposals to reprioritise funding within baselines to address pressures, even if they have not been invited for submission by the Minister of Finance.

Savings target for Vote Transport

Vote Transport must identify options to meet a savings target of \$38.5 million per annum from 2024/25 (\$154 million over four years), which represents 7.5% of eligible Vote Transport expenditure.

Guidelines for the Initial Baseline Exercise

- The Minister of Finance expects savings to come from:
 - Low value programmes
 - Programmes that do not align with the new Coalition Government's priorities
 - Non-essential back-office functions including contractor and consultant spend
- Savings should not create cost pressures for other public services, and should avoid creating long term service delivery or programme integrity issues within your Vote
- Please see Table 2 for an outline of expenditure that is in scope and out of scope for developing **savings** options

Table 1: Required savings for Vote Transport

\$ million	2024/25	2025/26	2026/27	2027/28	TOTAL
Savings target for Vote Transport	38.500	38.500	38.500	38.500	154.000

Table 2: Expenditure in and out of scope for developing savings options

In scope	Out of scope
<ul style="list-style-type: none"> Ongoing departmental and non-departmental operating expenditure One-off departmental and non-departmental operating expenditure (as long as other savings initiatives are proposed to address the shortfall in savings required in outyears) 	<ul style="list-style-type: none"> Capital expenditure Third party revenue, Permanent Legislative Authorities, benefits or related expenses, revenue from other entities Depreciation and amortisation Capital charge Tagged contingencies Savings identified in coalition agreements

- In addition to savings options, you are also permitted to suggest **revenue** raising options to meet your target

Approach to developing a baseline savings proposal for Vote Transport

Given the challenges outlined on the previous slide, we are proposing using broader savings options to ensure that we can contribute our fair share to the Government's fiscal strategy, while also delivering more efficient and effective public services. Our proposed approach includes:

- **Identifying ongoing savings within Ministry of Transport and transport agency baselines** that will drive efficiencies in operations and expenditure.
- **Pursuing reductions in expenditure from the National Land Transport Fund (NLTF)**, including the overheads charged by the New Zealand Transport Agency (NZTA). Reductions in NLTF expenditure are typically recycled back into the NLTF; however, given the Crown is providing a significant top up to the NLTF to deliver the new GPS 2024, any efficiencies gained within the NLTF can become a saving for the Crown by reducing the quantum of Crown funding provided for GPS 2024.
- **Providing options to scale or stop programmes** that are currently Crown funded but do not align with the coalition Government's priorities for transport.

Summary of the draft Vote Transport savings proposal

Category	Comment	Savings proposed (\$'000)				
		2024/25	2025/26	2026/27	2027/28	Total
Genuine savings	Genuine savings are savings that can be returned without any impact on outputs or outcomes, whereas 'agency core functions' are a reduction in baseline funding to incentivise efficiency which may impact delivery of low-priority outputs. Funding from these categories is ongoing, and represents the <\$9 million we advised could be sourced within baselines.	4,480	4,520	4,520	4,520	18,040
Agency core functions		s 9(2)(f)(iv)				
NZTA efficiency within NLTF	This is based on a 7.5% efficiency dividend placed on NZTA's estimated NLTF overhead expenditure, to reduce the Crown grant provided for GPS 2024	25,000	25,000	25,000	25,000	100,000
Programmes	Programmes are a mix of one off and ongoing policy choices that we believe could be advanced due to low alignment with Government priorities or the potential for genuine efficiency savings. Please note there are additional options available if you wish to increase the quantum of savings returned.	10,300	15,450	12,423	6,700	44,873
Total savings represented in draft proposal		s 9(2)(f)(iv)				
Savings target		38,500	38,500	38,500	38,500	154,000
Variance		s 9(2)(f)(iv)				

Detail on initiatives included in genuine savings and agency core functions

Genuine savings

Agency	Appropriation or category	Savings proposed (\$'000)					Savings as % of baseline funding
		24/25	25/26	26/27	27/28	Total	
NZTA	Clean Car Standard Operation - Excess funding	2,800	2,800	2,800	2,800	11,200	24%
NZTA	Community Connect Administration (B23 funding for half price under 25s and free under 13s)	1,680	1,720	1,720	1,720	6,840	89% (however, this represents 100% of funding approved in B23)

Agency core functions

Agency	Appropriation or category	Savings proposed (\$'000)					Savings as % of baseline funding
		24/25	25/26	26/27	27/28	Total	
Ministry	Transport - Policy advice, ministerial servicing, governance, and other functions	2,858	2,773	2,692	2,692	11,015	5%
MNZ	Maritime Regulatory and Response Service	525	525	525	525	2,100	5%
CAA	Civil Aviation and Maritime Security	110	83	67	67	328	3.5%
NZTA	Land Transport Regulatory Services (excluding DLIP)	136	136	136	136	542	3.5%
s 9(2)(f)(iv)							
NZTA	Clean Car Standard – Operation (further reduction of 3.5%, in addition to 'genuine savings' above)	316	316	316	316	1,266	3.5%
NZTA	Community Connect Administration (further reduction of 3.5%, in addition to 'genuine savings' above)	7	7	7	7	30	3.5%
NZTA	Improving Resilience of the Road Network – Operating costs	200	200	200	200	800	20%

Agency core functions – Rationale for recommendations

We have recommended baseline reductions that we believe will incentivise agencies to seek efficiency savings without compromising the delivery of core services. Our starting point is a suggested reduction in baseline funding of **3.5%** with alternative recommendations in the following cases:

- **5% for the Ministry of Transport**, given one of the drivers of the Initial Baseline Exercise is to moderate significant growth in departmental baselines since 2017. We note that 5% this will be challenging for the Ministry to meet given the breadth of our work programme to deliver on the Government's priorities.
- **5% for Maritime New Zealand** as their Crown funded baseline (relative to the other regulatory agencies) and recent underspends provide additional flexibility for reprioritisation.
- **No reduction in respect of Transport Accident Investigation Commission (TAIC) and KiwiRail:**
 - TAIC have limited ability to reprioritise or find efficiency savings and already struggle to recruit and retain staff given the specialist nature of their work. For context, TAIC has approximately 37 FTE and consistently spends to budget. Increases in funding demonstrably improve the speed and volume of investigations undertaken and completed throughout the year.
 - While KiwiRail receives substantial funding from the Crown, the Ministry thinks it would be prudent to **await confirmation of the Government's priorities and investment strategy for rail** before recommending ongoing baseline reductions. Given this is an *initial* baseline exercise, rail funding reductions could be included in later stages of the Crown's fiscal sustainability work programme.
- Where agencies have signalled **specific savings that carry risk but will not lead to critical failure**, these should be considered for inclusion (i.e. operating costs associated with improving resilience of the roading network).

Regarding reductions proposed to appropriations servicing agencies' regulatory functions:

The Crown already doesn't fully fund the regulatory services that it purchases from CAA, MNZ and NZTA; funding for these services are cross subsidised from levies, fees and charges. Reducing Crown funding for these services would risk entities increasing their cross subsidisation rather than improving organisational efficiency. **If you agree to these proposed baseline savings, we recommend that you set expectations with entities that they do not increase cross subsidisation.**

Detail on NZTA efficiency within NLTF

NZTA efficiency	Agency	Appropriation or category	Savings proposed (\$'000)					Savings as % of NLTF overhead funding
			24/25	25/26	26/27	27/28	Total	
	NZTA	NZTA Overhead Costs (reduction in Crown grant for GPS 2024)	25,000	25,000	25,000	25,000	100,000	7.5%

Rationale

- You previously signalled your expectation that you would like transport agencies to seek efficiencies across the entirety of their baseline funding (irrespective of whether funding comes from third parties or the Crown).
- In particular, you requested that we examine forecast expenditure from the National Land Transport Fund, including the overheads charged by NZTA, to find opportunities to generate savings.
- This funding line represents a 7.5% reduction to overhead NLTF forecast expenditure over the GPS 2024 period (2024/25-2026/27) which can be counted as a saving to the Crown as it would reduce the quantum of funding granted to NZTA to deliver the Government's priorities for GPS 2024.

Programmes (included in draft proposal)

Beyond the agency savings identified in the previous slides, we have also identified a number of programmes that could be scaled or stopped to generate the remaining savings needed to achieve our Initial Baseline Exercise savings target of \$154m over four years:

Appropriation (and agency)	Alignment to Govt priorities	Savings proposed (\$'000)					Scaling	Reason for recommending funding is included in the draft Vote Transport savings proposal
		24/25	25/26	26/27	27/28	Total		
s 9(2)(i)								
s 9(2)(f)(iv)								
Retaining and Recruiting Bus Drivers MYA (NZTA)	s 9(2)(f)(iv)							Low alignment to Government priorities. The bus driver shortage has been addressed; however, there is a risk that returning uncommitted funding may contribute to the reemergence of this issue if proposed pay and conditions are not sufficiently attractive to bus drivers.
s 9(2)(i)								

Programmes (additional options currently not included)

The programmes identified on the previous slide represent the initiatives that we recommend could be scaled. For completeness, this slide outlines the other scaling options we considered but have discounted at this point, and our reasons for doing so. Please let us know if there are any options below that you would like to consider for inclusion in your draft savings proposal.

Appropriation / category (and agency)	Alignment to Govt priorities	Total baseline funding (\$'000 over four years)	Reason for not including in the draft savings proposal
s 9(2)(f)(iv)			

Additional revenue options

While the baseline savings target for Vote Transport can be met through savings proposals alone, we would also like to test your comfort with pursuing revenue options that may bolster Crown savings:

- **Increasing Motor Vehicle Registration (MVR) fees**

MVR fees have not increased since the early 1990s. You have indicated there may be interest in increasing these fees to generate additional revenue for the NLTF. Increasing the MVR fee by \$10 per year over five years would generate approximately \$281 million in additional revenue over the GPS 2024 period. If you pursued this option, the GPS 2024 Crown grant could be reduced by the equivalent amount. We could include this in your submission to test with the Minister of Finance.

- **Introducing an industry fee to pay for the administration of the Clean Car Standard (CCS)**

After reviewing appropriations in scope for the Initial Baseline Exercise, you queried why CCS operating costs (\$11.8 million per annum) are not paid for by users. When the policy was originally set up, the Crown agreed to meet all administration and establishment costs to gain industry acceptance. However, these settings could be reconsidered, with fees set at a level that covers operating costs. If you wish to explore the option of funding CCS operating costs through a user fee we could consider this revenue option as part of the review of the CCS (this would mean any revenue changes are progressed outside of the Initial Baseline Exercise, but can contribute to our ongoing fiscal sustainability actions), or we could develop a revenue submission to test with the Minister of Finance as part of the Initial Baseline Exercise.

You could either deliver these additional 'savings' back to the centre to support enduring improvements in the OBEGAL position or seek to reprioritise them towards pressures within the Vote.

Additional reprioritisation opportunities

Savings above the Initial Baseline Exercise target that could be used to address cost pressures that haven't been invited for submission

There are additional savings outside the scope of the Initial Baseline Savings exercise that could be reprioritised to higher value uses

We have identified savings that are either in the 2023/24 financial year (outside the forecast period for the Initial Baseline Exercise) or that are capital in nature, and therefore unable to be used for our savings proposal. However, you are permitted to suggest reprioritisation of such savings towards funding needs within your Vote if you wish.

OPEX savings in 2023/24

Initiative	Potential savings (\$m)
Auckland Light Rail operating costs	Wrap up underway, but less than 20.000
Clean Car Discount	Wrap up underway, but less than 10.000
Community Connect – residual concession funding from ending half price under 25 year olds and free under 13 year olds	Wrap up underway, but less than 20.000
Transport Choices – funding being returned to the centre that exceeds the \$90 million quoted in the Fiscal Plan	34.000
Maritime NZ liquidity facility underspend	14.000
Ministry of Transport underspend	9.000
Recruiting and retaining bus drivers	13.000
Public Transport bus decarbonisation	4.000

CAPEX savings

Initiative	Potential savings (\$m)
Coal hopper wagons	48.000

Unresolved cost pressures that you could be addressed through reprioritisation of the above funding include:

- Surf Life Saving NZ and Coastguard NZ pressures (\$63.6m OPEX over four years)
- Ground Based Navigational Aids (\$7.7m CAPEX over four years)

Please refer to OC231061 for greater details on the above initiatives.

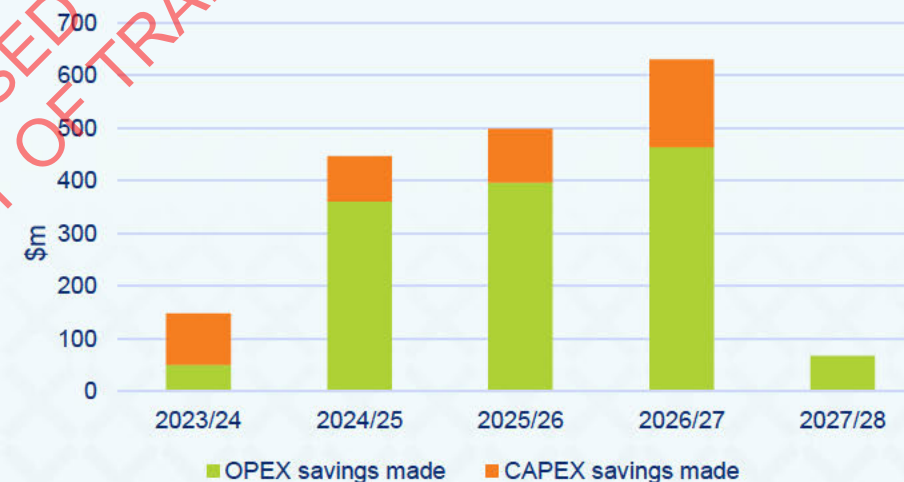
Vote Transport Context

Background information relevant to the IBE

Savings proposed for the IBE will build upon funding you have already returned to the centre

Since the start of the Government's term, you have returned \$1,793 million:

Initiatives	Total OPEX (\$m over 4 yrs)	Total CAPEX (\$m over 4 yrs)
Stopping the Clean Car Discount	50.000	-
Exiting the Crown's contributions to Let's Get Wellington Moving	525.000	355.000
Ending free Public Transport for 5- 12 year olds and half price Public Transport for 13- 24 year olds	265.000	-
Return funding – National Land Transport Fund	500.000	-
Return funding – Auckland Light Rail Strategic land acquisition	-	98.000
Total	1,340.000	453.000



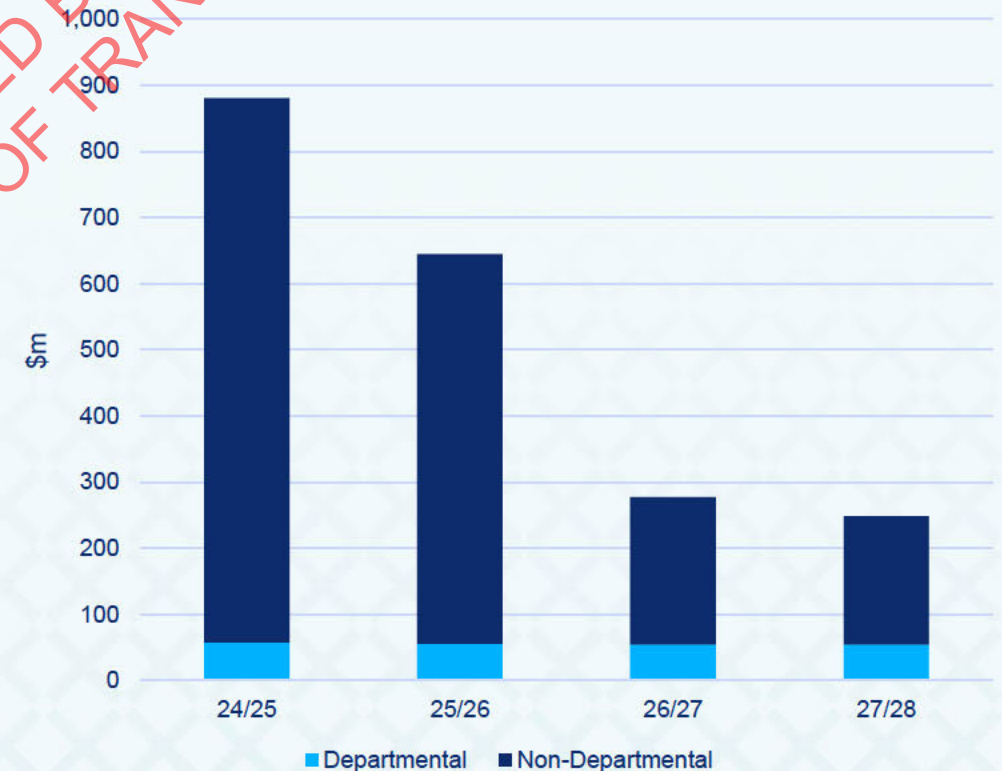
While the above savings are out of scope for the Initial Baseline Exercise because all initiatives relate to Coalition Government agreements, these decisions (taken together along with anticipated decisions on the new Government Policy Statement on land transport) reflect a substantive shift within Vote Transport to respond to the Government's priorities.

Challenges with meeting the Vote Transport savings target

The reality of Vote Transport's baseline funding and the methodology employed to generate a savings target creates challenges for the development of a viable savings proposal:

- Vote Transport has limited operating expenditure (57%, compared to 89% in Vote Education), and much of this expenditure is linked to the delivery of capital initiatives.
- Reductions to NZTA's Investment Management function (and administrative functions funded by Section 9 of the LTMA) would not count as "savings" under the target's current configuration because these cost reductions would legally be recycled back into the NLTF rather than returned to the centre.
- Including time-limited funding has increased the eligible baseline by approx. \$300 million p.a. by 2028 onwards (\$38.5 million p.a. savings will equate to a 15.5% reduction in ongoing expenditure from 2028).

Departmental and non-departmental funding of actual eligible baseline by year



Challenges for departmental baseline funding



As can be seen in the graph above, a sizeable portion of time limited funding comes to an end for the Ministry in 2024/25, resulting in a funding decrease of 23% compared with 2023/24. This diminishing baseline poses challenges for the Ministry to deliver on its current work programme, let alone deliver additional efficiencies in out years.

Summary of the draft Vote Transport savings proposal [OLD VERSION]

Category	Comment	Savings proposed (\$'000)				
		2024/25	2025/26	2026/27	2027/28	Total
Genuine savings	Genuine savings are savings that can be returned without any impact on outputs or outcomes, whereas 'agency core functions' are a reduction in baseline funding to incentivise efficiency which may impact delivery of low-priority outputs. Funding from these categories is ongoing, and represents the <\$9 million we advised could be sourced within baselines.	4,480	4,520	4,520	4,520	18,040
Agency core functions		s 9(2)(f)(iv)				
NZTA efficiency within NLTF	This is based on a 7.5% efficiency dividend placed on NZTA's estimated NLTF overhead expenditure, to reduce the Crown grant provided for GPS 2024	25,000	25,000	25,000	25,000	100,000
Programmes	Programmes are a mix of one off and ongoing policy choices that we believe could be advanced due to low alignment with Government priorities or the potential for genuine efficiency savings. Please note there are additional options available if you wish to increase the quantum of savings returned.	10,300	15,450	12,423	6,700	44,873
Total savings represented in draft proposal		s 9(2)(f)(iv)				
Savings target		38,500	38,500	38,500	38,500	154,000
Variance		s 9(2)(f)(iv)				

Changes we have made in response to your feedback (29 January)

In response to your feedback we have amended the proposal as follows:

- We have removed the proposal “NTZA efficiency within NLTF” category.
- We have increased the baseline reduction for “Clean Car Standard Operation” to reduce the ongoing baseline funding to \$6 million per annum (from \$11.8 million). Please note that we have not analyzed the impact of scaling at this level so cannot comment on NZTA’s ability to successfully administer the Scheme with this level of funding. As part of the review of the Clean Car Standard, we can seek to shift to a ‘user pays’ model such that revenue pays for administration and the Crown can return the remaining \$6m per annum (note this would not be progressed in time for the baseline savings proposal).

s 9(2)(f)(iv)

Summary of the draft Vote Transport savings proposal

[REVISED – no NZTA efficiency dividend]

Category	Comment	Savings proposed (\$'000)				
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Agency core functions		s 9(2)(f)(iv)				
Programmes	Programmes are a mix of one off and ongoing policy choices that we believe could be advanced due to low alignment with Government priorities or the potential for genuine efficiency savings. Please note there are additional options available if you wish to increase the quantum of savings returned.	19,600	30,895	19,123	13,400	83,018
Total savings represented in draft proposal		s 9(2)(f)(iv)				
Savings target		38,500	38,500	38,500	38,500	154,000
Variance		s 9(2)(f)(iv)				

Detail on initiatives included in genuine savings and agency core functions

Genuine

Agency	Appropriation or category	Savings proposed (\$'000)					Savings as % of baseline funding
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CAA	Civil Aviation and Maritime Security	110	83	67	67	328	3.5%
NZTA	Land Transport Regulatory Services (excluding DLIP)	136	136	136	136	542	3.5%
s 9(2)(f)(iv)							
NZTA	Clean Car Standard – Operation (reduce ongoing expenditure to \$6 m per annum)	3,042	3,042	3,042	3,042	12,168	33% in addition to genuine savings
NZTA	Community Connect Administration (further reduction of 3.5%, in addition to 'genuine savings' above)	7	7	7	7	30	3.5%
NZTA	Improving Resilience of the Road Network – Operating costs	200	200	200	200	800	20%

Agency core functions – Rationale for recommendations

We have recommended baseline reductions that we believe will incentivise agencies to seek efficiency savings without compromising the delivery of core services. Our starting point is a suggested reduction in baseline funding of **3.5%** with alternative recommendations in the following cases:

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- Where agencies have signalled **specific savings that carry risk but will not lead to critical failure**, these should be considered for inclusion (i.e. operating costs associated with improving resilience of the roading network).

Regarding reductions proposed to appropriations servicing agencies' regulatory functions:

The Crown already doesn't fully fund the regulatory services that it purchases from CAA, MNZ and NZTA; funding for these services are cross subsidised from levies, fees and charges. Reducing Crown funding for these services would risk entities increasing their cross subsidisation rather than improving organisational efficiency. **If you agree to these proposed baseline savings, we recommend that you set expectations with entities that they do not increase cross subsidisation.**

Programmes (included in draft proposal)

Beyond the agency savings identified in slide 5, we have also identified a number of programmes that could be scaled or stopped to generate the additional savings towards our Initial Baseline Exercise savings target of \$154m over four years:

Appropriation (and agency)	Alignment to Govt priorities	Savings proposed (\$'000)					Scaling	Reason for recommending funding is included in the draft Vote Transport savings proposal
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Programmes (additional options currently not included)

The programmes identified on the previous slide represent the initiatives that we recommend could be scaled. For completeness, this slide outlines the other scaling options we considered but have discounted at this point, and our reasons for doing so. Please let us know if there are any options below that you would like to consider for inclusion in your draft savings proposal.

Appropriation / category (and agency)	Alignment to Govt priorities	Total baseline funding (\$'000 over four years)	Reason for not including in the draft savings proposal
s 9(2)(f)(iv)			

Summary of the draft Vote Transport savings proposal

[ALTERNATIVE TO BREAK EVEN – small NZTA efficiency dividend]

Category	Comment	Savings proposed (\$'000)				
		2024/25	2025/26	2026/27	2027/28	Total
Genuine savings	Genuine savings are savings that can be returned without any impact on outputs or outcomes, whereas 'agency core functions' are a reduction in baseline funding to incentivise efficiency which may impact delivery of low-priority outputs. Funding from these categories is ongoing, and represents the <\$9 million we advised could be sourced within baselines.	4,480	4,520	4,520	4,520	18,040
Agency core functions		s 9(2)(f)(iv)				
Programmes	Programmes are a mix of one off and ongoing policy choices that we believe could be advanced due to low alignment with Government priorities or the potential for genuine efficiency savings. Please note there are additional options available if you wish to increase the quantum of savings returned.	19,600	30,895	19,123	13,400	83,018
NZTA efficiency within NLTF	This is based on a 2% efficiency dividend placed on NZTA's estimated NLTF overhead expenditure, to reduce the Crown grant provided for GPS 2024	6,500	6,500	6,500	6,500	6,500
Total savings represented in draft proposal		s 9(2)(f)(iv)				
Savings Target		38,500	38,500	38,500	38,500	154,000
Variance		s 9(2)(f)(iv)				