Te Manatū Waka Ministry of Transport – Budget 2022 Information Release

This information release includes documents prepared by the Ministry of Transport to support the Minister of Transport in the Budget 2022 process.

The documents included in this release are:

1. Budget 2022 Vote Transport – Initiatives for Submission – Briefing (page 2 of this combined document)
2. Budget 2022 Vote Transport – Initiatives for Submission – Annex 1 to Briefing (page 21)
3. Letter to the Minister of Finance submitting Vote Transport Budget 2022 initiatives (page 43)
4. Strategic Overview of Transport's Climate Emergency Response Fund (CERF) initiatives (page 49)
5. Suggested talking points and advice on specific Budget 2022 initiatives (page 80)

Some information in these documents has been withheld from publication for reasons aligned with the Official Information Act 1982. These reasons are outlined in the documents.

Please note the material included in this information release reflects the Vote Transport Budget 2022 initiatives at the time the advice was received. Following receipt of this advice, further work was done to refine initiatives before the final Budget 2022 package was agreed by Cabinet. Also, in some cases the emissions reduction estimates and value assessments conducted for Climate Emergency Response Fund (CERF) initiatives (included in Document 4: Strategic Overview of CERF initiatives) are not applicable to the final Transport CERF initiatives, as changes were made to some initiatives after these assessments were conducted.

If you have any questions regarding this information release, please direct these to the Office of the Minister of Transport – m.wood@ministers.govt.nz.

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

2 December 2021 | OC210916

Hon Michael Wood | **Action required by:**

Minister of Transport | Monday, 6 December 2021

BUDGET 2022 VOTE TRANSPORT - INITIATIVES FOR SUBMISSION

Purpose

Advise you on options for progressing and prioritising Budget 2022 Vote Transport led initiatives and seek your feedback on the proposed initiatives before they are submitted to the Minister of Finance and Treasury on Friday 10 December 2021.

Key points

- Table 1 shows that there are now 28 Vote Transport led initiatives for your consideration, having reduced from 35 invited initiatives.[1] Collectively, these initiatives are seeking about 17 percent less funding than was sought at time of receiving invitation from the Minister of Finance. The figures in Table 1 reflect *near final* bid documents. There may be minor changes to figures between now and final submission to the Minister of Finance, reflecting final quality assurance reviews of initiatives.

Table 1: Vote Transport led initiatives – total funding sought and changes since the invitation process

	No. of initiatives		Operating sought		Capital sought	
	Invited ($b)	Current ($b)	Invited ($b)	Current ($b)	Invited ($b)	Current ($b)
CERF	[redacted]					
Manifesto commitments[2]						
Cost pressures						
Total						

[1] This is mostly due to consolidating multiple related initiatives into a single initiative; we have only discarded two invited initiatives with your prior approval.
[2] Note this excludes two initiatives led by other Votes collectively seeking about [redacted] in total, which have impacts for Vote Transport.

- We consider that the number of ‘current’ initiatives and operating and capital funding sought in Table 1 represents an indicative upper limit to the funding and initiatives that you may decide to submit to the Minister of Finance.

- In this briefing, we have provided you with advice and options on progressing and prioritising invited initiatives. This includes options to seek funding for initiatives over shorter- or longer time horizons (**Annex 1** refers). In a small number of instances, we have recommended not progressing initiatives in Budget 2022 that could be deferred, or the outcomes achieved in other ways.

Reprioritisation options

- The Ministry of Transport (the Ministry) has examined options for reprioritisation across Vote Transport. Overall, there is limited opportunity to reprioritise expenditure. Of the $8.2 billion available in 2021/22 about $5 billion cannot be reprioritised as it is hypothecated to be spent on the National Land Transport Fund (NLTF), represents borrowing, or is otherwise ringfenced.

- There are a few COVID-19 initiatives in their final year of funding that may have forecast underspends. We will update you on this in early 2022 through the March Baseline Update. Most of the initiatives where underspends may occur are subject to COVID-19 cost pressures and have existing Budget bids in place for further funding. As such, we recommend that any forecast underspends are reprioritised to offset the amounts being requested through these Budget bids in the first instance.

Next steps

- Please advise us how you would like to progress each initiative, based on the advice provided in this briefing and **Annex 1**. We will ensure your expectations are reflected in the final letter submitting Vote Transport led initiatives to the Minister of Finance, which is due by 10 December 2021.

Recommendations

We recommend you:

1	**provide** feedback to the Ministry of Transport on the Vote Transport initiatives that you would like to submit to the Minister of Finance for consideration, at your meeting with officials scheduled for 10:45am on Monday, 6 December 2021	Yes / No
2	**provide** feedback to the Ministry of Transport on the reprioritisation options highlighted in the paper, including any appropriations you would like the Ministry to investigate in more detail for reprioritisation	Yes / No
3	**direct** the Ministry of Transport to submit the proposed initiatives (with templates and supporting material) to the Treasury by 5pm 10 December 2021	Yes / No
4	**sign** the attached letter to the Minister of Finance, by 10 December 2021, submitting Vote Transport led bids for Budget 2022 consideration.	Yes / No

Tim Herbert **Manager, Investment** 2 / 12 / 2021	Hon Michael Wood **Minister of Transport** 5 / 12 / 21

Minister's office to complete:

☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Tim Herbert, Manager, Investment	[redacted]	✓
Charlotte Vannisselroy, Senior Adviser, Investment	[redacted]	
Abby McRoberts, Graduate Adviser, Investment	[redacted]	

Withheld to protect the privacy of natural persons

BUDGET 2022 VOTE TRANSPORT - INITIATIVES FOR SUBMISSION

The Minister of Finance has invited you to submit 35 initiatives for Budget 2022

1 Initiatives for Budget 2022 are due for submission by 5pm, 10 December 2021. This involves completing the following:

1.1 You must formally submit initiatives to the Minister of Finance in a submission letter. We have attached a draft submission letter to this briefing for your review and feedback by 6 December 2021.

1.2 Initiative templates and supporting documents must be uploaded to CFISnet (Treasury's formal submission site) by 10 December 2021. The Ministry of Transport will complete this, after receiving confirmation from you about the initiatives that you would like to submit.

2 Initiatives can only be submitted if they were on the formal invitation letter from the Minister of Finance. In late October, the Minister of Finance wrote to you inviting 35 Vote Transport initiatives,[3] while emphasising his expectation that you submit substantially fewer initiatives in December (encouraging you to aim for fewer than 20 initiatives).

3 Of the 35 Vote Transport initiatives invited, 21 initiatives form part of the main Budget process (made up of 13 cost pressures and 8 manifesto commitments), and 14 initiatives were invited under the Climate Emergency Response Fund (CERF).

4 This briefing provides you with advice and options on progressing and prioritising invited initiatives. More detail is contained in **Annex 1**. There are currently 28 initiatives for your consideration, rather than 35. This is mostly due to consolidating multiple related initiatives into a single initiative; we have only discarded two initiatives with your prior approval.[4]

5 We will continue to refine initiatives, incorporating your feedback, before they are submitted to Treasury for assessment on Friday 10 December. Treasury is due to complete its assessment of submitted initiatives by late January, and we will support their assessment where required. Based on its assessment, Treasury will submit a draft package of initiatives to the Minister of Finance in February 2022.

Expectations in the Minister of Finance's Budget 2022 invitation letters

6 In his letters to you, the Minister of Finance included expectations for submitting initiatives. Key expectations included:

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[3] The Minister of Finance invited 36 initiatives, with a request that one Manifesto Commitment invited – *Driver licence support - equitable access to driver licences to improve employment, wellbeing and safety outcomes* – be submitted under Vote Social Development. With your support, we have also developed an initiative – *Closing Critical Gaps in New Zealand's Maritime Security System* – that the Minister of Finance did not invite but allowed you to submit at your discretion if it is considered critical and cannot be deferred.

[4] We have not included two invited initiatives that you advised you were comfortable with us not progressing: *Financial support to the coastal shipping industry to grow coastal shipping and mitigate supply chain disruptions*; [redacted]

6.1 *Consolidating the Vote Transport Budget package:* submitting substantially fewer Vote Transport initiatives (aiming for fewer than 20), focussing on only submitting highest priority initiatives that represent the best value for money and cannot be deferred. Where appropriate, this may include consolidating multiple related initiatives into a single initiative for a reduced total quantum of funding.

6.2 *Articulating relative priorities when submitting initiatives:* This may include a ranking of submitted initiatives within your portfolio, identifying those that are less discretionary and higher priority.

6.3 *Implementation readiness:* When prioritising, a focus on implementation readiness and delivery risks, and will only be supporting initiatives that are implementation ready, unless clear reasoning is provided for why an exception to this rule should be considered.

6.4 *Addressing barriers to local government carrying out the work themselves:* An expectation that a number of CERF initiatives focus on addressing any barriers to local government carrying out mode-shift and emissions reduction work themselves, rather than funding it centrally (i.e., establishing appropriate incentives for local government to contribute funding).

Responding to the Minister of Finance's Expectations

7 We have included 28 initiatives in this advice, for you to consider submitting to the Minister of Finance in a submission letter. There are a further two initiatives being led by other Ministers that seek funding for Vote Transport, which you will need to note in your letter to the Minister of Finance:

7.1 *Driver licence support - equitable access to driver licences to improve employment, wellbeing and safety outcomes* (led by the Minister for Social Development); and

7.2 [redacted][5]

8 Table 1 below shows that there are now 28 initiatives for your consideration, having reduced from 35 invited initiatives.[6] Collectively, these initiatives are seeking about 17 percent less funding than was sought at time of receiving invitation from the Minister of Finance. The figures in Table 1 reflect *near final* bid documents. There may be minor changes to figures between now and final submission to the Minister of Finance, reflecting final quality assurance reviews of initiatives.

[5] This initiative seeks [redacted] funding for CAA capability and capacity to provide effective regulation (e.g., safety and education) of [redacted] drones, [redacted]. These CAA functions were originally part of a separate Vote Transport initiative that was not invited by the Minister of Finance. [redacted]

[6] This is mostly due to consolidating multiple related initiatives into a single initiative; we have only discarded two initiatives with your prior approval.

Table 1: Vote Transport led initiatives – total funding sought and changes since the invitation process

	No. of initiatives		Operating sought		Capital sought	
	Invited ($b)	Current ($b)	Invited ($b)	Current ($b)	Invited ($b)	Current ($b)
CERF	[redacted]					
Manifesto commitments[7]						
Cost pressures						
Total						

9 We consider that the number of initiatives and funding sought in Table 1 represents an indicative upper limit to the funding and initiatives that you may decide to submit to the Minister of Finance. In this briefing, we have provided you with options on progressing and prioritising invited initiatives. This includes options to seek funding for initiatives over shorter- or longer time horizons. In a small number of instances, we have recommended not progressing initiatives that could be deferred, or the outcomes achieved in other ways (**Annex 1** refers).

10 Please advise us how you would like to progress each initiative, based on the advice provided in **Annex 1**. We will ensure your preferences are reflected in the final letter to the Minister of Finance submitting Vote Transport initiatives.

A substantial Transport CERF package is proposed that will support the delivery of the draft Emissions Reduction Plan

The Government has committed to reducing transport emissions in line with the Climate Change Commission's advice

11 In May 2021, the Climate Change Commission (the Commission) provided the Government with advice on the first three emissions budgets (2022-25, 2026-30, 2031-35) to put New Zealand on a pathway to net zero by 2050. The Commission's demonstration path includes reducing transport emissions by 41 percent by 2035.

12 As you are aware, the draft transport chapter of the first Emissions Reduction Plan (ERP) sets out the initial actions that the Government needs to take to achieve this level of reduction from transport by 2035. The draft ERP has helped to inform the proposed package of CERF initiatives for Budget 2022.

13 This package of CERF bids is a critical first step for delivering on the first ERP and putting us on a pathway to achieving a 41 percent reduction in transport emissions by 2035. Further investment will be necessary to deliver all the actions included in the

[7] Note this excludes two initiatives led by other Votes collectively seeking about [redacted] in total, which have impacts for Vote Transport.

ERP and achieve the scale and pace of change required from the transport sector by 2035.

The structure and size of the CERF

14 On 24 November 2021, the Cabinet Economic Development Committee agreed to the structure of the CERF, including [DEV-21-MIN-0237]:

14.1 agreeing that the CERF be an enduring Budget mechanism, capable of supporting capital and operating expenditure; and

14.2 agreeing that the CERF should be established with forecast Emissions Trading Scheme (ETS) proceeds from the forecast period from 2022/23 to 2025/26.

15 Cabinet is due to agree to the starting size of the CERF in an upcoming paper on Budget 2022 allowances, ahead of the Budget Policy Statement due to be published in December 2021. This starting size will be based on the ETS cash proceed forecasts at the upcoming Half Year Economic and Fiscal Update (HYEFU) to be released on 15 December 2021.

16 It has been acknowledged that the costs of the climate transition will be higher than ETS proceeds alone. Accordingly, the Minister of Finance and the Minister of Climate Change expect to increase the size of the CERF following an initial “down payment” level, and the Minister of Finance will include fiscal projections for climate spending in the period to 2030 in the final Budget 2022 documents.

Prioritising CERF initiatives

17 The Minister of Finance has asked Ministers with invited CERF initiatives to collectively prioritise these initiatives, and to consider the potential for sequencing the submission of these proposals across the next few Budgets, given the multi-year nature of the CERF.

18 While all Vote Transport CERF initiatives can help reduce transport emissions, we have advised you on their relative priority. We have prioritised initiatives based on their expected contribution to emissions reduction and a just transition, per dollar spent. We have also taken account of their implementation readiness and whether they are time sensitive (i.e., risks associated with deferral).

19 Within transport, we think the Government should prioritise investment in low-emissions travel choices through cost-effective mode-shift investment in infrastructure and services. This includes investments that can be delivered quickly and optimise existing transport networks through changes that make public transport, walking and cycling safer and easier for significantly more people (e.g. reallocating road space from private vehicles to public and active transport modes).

20 Mode-shift investment is also critical for supporting a just transition by making inclusive and affordable transport modes more accessible. We have a significant opportunity to reduce transport emissions and improve transport equity by prioritising mode-shift investment that improves access for transport disadvantaged and low-income households in urban areas that are heavily reliant on car travel, and disproportionately impacted by rising fuel costs.

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21 Deferring investment in mode-shift risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required.

22 Our relative prioritisation of CERF initiatives is consistent with our view that cost-effective mode-shift investment is of highest priority. Our recommendations are summarised in Table 2 below and discussed in more detail in **Annex 1**.

Table 2: Summary of recommendations on CERF initiatives

	Initiative	Recommendation
Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport		
1	Delivering mode-shift and reducing vehicle kilometres travelled in New Zealand's main urban areas (mode-shift [redacted] and capability for congestion charging)	**Highest priority** - We recommend prioritising funding for this initiative above all other Transport CERF initiatives. Early [redacted] mode-shift investment is critical for delivering on the draft ERP and supporting a just transition.
2	Making public transport more affordable for low-income New Zealanders (Community Connect)	**Medium priority** - We recommend prioritising a phased roll-out of Community Connect that incentivises local councils to contribute sufficient co-funding. **Please advise if you are supportive of our recommended approach to phase the roll-out of Community Connect** and we can amend the funding sought to match this approach. Alternatively, we can provide funding for a national roll-out in 2023/24, contingent on the 51:49 funding profile between the Crown and councils from 2024/25 onwards.
3	Building a sustainable skilled workforce to support upscaling of bus networks	**Medium priority** - We recommend seeking funding for this initiative for a few years and reviewing its success and market developments prior to committing further Crown support. **Please advise us on the level of funding you would like to seek for this initiative:** • You may wish to seek funding for this initiative for two years to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF. • Alternatively, you may wish to seek funding for the full four-year forecast period.
[redacted]		

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[redacted]

[redacted]		
Focus 2. Rapidly adopting low emission vehicles and fuels		
6	Assisting low-income New Zealanders to shift to cleaner vehicles (social leasing trial and vehicle scrap and replace trial)	**Medium priority** but only if trials are funded first. We recommend prioritising funding for innovative trials to support low-income and transport disadvantaged people, subject to additional design work with community groups. A scrap and replace scheme and a social leasing scheme appear to have community support based on the work we have done to date. [redacted]
[redacted]		
Focus 3. Beginning work now to decarbonise heavy transport and freight		
8	Accelerating the decarbonisation of the public transport bus fleet	**Medium priority** - We recommend prioritising funding for this initiative for a few years and reviewing its success and market developments prior to committing further Crown support. **Please advise us on the level of funding you would like to seek for this initiative:** • You could seek funding for two years to align with the commencement of GPS 2024. This would provide the option of including expectations that bus decarbonisation is funded out of the NLTF. However, this would not meet the manifesto commitment to provide $50 million over 4 years for this purpose. • Alternatively, you may wish to seek funding for the full four-year forecast period.

9	Accelerating the decarbonisation of freight transport (A joint initiative with Vote Business, Science and Innovation)	**High priority** - We recommend prioritising the research and capability funding portion of this initiative. The contestable funding portion is important but less time sensitive and could be deferred.
[redacted]		

The CERF and the NLTF both receive significant funding contributions from motorists

23 The NLTF is a possible alternative funding source for several CERF initiatives and we have acknowledged this in **Annex 1**. [redacted]

24 [redacted]

25 An increase of 15–20 cents per litre in petrol taxes (FED), and equivalent on road user charges (RUC), would provide about $1 billion in NLTF revenue per year. To put this in context, in the next three years before GPS 2024 commences, we expect motorists will have contributed *at least* $3 billion in ETS proceeds.

26 In addition to delaying mode-shift investment, relying on FED and RUC increases alone may not be palatable. As fuel prices increase due to declining emissions budgets (allowable carbon units), there will be less headroom to raise FED and RUC, without significantly raising living costs.

27 We need to start providing people with alternative travel options now. Without alternative options, road pricing tools (including congestion charging and the ETS) are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel.

28 The cost of car travel is expected to increase through tax increases:

28.1 ETS taxes on fuel purchased at the pump will continue to increase as emissions budgets (allowable carbon units) decline over time; ETS taxes now make up about 15 cents per litre on petrol and 17 cents per litre on diesel. This has more than doubled since July 2020, when ETS taxes were about 5-6 cents per litre.

28.2 Congestion charging (and potentially other pricing mechanisms in the future).

28.3 [redacted]

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28.4 [redacted]

29 Over the longer term, we think other tools within the land transport system need to be used to sufficiently incentivise councils to prioritise investments that encourage travel by public transport, walking and cycling, such as street space reallocation. [redacted]

Ministry capability is required to deliver on Emissions Reduction Plan

30 Comprehensive implementation planning has not yet taken place for all budget initiatives. It is likely that the Ministry, Waka Kotahi, local government and other partners do not currently have the resource to deliver the Budget initiatives, if they were to be successful. To mitigate this, we are:

30.1 Including an allowance for implementation, monitoring and evaluation requirements within the CERF initiatives, however these will be high-level estimates.

30.2 Undertaking further work after 10 December to provide more comprehensive implementation, monitoring and evaluation plans for initiatives.

30.3 In the short-term utilising Ministry baseline funding to progress the implementation plans for bids, where required. This will provide a clearer picture of the number of FTEs needed across the lifetime of initiatives and test the market for viability.

31 Each CERF initiative will require resource to prepare it sufficiently to hand over to delivery bodies, monitor delivery, and evaluate its progress against our ERP targets. In some instances, this will require Government partnering with different groups that have not been part of traditional transport service delivery, new skills within the Ministry, and more monitoring and evaluation staff, particularly for the mode-shift contestable fund. The Commission also recommended ERP initiatives are designed in partnership with iwi/Māori, which is resource intensive and needs dedicated time beyond the Ministry's current capacity and capability.

32 In addition to resourcing Budget initiatives, significant resources are needed to deliver on the ERP. The transport chapter of the ERP contains over 100 initiatives, including a number of policy initiatives and regulatory changes not covered in this suite of CERF bids. Some are underway using existing resource but others are brand new policies that the Ministry and others will need to add to its output plan in coming years. Without additional capability, trade offs will need to be made across the Ministry work programme. For example, the Ministry does not have the resource to undertake the policy work relating to making school travel greener and healthier and investigating mode shift opportunities in rural and provincial communities.

33 [redacted]

Cost pressures in the transport sector

34 The Minister of Finance invited you to submit 13 of the cost pressure initiatives for consideration.

35 The Ministry supports the submission of all cost pressure initiatives to the Minister of Finance. However, there are two bids where our full support is conditional on amendments and further clarification being sought from agencies. Specifically:

35.1 *Cost pressure 1.1 - Maritime NZ (MNZ) – Extending government support to deliver core regulatory functions* – The Ministry supports this initiative and believes this is the highest priority out of the MNZ initiatives. However, we do not support the inclusion of funding each year for health and safety activities, which is included in bid 2 ($2.1m in 22/23 [redacted]).

35.2 *Cost pressure initiative 2: MNZ – Meeting Health and Safety at Work obligations – cost pressures* – The Ministry supports this initiative, but thinks additional work needs to be done between submission and any final Budget decisions. The Ministry has some concerns about the level of funding sought (in particular, the amount sought for inflationary pressures each year). The Ministry will also consider if it is appropriate to align the funding sought with the MNZ funding review rather than provide outyears funding.

The Ministry recommends submitting the initiative: Closing Critical Gaps in New Zealand's Maritime Security System

36 With your support, we have developed an initiative – *Closing Critical Gaps in New Zealand's Maritime Security System* – that the Minister of Finance did not invite but allowed you to submit at your discretion if it is considered critical and cannot be deferred. We consider this initiative to be critical and recommend you submit this as part of Budget 2022.

37 The Maritime Security Strategy (MSS) implementation bid is a cross-sector initiative, seeking funding of [redacted] over four years to deliver the key outcomes of the 2019 Cabinet approved, MSS. The Ministry is leading this work on behalf of the maritime security system, (represented by 11 government agencies).

38 When Cabinet agreed to the MSS, it noted additional funding would be required to implement the MSS. The maritime security system agencies involved have cost pressures on their baselines as a result of COVID-19 response and recovery requirements but are committed to delivering the MSS and are prepared to relinquish current club funding levels into a specific appropriation for this purpose. The agencies are unable to commit additional funding beyond their current contribution. Crown funding is required to top this up and enable full implementation of the MSS. Should

this bid be unsuccessful, the current risks present in the sector will remain unaddressed. The sector will not be able to ensure the management, monitoring and mitigative activity of a number of issues such as irregular migration and the use of the maritime domain to introduce narcotics.

Further advice on cost pressure initiatives is contained in Annex 1

39 Each cost pressure is summarised with Ministry advice in **Annex 1** where we have categorised each cost pressure by its core driver, the categories being:

39.1 Funding an existing service (due to third-party revenue reductions, because of COVID-19).

39.2 Funding new/improved services, in the short-term, ahead of funding reviews (due to third-party revenue reductions, as a result of COVID-19).

39.3 Critical cost pressures of an existing service, due to increases in prices, volumes and/or personnel pressures.

39.4 Funding new/improved services on a long-term basis (e.g., due to a government obligation or priority).

40 Further context on COVID-19 cost pressures due to third-party revenue shortfalls (for Maritime NZ, the Civil Aviation Authority, and Waka Kotahi) is provided below.

Transport agencies continue to face COVID-19 cost pressures due to third-party revenue shortfalls

The Civil Aviation Authority and Maritime New Zealand are seeking to extend the current liquidity facility

41 Prior to COVID-19, 89 percent of the Civil Aviation Authority's (CAA's) funding, 99 percent of Aviation Security Services (Avsec's) funding, and 87 percent of Maritime New Zealand's (MNZ's) funding was sustained through charges, fees, and levies. The implementation of travel and border restrictions to manage COVID-19 in March 2020, and ongoing restrictions since has significantly impacted CAA and MNZ's third-party revenue. Both agencies have reduced costs where feasible but demand for regulatory activity remains and agencies are facing additional costs and obligations (relating to the COVID-19 response).

42 In Budget 2021, Cabinet agreed to a $236.6 million liquidity facility for CAA and MNZ to provide operational funding support that would support the agencies in 2019/20 and 2020/21, by managing the revenue impacts associated with borders closures. The liquidity facility ends on 30 June 2022. As travel and border restrictions are still in place, both agencies are submitting multi-year bids in Budget 2022 to continue the liquidity facility for 2022/23 and 2023/24.

43 In Budget 2022, MNZ and CAA are seeking [redacted] bids within the liquidity facility:

43.1 Funding to enable core functions (bids MNZ 1.1 and CAA 3.1). Funding these bids is essential to ensure both agencies can continue to function as going concerns. The Ministry recommends you submit these to the Minister of Finance as your highest priority cost pressures.

43.2 [redacted]

44 Funding is sought for two financial years for the initiatives from the liquidity facility, to align with the upcoming MNZ and CAA funding reviews (Cabinet placed a moratorium on these reviews due to the pandemic, originally due to be completed in 2020). The Ministry supports providing two years of liquidity funding, to enable MNZ and CAA to have longer funding certainty, and in anticipation of there being sustained reduced passenger numbers for the coming years.

Waka Kotahi is seeking Crown funding to cover losses in regulatory revenue as a result of the 2021 COVID-19 restrictions

45 Waka Kotahi are facing revenue shortfalls as a result of COVID-19 restrictions, at a national level. Current restrictions from the 2021 outbreak have led to fewer regulatory transactions (e.g., people sitting their drivers license tests or purchasing RUC cards), reducing regulatory revenue. Waka Kotahi are seeking Crown funding through Budget 2022 to cover this shortfall. Similar Crown funding was provided to Waka Kotahi for the 2020 lockdown.

46 The Ministry and Waka Kotahi have separately been advising you on potential out-of-cycle funding for public transport fare shortfalls as a result of COVID-19 restrictions. This may require more urgent attention to ensure services continue in the current financial year (prior to Budget 2022 decisions), whereas Waka Kotahi have indicated their regulatory business can be sustained until Budget 2022 decisions are taken.

Manifesto commitment initiatives in the transport sector

47 There are 7 manifesto commitment initiatives for your consideration. The Ministry considers that all manifesto commitments are suitable for submission to the Minister of Finance, but we are seeking your feedback on two specific initiatives:

47.1 Manifesto commitment initiative 4: *Investigating port sector opportunities to support decarbonisation, resilience and regional development* - The Ministry supports the submission of this initiative. We consider of highest priority is the data exercise, which would inform the National Freight and Supply Chain Strategy. We consider the studies relating to the Manakau Harbour and the Northland dry dock are a lower relative priority. Delaying one or both studies to Budget 2023 is a possible option for Ministers to take.

47.2 [redacted]

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[redacted]

48 Each manifesto commitment initiative is summarised with Ministry advice in **Annex 1**.

49 There are also two manifesto commitment initiatives being lead in other Votes, seeking Vote Transport funding, which are relevant to your portfolio. These are *Equitable access to drivers license support for disadvantaged communities to improve employment and wellbeing* (Ministry of Social Development led) [redacted] If you support these initiatives, these should be mentioned in your letter to the Minister of Finance. The Ministry have drafted lines to this effect in the attached draft letter.

50 Further advice on key manifesto commitment initiatives is provided in the paragraphs below.

There are placeholder bids for the Essential Transport Connectivity and Maintaining International Airfreight Capacity, to enable effect to be given to upcoming Cabinet decisions

51 The Essential Transport Connectivity (ETC) scheme has supported essential domestic transport services to continue operating despite COVID-19 restrictions and the loss of international tourists, since May 2020. The ETC is due to expire on 31 December 2021, and Cabinet will consider the future of the scheme before then.

52 The Maintaining International Air Capacity (MIAC) scheme has enabled international flights (for freight and passenger movements) to continue whilst border restrictions are in place. The MIAC began in May 2021, following the expiry of the predecessor International Air Freight Capacity scheme. The MIAC is scheduled to end on 31 March 2022, with Cabinet expected to consider the exit strategy for MIAC in early March 2022.

53 You have been invited to submit manifesto commitment bids to financing the extension of both schemes (or a contingency to enable their extension), should this be Cabinet's decision.

The need for the ETC and MIAC is to be determined, and will be impacted by border settings and the public health response to COVID-19 variants

54 Since the invitation for these bids, there have been changes to the Government's response to the COVID-19 pandemic and the virus itself, mainly:

54.1 Introduction of the COVID-19 Protection Framework (coming into effect on 3 December 2021).

54.2 Introduction of a planned three-step approach to border reopening set to commence from early 2022

54.3 Emergence of the Omicron COVID-19 variant, which has led to some international border closures and public health restrictions in other countries to contain its spread.

55 These are factors Cabinet will need to include in their decision making on the future of the ETC and MIAC. For now, the Ministry advises you submit both placeholder bids to the Minister of Finance, with the caveat that these bids may change depending on the decisions Cabinet takes.

Crown investment is sought to fully deliver a reliable and resilient rail network

56 KiwiRail are seeking funding for two initiatives:

56.1 To top up the NLTF to implement KiwiRail's Rail Network Investment Programme (RNIP) – Following up on the Budget 2021 bid which funded this for three years of the ten-year RNIP, this bid would provide funding certainty [redacted]

56.2 To procure for the final tranche of KiwiRail's rolling stock investment programme – This bid will complete the replacement of life-expired assts with modern, efficient locomotives.

57 The Ministry supports both initiatives and sees both to be consistent with earlier Cabinet decisions to restore and support a reliable and resilient rail network. Given the Government has committed to the ten-year RNIP, providing funding certainty to KiwiRail now will allow for more efficient procurement decisions and enable the Government to remove Future of Rail commitments as a specific fiscal risk.

There may be opportunities to investigate reprioritisation of funding within Vote Transport

58 The letter from the Minister of Finance outlined that you should consider all levers available to you before making any requests for new funding. One of these is reprioritisation of baseline funding. The Ministry has undertaken a high-level review of Vote Transport to identify opportunities to investigate further whether current funding is aligned to priorities and is delivering value for money, whether there could be re-scoping of projects, whether there are forecast underspends, or whether an alternate funding source could be investigated.

59 Vote Transport is forecast to spend over $8.2 billion in 2021/22. A large portion (around $4 billion) of this is funded from land transport revenue, which is hypothecated to be spent through the NLTF and therefore cannot be reprioritised for Budget. There is also a large amount of borrowing (around $1 billion) which cannot be reprioritised into other types of spending. Finally, there is a small amount of funding from the Working Safer Levy and third-party revenue which cannot be reprioritised. For the remainder of Vote Transport, which is Crown funded, we have considered the following:

59.1 Activities funded by the Crown that could be funded through a different funding source (such as the NLTF).

59.2 Activities where surplus funding may be available, and the activities are still a high priority (and the activities are not subject to COVID-19 cost pressure or a current Budget bid).

59.3 Activities where surplus funding may be available, and the activities are a lower priority.

There are activities that could be funded through a different funding source, but this should be considered through existing review cycles

60 The main alternate funding source is the NLTF. The NLTF is already facing significant pressure, and GPS 2021 may need to be revisited if new initiatives are to be funded through it. This could require an amendment to change the scope of GPS 2021, or for trade-offs to be made on activities funded from the NLTF. If you wanted further investigation of this option, the initiatives that could be considered include those in Table 3.

Table 3: Appropriations that could be funded through a different funding source

Initiative	Agency	21/22 $m	22/23 $m	23/24 $m	24/25 $m	25/26 $m
SuperGold Card (including administration costs)	Waka Kotahi	31.156	31.156	31.156	31.156	31.156
Search and Rescue Activities (within the *Maritime Regulatory and Response Services* appropriation)	MNZ	3.231	3.231	3.231	3.231	3.231
Licensing Activities and Crash Analysis (within the *Land Transport Regulatory Services* appropriation)	Waka Kotahi	3.325	3.325	3.325	3.325	3.325

61 The Ministry recommends that the appropriate funding source is reviewed through existing review cycles for these initiatives, rather than through the Budget 2022 process. This would allow the appropriateness of the funding source to be considered within the overall purpose of each initiative. The following planned reviews may provide an opportunity for this:

61.1 Review of the SuperGold Card scheme – the Ministry is currently seeking your approval to conduct a policy and funding review of the scheme in early 2022. The scope for the review is being developed but would likely include consideration of whether the funding mechanisms need to be adjusted. We note that given the primary purpose of the SuperGold Card scheme is to support and enhance older New Zealanders' community participation, the NLTF alone may not be the most appropriate funding source.

61.2 Recreational Safety and Search and Rescue Review – the terms of reference for this review have just been provided to you. The review will consider future funding sources including the role of government funding.

61.3 The appropriate funding source for Licensing and Crash Analysis activities could be considered through Waka Kotahi's Fees and Funding Review.

There are activities where surplus funding may be available and the activities are still a high priority

62 There is a significant amount of Crown funding appropriated through Vote Transport for discrete initiatives, particularly for projects funded through the COVID-19 Response and Recovery Fund.

63 The following COVID-19 initiatives are in their final year of approved funding (Table 4 refers). The Ministry will be seeking updated 2021/22 forecasts for these appropriations through the March Baseline Update process in early 2022, which may identify underspends. However, most of these initiatives are subject to COVID-19 cost pressures and have existing Budget bids in place for further funding. We recommend that any forecast underspends be reprioritised to offset the amounts being requested through these Budget bids.

Table 4: COVID-19 initiatives in their final year of approved funding

Initiative	Agency	21/22 $m	22/23 $m	23/24 $m	24/25 $m	25/26 $m
Protection Transport Agency Functions MYA (AvSec)	AvSec	116,601	-	-	-	-
Protection Transport Agency Functions MYA (CAA)	CAA	27,565	-	-	-	-
Protection Transport Agency Functions MYA (MNZ)	MNZ	21,700	-	-	-	-
MCA COVID-19 - NLTF Operating Cost Pressure and Revenue Shortfall Funding	Waka Kotahi	126,785	-	-	-	-
Maintaining international air services MYA	3rd party	371,980	-	-	-	-
Maintaining essential transport connectivity MYA	3rd party	18,616	-	-	-	-
Loans to Essential Transport Operators MYA	3rd party	5,000	-	-	-	-

64 There are several Crown funded projects that we have not recommended reviewing. This is for a range of reasons, including where the initiatives have been recently approved (e.g. the Clean Car Discount and Standard and the Rail Network Improvement Programme), have been through recent reprioritisation exercises, or are subject to cost pressures. In particular:

Withheld to protect the supply of similar information and to enable negotiations without prejudice or disadvantage

64.1 [redacted]

64.2 Provincial Growth Fund (PGF): Vote Transport PGF funding was subject to a comprehensive reprioritisation exercise as part of the overall PGF programme last year. Any surplus funding would be returned to the PGF.

64.3 New Zealand Upgrade Programme (Waka Kotahi and KiwiRail): this has recently been through a baselining process, with significant work still to be completed to rescope projects and determine the final cost and phasing of the programme.

65 There are some other Crown funded projects that are nearing the end of the approved funding cycle. These initiatives could be investigated as to whether any funding is uncommitted, or whether any surplus funding is forecast that could be reprioritised. We propose this to be done as part of the March Baseline Update process. These include the initiatives outlined in Table 5 below.

Table 5: Crown funded projects that are nearing the end of the approved funding cycle

Initiative	**Agency**	**21/22 $m**	**22/23 $m**	**23/24 $m**	**24/25 $m**	**25/26 $m**
Rail - Maintaining an Electric Locomotive Fleet – MYA	KiwiRail	25,176	-	-	-	-
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA	CAA	5,264	3,909	-	-	-
Regional SH MYA	Waka Kotahi	56,144	2,465	-	-	-

There are activities where surplus funding may be available and the activities are a lower priority

66 There is a small amount of Crown funding provided to Transport agencies to perform activities such as policy advice, ministerial servicing, and international relations, which are reviewed through larger funding reviews. You also provide an annual Letter of Expectations to these agencies, which ensures their delivery is aligned with your priorities and offers value for money. The Ministry then monitors the performance of these agencies. Therefore, we do not recommend a separate review of this baseline funding for agencies.

67 KiwiRail is not subject to these funding reviews and one area that could be investigated further is funding provided to KiwiRail for railway safety and public policy projects ($4 million per year) to ensure it aligns with your priorities and delivers value for money. This could be done in the context of the significant level of investment already being made in KiwiRail, particularly through the Rail Network Improvement Programme.

68 In addition, through the October Baseline Update process, KiwiRail requested rephasing of its Shovel Ready projects due to delays in this project which transfers funding out to 2023/24 and 2024/25, beyond the original timing of 2020/21 for the project. Given the delays in this project and the original intent of the Shovel Ready programme of work, the Ministry is interested in your views if this remains a priority or whether this funding could be reprioritised, potentially for existing rail Budget bids.

69 The Ministry has a departmental budget that includes Crown funding of $63 million in 2021/22. We are forecasting that we will spend our baseline to support existing Government priorities, including early work on implementation plans for Budget initiatives. We expect to seek capability funding in Budget 2023 to support effective delivery of the Transport content in the ERP, after completing a comprehensive capability and capacity analysis of requirements.

Annex 1: Summary of Vote Transport initiatives for submission in Budget 2022

All redactions on this page, unless otherwise stated, are withheld under active consideration

Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)
1	**Delivering mode-shift and reducing VKT in New Zealand's main urban areas** Note this initiative was initially submitted as three separate initiatives (mode-shift plans, mode-shift investment, and congestion charging capability). We have combined them in response to the request from the Minister of Finance to consolidate CERF initiatives.	Operating 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26: [redacted] Total Capital sought: [redacted].

Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport

Ministry Comment (initiative 1)

Highest priority - We recommend prioritising funding for this initiative above all other Transport CERF initiatives.

Key points

- The draft ERP includes a transport target to reduce VKT by cars and light vehicles by 20 percent by 2035. Achieving this target will require significant investment in public transport, walking and cycling, as well as measures to manage demand.
- The mode-shift investment fund enables the delivery of relatively low-cost and high value investments that will incentivise mode-shift in the short-term, while we progress planning and development of much larger, more expensive, and longer-term projects such as rapid-transit networks. The size of the fund is scalable – but scaling will slow mode-shift delivery. Early investment in mode-shift is critical for achieving the VKT reduction target, as it takes time to improve infrastructure and services. Deferring investment also risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required.
- Mode-shift investment is necessary to provide viable alternatives to car travel and support an equitable transition. Mode-shift investment can significantly improve transport equity by making inclusive and affordable transport modes more accessible. Without this, road pricing tools, including congestion charging and the ETS, are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel. This could exacerbate transport disadvantage and poverty.
- A [redacted] mode-shift fund, available for local councils to access, would otherwise not occur under existing funding assistance settings. [redacted] It also aligns with the ERP consultation document that clearly signalled the Government's intention to make significant investments in mode-shift.
- Congestion charging is an effective tool to reduce congestion and make better use of the network we currently have, as well as make investment in mode-shift more effective. Without this funding ($2m), we are unable to effectively deliver a significant, co-ordinated, implementation programme to deliver a congestion charging scheme in Auckland (and potentially Wellington) successfully.

Initiative description

This initiative enables [redacted] infrastructure and services that make travel by public transport, walking and cycling safer and more accessible. This is likely to include relatively low-cost investments that optimise networks to support mode-shift away from private vehicles, such as the reallocation of existing street space to provide dedicated bus lanes, bike/scooter networks, and walking improvements. [redacted] The mechanisms for administering and monitoring the Fund will be developed in more detail in the New Year.

This initiative also provides about $2m funding for capacity and capability required to implement congestion charging, initially in Auckland. This includes capability to support legislative change, scheme design, modelling and public consultation. We expect partial reimbursement for some of the activities from other participating agencies (e.g., Auckland Transport).

Draft ERP actions this initiative relates to:

- Supporting people to walk, cycle and use public transport:
  - Planning – Designing and implementing programmes to reduce light vehicle VKT for our largest cities, and beginning planning for other urban areas
  - Public transport – Improving the reach, frequency, and quality of public transport
  - Walking and cycling – Providing national direction to deliver a step-change in cycling and walking rates
  - Reshaping streets – Supporting local government to accelerate widespread street/road changes to support public transport, active travel and placemaking
  - School travel – Making school travel greener and healthier
  - Equity – Improving access and travel choice for the transport disadvantaged
- Enabling congestion charging and investigating other pricing and demand management tools to reduce emissions from land transport

Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)

We consider this initiative to be the **highest priority**.

Mode-shift [redacted] funding

The mode-shift investment fund enables the delivery of relatively low-cost and high value investments that will incentivise mode-shift in the short-term, while we progress planning and development of much larger, more expensive, and longer-term projects, such as rapid transit networks. The size of the fund is scalable – but scaling will slow mode-shift delivery. Early

Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
			investment in mode-shift is critical for achieving the VKT reduction target set out in the draft ERP, as it takes time to improve infrastructure and services. Deferring investment also risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required. The government (central, regional and local) owns and operates most land transport infrastructure and services. The government's investment decisions in transport networks significantly influence our travel choices – now and into the future - and should factor in future emissions prices, as recommended by the CCC. [redacted] this initiative would prioritise low-cost, high-value investments. This is likely to involve investments that can be delivered quickly and optimise existing networks in ways that make non-car transport modes (such as walking, cycling and public transport) safer and more convenient. This could include the reallocation of road space from private vehicles to public transport and active/shared modes, public transport priority, High Occupancy Vehicle Lanes, speed management, cycling infrastructure (including temporary lanes while planning is undertaken), pedestrian only zones, and low speed/low traffic neighbourhoods and complementary measures to influence demand. Mode-shift investment is necessary to provide viable alternatives to car travel and support an equitable transition. Mode-shift investment can significantly improve transport equity by making inclusive and affordable transport modes more accessible. Without this, road pricing tools, including congestion charging and the ETS, are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel. This could exacerbate transport disadvantage and poverty. The cost of car travel is expected to increase through tax increases: • ETS taxes on fuel purchased at the pump will continue to increase as emissions budgets (allowable carbon units) decline over time; ETS taxes now make up about 15 cents per litre on petrol and 17 cents per litre on diesel. This has more than doubled since July 2020, when ETS taxes were about 5-6 cents per litre. • Congestion charging (and potentially through introducing other pricing mechanisms in the future). This bid seeks funding to enable congestion charging to happen. • [redacted] • [redacted] *Capability to implement congestion charging* Congestion leads to a range of negative effects including increased travel and financial costs for individuals and businesses and increased carbon/harmful emissions. Congestion charging is an effective tool to reduce congestion and make better use of the network we currently have and make investment in mode-shift more effective. This initiative would fund about $2m of capacity and capability to enable congestion charging, including legislation changes and a major implementation programme. Congestion charging is expected to improve traffic flow, reducing the need to build new roading networks and saving money in the long-run. It can also reduce carbon and harmful emissions by encouraging greater public transport use, less travel, and faster traffic flow (ie less stop-start traffic), and provide valuable information on travel demands, which can usefully inform the transit we build. Without this funding, it would be possible to progress legislative change using Ministry of Transport baselines, but this would come at the expense of delivering other priorities. In addition, we do not have sufficient baseline funding to effectively deliver a significant, co-ordinated, implementation programme to deliver a congestion charging scheme in Auckland successfully. [redacted] Many opportunities to influence emissions reductions lie on local councils' transport networks. Currently, local transport projects are largely co-funded by motorists through FED and RUC, and ratepayers (usually a 51:49 split between the NLTF and local government). Achieving the scale and pace of mode-shift required to reach net zero emissions by 2050, and the CCC's recommended reduction in transport emissions of 41% by 2035, requires [redacted] to incentivise councils to plan and deliver the required changes. This budget initiative would enable low emissions transport investment that would otherwise not occur [redacted] It also aligns with the ERP consultation document that clearly signalled the Government's intention to make significant investments in mode-shift. In addition to delivering investment that would not otherwise occur, this initiative will help to respond to the risk that councils may deprioritise or stall mode-shift investment due to pressure from strong community interests, irrespective of funding constraints. It will work alongside regulatory changes such as the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill, which will help tilt council incentives towards low-emissions transport networks and urban form. This initiative could be provided though general taxation, ETS proceeds or the NLTF. Annual ETS proceeds from motorists are now approaching $1 billion in revenue per year. It would be possible to provide greater funding assistance for mode-shift investments through the NLTF, instead of using ETS proceeds, which are being recycled into the CERF. An increase of 15 – 20 cents per litre in petrol taxes (FED), and equivalent on road user charges (RUC), would provide about $1 billion in NLTF revenue per year. [redacted]

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Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
			In the next three years before GPS 2024 commences, motorists will have contributed *at least* $3 billion in ETS proceeds. As fuel prices increase due to declining emissions budgets (allowable carbon units), there will be less headroom to raise FED and RUC, without significantly raising living costs. We need to start providing people with alternative travel options now. *Implementation design will determine the success of this initiative* The success of the [redacted] fund to deliver cost-effective mode-shift and improve access and travel choice for the transport disadvantaged is heavily dependant on sound governance and monitoring arrangements, and criteria for accessing the fund. [redacted] Governance and monitoring arrangements and criteria need to be established, which will take some months and involve collaboration across multiple government agencies. [redacted] Well-designed and communicated criteria that supports mode-shift, including for the transport disadvantaged, will also be crucial to the fund's success. [redacted] In addition to supporting local transport networks, [redacted] *Other changes within the land transport system are required to incentivise mode shift investments long-term* Over the longer term, we think other tools within the land transport system need to be used to sufficiently incentivise councils to prioritise investments that encourage travel by public transport, walking and cycling, such as street space reallocation. [redacted]
2	**Making public transport more affordable for low-income New Zealanders** (Community Connect)	Operating 22/23: 9.186 23/24: 24.584 24/25: 12.578 25/26 (and outyears): 12.578 Total Capital sought: 2.276 These costing assume a national roll-out, based on: fully funding the set-up costs, and ongoing costs in the first year of the concession operating (2023/24), and beyond the first year, applying a 51:49 split between the Crown and councils, which reflects arrangements for the Auckland pilot. This assumes councils are willing to participate and contribute funding, which is unlikely to be the case for all.	**Medium priority - We recommend prioritising a phased roll-out of Community Connect that incentivises local councils to contribute sufficient co-funding.** *Key points* • Making public transport more affordable will improve access for people on lower incomes, who have access to public transport services. This initiative will complement bid 1, which will include investment in public transport infrastructure and services in low-income and transport disadvantaged communities. • [redacted] There is a risk that participation from councils will be low, under a 51:49 funding split between the Crown and councils (reflecting the arrangement for the Auckland pilot). Local councils are facing funding constraints and may want to prioritise spending in other areas. Withheld to protect collective and individual Ministerial responsibility • We recommend that you prioritise a phased roll-out of Community Connect, that begins by expanding the Auckland pilot to CSC holders to another large urban centre, such as Wellington or Canterbury in 2023. A non-metro area could be added to show a different profile of outcomes (but we would need to confirm costings). This would be contingent on their willingness to participate in Community Connect under the same funding arrangements (51:49 split) in place for the Auckland trial. This approach allows for greater evaluation of early trials (Auckland and a few other areas) before expanding the scheme nationally. • **If you are supportive of our recommended approach to phase the roll-out of Community Connect, please advise and we can amend the funding sought to match this approach. Alternatively, we can provide funding for a national roll-out in 2023/24, contingent on the 51:49 funding profile between the Crown and councils.** ***Initiative description*** This initiative funds a nationwide expansion of Community Connect, currently being implemented as a pilot in Auckland. Community Connect is a 50 percent concession on public transport for Community Services Card holders for peak and off-peak services. There are approximately 1 million CSC holders in New Zealand; 330,000 of whom are in the Auckland region. The concession is intended to encourage greater use of public transport and support a just transition for low-income New Zealanders and those receiving a benefit, by reducing transport costs. ***Draft ERP actions this initiative relates to:*** • Equity – Improving access and travel choice for the transport disadvantaged, including working with local authorities to ensure that public transport fares are affordable. ***Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)*** This initiative is a **medium priority**. The full extent of the benefits is currently unknown, pending the Auckland trial, but risks can be mitigated through a phased roll-out.

Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
		Withheld to protect collective and individual Ministerial responsibility	Offering reduced public transport costs for CSC holders is expected to reduce transport costs and improves access to health and social services and opportunities for low-income households with access to public transport, and support emissions reduction by encouraging mode-shift away from car trips in favour of public transport. The extent to which these outcomes occur depend on the uptake of the concession. The Auckland pilot, expected to commence in July 2022, will provide insight into this initiative's likely success. [redacted] Achieving this relies on support from the Ministry of Health and Ministry for Social Development (see 'implementation' section below) and a willingness from local councils to participate. There is a risk that participation from councils will be low, under a 51:49 funding split between the Crown and councils (reflecting the arrangements for the Auckland pilot). Local councils are facing funding constraints and may want to prioritise spending in other areas. Of note, local councils are currently experiencing reductions in farebox revenue due to covid-19 and seeking compensation support from central government. We recommend that you prioritise a phased roll-out of Community Connect, that begins by expanding the Auckland pilot to CSC holders to another large urban centre, such as Wellington or Canterbury in 2023. A non-metro area could be added to show a different profile of outcomes (but we would need to confirm costings). This would be contingent on their willingness to participate in Community Connect under the same funding arrangements (51:49 split) in place for the Auckland trial. This approach allows for greater evaluation of early trials (Auckland and a few other areas) before expanding the scheme nationally. If you are supportive of this approach, please advise and we can amend the funding sought to match this approach. Alternatively, we can provide funding for a national roll-out in 2023/24, contingent on the 51:49 funding profile between the Crown and councils. Over time, we expect the success of this initiative to be supported by improvements to the convenience, reliability and frequency of public transport infrastructure and services (which bid 1 supports). Addressing bus driver workforce shortages (bid 3) will also support this initiative. Conversely, this initiative may induce demand for public transport services and increase the need for higher bus driver wages. Similar to bid 1, we think that ETS proceeds, which are recycled into the CERF (and are an alternative form of motorist taxes from FED and RUC) are an appropriate revenue source to fund this bid. Alternatively, it may be possible to fund this bid from the NLTF. This would likely involve delaying this initiative until GPS 2024 as the NLTF is currently heavily over-subscribed (for the 2021-24 period). Community Connect represents a longer-term funding pressure, likely to the NLTF or the Crown, unless an active decision is made to discontinue the scheme (and raise public transport fares for CSC holders). A review of appropriate funding sources for Community Connect in future is prudent. *Implementation* Successfully implementing this initiative relies on the following: • Local councils' willingness to participate and financially contribute. • Amendments to the Health Entitlement Card Regulations 1993, to enable public transport providers to be able to sight someone's CSC to verify eligibility. This is needed to reduce the risk of fraudulent use, which was an issue with SuperGold card. The Ministry of Health is responsible for these regulations. You may wish to discuss the prioritisation of this initiative with Minister Little. • Delivery of the concession nationwide is dependent on MSD, and successful delivery of the concession (if intended to launch nationwide in July 2023) relies on MSD prioritising this within their work programme. You may wish to discuss this initiative with Minister Sepuloni.

3	**Building a sustainable skilled workforce to support upscaling of bus networks**	Operating
		22/23: [redacted]
		23/24: [redacted]
		24/25: [redacted]
		25/26: [redacted]
		Total Capital sought: N/A
		Funding sought makes assumptions about how PTAs would use the funding. Ultimately, PTAs will apply for funding to meet recruitment and retention needs in ways that they deem most
			Medium priority - We recommend seeking funding for this initiative for a few years and reviewing its success and market developments prior to committing further Crown support.
			Key points
			• About 10-15 percent of driver roles are currently vacant in Auckland, Wellington and Christchurch, leading to a growing number of services being cancelled. The impacts of the driver shortage on services are not yet presenting as severe but service cancellations have been increasing over the past six months (for example, to almost 4% each month in Wellington).
			• Over the longer term, if changes are not made now to make bus driving more attractive, the labour force will be unable to support planned organic growth and to support demand induced by mode-shift initiatives, which bids 1, 2 and 4 are designed to encourage.
			• This initiative extends a current NLTF initiative to support bus drivers being paid the Living Wage (via co-funding between the NLTF and Public Transport Authorities) by co-funding, with councils, measures aimed at recruiting and retaining bus drivers. It would be possible to fund this initiative from the NLTF in future (after this initiative ends). All else equal, this would place pressure on FED and RUC rates.
			• **Please advise us on the level of funding you would like to seek for this initiative:**
			  ○ You may wish to seek funding for this initiative for two years (i.e. [redacted] in 22/23 and [redacted] in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF.
			  ○ Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column.

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Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
		appropriate for their regions.	***Initiative description*** This initiative provides co-funding (about 51 percent) to support public transport authorities to implement measures aimed at recruiting and retaining bus drivers, such as: • Increases to bus driver wages • Improvements to driver rest facilities and/or construction of new facilities • Changes to timetables, including more services during daytime off-peak hours, to increase the number of straight shifts available to drivers (rather than split-shifts) It will address current bus driver shortages under existing contracts. [redacted] ***Draft ERP actions this initiative relates to:*** • This initiative is not directly included in the ERP. However, a sustainable labour market for public transport services is necessary to enable mode-shift actions, including improving the reach, frequency, and quality of public transport. ***Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)*** This initiative is a **medium priority**. Higher bus driver wages and improved conditions are needed to expand bus services and successful deliver on mode-shift goals. This initiative is entirely scalable – though has been designed to address the current bus driver shortages, so lower funding levels are not expected to fully address this problem unless local authorities cover more than 50 percent of the costs. About 10-15 percent of driver roles are currently vacant in Auckland, Wellington and Christchurch, leading to a growing number of services being cancelled. The immediate impact of these shortages is not yet severe but service cancellations are trending upwards (for example, to almost 4% each month in Wellington in recent months), exacerbated by the Covid-19 pandemic (with border controls restricting new drivers arriving from overseas), an aging driver population, and the sector finding it difficult to attract new drivers in a tight labour market. Wellington and Auckland are reporting month by month increases in cancellations. Christchurch, Dunedin, Queenstown and Hamilton and the Hawkes Bay are also now reporting problems. Over the longer term, if changes are not made now to make bus driving more attractive, the labour force will be unable to support planned organic growth and to support demand induced by mode-shift initiatives, which bid 1, 2 and 4 are designed to encourage. Timetable changes to increase the number of services in off-peak times (thus reducing the number of unattractive split shifts for bus drivers) could also make public transport a more attractive travel option, supporting mode-shift objectives. This initiative extends a current initiative to support bus drivers being paid the Living Wage (via co-funding between the NLTF and Public Transport Authorities). It would be possible to fund this initiative from the NLTF. This would likely involve delaying this initiative until GPS 2024 and relying on FED and RUC as a funding source. Delay will make it more challenging to meet the scale of mode shift envisaged to meet the Government's climate change commitments. It is also likely to result in more service cancellations in the meantime, which will affect the public perception (and reality) of the reliability of public transport. *Funding decisions – now and in the future* You may wish to seek funding for this initiative for two years (ie, [redacted] in 22/23 and [redacted] in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that supporting bus driver sustainability is funded out of the NLTF. Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column. Similar to bid 1 and 2, we think that ETS proceeds, which are recycled into the CERF (and are an alternative form of motorist taxes from FED and RUC) are an appropriate revenue source to fund this bid. We think the NLTF is also an appropriate funding source but is currently heavily over-subscribed (for the 2021-24 period). [redacted] [redacted] *Implementation* The successful implementation of this initiative relies on the following: • Waka Kotahi to implement alongside its existing co-funding support for bus driver wages – funding would likely be applied through the NLTF to achieve a specific outcome (similar to SuperGold card funding). • Public Transport Authorities to apply to Waka Kotahi for funding to meet recruitment and retention needs in ways that they deem most appropriate to meet the needs of their regions. PTAs are expected to contribute local share under existing funding assistance rules (51:49 split between central government and PTA), providing good incentives to only seek funding when it is needed.

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Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
[redacted]			
[redacted]			

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Climate Emergency Response Fund (CERF) initiatives			
#	Budget initiative title	Funding sought ($m)	Ministry Comment
[redacted]			
Focus 2: Rapidly adopting low emission vehicles			
6	**Assisting low-income New Zealanders to shift to cleaner vehicles**	Operating 22/23: 10.000 23/24: 25.000	**Medium priority, but only if trials are funded first. We recommend prioritising funding for innovative trials to support low-income and transport disadvantaged people, subject to additional design work.** *Key points*

Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
	(social leasing trial and vehicle scrap and replace trial)	24/25: 30.000 25/26: 45.000 Total Capital sought: N/A	• Supporting initiatives that make cleaner vehicles more affordable and accessible for low-income people will help support an equitable transition, particularly in areas not-well served by public transport. • We consider this initiative is a medium priority if optionality is preserved and trials are commenced prior to wider roll-out. [redacted] • This bid includes examples of specific scheme design and parameters that could be applied to make low-emission transport more affordable for low-income people. This includes a scrap and replace scheme and a social leasing scheme. These schemes appear to have community support based on the work we have done to date. [redacted] ***Initiative description*** This initiative provides funding to design, conduct and evaluate trials to make low-emission transport more affordable for low-income people. The trials will inform Ministers' final decisions on whether, and how, targeted assistance would be provided. Examples of the trials are provided in the initiative as: • a low-emission vehicle social leasing trial, which would lease low-emission vehicles to low-income participants for six-months • an equity-oriented vehicle scrap and replace trial, which would provide targeted assistance to low-income households to purchase EVs, PHEVs and hybrids upon scrapping a vehicle. ***Draft ERP actions this initiative relates to:*** • Making low-emission vehicles more accessible for low-income New Zealanders. ***Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)*** This initiative is a **medium priority,** but only if trials are funded first. . We think it is important to preserve optionality for how best to improve outcomes for the transport disadvantaged and suggest not locking in specific schemes until further end-to-end design work is completed in 2022 and reported back to Cabinet for approval before implementing any trials. Pending trial results, Ministers may agree to provide further funding to extend trials. [redacted] The funding for this bid is based on examples of specific scheme design and parameters that could be applied but need to be tested further. This includes a vehicle scrap and replace trial [redacted] The bid also outlines how a social leasing scheme could operate. Any social leasing scheme would need to provide a low cost service offering that meets a need for low-income communities that cannot be met by existing car share schemes (eg, Mevo). It could usefully complement the small social leasing trial (20 vehicles) that the Ākina Foundation and Manukau Urban Māori Authority is operating by extending social leasing to be trialled with EVs, and across a range of communities, including in rural areas. We will consider these factors when carrying out our scheme design work next year. *Implementation* [redacted]

[redacted]

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Climate Emergency Response Fund (CERF) initiatives			
#	**Budget initiative title**	**Funding sought ($m)**	**Ministry Comment**
[redacted]			
Focus 3: Beginning work now to decarbonise heavy transport and freight			
8	**Accelerating the decarbonisation of the public transport bus fleet**	Operating 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26 (and outyears): [redacted] Total Capital sought: N/A	**Medium priority - We recommend prioritising funding to meet the expected cost premium of deploying zero emission buses for a few years and reviewing its success and market developments, prior to committing further Crown support** *Key points* • We suggest seeking funding to meet the expected cost premium of deploying zero emission buses for a few years rather than seeking outyear funding with a view to continuing funding for 10 years. • **Please advise us on the level of funding you would like to seek for this initiative:** ○ You could seek funding for two years (ie, [redacted] in 22/23 and [redacted] in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that bus decarbonisation is funded out of the NLTF. However, this would not meet the manifesto commitment to provide $50 million over 4 years for this purpose. ○ Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column. • We recommend that further ongoing Crown support beyond this two to four year period should be reviewed, taking account of updated information on factors like: changes to the premium for electric buses, and the availability and cost of other low or zero emissions technologies such as hydrogen. ***<u>Initiative description</u>*** This initiative provides contestable funding, administered by Waka Kotahi NZ Transport Agency (Waka Kotahi) to support PTAs to meet the cost of decarbonising the public transport bus fleet by 2035, by: • helping councils meet additional operating costs of deploying low- or zero-emission vehicles and/or • supporting councils to take ownership or control of assets necessary to deploy low- or zero-emission vehicles – for example by directly purchasing vehicles, charging infrastructure or depots. The costing of this initiative is based on fully funding the marginal cost (based on the price premium currently seen by PTAs) of deploying electric buses compared to diesel buses.

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Climate Emergency Response Fund (CERF) initiatives			
#	**Budget initiative title**	**Funding sought ($m)**	**Ministry Comment**

			Accelerating the decarbonisation of the public transport bus fleet will contribute to reduced carbon emissions, reduced harmful emissions and improved amenity in urban centres.
			<u>Draft ERP actions this initiative relates to:</u>
			• Accelerating the decarbonisation of the public transport bus fleet, including:
			  ○ Requiring only zero-emission public transport buses to be purchased by 2025
			  ○ Setting a target to decarbonise the public transport bus fleet by 2035 (these are also manifesto commitments)
			The Government has separately committed to support regional councils to achieve these outcomes through a $50 million fund over four years (this is a manifesto commitment).
			<u>Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)</u>
			This initiative is a **medium priority.** We suggest seeking funding to meet the expected cost premium of deploying zero emission buses for a few years rather than seeking outyear and longer-term funding for 10 years. You could seek funding for two years (ie, [redacted] in 22/23 and [redacted] in 23/24) – to align with the commencement of GPS 2024. This would provide the option of including expectations that bus decarbonisation is funded out of the NLTF. However, this would not meet the manifesto commitment to provide $50 million over 4 years for this purpose. Alternatively, you may wish to seek funding for the full four-year forecast period as shown in the left-hand column.
			Justification for further ongoing Crown support beyond this two to four-year period should be reviewed, taking account of updated information on:
			• changes to the premium for operating electric buses
			• the availability and cost of other low or zero emissions technologies such as hydrogen
			• the asset ownership and contracting model being adopted by public transport authorities
			• the ability of public transport authorities to realise cost reductions, for example through bulk procurement of vehicles and/or infrastructure
			• the capacity of the NLTF and public transport authorities to meet any remaining cost premium (which will be influenced by GPS 2024 priorities and available NLTF revenue, and consideration of any other cost pressures impacting public transport authorities)
			Implementation
			• This initiative will be designed and delivered in partnership with Waka Kotahi NZ Transport Agency. The implementation of this initiative will largely rely on PTAs. PTAs are best placed to identify and realise opportunities to decarbonise the public transport bus fleet.
			• The timeframe for expenditure and deployment of zero-emission buses and/or purchase of assets will be contingent on development of business cases by PTAs and the assessment of these business cases by Waka Kotahi. We anticipate the timeframe for deployment of zero-emission buses will also be phased according to fleet replacement and fleet growth. This will be aligned with Waka Kotahi's plan for a smooth transition to decarbonise the bus fleet nationally.

9	**Accelerating the decarbonisation of the freight sector** Note this is a joint initiative with Vote Business, Science and Innovation	Operating 22/23: 1.840 23/24: 2.660 24/25: 12.808 25/26 (and outyears): 2.808 Total Capital sought: N/A	**High priority - We recommend prioritising the research and capability funding. The contestable funding portion is important but less time sensitive and could be deferred.** *Key points* • Research and capability will enable a strong evidence base for effective freight sector decarbonisation actions at relatively low-cost. This is a high priority [redacted] • The contestable funding element of this initiative is important but is less time sensitive (expected to commence in 2024/25) and could be deferred to next year. ***<u>Initiative description</u>*** This initiative support activities to decarbonise freight and supply chain by providing funding for: • Additional resource for the Freight Decarbonisation Unit within Te Manatū Waka to develop the Strategy and implement the other freight-related actions included in the Emission Reduction Plan • Business cases and research programmes to provide a strong evidence base about the barriers to decarbonising the freight sector and test potential technology, commercial and policy solutions. • $15 million of contestable co-funding commencing in 2024/25 to support organisations in demonstrating low emission freight solutions. This would be delivered by the Energy Efficiency and Conservation Authority. ***<u>Draft ERP actions this initiative relates to:</u>*** • Developing a National Freight and Supply Chain strategy with industry to identify how to decarbonise freight transport, while improving the efficiency and competitiveness of the supply chain. This will provide a better understanding of the system and how it can help us reach several outcomes – including decarbonisation. We will then consider what actions we should take in the second and third emissions budget periods. • Progress decarbonisation of heavy vehicles through a programme of incentives, regulations, and investments including considering:

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Climate Emergency Response Fund (CERF) initiatives

#	Budget initiative title	Funding sought ($m)	Ministry Comment
			○ options to improve heavy vehicle fuel efficiency (including considering fuel efficiency standards and reviewing whether the Clean Vehicle Package could be extended to heavy vehicles). ○ Investing in infrastructure for green fuels and fast-charging heavy vehicles. ○ Implementing green freight procurement through third-party contractor rules for government activities. ***<u>Comment on relative priority of initiative (criteria: expected contribution to emissions reduction and a just transition per dollar spent)</u>*** This initiative is a **high priority.** Research and capability will enable a strong evidence base for effective freight sector decarbonisation actions at relatively low-cost. The contestable funding element of this initiative is important but is less time sensitive (expected to commence in 2024/25) and could be deferred to next year. • The National Freight and Supply Chain Strategy (Strategy) will identify gaps in evidence, and opportunities to collaborate with industry on decarbonisation. If the Strategy is not adequately supported with additional funding, it will still be developed but likely to a lower quality and/or under longer timeframes. Surplus funding will be returned to the centre. • Insufficient funding means a low-evidence base (research and business cases) will be available to inform and target the most appropriate actions to decarbonise freight. • The single large-scale contestable funding round dedicated to demonstrating low emission freight projects is timed for 2024/25 following industry engagement on the contestable fund design in mid 2023, which would be informed by the Strategy and the related stakeholder engagement in 2022. Funding sought for this component ($15m) could be deferred at relatively low risk, compared to other CERF initiatives. *Implementation* • The focus over 2022/23 is progressing the Strategy and strong collaboration with industry • [redacted] • Contestable funding to be made available for projects that demonstrate low emission freight technologies, fuels, services, infrastructure, innovations and business models from 2024/25.
[redacted]			

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Climate Emergency Response Fund (CERF) initiatives			
#	Budget initiative title	Funding sought ($m)	Ministry Comment
[redacted]			

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Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
1	**Maritime NZ (MNZ) – Extending government support to deliver core regulatory functions (1.1)** To extend Crown funding to support MNZ to deliver core regulatory functions, meet statutory obligations and maintain viability as a going concern. Covers levy revenue shortfall and volatility, immediate inflationary cost pressures and new and unfunded obligations (e.g., seafarer welfare).	Volume, price, personnel pressure Funding an existing service (due to third-party revenue reductions)	Operating: 22/23: 23.400 23/24: [redacted]	• The Ministry supports this initiative and believes this is the highest priority out of the MNZ initiatives. However, we do not support the inclusion of funding each year for health and safety activities, which is included in bid 2 ($2.1m in 22/23 and [redacted]). The Ministry also notes the funding sought is likely to increase with the Border Executive Board's (BEB) decision on the updated border scenarios agencies should use for their forecasts. • MNZ is seeking two years of funding, [redacted]. The Ministry supports seeking two years of funding, to enable MNZ to have longer funding certainty, and in anticipation of sustained reduced passenger numbers for coming years. Beyond 2023/24, MNZ may have access to greater third-party funding sources, but this will depend on the completion, and outcomes, of the upcoming MNZ funding review. Withheld to protect collective and individual Ministerial responsibility • The bid uses the current moderate BEB scenario to forecast the liquidity facility amount sought in 2022/23 and 2023/24 (therefore does not take account of the Reconnecting New Zealanders framework, this will be considered in the New Year, using updated modelling to reflect likely border reopening scenarios. This updated modelling is not expected to significantly change MNZ's funding sought in Budget 2022 as cruise ships are unlikely to return to New Zealand at pre-COVID levels quickly. The Ministry will provide you with advice on this in due course. • Note that the bid includes costs that relate to MNZ's health and safety regulatory work, which may sit in this bid or in the separate Health and Safety at Work Act (HSWA) cost pressures bid (bid 2). The Ministry will work with MNZ in the w/c 6 December to confirm which bid this will sit under (before final bids are submitted to Treasury).
	[redacted]			
	MNZ – Implementing MARPOL obligations to reduce pollution from ships (1.3) Seeks short-term funding (two years) to implement Annex VI of the International Maritime Organisation MARPOL convention in New Zealand, ahead of funding review outcomes. The Government has agreed to accede Annex VI by December 2021, which will require MNZ and MBIE work to reduce emissions from ships in New Zealand.	Volume, price, personnel pressure Funding new/improved services, in the short-term, ahead of funding reviews (due to third-party revenue reductions)	Operating: 22/23: 3.000 23/24: [redacted] Capital: 22/23: 1.000 23/24: 0.100	• The Ministry supports this initiative. • MNZ is seeking two years of funding, [redacted]. The funding sought has increased since the invite process because the bid now includes funding for the Ministry of Business, Innovation and Employment staff required to implement MARPOL, alongside the MNZ FTE sought. Withheld to protect collective and individual Ministerial responsibility • MNZ is facing pressures across its organisation, which are either due to COVID-19 leading to increased activity levels and/or linked to the pandemic. Therefore, MNZ does not have the resources to implement MARPOL. • Crown funding is required to enable MNZ to deliver this function until the point where a new funding model is determined, to return the agency and sector to financial sustainability (same as for bid 1.2). • This bid will also need to factor in the three-step approach to border reopening, same as bid 1.2.

Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
2	**MNZ – Meeting Health and Safety at Work obligations – cost pressures** Seeks additional funding from the Working Safer Levy for MNZ to meet its statutory obligations a the designated maritime regulatory under the Health and Safety at Work Act 2015. The bid has three components: ○ Inflationary pressures ○ Investigation and prosecution costs ○ Port safety and harm reduction plan	Volume, price, personnel pressure Critical cost pressures of an existing service, due to increases in prices, volumes and/or personnel costs.	Operating: 22/23: 4.350 23/24: 4.620 24/25: 4.930 25/26 & outyears: 5.050	• The Ministry supports this initiative, but thinks additional work needs to be done between submission and any final Budget decisions. The Ministry has some concerns about the level of funding sought (in particular, the amount sought for inflationary pressures each year). The Ministry will also consider if it is appropriate to align the funding sought with the MNZ funding review rather than provide outyears funding. • MNZ advise that their Working Safer Levy had not been reviewed since it was set in 2017. To date, MNZ have been absorbing cost pressures across all its health and safety activities, although have now reached a point where this cannot continue without trade-off considerations to its regulatory activity. The Ministry will interrogate the inflationary pressures further, as MNZ are seeking an additional $2.1m in 21/22 for this purpose which represents a 39% increase on their baseline. • The Minister of Finance requested a scaled bid be progressed with the highest priority elements. MNZ have not provided a scaled option and have indicated the funding sought is the minimum viable option to maintain their current health and safety-related activities. • MBIE (who oversees the Working Safer Levy) have provided feedback on the near-final initiative template, which has only been received by the Ministry this week. MBIE has raised questions about the scale of funding sought for inflationary pressures and the need to confirm these activities are within scope of MNZ's health and safety regulator role. The Ministry will work with MNZ and MBIE to address these questions.
3	**Civil Aviation Authority (CAA) – Extension of government support funding to deliver minimum aviation safety and security functions (3.1)** Continuation of Crown funding to enable the to fulfil its core functions by covering revenue shortfall, due to reduce activity in the aviation sector because of COVID-19. Funding will bridge the gap between the costs usually recovered from the sector and provide certainty until a first principles funding review can be completed.	Volume, price pressure Funding an existing service (due to third-party revenue reductions)	Operating: 22/23: 100.506 23/24: [redacted]	• The Ministry supports this initiative and believes this is the highest priority out of the CAA initiatives. The Ministry notes funding sought is likely to increase with the Border Executive Board's (BEB) decision on the updated border scenarios agencies should use for their forecasts. • CAA are seeking two years of funding, [redacted]. The Ministry does not recommend pursuing savings or workforce reductions, and the Ministry will work with CAA and the Treasury to determine any appropriate scaling options through the Budget process. Withheld to protect collective and individual Ministerial responsibility • Prior to COVID-19, 89 percent of the CAA's funding and 99 percent of Aviation Security Service's (Avsec's) funding was sustained through charges, fees, and levies- making the Authority reliant on border activities to fund the delivery of its functions. In September 2021, Cabinet agreed to lift the moratorium on the CAA funding review. The two-year funding review, due to commence in quarter four 2021/22, will determine a new funding model to return the agency, and sector, to financial sustainability by 2024/25. Until the aviation sector recovers and/or a new funding model is in place, Crown funding is required to CAA to deliver its functions. • The recent announcement of a three-step approach to border reopening will need to be factored into this bid. The bid uses the current moderate BEB scenario to forecast the liquidity facility amount sought in 2022/23 and 2023/24. We expect the BEB scenarios will be updated in January 2022 to factor in the Reconnecting New Zealanders framework (although not the Omicrom variant). The CAA may need to revisit its bid to reflect these scenarios. The Ministry will provide you with advice on this in due course.

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Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
[redacted]				
[redacted]	[redacted] Withheld to protect the supply of similar information and to enable negotiations without prejudice or disadvantage	[redacted]		
5	**COVID-19 impact on Waka Kotahi Regulatory activities** To cover Waka Kotahi's reduced regulatory fee revenue (and associated commission costs) because of the 2021 COVID-19 lockdowns. Comparable Crown funding was provided for the 2020 lockdown.	Volume, price pressure Funding an existing service (due to third-party revenue reductions)	Operating: 21/22: 15.000	• The Ministry supports this initiative, but believes comprehensive drawdown criteria will need to be established for this funding. • Funding sought is to replicate what was provided in the April 2020 lockdown. The estimate net revenue impact on Waka Kotahi's regulatory activities was $8 million. Given the length of this current lockdown and its restrictions, the Ministry sees $15 million as a reasonable level to be sought. Drawdown criteria would be used to ensure any overestimation of funding would be returned to the centre. • An alternative option would be financing through a Crown loan or submitting a section 9(1)A funding request from the NLTF. The Ministry does not recommend pursuing either of these options, as either would place more pressure on the sector, compound the current pressure on the NLTF and would be inconsistent with past Ministry advice. • You have received separate advice on addressing the public transport shortfall facing Waka Kotahi as a result of the 2021 lockdown (OC210758 refers).

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Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
[redacted]				
7	**Completing a safe minimum operating network (MON) of ground-based navigation aids (GBNAs)** Seeks funding for Airways to deliver five (out of 24) navigational aids that will be used to safely recover aircraft as an emergency alternative to GPS navigation, at locations where regular user-pays cost recovery is not feasible.	Price pressure Funding new/improved services on a long-term basis (e.g., due to a government obligation or priority)	Operating: 23/24: 0.400 24/25: 0.400 25/26 & outyears: 0.400 Capital: 22/23: 4.000 23/24: 3.000 24/25: 3.000	• The Ministry supports this initiative. • The installations in scope of this bid form part of a minimum operating network (MON) recommended for mainland New Zealand – a scaled down option would not meet identified network requirements for low-performance aircraft including emergency medical service helicopters. The direct users of these navigational aids are part of Government - NZ Defence and the Health sector or volunteers contracted by Government – so a user pays model would still amount to a cost to the Crown. • Ministers may decide to not fund the whole of life operating cost at this time (15 years), however in that case the Ministry would present a subsequent bid in later Budgets for this funding. • Capital investment is split over three years to reflect the capacity Airways would have to deliver the project. However, deferring funding rather than splitting the capital funding across years would introduce safety risk to the system and delay realisation of full benefits from precision GPS-guided navigation. Later delivery may not benefit from efficiencies of aligning this delivery with Airways' existing works at user-pays funded locations and its associated procurement arrangements. • Further advice was provided under OC210566, and the initiative supports outputs to deliver the Cabinet-approved 2014 National Airspace and Air Navigation Plan (NAANP) [EGI Min (14) 11/3].

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Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
8	**Implementing a rescue and firefighting service at Whangārei Airport** Funding for a Rescue and Firefighting Service (RFS) to maintain the Whangārei District Airport's compliance with CAA certification status. The provision of a RFS is a requirement for the airport to grow air services to and from Whangārei. Under a 1963 Joint Venture (JV) Deed, the Crown must pay the capital costs of the RFS. The capital costs for the RFS vehicle are being covered by funding in the existing JV appropriation, but Crown funding is sought to build the RFS facility at the airport.	Volume pressure Funding new/improved services on a long-term basis (e.g., due to a government obligation or priority)	Capital: 21/22: 1.200	• The Ministry supports this initiative. • The RFS is required under the Civil Aviation Rule 139.11. The CAA has notified the Whangārei District Airport that RFS will be required from April 2022. • Until this Budget bid is confirmed, the Airport could temporarily store the RFS equipment and vehicles (to be delivered in February/March) at an existing hanger. However, this temporary solution represents additional costs, having to lease premises for the RFS crew to access specific training, exercise and resting facilities, and the airport losing rental income. This is not a sustainable longer-term solution. • There is no scaled option for this initiative. If funding was not received in Budget 2022, Crown funding would still be required to meet the JV Deed obligation. • If this bid was deferred by a year, the Airport would not be able to grow air services and would likely face reductions in revenue. [redacted] The Crown would still be liable for meeting the JV Deed obligations. Withheld to enable negotiations, without prejudice or disadvantage
9	**Ensuring continued access to affordable public transport for older New Zealanders** To cover the expected funding shortfall for councils to meet the expected increased costs of the SuperGold concession. The funding will protect the integrity of the SuperGold scheme, ensuring older New Zealanders can continue to benefit from free public transport.	Volume, price, personnel pressure Critical cost pressures of an existing service, due to increases in prices, volumes and/or personnel costs.	Operating: 22/23: 2.000 23/24: 2.000 24/25: 3.000 25/26 & outyears: 3.000	• The Ministry supports this initiative. • The risk of deferring this initiative is that, if patronage numbers return to pre-pandemic levels by mid-2022—as they are forecast to do—there will not be sufficient funding in the current SuperGold Card appropriation to cover the Crown's share of the scheme's costs. Councils could choose to cut back on benefits provided for by the scheme, which would be a risk to the scheme's integrity and impact its end-users. • The funding sought through this bid would be the minimum required to meet the expected demand for the Scheme, based on the known costs to councils for providing the concession. The quantum of funding is based on assumptions made about the cost on councils of providing the concession for an increasing number of SuperGold Card holders and the accompanying expected patronage in the upcoming years. Given the Budget initiative is essentially for the creation of a demand driven contingency fund, it is scalable to match demand for the SuperGold scheme. If additional funding is not required by councils, the funding would go un-used. • The intention of this initiative is to provide necessary funding for the SuperGold scheme until it can be made financially sustainable. It is not intended that this initiative will provide for a permanent solution to the scheme's funding model, which is something that would need to be covered in a review.
10	**Delivering effective transport system responses and advice (policy, investment, and strategy) on the COVID-19 pandemic** To fund 11 policy and response FTEs at the Ministry for a two-year period to provide advice on and coordinate delivery of transport sector COVID-19 activity. Funding for the 2021/22 FY has been approved through the COVID-19 omnibus process. This bid is seeking funding for the following two years.	Personnel pressure Critical cost pressures of an existing service, due to increases in prices, volumes and/or personnel costs.	Operating: 22/23: 2.478 23/24: [redacted]	• The Ministry supports this initiative. • This work is currently being undertaken by the Ministry within baselines. Where COVID-19 activity clearly links to broader transport policy work, the Ministry will continue to use existing resource. However, the Ministry cannot continue to fund its core COVID-19 activity without significantly disrupting BAU work. • Given the likely long-term policy and response work required related to COVID-19, it is advantageous to fund both years. This also allows longer fixed-term contracts to be established, providing certainty to FTE and reduced costs to the business (e.g., by hiring FTE instead of using contractors short term). • A scaled option of instead funding 8 FTE has been provided. This would require resource to be drawn from the wider Ministry to sustain current levels of activity (and other work to be paused/traded off).

Cost pressures initiatives

#	Budget initiative	Type of cost pressure	Indicative funding sought ($m)	Ministry Comment
11	**Maritime Security Strategy Implementation: Closing Critical Gaps in NZ's Maritime Security System** To deliver the key outcomes of the 2019 Cabinet approved Maritime Security Strategy. The bid directly supports the delivery of 16 of the 42 identified national security risks. The maritime security sector is currently operating beyond maximum capacity; this bid will address these causal factors and reduce the level of risk. Submitted on behalf of the Maritime Security Oversight Committee.	Personnel pressure Funding new/improved services on a long-term basis (e.g., due to a government obligation or priority).	Operating: 22.23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26 & outyears: [redacted]	• The Ministry supports this initiative. The Minister of Finance invited you to submit this initiative at your discretion if it is considered critical and cannot be deferred. We have included text specifically on the priority of this bid in your letter to the Minister of Finance. • When Cabinet approved the Maritime Security Strategy in 2019, it noted additional funding would be required to implement the Strategy. Bids in Budget 2020 and 2021 to implement the Strategy were unsuccessful. • The Maritime Security System is currently being funded from agency baselines using a club funding model. The maritime security system agencies are prepared to relinquish baseline funding into a specific appropriation for this purpose, although their ability to is impacted by COVID-19 related cost pressures. Crown funding is required to top this up and enable full implementation of the strategy. • This initiative will provide benefits across the broader national security system, including transnational organised crime and in the COVID response areas, as it will enable New Zealand to have an enhanced understanding of the activities taking place within our maritime area of interest, enabling more effective and efficient responses to be coordinated across the national security system.

Manifesto commitment initiatives

#	Budget initiative	Indicative funding sought ($m)	Ministry Comment
1	**Auckland Light Rail – progressing the next phase of project delivery** Funding to support the detailed planning phase of the CC2M/ALR project, following Cabinet's decisions on 6 December 2021. The initiative will provide funding for the next operating unit to progress work on the detailed planning phase, including the detailed business case and further planning work (e.g., technical design, master-planning, stakeholder engagement), potential strategic land acquisitions, and policy work undertaken by the Ministry.	PLACEHOLDER Operating: 22/23: 137.400 23/24: 244.400 Capital: TBD (likely for 22/23 and 23/24)	• This bid is a placeholder dependent on Cabinet's decisions on 6 December. • Costs are uncertain at this stage and depend on key decisions on the project indicated in the Cabinet paper (OC210779 refers). Factors likely to result in a significant revision of costs include: decisions on mode and route; the nature and governance of the next operating unit; timeframes for the project and final investment decisions; appointment of the SRO and the Ministry's role, and the extent of policy work required (subject to a report back in April 2022). • Deferring this initiative is not an option as this would delay the scheduled move to the detailed planning phase following decisions from Cabinet in December. If funding is not provided as outlined in Budget 2022, agreements with third-party providers and agencies involved may not be finalised, and work on the detailed planning phase may not proceed as intended. • Figures for the strategic land acquisitions are currently presented as Operating funding. They will be transferred to Capital funding upon further confirmation that the Crown or its wholly owned controlled entities will eventually take ownership of the assets. • Alternative funding through the NLTF has been investigated and is deemed unlikely to be viable given the lack of sufficient funding available. Funding from the NLTF is also not consistent with the accountability frameworks and agency responsibilities reflected in the governance arrangements that Cabinet will be asked to agree in December. • A scaled option has been constructed, reflecting a minimum viable funding of client delivery entity and professional services costs, resulting in a reduced level of work during the detailed planning phase. This option is likely to reduce the robustness and quality of the detailed planning phase and increases the consenting risk of the project. This option is not recommended by the Ministry given the large scale of ALR and the need for careful planning to address significant project risks including timing, costs and consentability. • In his letter, the Minister of Finance indicated the need to ensure strong governance is in place for the project. Strong governance and oversight is embedded in the design of the new delivery unit, and the Ministry is providing an assurance and policy advice function alongside other sponsoring agencies. • Funding for next operating unit throughout the remainder of this financial year is expected to be from the NLTF, although the initiative may include funding to reimburse Waka Kotahi for the costs of setting up the next phase between now and Budget commitments.

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Manifesto commitment initiatives

#	Budget initiative	Indicative funding sought ($m)	Ministry Comment
2	**Extension of the Essential Transport Connectivity (ETC) scheme** To extend the existing ETC scheme and ensure essential domestic transport services are able to continue operating despite COVID-19 restrictions and the loss of international tourists, which previously made many of these services viable.	<u>PLACEHOLDER</u> Operating: 22/23: 30.492	• This bid is a placeholder dependent on Cabinet agreeing to extend the ETC beyond its current end date of 31 December. The need for the scheme will depend on how the domestic transport sector has recovered from current COVID-19 restrictions, the rollout of the COVID-19 Protection Framework, and whether demand has increased following implementation of the Reconnecting New Zealanders framework. • The need for support is likely to decrease over the course of 2022. The COVID-19 Protection Framework and Reconnecting New Zealanders approach are likely to see passenger demand increase and for some operators to be viable on their own. It is too early to know when this will occur and which transport services are more likely to return to commercially viability. However, we do not expect demand to increase enough overnight to immediately end Crown support. It will take time for passenger numbers to increase and for international visitors to return under a staged approach to step 3 of Reconnecting New Zealanders. The Ministry will provide you advice on the ongoing need for the ETC scheme in March/April 2022. • Joint Ministers (Min Wood, Parker, Nash, Robertson) received advice on extending the ETC beyond 31 December and agreed to seek Cabinet agreement to this (OC210856). The Minister of Transport has now received a draft Cabinet paper seeking an extension of the ETC to 30 April 2022 to align with step 3 of Reconnecting New Zealanders.
3	**Extension of the Maintaining International Air Connectivity (MIAC) scheme** To extend the existing MIAC scheme and provide funding for international flights to continue if restrictions on international passenger movements into 2022/23 make it necessary to do so. This bid is subject to Cabinet agreeing to extend the MIAC beyond its current 31 March 2022 end date.	<u>PLACEHOLDER</u> Operating: 22/23: [redacted]	• This bid is a placeholder. The MIAC is due to expire on 31 March 2022. Advice on an exit strategy for the scheme is due to be provided to the Minister of Transport in February 2022 for consideration at Cabinet in early March. • The ongoing need for the MIAC will be determined by the progress of the Reconnecting New Zealanders approach and the recommendations of the exit strategy. • Reconnecting New Zealanders would see both increased international travel by New Zealanders and international visitors to New Zealand beginning to return over the course of 2022. Steps 1 and 2 allow New Zealanders to return to New Zealand. Step 3 of the approach (which would see fully vaccinated non-New Zealanders being able to come to New Zealand) is likely to be staged, passenger numbers are expected to be small, and travellers from some markets are likely to return sooner than others (as limits to them travelling to and from their home countries remain in place). These travellers are not expected to end the need for the MIAC overnight. This means support may be needed to maintain connectivity to some markets longer than others. The Ministry will provide you advice on this in February 2022. Withheld as release would be likely to prejudice security, defence or international relations of New Zealand • [redacted] • The Minister of Finance also commented on the need to ensure any further funding should be accompanied by a clear plan for off-ramping the scheme to mitigate fiscal risk. An exit strategy for the MIAC (which aligns with the Reconnecting New Zealanders approach) is already under development (in consultation with Treasury and DPMC) and will be provided to you in February 2022.

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Manifesto commitment initiatives

#	Budget initiative	Indicative funding sought ($m)	Ministry Comment
4	**Investigating port sector opportunities to support decarbonisation, resilience and regional development** To fund three technical studies, to be conducted in 2022/23 financial year: 1. A data exercise to provide a disaggregated view of national trade growth and develop a national view on the New Zealand supply chain, to inform development of the New Zealand Freight and Supply Chain Strategy. 2. A technical feasibility study of the Manakau Harbour as a location for a future port, potentially to replace the Ports of Auckland in the long-term. 3. Continuation of work on the Northland dry-dock proposal, developing a view of wider benefits of a dry dock and how it might align with broader Government objectives.	Operating: 22/23: 3.700	• The Ministry supports the submission of this initiative. We consider of highest priority is the data exercise, which would inform the National Freight and Supply Chain Strategy. We consider the study relating to the Manakau Harbour and the Northland dry dock are lower relative priority. Delaying one or both of these studies to Budget 2023 is a potential option. • The first study is to provide a richer view of NZ's supply chain to assist the National Freight and Supply Chain Strategy (the Strategy) development. The questions we wish to answer are likely to be based on findings from the Transport Evidence Base Strategy (TEBS). Delaying until Budget 2023 is not an option as the Ministry intends to have the Strategy drafted before mid-2023 (and the time for insights from this study to contribute to the Strategy will have passed). • You requested that we included both the Manukau Harbour technical feasibility and dry dock studies in Budget 2022. We note that the coastal shipping activity class could potentially fund the dry dock business case, but this would be a decision for Waka Kotahi to make independently. • While the Strategy will help inform decisions on ports more generally, it will not provide specific advice on the locational issues surrounding the future of Ports of Auckland Limited (POAL). This work is extremely contentious. If the Manukau Harbour study received funding, the Ministry would need to run a rigorously transparent and inclusive process with Auckland Council, POAL, iwi and the public. Ministers should consider whether they are committed to this project, as we anticipate that successfully delivering it could be a time intensive project across all governance levels. • You are meeting with Ministers Nash and Henare on 15 December to discuss the dry dock matter further (covered by the third study). [redacted]
[redacted]	[redacted] Also withheld as release would likely prejudice the security or defence of New Zealand	[redacted]	

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Manifesto commitment initiatives

#	Budget initiative	Indicative funding sought ($m)	Ministry Comment
6	**Rail Network Investment Programme: Providing infrastructure pipeline certainty to enable resilient and reliable rail** This bid seeks operating funding to top-up the National Land Transport Fund (NLTF) to implement KiwiRail's Rail Network Investment Programme (RNIP). This investment is critical to enable KiwiRail to continue to run rail services and to provide a platform for future growth.	Operating: 24/25: 312.300 [redacted]	• The Ministry supports this initiative for the top-up to the NLTF. • Funding was provided for the first three years of the 10-year RNIP through Budget 2021. • [redacted] • [redacted] Given the Government's current commitment to the Rail Plan, future funding is already (and would continue to be, if not funded) reported in the Government's accounts as a Specific Fiscal Risk.
7	**Completing the renewal of KiwiRail's locomotive and wagon fleet as part of the New Zealand Rail Plan** This funding will support the procurement of 29 new mainline locomotives to replace the life-expired passenger and light duty DF fleet and complete the wagon renewal programme. This includes replacing hooper wagons, cassettes and bolsters for forestry wagons, and side-curtain containers for box wagons. This is the final tranche of funding to complete KiwiRail's rolling stock investment programme, replacing life-expired assets with modern, energy efficient locomotives.	Capital: 22/23: 15.000 23/24: 110.700 24/25: 102.500 25/26: 86.700 26/27: 34.300	• The Ministry supports this initiative for remaining investment to replace KiwiRail's ageing rolling stock. • KiwiRail sought funding through previous Budgets to replace the DF fleet and the remaining wagons. • The bid is consistent with earlier Cabinet decisions to recapitalise KiwiRail by replacing ageing rolling stock and to support a reliable and resilient rail network. • The Treasury's Commercial Performance team notes this bid is the final tranche of shareholder support for KiwiRail's 'above rail' asset replacement programme. This programme should provide the company with the asset base quality it needs to generate sufficient cash through above-rail operations into the future, as part of its Pathway to Profit initiative, to eliminate the need for shareholder support to fund its above-rail business, at least in the medium-term.
Bids being led by other Votes, with implications on Vote Transport			

8	**Driver licence support - equitable access to driver licences to improve employment, wellbeing and safety outcomes (Ministry of Social Development led)**
	Will fund MSD contracted driver licence support for 64,000 people over 4 years. It will support equity for people disadvantaged by barriers to driver licences. Funding covers costs for: support; consultation; referral pathway design; sector development; increased testing capacity for transport disadvantaged communities and monitoring of take-up and effectiveness.
		Operating:
		22/23: 16.162
		23/24: 20.619
		24/25: 24.544
		25/26 & outyears: 25.161
			• The Ministry supports this initiative.
			• Deferring this bid to Budget 2023 will delay access to driver licence testing and support for some, and further exacerbate wait times and other operational delivery challenges. It would also see many existing driver licence support services lose funding resulting in skills being lost, and inequities in the driver licensing system would continue to grow.
			• The minimum scaled option provided would only stabilise the sector, not expand it, and reduce support to only 55,000 people over 4 years. Funding this option would lead to similar issues described above, including some existing driver license support services losing funding.
			• As part of the Education Employment and Training Ministers Group, you have agreed to recommendations from MSD on a framework for providing driver licence support and these related Budget proposals. You have also:
			  ○ indicated your interest in strong operational improvements to the licensing system to improve access and equity (in response to OC210736)
			  ○ received advice on possible implications of the proposals in Waka Kotahi's Regulatory Fees, Charges and Funding Review on this bid.
			• Noting the Minister of Finance expected this bid be led by MSD, which it now is.

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Manifesto commitment initiatives

#	Budget initiative	Indicative funding sought ($m)	Ministry Comment
9	[redacted] This initiative will fund [redacted] foundational updates to the regulatory system for the use of drones and build the capacity and capability the CAA needs to maintain pace with the sector [redacted]	Operating: 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26: [redacted] Capital: 22/23: 1.000 23/24: 0.500 24/25: 0.250	• The Ministry supports this initiative. • This initiative seeks [redacted] funding for CAA capability and capacity to provide effective regulation (e.g. registration, safety, and education) of [redacted] drones [redacted] • [redacted] • It is not possible to scale or defer the Enabling Drone Integration component of the bid, as all the measures are interlinked and interdependent. Scaling the Ministry policy capacity is possible but will slow the development of any new policy work [redacted] • [redacted] The work on the Enabling Drone Integration measures has been described in OC210605 and are expected to be considered by Cabinet in late-December or early-January. [redacted]

Hon Michael Wood

Minister of Transport
Minister for Workplace Relations and Safety

10 December 2021

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Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

Dear Grant

I am submitting the initiatives outlined below for the Vote Transport portfolio for consideration as part of the Budget 2022 process. I confirm that you have invited me to submit the following initiatives.

Total amount of funding sought for the Transport portfolio (including main Budget process and CERF)

Operating Funding Sought ($m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
[redacted]						

Capital Funding Sought ($m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
[redacted]											

Total sought from the Climate Emergency Response Fund (CERF)

Operating Funding Sought ($m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
[redacted]						

Capital Funding Sought ($m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
[redacted]											

CERF initiatives submitted:

- Delivering mode-shift and reducing vehicle kilometres travelled in New Zealand's main urban areas
- Making public transport more affordable for low-income New Zealanders
- Building a sustainable skilled workforce to support upscaling of bus networks
- [redacted]
- Assisting low-income New Zealanders shift to cleaner vehicles
- [redacted]
- Accelerating decarbonisation of the public transport bus fleet

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- Accelerating the decarbonisation of freight transport
- [redacted]

Total sought for cost pressure initiatives

Operating Funding Sought ($m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
[redacted]						

Capital Funding Sought ($m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
[redacted]											

Cost pressure initiatives submitted:

- Extending government support to Maritime NZ to deliver core regulatory functions
- Maritime NZ meeting its obligations under the Health and Safety at Work Act 2015
- Civil Aviation Authority – extension of government funding to deliver minimum aviation safety and security functions
- [redacted] Withheld to protect the supply of similar information and to enable negotiations without prejudice or disadvantage
- Waka Kotahi's regulatory business – addressing COVID-19 impacts
- [redacted]
- Completing a safe minimum operating network (MON) of ground-based navigation aids (GBNAs)
- Implementing rescue and firefighting services at Whangārei Joint Venture Airport
- SuperGold Card – ensuring continued access to affordable public transport for older New Zealanders
- Delivering effective transport system responses and advice (policy, investment and strategy) on the COVID-19 pandemic
- Maritime Security Strategy Implementation: Closing critical gaps in NZ's maritime security system
- Crown Support for Reduced Public Transport Revenue due to COVID-19

Total sought for manifesto commitment initiatives

Operating Funding Sought ($m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
[redacted]						

Capital Funding Sought ($m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
[redacted]											

Manifesto commitment initiatives submitted:

- Auckland Light Rail – progressing the next phase of project delivery
- Investigating port sector opportunities to support decarbonisation, resilience and regional development
- Future of Rail – Rail Network Investment Programme
- Future of Rail – Rolling Stock
- Chatham Islands shipping solution to enable critical transportation services[1]

[1] This initiative has been submitted following a late invite received in December. The accompanying business case and options analysis is currently being developed and will be formally submitted, alongside the funding sought, by mid-January 2022.

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Manifesto commitment initiatives submitted that may proceed, pending further Cabinet policy decisions:

- Extension of the Essential Transport Connectivity (ETC) scheme
- Extension of the Maintaining International Air Connectivity (MIAC) scheme
- [redacted] Also withheld as release would likely prejudice the security or defence of New Zealand

Initiatives submitted for Vote Transport included in other Ministers' letters to you

There are two initiatives seeking funding through Vote Transport that I have not included in the above tables, as these are being submitted by other Ministers:

- Driver licence support – equitable access to driver licences to improve employment, wellbeing and safety outcomes – *Minister for Social Development and Employment*
- [redacted]

I propose an ambitious CERF Transport package, to kick-start delivery of the Emissions Reduction Plan (ERP) Transport chapter

Transport is responsible for 47 percent of total domestic carbon dioxide emissions. Without largely decarbonising transport, New Zealand is unlikely to achieve its statutory target of net zero emissions by 2050. The Climate Change Commission's demonstration path to reaching net zero includes reducing transport emissions by 41 percent by 2035.

The draft transport chapter of the first Emissions Reduction Plan (ERP) sets out the initial actions that the Government needs to take to achieve this level of reduction from transport by 2035. The draft ERP has informed my proposed package of CERF initiatives for Budget 2022. I have reduced the number of bids in this area and prioritised the remaining bids at your request.

The package of CERF initiatives that I am submitting is a critical first step for delivering on the first ERP and putting us on a pathway to achieving a 41 percent reduction in transport emissions by 2035. Further investment will be necessary to deliver all the actions included in the ERP and achieve the scale and pace of change required from the transport sector by 2035.

The CERF initiatives that I am submitting cover the three focus areas the Climate Change Commission directed the transport sector to focus on: reducing vehicle kilometres travelled (VKT), increasing uptake of low-emission vehicles and starting work to decarbonise the freight sector. I have prioritised implementation-ready initiatives and those that lay the groundwork for a just transition.

Mode-shift investment is my highest priority

The CERF initiative that I consider of highest priority is *Delivering mode-shift and reducing VKT in New Zealand's main urban areas*, [redacted] This initiative enables [redacted] delivery of relatively low-cost and high value investments that will incentivise mode-shift in the short-term, while we progress planning and development of much larger, more expensive, and longer-term projects such as rapid-transit networks. This includes investments that can be delivered quickly and optimise existing transport networks through changes that make public transport, walking and cycling safer and easier for significantly more people (e.g. reallocating road space and standing up new prioritised bus services).

Early investment in mode-shift is critical for achieving the VKT reduction target, as it takes time to improve infrastructure and services. Deferring investment also risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required.

Mode-shift investment is necessary to provide viable alternatives to car travel and support an equitable transition. Mode-shift investment can significantly improve transport equity by making inclusive and affordable transport modes more accessible. Without this, road pricing tools, including congestion charging and the emissions trading scheme, are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel. This could exacerbate transport disadvantage and poverty.

Maximising investment in transport emissions reduction through leveraging multiple funding sources

To maximise the total investment leveraged from the direct crown investment, the design of each CERF initiative seeks to encourage alternative funding sources to be exhausted first or alongside, where appropriate (such as the National Land Transport Fund (NLTF) and local council revenue sources).

ETS proceeds will be used to fund CERF initiatives. Annual ETS proceeds from motorists are now approaching $1 billion in revenue per year, with ETS taxes now making up about 15 cents per litre on petrol and 17 cents per litre on diesel. This has more than doubled since July 2020, when ETS taxes were about 5-6 cents per litre.

We need to be recycling ETS revenues back into the transport system so that people have alternative travel options. Without alternative options, road pricing tools (including congestion charging and the ETS) are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel.

Withheld to protect the free and frank expression of opinions

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Delivering the Emissions Reduction Plan will require additional capability and capacity

In addition to resourcing Budget initiatives, significant resources are needed to deliver on the ERP. I have worked hard with officials this year to ensure that Transport delivers a package of credible, coherent, and well socialised policies in the ERP to meet our decarbonisation objectives. Delivery of the ERP in full is currently unfunded. The transport chapter of the ERP contains over 100 initiatives, including a number of policy initiatives and regulatory changes not covered in this suite of CERF bids. Some are underway using existing resource but others are brand new policies that the Ministry of Transport and others will need to add to its output plan in coming years. [redacted]

There are critical cost pressures in the transport sector that require attention in Budget 2022

COVID-19 and border restrictions continue to impact the transport sector

You will be aware border agencies' third-party revenue has been significantly impacted by the COVID-19 pandemic. The current liquidity facility serving the Civil Aviation Authority (CAA) and Maritime New Zealand (MNZ) ends on 30 June 2022. As travel and border restrictions are still in place, both agencies are submitting multi-year bids in Budget 2022 to continue the liquidity facility for 2022/23 and 2023/24. This includes funding to enable core aviation and maritime services, [redacted] Crown funding is required for these activities to 'bridge the gap' between now and the Cabinet-directed CAA and MNZ funding reviews, to establish a new funding model to return the agency, and sector, to financial sustainability.

Since submitting bids to you for invitation, there have been changes in the Government's response to the COVID-19 pandemic and the virus itself, including introduction of the COVID-19 Protection Framework, border re-opening announcements and emergency of the Omicron variant overseas. Where we have information currently, these have been factored into the initiatives. My officials will work with the Treasury in the new year to amend any COVID-19 related bids to reflect these changes, if necessary.

Crown funding is required to implement the Maritime Security Strategy

You provided me discretion to submit a bid for the implementation of the Maritime Security Strategy (MSS) if I saw it absolutely critical not to defer to next Budget. I am progressing this initiative as I have been advised if this bid is unsuccessful, current risks in the maritime security system will remain unaddressed (such as irregular migration, drug smuggling and illegal fishing).

In 2019 Cabinet agreed to the Maritime Security Strategy, noting that additional funding would be required to implement it. Agencies in the maritime security sector are facing cost pressures on their baselines as a result of COVID-19 but are committed to delivering the MSS and are prepared to relinquish their current baseline funding into an appropriation for this purpose. Although the baseline pressures mean agencies are unable to commit additional funding beyond their current contribution. Crown funding is required to top this up and enable full implementation. I believe the funding sought [redacted]) to deliver the MSS represents strong value for money.

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Continuing progress on our manifesto commitments

The manifesto includes several commitments that require funding through Vote Transport to progress their delivery. These include enabling the next steps in the Auckland Light Rail process (following Cabinet decisions) and [redacted] the delivery of a resilient and reliable rail network through [redacted] the Rail Network Investment Programme (RNIP) and KiwiRail's rolling stock and wagon replacement.

I have submitted two placeholder bids to extend the Essential Transport Connectivity (ETC) and Maintaining International Air Capacity (MIAC) schemes, as both are currently due to expire in this financial year. While my current expectation is that these schemes are unlikely to continue beyond 2021/22, Cabinet is due to consider the future of the ETC in December 2021 and the MIAC in March 2022. Cabinet's decisions will dictate the nature of these bids, and my officials will work with the Treasury to adjust the bids if necessary, to reflect Cabinet decisions (again noting recent Government decisions on border re-opening and the emergence of Omicron, and the ongoing uncertainty around COVID-19 generally). If there are developments in the COVID-19 situation, it may be necessary to return to Cabinet after those decisions to reinstate the schemes.

As mentioned above, there are two manifesto commitment initiatives being led outside of Vote Transport that will be submitted by other Ministers. I see both as opportunities to deliver improved transport outcomes and Government priorities, therefore I support both receiving Budget 2022 funding.

Reprioritisation options

I have asked my officials to investigate in more detail appropriations where surplus funding could be available. The reforecasting process through the March Baseline Update in early 2022 will be used as a basis for this. Most of the initiatives where underspends are likely to occur are subject to COVID-19 cost pressures and have existing Budget bids in place for further funding. As such, my preference is that any forecast underspends are reprioritised to offset the amounts being requested through these Budget bids in the first instance.

Overall, there is currently limited opportunity to reprioritise expenditure within Vote Transport. Of the $8.2 billion available in 2021/22 about $5 billion cannot be reprioritised as it is hypothecated to be spent on the NLTF, represents borrowing, or is otherwise ringfenced. There are some limited options to consider funding activities through the NLTF instead of Crown appropriations, which officials will explore through existing funding review cycles, rather than through Budget 2022. However, I note that these options would put additional pressure on the NLTF.

Yours sincerely

M. Wood

Hon Michael Wood
Minister of Transport

TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Delivering on the Emissions Reduction Plan – Strategic Overview for Transport's CERF bids

Contents

Executive Summary

The Government's draft Emissions Reduction Plan (ERP) commits to significant action to reduce transport emissions by 41 percent by 2035. This reflects the need to get work underway quickly to achieve this very challenging target. To deliver on the draft ERP, there needs to be a step change in investment in mode-shift to public and active transport, as well as support for cleaner vehicles and freight. Budget 2022 is an essential first step for delivering on the initiatives in the draft ERP, and an opportunity to address wider costs on society from air pollution, crashes, and congestion.

The Minister of Transport has submitted 9 initiatives for Budget 2022 under the Climate Emergency Response Fund (CERF). This substantial package will:

- Create a platform for an enduring approach to mode-shift and reducing vehicle kilometres travelled (VKT) by light vehicles through robust planning and funding to deliver key initiatives. This is the key focus for Budget 2022.
- Support clean vehicle initiatives with an equity focus, including trialling approaches to learn what is most effective. This will be essential for supporting a Just Transition.
- Initiate a major focus on decarbonising the freight system by developing a strategic approach in partnership with the sector. [redacted]

This package will make an important contribution to the transport target in the draft ERP

Te Manatū Waka - Ministry of Transport (Te Manatū Waka) has estimated that this package could reduce greenhouse gas emissions by up to 0.3 million tonnes from 2022 to 2025, up to 1 million tonnes from 2026-2030 and up to 1.5 million tonnes from 2031-2035. More importantly, this package provides the foundation for making further reductions from transport while maximising co-benefits and supporting an equitable transition.

This package of initiatives has been assessed using a Value for Money (VfM) assessment approach

This assessment has shown that while all the initiatives are strategically aligned with the Government's priorities, they differ in terms of their value for money. The greatest benefits will come from the large-scale investment in mode-shift and reducing VKT in New Zealand's main urban areas. The benefits from other initiatives are smaller but complementary – progressing other key areas for transport decarbonisation. Several of the mode-shift initiatives will deliver greater cumulative impact if progressed together.

Delivering this ambitious programme of initiatives will require a 'step change' in implementation

This extends to central government, local government and the market and will require sustained effort from all key stakeholders. There are already skill shortages in the transport sector and supply side-constraints that represent a key risk with many of these initiatives. A critical step that Te Manatū Waka is taking to manage implementation and the associated risk is to initiate a programme implementation work stream. Monitoring delivery will also be important, particularly with the additional challenge of understanding whether investments are achieving the level of emissions reduction intended. Te Manatū Waka is framing up a plan that will sit under the ERP that allows for adaptive management of the programme, which will help with responding to implementation and other emerging challenges with a programme of this scale.

Broader system changes across the wider transport and urban system are needed

Many of these changes are included or signalled in the draft ERP and will maximise the investment in this package. In particular, demand management, urban form and land use levers will need to be used to create the desired step change in travel demand and reduce transport emissions. The Budget 2022 package is the first significant step of a long-term programme of investment. It will need to be supported by wider actions included in the draft ERP and future budgets.

1. Introduction

The Minister of Transport has submitted 9 initiatives for Budget 2022 under the Climate Emergency Response Fund (CERF). This is a substantial package that will support the delivery of the draft Emission Reduction Plan (ERP).

The purpose of this document is to provide a strategic overview of why this package of initiatives is important for delivering on the ERP, and why it is beneficial to consider the initiatives together rather than as individual bids. This supports a systems approach to reducing transport emissions.

This document sets out:

- the strategic case for this package of initiatives, including an investment logic map
- how the package advances three key focus areas for decarbonising transport and the key interdependencies between initiatives
- an overview of the Value for Money approach taken to assess the initiatives, and the cumulative impact of combining initiatives
- key considerations for implementation and an implementation timeline.

2. Strategic Case: Addressing Climate Change through reducing Transport Emissions

On 2 December 2020, the Government declared a **climate change emergency** and committed to taking urgent action to reduce New Zealand's emissions. In October 2021, the Government updated its Nationally Determined Contribution (NDC) under the Paris Agreement to reducing net zero greenhouse gas (GHG) emissions by 50 percent by 2030. To achieve this NDC, the Government has stated its priority will be to reduce domestic emissions. This will be driven by the ERP. In the longer-term, the Government has committed to achieving net zero GHG emissions (excluding biogenic methane) by 2050.

Deep reductions in transport emissions are needed for New Zealand to meet its climate change targets

Transport is New Zealand's second-largest source of GHG emissions. It is responsible for approximately 20 percent of gross domestic emissions, and 43 percent of total CO_2 emissions. New Zealand will not be able to achieve net zero by 2050 without largely decarbonising the transport system.

In May 2021, the Climate Change Commission (the Commission) provided the Government with advice on the first three emissions budgets (2022-25, 2026-30, 2031-35) to put New Zealand on a pathway to net zero by 2050. The Commission's demonstration path involves **reducing transport emissions by 41 percent by 2035.** Te Manatū Waka forecasts that transport emissions would be nearly double where they need to be in 2035 without major interventions, including those under development, to put us on a different pathway. Urgent action and system-wide changes are required to change our current transport emissions trajectory.

The draft Emissions Reduction Plan (ERP) commits to significant action to reduce transport emissions

The draft ERP includes four focus areas that guide the approach to reducing transport emissions:

1. Reducing reliance on cars and supporting people to walk, cycle and use public transport.
2. Rapidly adopting low-emission vehicles and fuels.
3. Beginning work now to decarbonise heavy transport and freight.
4. Cross-cutting and enabling actions.

The draft ERP sets four transport targets that will support these focus areas and align with achieving a 41 percent reduction.

1. Reduce vehicle kilometres travelled (VKT) by cars and light vehicles by 20 percent by 2035 through providing better travel options, particularly in our largest cities.
2. Increase zero-emissions vehicles to 30 percent of the light fleet by 2035.
3. Reduce emissions from freight transport by 25 percent by 2035.
4. Reduce the emissions intensity of transport fuel by 15 percent by 2035.

Achieving these targets depends on the Government taking a wide-range of actions, including significant investment in mode-shift, cleaner vehicles and freight.

Budget 2022 is an essential first step in delivering on the transport initiatives in the draft ERP

This package of initiatives is an important first step for achieving these transport targets and delivering on New Zealand's first ERP.

Specifically, early investment in mode-shift is critical for achieving the VKT reduction target, as it takes time to improve infrastructure and services. Deferring investment also risks locking in emissions-intensive transport patterns that will make it harder and more expensive to reduce emissions in the future at the pace and scale required. Mode-shift investment is also important for supporting an equitable transition by making inclusive and affordable transport modes more accessible. Without this, road pricing tools, including congestion charging and the Emissions Trading Scheme, are less effective at promoting behaviour change and are likely to disproportionately increase living costs for low-income households who are heavily reliant on car travel. This could exacerbate transport disadvantage and poverty.

In addition, achieving an equitable transition relies on making cleaner vehicles more affordable and accessible for low-income New Zealanders, particularly in areas not well-served by public transport. Rapidly trialling initiatives that make low-emission vehicles more affordable is essential for enabling their wider roll-out if they are effective. Without this wider roll-out, low-income households that rely on travel by car could be locked into owning high emission vehicles – widening economic disparities and making it harder to achieve transport's cleaner vehicle target.

This package is also an opportunity to address wider costs on society from transport

Budget 2022 also offers opportunities to improve the wellbeing of New Zealanders. Air pollution, crashes and congestion from traffic impose a large cost on New Zealand's public health, environment, and economy. For many people and communities, transport is not affordable or accessible. This package will contribute to a more inclusive, safe, healthy, and resilient transport system that better supports economic activity.

2.1. Investment Logic Map

To assist with focussing and assessing the bids the investment logic map (ILM), presented in **Figure 1** below, was developed. The ILM has been developed from the content and targets in the draft ERP. It focusses on the need to achieve a mode shift away from light vehicles towards public and active transport, reducing the cost of clean transport and decarbonisation of New Zealand's vehicles across all uses. This ILM has been used to assist with developing and assessing the individual bids and the wider programme. It has not been formally endorsed.

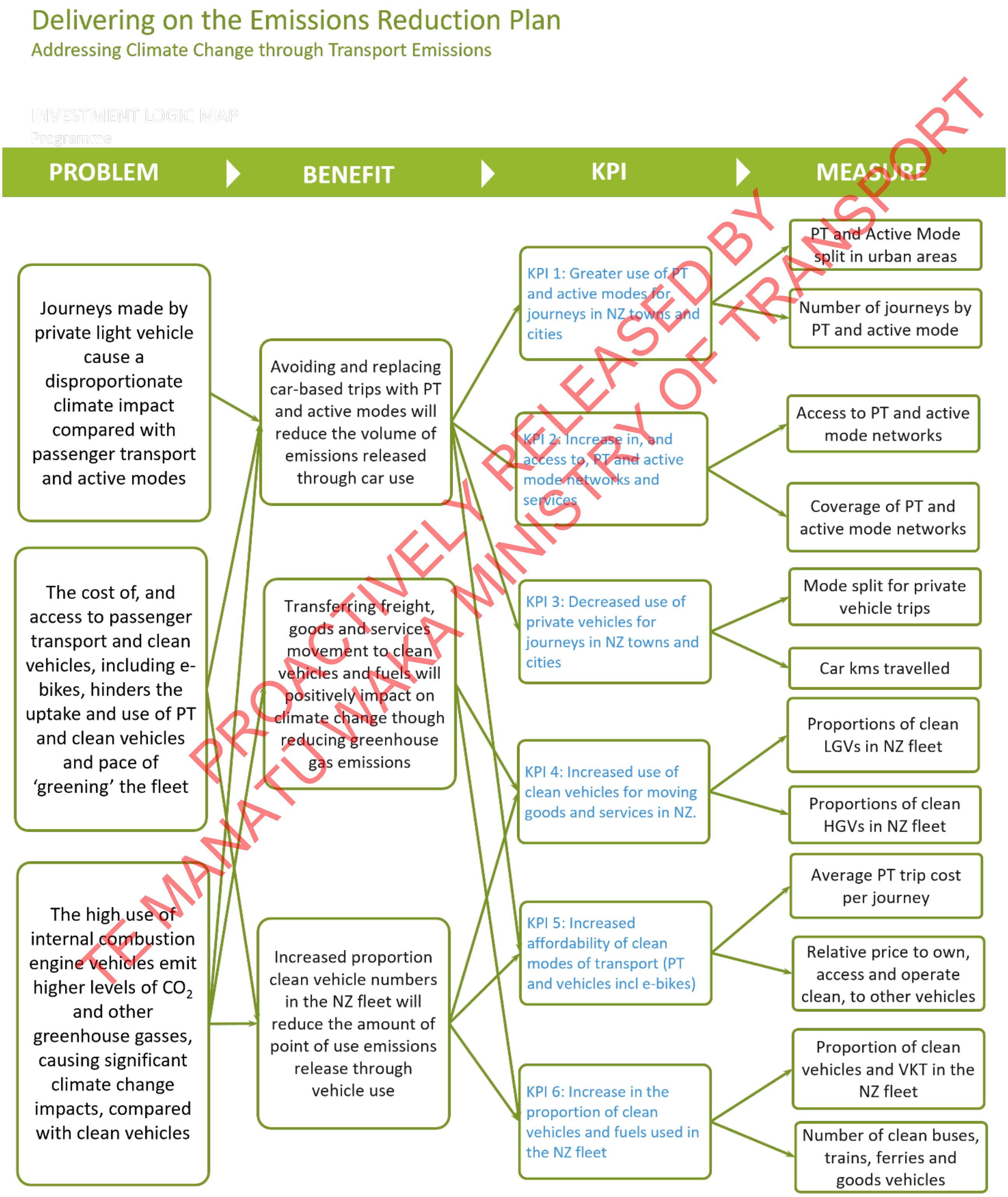

Figure 1: Transport Emission Reduction ILM

3. Summary of transport CERF budget package

Table 1 summarises each transport bid and how it contributes to focus areas 1 to 3 for transport, which underpin the approach to reducing transport emissions in the draft ERP.

Table 1: Overview of Bids

Focus area	*Bid*	*Description*	*Funding to FY 25/26*
Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport	1. Delivering mode-shift and reducing VKT in New Zealand's main urban areas	[redacted] investment in public transport, walking, cycling and demand management. This includes funding for the planning [redacted] of mode-shift and VKT reduction programmes in New Zealand's main urban areas, and support to enable congestion charging. This will support a step change in mode-shift and VKT reduction, which is required to achieve a 20 percent reduction in VKT by 2035.	[redacted]
	2. Building a sustainable skilled workforce to support upscaling of bus networks	Co-funding to support public transport authorities to implement measures aimed at recruiting and retaining bus drivers. This will address current bus driver shortages until longer term solutions are in place that will protect or improve driver wages and conditions. A sustainable labour market for public transport services is necessary to enable mode-shift to public transport.	Circa $78.5m
	3. Making public transport more affordable for low-income New Zealanders	Funding for the nationwide expansion of Community Connect – a 50 percent concession on public transport for Community Services Card holders for peak and off-peak services. The concession is intended to encourage greater use of public transport and support a just transition for low-income New Zealanders.	Circa $46m and $50m extra to 28/29
	[redacted] [redacted]	[redacted]	[redacted]
Focus 2: Rapidly adopting low-emission vehicles and fuels	5. Assisting low-income New Zealanders to shift to cleaner vehicles.	Funding to co-design and trial initiatives to make low-emission vehicles more affordable for low-income people, including trialling a low-emission vehicle social leasing scheme and an equity-oriented vehicle scrap and replace scheme. Supporting initiatives that make cleaner vehicles more affordable and accessible for low-income people will help to support an equitable transition, particularly in areas not-well served by public transport.	Circa $110m

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	[redacted]	[redacted]	[redacted]
Focus 3: Beginning work now to decarbonise heavy transport and freight	7. Accelerating decarbonisation of the public transport bus fleet	Funding to support public transport authorities to meet the cost of decarbonising the public transport bus fleet by 2035. Accelerating the decarbonisation of the public transport bus fleet will contribute to reduced carbon emissions, reduced harmful emissions, and improved amenity in urban centres.	[redacted]
	8. Accelerating the decarbonisation of freight transport	Funding for research and capability to support freight decarbonisation, including resource to support the development of the National Freight and Supply Chain Strategy and a strong evidence base on actions to reduce freight emissions. Large-scale contestable co-funding round to support organisations to demonstrate low-emission freight solutions, delivered through the Energy Efficiency and Conservation Authority.	Circa $20m [redacted]
	[redacted]	[redacted]	[redacted]

3.1. How the transport initiatives work together and their interdependencies

While each transport initiative can stand alone, several initiatives will provide greater benefits if progressed together. This section briefly highlights how the bids work together. Further details on the interdependencies between bids can be found at Appendix 1. Section 4 will show the cumulative impact of combining bids.

Focus 1: Reducing reliance on cars and supporting people to walk, cycle and use public transport

- The four initiatives under Focus 1 are all related and complementary – focusing on reducing emissions and improving access by supporting mode-shift to public and active transport.
- Bid 1 is fundamental because it will support a significant uplift in public transport use and active travel. This will make bids 3, [redacted] and 7 more effective at supporting mode-shift and improving access.
- Bid 1 involves improving and expanding public transport services, which relies on having a sustainable skilled bus driver workforce. Bid 2 will help to create a sustainable labour market for public transport.
- Bid 3 will help to make public transport more affordable for lower income New Zealanders. This initiative will significantly improve access if Bid 1 takes place, which will improve and expand the public transport networks and services that low-income people can travel on.
- The biggest barrier to cycling in New Zealand is the lack of safe and connected cycleways. Bid 1 will invest in safe and connected cycle networks. [redacted]

Focus 2: Rapidly adopting low-emission vehicles and fuels

- The two initiatives under Focus 2 aim to build on the Clean Car Standard and Discount to increase the uptake of cleaner vehicles.
- Bid 5 aims to make low-emission vehicles more affordable for low-income New Zealanders, taking a piloting approach to trial new initiatives. This is going to be particularly important for areas not well served by public transport, where people are heavily reliant on private vehicles. By including options to encourage replacing vehicle ownership with other modes (e.g. e-bikes), this scheme could also complement Focus 1 initiatives.
- [redacted]

Focus 3: Beginning work now to decarbonise heavy transport and freight

- The three initiatives under Focus 3 aim to accelerate decarbonisation of heavy vehicles and freight. Bids 8 and [redacted] are relatively independent.
- As more people shift onto buses (Focus 1), decarbonising those buses becomes increasingly important to ensure cleaner air, reduced noise, and greater amenity in urban areas. Bid 7 will support these wider benefits, as well as helping to encourage mode-shift and reducing emissions.

4. Value for Money assessment

4.1. Overview of the Value for Money assessment approach

Traditional cost benefit analysis (CBA) generally does not consider multi-sector interactions and issues (including a Just Transition) and irreversible impacts well. With the emerging nature of the CERF bids and the interdependency between many of the bids, it was not possible to perform an effective CBA for certain individual bids and the CERF bids as a package. To address these limitations, Te Manatū Waka's Value for Money (VfM) assessment model has been adapted to assess the effectiveness and efficiency of the CERF bids in delivering the desired outcomes, considering the intervention life cycle.

The assessment scored each bid based on five criteria, each with 2 sub-criteria to create a spread of ratings. Figure 2 indicates how the five assessment criteria align with the three VfM components proposed by the Treasury. A full description of the VfM assessment criteria is provided in Appendix 2.

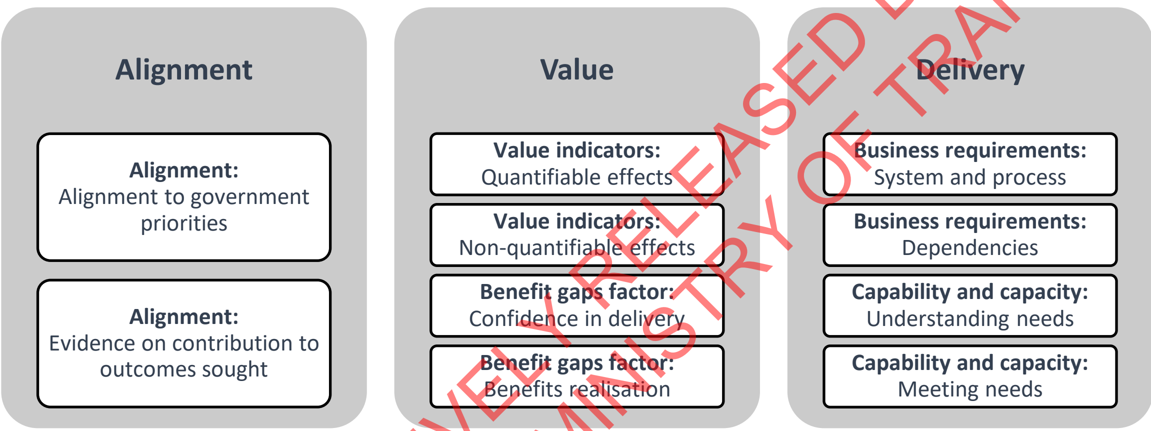

Figure 2: Value for Money assessment criteria

Figure 3 shows how the VfM assessment was carried out iteratively to inform the design of the initiatives. This helped to ensure all key aspects of costs and benefits were identified and consideration was given to how outcomes could be delivered effectively and efficiently. Where there was sufficient information, a CBA was carried out and subsequently revised as the intervention developed.

For the CERF initiatives that have CBAs (Bids 3, [redacted], 5, 7 and [redacted]), the estimated benefit to cost ratios were used to determine the quantifiable impacts score using the scale summarised in Table 6 in Appendix 2. When combining the non-quantifiable impacts to the quantifiable impacts, it has been assumed that non-quantifiable impacts could add up to 20 percent more benefits to the direct quantifiable impacts.[1]

[1] For wider economic impacts, a rule of thumb was around 10 percent. However, considering there are social connections related non-quantifiable impacts, a 20 percent figure was used. This premium only applies to bids with a non-quantifiable score in excess of 5. For example, when a bid has a non-quantifiable benefit score of 7, the increment is 2 (being 7 – 5). Therefore, the increase in the value score is quantifiable score plus 20% of the increment. If the bid in this example has a quantifiable benefit score of 5, adding the non-quantifiable benefits will increase this score to 5.4.

Figure 3: Value for Money assessment process

4.2. Strategic alignment and emissions reduction potential

The CERF bids will contribute to delivering the draft ERP. By design, all the bids are moderately to highly aligned to this intention.

Table 2 summarises the estimated carbon emissions reduction from the CERF bids. This shows that the CERF bids could reduce transport carbon emissions of up to 0.3 million tonnes from 2022 to 2025, up to 1 million tonnes from 2026-2030 and up to 1.5 million tonnes from 2031-2035. This package will provide a sizeable contribution to emissions reduction set out in the draft ERP. More importantly, this package provides the foundation for making further reductions from transport, including through other levers such as pricing mechanisms.

Table 2 shows the estimated emissions reduction potential from Focus area 1 as outlined in the draft ERP. The CERF bids in Focus 1 are expected to contribute to up to 13 percent[2] of the emissions reduction potential (of Focus area 1) by 2035.

Table 2: Estimated emissions reduction

Ref		Description	Emissions reduction estimates		
			2022–25	**2026–30**	**2031–35**
Focus 1	1	Delivering mode-shift and reducing VKT in New Zealand's main urban areas	0.04 – 0.22 Million tonnes	0.09 – 0.7 Million tonnes	0.15 o 1.09 Million tonnes
Focus 1	2	Building a sustainable skilled workforce to support upscaling of bus networks	0.004 Million tonnes	0.01 Million tonnes	0.01 Million tonnes
Focus 1	3	Making public transport more affordable for low-income New Zealanders	0.09 Million tonnes	0.28 Million tonnes	0.06 Million tonnes
Focus 1	[redacted]				
Focus 1		***Potential emissions reduction that could be achieved from Focus area 1 as outlined in the draft Emissions Reduction Plan** – with intensification of land use, enhanced public transport provision, congestion pricing, distance-based pricing.*	*0.33 Million tonnes*	*3.1 Million tonnes*	*7.6 Million tonnes*
Focus 2	5	Assisting low-income New Zealanders shift to cleaner vehicles	0.02 Million tonnes	0.03 Million tonnes	0.01 Million tonnes
Focus 2	[redacted]				
Focus 3	7	Accelerating decarbonisation of the public transport bus fleet	0.09 Million tonnes	0.31 Million tonnes	0.52 Million tonnes
Focus 3	8	Accelerating the decarbonisation of the freight sector	Estimates not available – this bid aims to accelerate research and innovation in decarbonising the freight sector		
Focus 3	[redacted]				
Combined emissions reduction from CERF bids			**Up to 0.3 Million tonnes**	**Up to 1 Million tonnes**	**Up to 1.5 Million tonnes**

[2] Being up to 1 million tonnes / 7.6 million tonnes.

4.3. Assessment outputs and interpretation

Table 3 shows the (unweighted) average value for money scores by criterion and the corresponding overall value for money rating for all bids.[3]

Table 3: Value for money rating

Ref		Description	Value for money criteria			Overall Value for Money rating
			Alignment	Value	Delivery	
Focus 1	1	Delivering mode-shift and reducing VKT in New Zealand's main urban areas	9.0	7.0	6.0	Medium-High
	2	Building a sustainable skilled workforce to support upscaling of bus networks	6.5	4.3	4.9	Low-Medium
	3	Making public transport more affordable for low-income New Zealanders	6.3	5.5	6.3	Medium
	[redacted]					
Focus 2	5	Assisting low-income New Zealanders shift to cleaner vehicles	6.5	5.2	5.0	Low-Medium
	[redacted]					
Focus 3	7	Accelerating decarbonisation of the public transport bus fleet	8.5	6.9	5.0	Medium
	8	Accelerating the decarbonisation of the freight sector	7.0	7.1	6.8	Medium-High
	[redacted]					

The VfM assessment allows comparison of the relative merits, strengths and limitations, against the criteria and sub-criteria presented.

In terms of overall Value for Money:

- [redacted]
- Three bids (bids 2, [redacted] and 5) are expected to have the benefits just below costs.
- Three bids (bids 3, 7 and [redacted]) are expected to have the benefits slightly higher than costs.
- Two bids (bids 1 and 8) are expected to have the benefits moderately higher than costs.

In terms of relative strengths and weakness:

- By design, all the nine bids are moderately to highly aligned to government strategies and outcomes.
- Three bids (bids 2, 5 & 7) have an overall delivery score less than or equal to 5. Bids 2, 4 and 7 have low capability and capacity scores. [redacted]
- Two bids (bids 2 and [redacted]) have a value score just under 5, meaning these bids are likely to have quantifiable and non-quantifiable benefits slightly lower than costs. [redacted] his result is consistent with the overall Value for Money rating assigned.

3 The final VfM assessment scores were moderated to better reflect the scale effects and to maintain assessment consistency between bids. The moderated scores for individual criteria and their sub-criteria are provided in Appendix 2.

- Three bids (bids 1, 7 and 8) have value scores of around 7, meaning the expected benefits from these bids are likely to be moderately higher than the costs.

Figure 4 shows the relative merits, strengths and limitations of the bids in a 3-way diagram – value, delivery and cost (size of bubbles). Bids fall in the centre of the diagram indicate an average score of 5 for both value and delivery criteria. Bids to the top right quadrant of the diagram are those with the highest value for money potential with minimum delivery risk. Bids on the left half are assessed to have value below the costs.

Figure 4: Value for Money assessment results

Greater cumulative impact of combining Focus 1 bids

As noted earlier, bids in Focus 1 are highly related to each other. The radar diagram below (Figure 5) presents how the bids overlay each other and their weighted average score.

As part of the VfM assessment, the combined impact of Focus 1 bids has been estimated. Bid 1 will have the most impact on emissions reduction and represents the best value for money in Focus 1. Bids 2 to [redacted] on their own are expected to have a small to moderate impact on emissions. However, they are very complementary of Bid 1. When combined with Bid 1, the impact of bids 2 to [redacted] could be greater and therefore they are likely to represent better value for money.

Our analysis estimates that should the greater cumulative impact of combining the bids is considered then the potential benefits would lift from $3.9 billion (2022-2032 in present value) to $4.0 billion. The implied BCR based on the VfM assessment would change from 1.4 to 1.5. This shows how important Bid 1 is for enabling greater benefits to be achieved through the other Focus 1 bids – and the benefits of progressing the package together. Appendix 3 outlines detail how the combined impact of the bids was assessed.

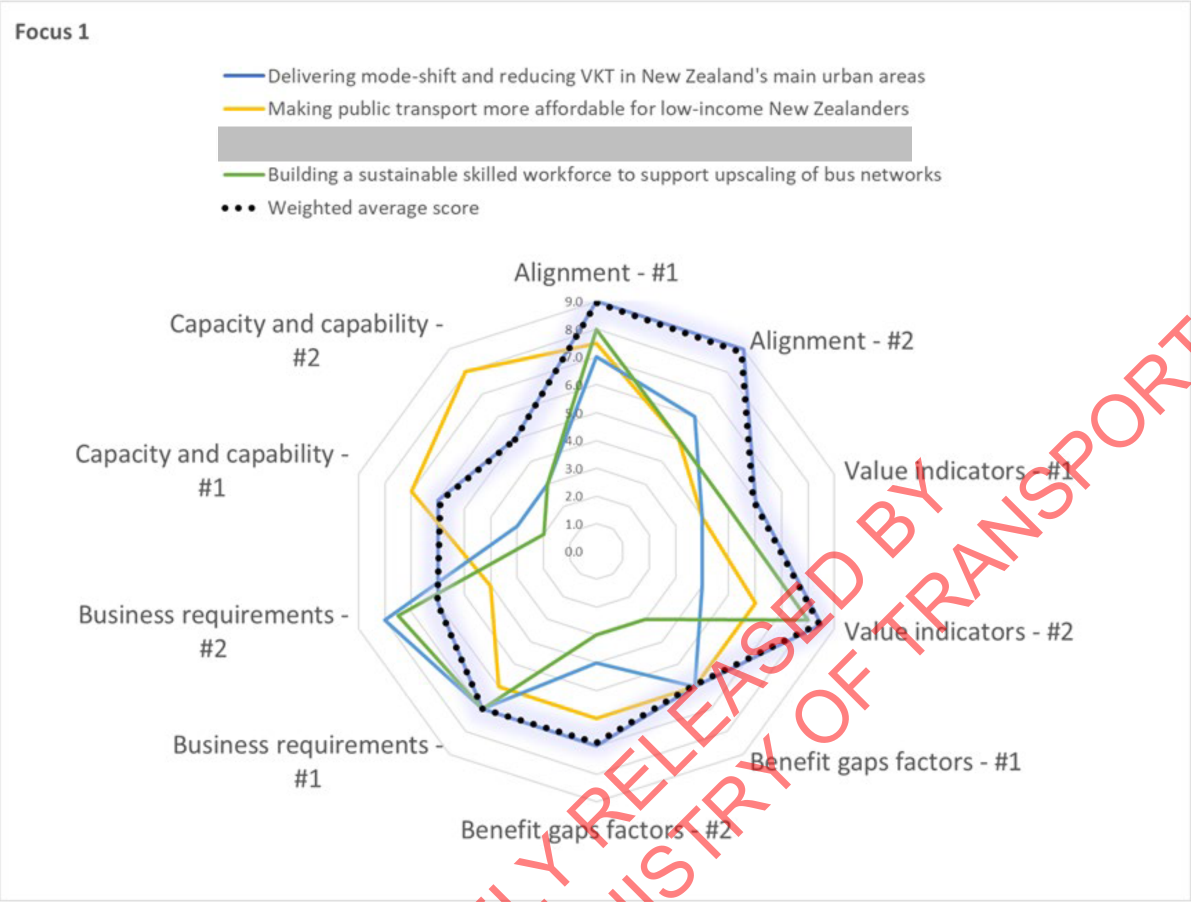

Figure 5: Focus 1 Value for Money assessment results

5. Implementation

Driving a step change in implementation

Delivering this ambitious programme of initiatives will require a ‘step change’ in implementation. This extends to central government, local government and the market and will require sustained effort from all key stakeholders.

There are already skill shortages in the transport sector and supply side-constraints that represent a key risk with many of these initiatives. This has been identified at multiple levels, including in central government, Crown agencies, local government and in the private sector.

A critical step that Te Manatū Waka is taking to manage implementation and the associated risk is to initiate a programme implementation work stream. This will work across the whole portfolio of bids and develop an integrated structure to guide and govern the individual programmes (based on the draft ERP focus areas) and then the individual projects or interventions. This will take into account the scale and complexity of delivering different initiatives.

Monitoring delivery will also be important, particularly with the additional challenge of understanding whether investments are achieving the level of emissions reduction intended. Te Manatū Waka is framing up a plan that will sit under the ERP that allows for adaptive management of the programme, which will help with responding to implementation and other emerging challenges with a programme of this scale.

Broader system changes will be necessary

There will need to be interventions across the wider transport and urban system to maximise the investment in this package of initiatives. Many of these are included or signalled in the draft ERP. In particular, demand management, urban form and land use levers will need to be used to create the desired step change in travel demand and reduce transport related emissions. For example, Bid 1 needs the wider transport and urban system to change to maximise the investment. This includes de-prioritising car-based investment and in particular the implementation of demand management tools such as pricing to drive behaviour change. It also requires good partnerships with local government. Further policy and design work will be required on several initiatives, which may indicate complementary work will be required across other portfolios or in later years to ensure successful delivery.

Implementation programme

Figure 6 below summarises the high-level phases in the delivery of each bid, the decision points and key activities. It should be noted that across the portfolio activities Te Manatū Waka will continue to prepare for implementation in anticipation of funding being agreed. This is to ensure implementation readiness and the ability to accelerate delivery once Budget decisions have been taken.

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[redacted]

6. Conclusion

This package of bids has been developed to support the delivery of the draft ERP. The VfM assessment of this package has shown that while all initiatives are strategically aligned with the Government's priorities, they differ in terms of their value for money. The greatest benefits will come from the large-scale investment in mode-shift and reducing VKT in New Zealand's main urban areas. The benefits from the other initiatives in this package are smaller but they are important for progressing other key areas for transport decarbonisation. No single intervention can address the emissions generated by transport.

The VfM assessment has also shown that the Focus 1 bids are complementary, and if progressed together could deliver greater cumulative impact, which is likely to make several of the bids better value for money. Focus 1 initiatives are also important for creating an enduring approach to mode-shift and reducing VKT through robust planning and funding to deliver key initiatives. Mode-shift investment needs to start early because it takes time to improve infrastructure and services. Deferring investment will make it significantly harder to achieve the transport target in the draft ERP.

Delivering on this ambitious programme of initiatives will require a step change in implementation. Te Manatū Waka is proactively initiating an implementation programme to manage implementation and risks to delivery. As part of the broader programme delivering on the ERP, Te Manatū Waka will consider the broader system changes that are required to maximise the investment in this package. Budget 2022 is the first significant step of a long-term programme of investment. It will need to be supported by wider actions included in the draft ERP and future budgets.

Appendix 1 – Interdependencies matrix

At a system level, advancing all three focus areas will be critical for reducing transport emissions. Taking less action in one Focus area will make it more challenging to achieve other focus areas because they are interdependent. The purpose of this matrix is to highlight how individual bids relate to each other at a more granular level. It demonstrates that some bids, particularly in Focus 1, can build off each to provide additional benefits. It also highlights some of the key interdependencies between the individual bids and the wider transport system.

Matrix guide: How does the bids on X axis impact the ones on Y axis

Interdependencies	Dependant / complementary	Linked	Independent

Table 4: Interdependencies matrix

	1. Delivering mode-shift and reducing VKT in New Zealand's main urban areas	2. Building a sustainable skilled workforce to support upscaling of bus networks	3. Making public transport more affordable for low-income New Zealanders	[redacted]	5. Assisting low-income New Zealanders to shift to cleaner vehicles.	[redacted]	7. Accelerating decarbonisation of the public transport bus fleet	8. Accelerating the decarbonisation of freight transport	[redacted]
1. Delivering mode-shift and reducing VKT in New Zealand's main urban areas		Securing a sustainable bus driver workforce (Bid 2) will support Bid 1 by helping to ensure PT services can be operated reliably.	Reducing PT fares (Bid 3) will increase PT use and active travel for the first and last mile. This will make Bid 1 more effective.	[redacted]	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	A decarbonised PT fleet (Bid 7) will complement Bid 1 through supporting mode shift and reducing CO_2 per passenger carried.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
2. Building a sustainable skilled workforce to support upscaling of bus networks	Bid 1 will put more pressure on the need for bus drivers [redacted]		Reducing PT fares (Bid 3) will increase PT use, which could put more pressure on PT services and the need for bus drivers.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
3. Making public transport more affordable for low-income New Zealanders	Bid 1 significantly enhances Bid 3 [redacted] Together bids and 3 could significantly improve access for lower-income New Zealanders.	Securing a sustainable bus driver workforce (Bid 2) will be important to support an increase in PT use caused by Bid 3.		There are no direct dependencies between these bids.	Bids 5 and 3 both aim to improve access in low-income communities but through targeting different modes.	There are no direct dependencies between these bids.	A decarbonised PT fleet (Bid 7) will complement Bid 3 through supporting mode shift and reducing CO_2 per passenger carried.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
[redacted]		There are no direct dependencies between these bids.	There are no direct dependencies between these bids.		[redacted]	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.

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5. Assisting low-income New Zealanders to shift to cleaner vehicles.	[redacted]	There are no direct dependencies between these bids.	Bids 3 and 5 both aim to improve access in low-income communities but through targeting different modes.	[redacted]		There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
[redacted]	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.		There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
7. Accelerating decarbonisation of the public transport bus fleet	[redacted] Bid 7 will help to ensure buses are cleaner, which will support mode shift and reduce CO_2 per passenger carried.	There are no direct dependencies between these bids.	A decarbonised PT fleet (Bid 7) will complement Bid 3 through supporting mode shift and reducing CO_2 per passenger carried.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.		There are no direct dependencies between these bids.	There are no direct dependencies between these bids.
8. Accelerating the decarbonisation of freight transport	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.		There are no direct dependencies between these bids.
[redacted]	[redacted]	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	There are no direct dependencies between these bids.	

Appendix 2 – CERF bids Value for money assessment summary sheets

Table 5: Value for money assessment criteria

Criteria		Description	
Alignment	**Alignment**	**How well does this initiative align to government priorities?**	
		Sub-criteria 1	Alignment to government priorities
		Sub-criteria 2	Supporting evidence on its contribution to outcomes sought
Value	**Value indicators**	**How well are the business requirements (systems & processes) being met? Are there any implementation risks?**	
		Sub-criteria 1	Quantifiable effects
		Sub-criteria 2	Non-quantifiable effects
	Benefit gaps factor	**Are there suitable processes in place to avoid/minimise bias leading to benefit gaps?**	
		Sub-criteria 1	Confidence in delivering intended outputs within budget
		Sub-criteria 2	Extent to which benchmarking was completed to assess the costs and benefits to ensure benefit realisation
Delivery	**Business requirements**	**How efficiently can the action deliver the desired outcomes and impacts?**	
		Sub-criteria 1	Confidence that there are the right system and process in place to support delivery
		Sub-criteria 2	Extent to which the initiative relies on external dependencies or supports core initiatives
	Capacity and capability	**Is this part of a co-ordinated strategy to address skill shortages, lack of pipeline in the regions, market, capability or capacity constraints?**	
		Sub-criteria 1	Extend to which resourcing requirements are fully understood and supported by good quality information
		Sub-criteria 2	Extent to which the required capacity and capability can be met (considering existing tools, processes and supply market)

Notes:

i. Each criterion is assigned a score ranges from 0 (no value or evidence or confidence) to 9 (highest value or evidence or confidence).
ii. Interventions with an average VfM score of less than 5 are likely to have a return on investment less than 1:1.
iii. See Table 6 for overall VfM rating and interpretation.

Table 6: Benefit to cost ratio scoring table and overall VfM rating

Score	Benefit to cost ratio
0	0 or lower
1	0.01-0.29
2	0.30-0.49
3	0.50-0.69
4	0.70-0.89
5	0.90-1.19
6	1.20-2.09
7	2.10-3.09
8	3.10-4.99
9	5.00 or higher

Average VfM score	VfM rating	Interpretation
0-5	Low	Expected costs outweigh potential benefits
5.1-5.9	Low-medium	Approximately cost neutral
6-6.9	Medium	Expected benefits slightly outweigh costs
7-7.9	Medium-high	Expected benefits largely outweigh costs
8-9	High	Expected benefits moderately higher than cost

Bid 1: Delivering mode-shift and reducing VKT in New Zealand's main urban areas

Criteria & scores		Description		
Alignment	**Alignment 9**	Very strong alignment and evidence to support score.		
		Alignment of government priorities	**9**	Very strong alignment to ERP (particular the VKT reduction target), living standards framework, climate response and housing affordability, just transition and economy recovery.
		Evidence	**9**	Strong evidence to demonstrate linkages between mode shift and VKT reductions (and therefore contribute to emission reductions).
Value	**Value indicators 7.5**	Good support of both quantifiable and non-quantifiable impacts.		
		Quantifiable effects	**6**	[redacted]
		Non-quantifiable effects	**8.5**	Strong evidence from literature that identifies significant positive values such as improved access and social inclusion, from mode shift intervention to reduce the need for travel and/or to shift travel to more sustainable modes..
	Benefit gaps factor 6.5	There are mitigatable risks associated with delivering the benefits.		
		Confidence in delivery	**6**	[redacted]
		Benefit realisation	**7**	Examples of mode shift programmes exist in NZ and internationally indicting the positive benefits with respect to cost.
Delivery	**Business requirements 6.5**	[redacted]		
		System and process	**7**	[redacted]
		Dependencies	**6**	Neutral score due to some dependencies required to deliver benefits.
	Capacity and capability 5.5	There are risks around capacity and capability but that can be managed as the initiative is developed.		
		Understanding needs	**6**	Capacity and capability will vary by location and will need to grow as the mode shift programmes develop and mature. [redacted]
		Meeting needs	**5**	[redacted]

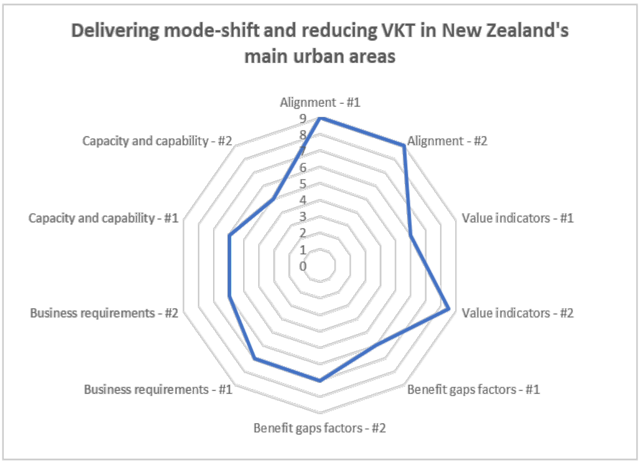
Bid Summary

The bid has a very strong strategic alignment and on balance has the potential to deliver emissions reduction benefits and other government outcomes. The importance of this bid to reduce the need for travel and/or shift travel to sustainable modes is supported by case studies and reference projects in NZ and internationally. [redacted] It is believed that these can be overcome with the right level of targeted investment and supporting initiatives.

Interdependency:

Needs the wider transport and urban system to change in order to maximise the investment - this includes de-prioritising car-based investment and in particular the implementation of demand management tools (such as pricing to drive behaviour change).

Overall VfM rating = Medium-High



Bid 2: Building a sustainable skilled workforce to support upscaling of bus networks

Criteria & scores		Description		
Alignment	Alignment 6.5	The initiative has good alignment with wider outcomes and forms an enabling function for the delivery of PT where there are cost pressures on driver wages and the consequential impacts.		
		Alignment of government priorities	8	Aligns to all objectives to some extent and can have wider other benefits. Underpins the ability to maintain a sustainable PT service across NZ.
		Evidence	5	No specific evidence but assumption is that paying drivers' higher wages would contribute to outcomes and increase retention in the market.
Value	Value indicators 6.5	He bid has a moderate value proposition as it would enable increased PT use and indirectly benefit NZ.		
		Quantifiable effects	5	As an enabling intervention, the subsidy is anticipated to deliver more benefit than the direct cost and that if PT services cannot operate that widespread disbenefit will occur (on an emissions and wider basis).
		Non-quantifiable effects	8	Evidence shows that if policy change does not occur, it may lead to lack of confidence in system, reducing patronage as people chooses to use cars and ultimately counteract other actions of the ERP.
	Benefit gaps factor 3	Expected to deliver the desired outcomes, but there are risks associated with deployment management.		
		Confidence in delivery	3	Estimated cost impacts of wage increases, but there is risk that the outcomes will be delivered. There may also be unintended consequences in the market.
		Benefit realisation	3	AT has completed a cost analysis, but findings has been impacted by COVID-19. Greater Wellington Regional Council are reviewing cost requirements.
Delivery	Business requirements 7	Confidence in the ability of and the mechanisms for WK and local / regional councils to deliver.		
		System and process	7	There is confidence in WK ability to administer the system and for local and regional councils to participate and successfully deliver the initiative.
		Dependencies	7.5	Supports core mode shift and ERP outcomes by addressing a fundamental requirement of operating a successful PT system through provision of drivers.
	Capacity and capability 2.5	Reasonable understanding of resourcing requirements, however reliance on market response.		
		Understanding needs	2	Resourcing requirements need to be developed further.
		Meeting needs	3	Success of this initiative is dependent on the supply of drivers.

Bid Summary

This bid focusses on enabling mode shift by ensuring sustainable PT operation across impacted areas of NZ. Evidence shows that if a policy change does not occur, it may lead to lack of confidence in the system, reduce patronage as people choose to use cars and potentially undermine other areas of the ERP. The effectiveness of the initiative is not fully understood and there are some risks to achieving successful outcomes due to factors outside the control of the transport system.

Interdependency:

Requires other changes in addition to raising wages for bus drivers to create a long terms sustainable PT system.

Overall VfM rating = Low-Medium

Bid 3: Making public transport more affordable for low-income New Zealanders

Criteria & scores		Description		
Alignment	**Alignment 6.5**	Good strategic alignment but needs to be complemented by other investments and initiatives.		
		Alignment of government priorities	**7.5**	Strong contributor to social connections outcomes and just transition. Medium contributor to ERP (VKT reduction) hence TOF and LSF.
		Evidence	**5**	Some evidence that lower fares increase the use of PT, but appropriate service coverage and operational improvements will be needed.
Value	**Value indicators 5**	Require investment to expand PT coverage and service operation, as well as other demand management initiatives to result in positive benefits.		
		Quantifiable effects	**4**	Low BCR of 0.7 due to high operating and subsidy costs.
		Non-quantifiable effects	**6**	Moderate positive impacts (social cohesion related effects).
	Benefit gaps factor 6	Limited confidence in the uptake of the scheme and the ability to roll it out to the rest of the country successfully. Scheme costs and benefits will vary with uptake.		
		Confidence in delivery	**6**	This is an opt-in policy so uptake may be low. Moderate confidence that deployment can be achieved in Auckland in 12 months. The level of confidence in delivery elsewhere depend on the lessons learnt from the Auckland's pilot.
		Benefit realisation	**6**	Once pilot is completed in year 1 there will be more evidence on uptake and effects.
Delivery	**Business requirements 5**	Significant requirements to overcome regarding the ability and confidence to 'roll out' the scheme.		
		System and process	**6**	Systems and process are well understood but won't be in place for at least 12 months, limiting the timing of the benefits.
		Dependencies	**4**	Dependent on regulatory framework on legal and privacy requirements and on progress of the integrated ticketing project for Wellington. There is risk around the ability to roll out the Auckland scheme to other areas.
	Capacity and capability 7.5	No significant barriers to implementing the scheme outside of business as usual.		
		Understanding needs	**7**	Requires legal capability and capacity and regulations changes.
		Meeting needs	**8**	The capability and capacity to deliver exists in the market.

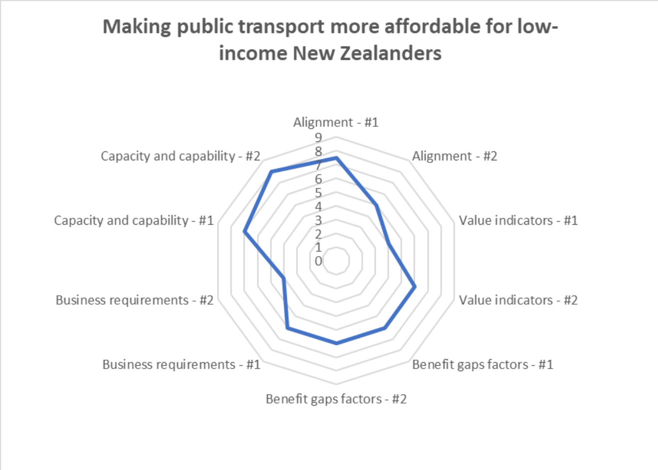
Bid Summary

This bid has good strategic alignment through providing fare reductions to low-income households. This combined with other interventions is anticipated to result in a positive cumulative effect. This bid requires investment in PT coverage and service operation, and would likely require other demand management initiatives to maximise the benefits. There are, however, constraints to delivering the initiative and concerns around uptake and benefits realisation.

Interdependency:

Decreasing fares of low-income households is only one factor in encouraging communities to shift to cleaner transport. Other ERP bids and wider interventions will be needed to complement this investment.

Overall VfM rating = Medium



[redacted]

Bid 5: Assisting low-income New Zealanders shift to cleaner vehicles

Criteria & scores		Description		
Alignment	**Alignment 6.5**	Moderate strategic alignment with some research and case studies to support.		
		Alignment of government priorities	8	Strong contributor to wellbeing objectives and just transition; medium contributor to ERP (VKT reduction) and LSF. This policy targets low-income households that do not have access to transport and hence meets TOF.
		Evidence	5	Vehicles scrappage more cost effective if targeted to low income [redacted] that rely on private cars. Only one comprehensive study was sourced from California, major reservations around transferability of learnings.
Value	**Value indicators 5.5**	Positive quantifiable and non quantifiable benefits. Although scale of benefits for social leasing is unknown.		
		Quantifiable effects	5	This BCR for this bid is 1. The key contributor of the result is due to the inclusion of shared mobility vouchers rather than relying on replacement of ICE vehicles.
		Non-quantifiable effects	6	The scrappage policy would specifically target [redacted] communities that tend to rely on private car travels and expect to produce positive non-quantifiable effects around improving affordability of clean transport modes.
	Benefit gaps factor 5	The potential scale and operation of the social leasing scheme is likely to be complex with hard to monitor and understand benefits realisation. Risks associated in delivering benefits of scrappage scheme.		
		Confidence in delivery	5	The operation of social leasing scheme is likely to be quite complex and involves a lot of back-end work to administer.
		Benefit realisation	5	Moderate to low benchmarking exists and limited ability to reference impact. The scrappage scheme operation is likely to be quite complex and there isn't any similar scheme in NZ for benchmarking.
Delivery	**Business requirements 4.5**	Low score due to complexity of 'roll out', high dependencies on success, and may take longer to realise its benefits.		
		System and process	5	Complex but confident that systems will be in place.
		Dependencies	4	With high external dependencies for success. The scrappage scheme is subject to availability of used EV and PHEV imports. Need lead in time to build up the quantity to match the likely vehicle availability.
	Capacity and capability 5.5	Low score due to lack of understanding of requirements and market ability to deliver bid. Risk around capacity and capability.		
		Understanding needs	6	Capability and resourcing are not yet fully understood.
		Meeting needs	5	Some reservations around the ability meet required capability and capacity.

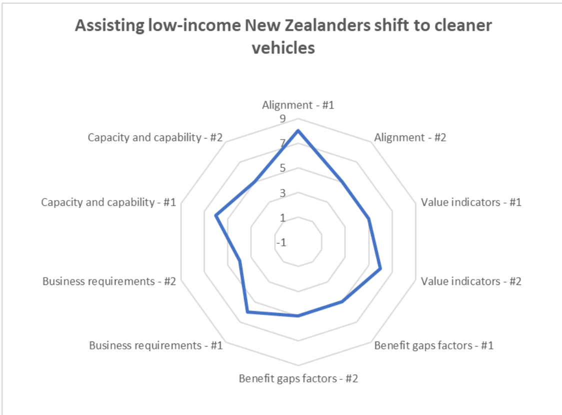
Bid Summary

This bid has good strategic alignment and on balance has the potential to deliver strong benefits, contribution to emissions reduction and other government outcomes. However, there are implementation challenges, and concerns over the market capacity and capability, and the level of other interdependencies required to realise these benefits. It may take longer than expected to implement the intervention to fully realise the benefits.

Interdependency:

Limited dependencies, but to maximise the outcomes of the investment requires other parts of the system to operate effectively.

Overall VfM rating = Low-medium



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[redacted]

Bid 7: Accelerating the decarbonisation of the public transport bus fleet

Criteria & scores		Description		
Alignment	**Alignment** **8.5**	Strong alignment to strategies and outcomes, supported by good evidence.		
		Alignment of government priorities	**8**	Strong contributor in addressing government's long term challenge on climate change. Aligns with wellbeing objectives and contribute to mode shifts.
		Evidence	**9**	Strong evidence that includes relevant and robust research finding, data and information.
Value	**Value indicators** **6**	This bid is likely to produce small, positive quantifiable and non-quantifiable impacts.		
		Quantifiable effects	**6**	BCR estimated at 1.2.
		Non-quantifiable effects	**6**	This scheme supports increase in proportion of clean vehicles in NZ fleet.
	Benefit gaps factor **7**	High confidence in delivering outputs, although some uncertainties around size of benefit.		
		Confidence in delivery	**8**	Key parameters have been stressed tested and supported by delivery agency's track record in delivering similar initiatives.
		Benefit realisation	**6**	Reasonable support from case studies and experience nationally and internationally.
Delivery	**Business requirements** **6**	While the set-up process is relatively simple, successful delivery is dependent on some external factors.		
		System and process	**8**	Confident that there will be a process set in place for delivery.
		Dependencies	**4**	Require infrastructure to support implementation.
	Capacity and capability **4**	There are risks around capacity and capability.		
		Understanding needs	**5**	Capability needs are not fully developed.
		Meeting needs	**3**	Some reservations.

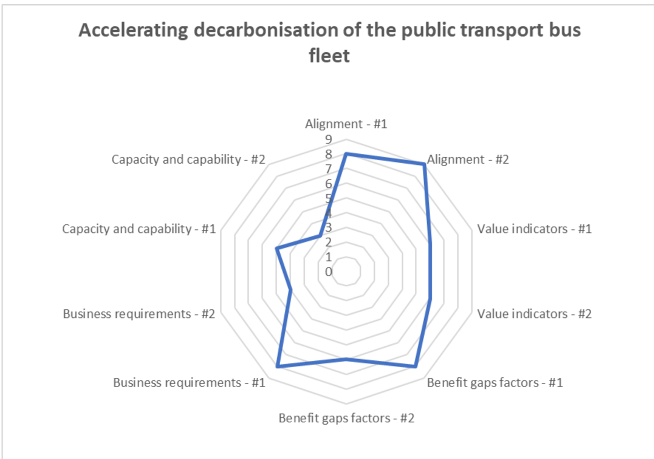
Bid Summary

There is a strong strategic alignment and it is likely to deliver small but positive outcomes. The bid supports increasing the proportion of clean vehicles in the NZ fleet and the drive toward mode shift. There are concerns over the market capacity and capability, in particular due to the availability of clean buses in the market.

Interdependency:

Require the availability of fleet, but also the development and implementation of the right support infrastructure.

Overall VfM rating = Medium



Bid 8: Accelerating the decarbonisation of freight transport

	Criteria & scores	Description		
Alignment	**Alignment 7**	Strong alignment and some evidence to support score.		
		Alignment of government priorities	**8**	Good alignment with CERF (removing barriers to adopting low emission vehicles in freight) and good support for future of work objective.
		Evidence	**6**	Some supporting evidence. Policy A: Good stakeholder engagement helps form a strong strategy. Policy B: There are a few examples of initiatives funded by the EECA's Low Emission Transport Fund (LETF).
Value	**Value indicators 6**	Neutral quantifiable impacts and positive, moderate non-quantifiable impacts resulting in some confidence of bid to deliver desired benefits.		
		Quantifiable effects	**5**	Difficult to apply this criterion to research and strategy development. Benefits from contestable funds dependent on business cases.
		Non-quantifiable effects	**7**	Making contestable fund available will attract early adopters, enable faster adopting of emission reduction technologies, and provide lessons learnt for the sector.
	Benefit gaps factor 7.5	There are some implementation risks but these should be able to be mitigated and managed.		
		Confidence in delivery	**8**	Some risk in research consultants not providing adequate work and getting data from the private sector but could be mitigated. LETF has been delivered successfully for several years.
		Benefit realisation	**7**	Research and strategy - Can benchmark against GPS monitoring. Contestable fund - Can benchmark against LETF evaluation. EECA have a monitoring and evaluation plan for ongoing monitoring of the programme.
Delivery	**Business requirements 7.5**	High score as the initiative is implementation-ready and has low reliance on external dependencies.		
		System and process	**8**	Research and Strategy - Have relevant strategies and processes to support. Contestable fund - Confident a process will be in place for delivery.
		Dependencies	**7**	Low reliance on external dependencies.
	Capacity and capability 6.5	High score as the bid has adequately accounted for the level of capacity and capability required to deliver.		
		Understanding needs	**7**	Capacity and capability needs are well considered and accounted for.
		Meeting needs	**6**	Capacity and capability requirements are accounted for. Some risk in external applicants not having capability/capacity to put in an adequate application.

Bid Summary

This assessment is described in the attached VfM summary. This bid rated relatively well across the five value for money elements, it has strong strategic alignment and is likely to deliver a moderate level of positive outcomes. The intervention is implementation ready, with minor concerns over market capacity and capability.

Interdependency:

Requires the availability of fleet, but also the development and implementation of the right support infrastructure.

Overall VfM rating = Medium-High

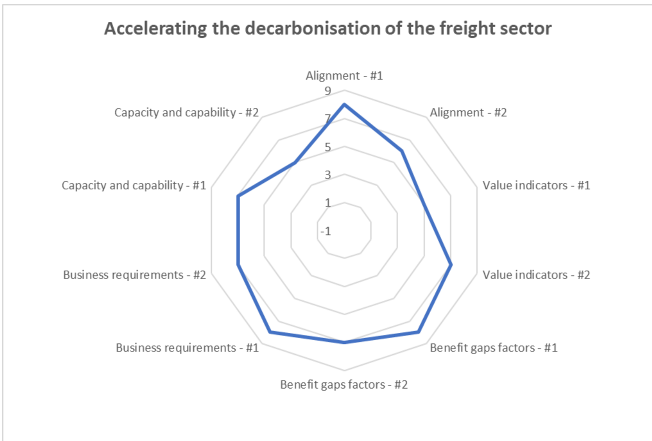


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Table 7: Value for money assessment output – moderated assessment scores for CERF bids

Ref		Initiative	Alignment		Value indicators		Benefit gaps factors		Business requirements		Capacity and capability	
			Degree of alignment	Strength of evidence	Quantifiable impacts	Other impacts	Confidence in delivery	Benefit realisation checks	Systems & process	Dependencies	Resource needs certainty	Resource availability
Focus 1	1	Delivering mode-shift and reducing VKT in New Zealand's main urban areas	9	9	6	8.5	6	7	7	6	6	5
Focus 1	2	Building a sustainable skilled workforce to support upscaling of bus networks	8	5	5	8	3	3	7	7.5	2	3
Focus 1	3	Making public transport more affordable for low-income New Zealanders	7.5	5	4	6	6	6	6	4	7	8
Focus 1	[redacted]											
Focus 2	5	Assisting low-income New Zealanders shift to cleaner vehicles	8	5	5	6	5	5	5	4	6	5
Focus 2	[redacted]											
Focus 3	7	Accelerating decarbonisation of the public transport bus fleet	8	9	6	6	8	6	8	4	5	3
Focus 3	8	Accelerating the decarbonisation of the freight sector	8	6	5	7	8	7	8	7	7	6
Focus 3	[redacted]											

Appendix 3 – Combined VfM scores for Focus 1 bids

To combine the VfM scores for all Focus 1 bids, the value indicators (based on scores for the quantifiable and non-quantifiable impacts) scores were used to estimate the implied BCRs for each bid. With the implied BCRs and the costs of the bids expressed in present value (at 5% discount rate), the expected benefits (expressed in present values) for each bid are determined. These values are then used to determine the benefit weights for each bid additively[4].

The "Combined scores: Based on benefits weights 1" in Table 8 show the average scores for the consolidated package, weighted according the size of expected benefits for each bid. This shows the weighted average score is marginally smaller than Bid 1, due mainly to the bulk of the expected benefits are to be delivered through the three modal shift activities. The implied BCR for Focus 1 package in this scenario is 1.4 to 1.

Table 8: Combined Value for Money scores

Ref		Description	Value for money criteria			Implied BCR	Benefits weights 1	Benefits weights 2
			Alignment	Value	Delivery			
Focus 1	1	Delivering mode-shift and reducing VKT in New Zealand's main urban areas	9.0	7.0	6.0	1.5	0.9585	0.9390
	2	Building a sustainable skilled workforce to support upscaling of bus networks	6.5	4.3	4.9	1	0.0168	0.0247
	3	Making public transport more affordable for low-income New Zealanders	6.3	5.5	6.3	0.8	0.0107	0.0157
	[redacted]							
Combined scores Based on benefit weights 1			**8.9**	**6.9**	**6.0**	**1.4**	**$3.9 bn benefits in PV**	**-**
Combined scores Based on benefit weights 2 (Bids 2-4 become 50% more effective)			**8.8**	**6.9**	**6.0**	**1.5**	**-**	**$4.0 bn benefits in PV**

Note: The implied BCRs are based on an assessment period over the June years from 2022 to 2031.

If bid 1 could enhance bids 2 to [redacted], the benefit weights for these bids would increase. However, given the size of the overall benefits for these bids are much small in scale than bid 1, the combined results of Focus 1 would not change to any large degree even if these bids can be, say, 50% more effective. These are shown in the last row of Table 8. The overall BCR for the package could increase slightly (to 1.5 to 1) with the overall VfM status remains more or less the same.

[4] Due to the lack of information on the intervention details, it is not possible to estimate the interaction of interventions or apply the multiplicative approach. However, the bulk of the benefits are expected to come from the three modal shift activities.

Suggested talking points and advice to support your conversation on specific Budget initiatives

Climate Emergency Response Fund (CERF) initiatives

General talking points on the CERF:

- We have established the CERF as an enduring, multi-year budgetary mechanism. This ‘ring-fencing’ is designed to encourage ambition in both the public and private sectors to accelerate climate action. However, central ‘CERF’ funding alone will not encourage sufficient ambition in the transport sector:
    - Climate action in the transport sector, including investments in infrastructure and services and demand-management programmes, often needs to be driven by regional and local government who are generally not invited to directly bid for CERF funding.
    - We have a ‘chicken and egg’ problem to solve. We cannot expect to receive the ‘best’ transport climate action ideas that are also implementation ready, without providing local government with a clear pathway to access central government funding.
    - Several of my CERF bids would help address this problem – [redacted] I am also proposing funding support to address the severe bus driver shortages and decarbonise our bus network. All these initiatives will optimise multiple funding sources – the CERF, the NLTF, and local government. Access criteria and business case assessment will ensure value-for-money and reduce the risk of projects ‘shifting’ from other funding sources (eg NLTF) to Crown funding.
- **Implementation readiness:** Officials are working now to ensure all transport CERF bids have clear implementation plans by the time Budget decisions come into effect. The Ministry has employed consultants from KPMG, Deloitte and Mott MacDonald to assist with implementation planning for these Budget initiatives, due in May 2022. This will put us in a good position to roll-out Budget initiatives that do receive funding in Budget 2022.

#	Initiative title and description	Funding sought ($m)	[redacted]	Ministry position and talking points
1	**Delivering mode-shift and reducing vehicle kilometres travelled in New Zealand’s main urban areas** This initiative is for investment to achieve significant reduction in vehicle kilometres travelled (VKT), covering: 1. A [redacted] fund to support [redacted] public transport and active travel, through implementing planned and new activities that support mode-shift to public and active transport and VKT reduction [redacted] 2. Funding to developing ambitious national and urban programmes to support a step-change in mode-shift to public and active transport and reduce light vehicle VKT in our largest cities ($22.5m) 3. Funding to support legislative changes to enable congestion charging ($2.05m).	Operating: 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26: [redacted] Total Capital sought: [redacted]	[redacted]	*Talking points* • [redacted] • If the planning and implementation of mode-shift projects is delayed or constrained due to lack of funding, we may not be able to ‘catch up’ on this work in time to deliver the reductions promised for Emissions Budgets two and three. • I expect the types of investments to include those that can be delivered quickly and optimise existing networks to make non-car transport modes (such as walking, cycling and public transport) safer and more convenient. This could include the reallocation of road space from private vehicles to public transport and active/shared modes, public transport priority, High Occupancy Vehicle Lanes, speed management, cycling infrastructure (including temporary lanes while planning is undertaken), pedestrian only zones, and low speed/low traffic neighbourhoods and complementary measures to influence demand. • [redacted]

2	**Making public transport more affordable for low-income New Zealanders**
	This initiative funds a nationwide expansion of Community Connect, currently being implemented as a pilot in Auckland. Community Connect is a 50 percent concession on public transport for Community Services Card holders for peak and off-peak services.
		Operating
		22/23: 9.186
		23/24: 24.584
		24/25: 12.578
		25/26 (and outyears): 12.578
		
		Total Capital sought: 2.276
			[redacted]	*Ministry position*
				• Local councils are facing funding constraints and may be reluctant to contribute funding to Community Connect.
				• Local councils are currently experiencing reductions in farebox revenue due to covid-19 and facing structural workforce pressures and acute bus driver shortages.
				  ○ There are two bids to address each of these issues (*Crown Support for Reduced Public Transport Revenue due to COVID-19* and *Building a sustainable skilled workforce to support upscaling of bus networks).*
				  ○ <u>We suggest prioritising these two bids – to support base level public transport services - before committing to a nation-wide Community Connect roll-out.</u>

3	**Building a sustainable skilled workforce to support upscaling of bus networks** This initiative provides co-funding (about 51 percent) to support public transport authorities to implement measures aimed at recruiting and retaining bus drivers, such as: increases to bus driver wages, improvements to driver rest facilities, and/or changes to timetables.	Operating 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26: [redacted] Total Capital sought: N/A	Withheld to protect the free and frank expression of opinions	*Talking points* • Local councils are facing funding constraints. Waka Kotahi currently offers co-funding to support bus drivers being paid the Living Wage, but more support is required. • There is a risk that local councils reduce public transport services (frequency and reliability) if no funding support is provided to councils - either through this bid or the bid *Crown Support for Reduced Public Transport Revenue due to COVID-19*. No funding support heightens the risk of service reductions and longer term consequences in commuter behaviour that do not align with our mode shift objectives and other funding commitments. • This bid is focussed on addressing current bus driver shortages under existing contracts. [redacted]

[redacted]

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5	**Assisting low-income New Zealanders shift to cleaner vehicles** This initiative provides funding to design, conduct and evaluate trials to make low-emission transport more affordable for low-income people. Examples of the trials are provided in the initiative as: • a low-emission vehicle social leasing trial, which would lease low-emission vehicles to low-income participants for six-months • an equity-oriented vehicle scrap and replace trial, which would provide targeted assistance to low-income households to purchase EVs, PHEVs and hybrids upon scrapping a vehicle.	Operating 22/23: 10.000 23/24: 25.000 24/25: 30.000 25/26: 45.000 Total Capital sought: N/A	[redacted]	*Talking points* • Officials are currently working on implementation planning to enable timely roll-out of innovative trials to support low-income and transport disadvantaged people (including a scrap and replace scheme and social leasing. • [redacted] *Ministry position* • We think it is important to preserve optionality for how best to improve outcomes for the transport disadvantaged and suggest not locking in specific schemes until officials complete further end-to-end design work and report back to Cabinet for approval in mid-2022 before implementing any trials. • Pending trial results, Ministers may agree to provide further funding to extend trials.
[redacted]				

7	**Accelerating decarbonisation of the public transport bus fleet**
	This initiative provides contestable funding, administered by Waka Kotahi NZ Transport Agency (Waka Kotahi) to support PTAs to meet the cost of decarbonising the public transport bus fleet by 2035.
	The costing of this initiative is based on fully funding the marginal cost (based on the price premium currently seen by PTAs) of deploying electric buses compared to diesel buses.
		Operating
		22/23: [redacted]
		23/24: [redacted]
		24/25: [redacted]
		25/26 (and outyears): [redacted]
			[redacted]	*Talking points*
				• We have already committed to require that only zero-emission buses are purchased by 2025. We will need to show that we are willing to offer funding support, where reasonable, to enable PTAs to meet this requirement.
				• We will need to offer funding support over the next four years if we want electric buses to be purchased before 2025. The price premium of electric buses has not reduced as much as anticipated in the last 6-12 months. This is likely the result of COVID impacts on international supply chains for electric buses.
				Ministry position
				• Ensuring enough zero-emission buses are purchased from 2025 will likely require some form of Crown funding support.
				• It is prudent to review the Crown support required to achieve a zero-emission bus outcome in a few years time, taking account of:
				  ○ changes to the premium for operating electric buses (which may reduce with expected technology improvements and the upscaling of manufacturing)
				  ○ the availability and cost of other low or zero emissions technologies such as hydrogen
				  ○ the asset ownership and contracting model being adopted by public transport authorities
				  ○ the ability of public transport authorities to realise cost reductions, for example through bulk procurement of vehicles and/or infrastructure
				  ○ the capacity of the NLTF and public transport authorities to meet any remaining cost premium (which will be influenced by GPS 2024 priorities and available NLTF revenue, and consideration of any other cost pressures impacting public transport authorities).

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8	**Accelerating the decarbonisation of freight transport** This initiative support activities to decarbonise freight and supply chain by providing funding for: • Additional resource for the Freight Decarbonisation Unit within the Ministry • Business cases and research programmes to provide a strong evidence base about the barriers to decarbonising the freight sector and test potential technology, commercial and policy solutions. • $15 million of contestable co-funding commencing in 2024/25 to support organisations in demonstrating low emission freight solutions.	Operating 22/23: 1.840 23/24: 2.660 24/25: 12.808 25/26 (and outyears): 2.808 Total Capital sought: N/A	[redacted] Withheld to protect the free and frank expression of opinions	*Talking points* • It is important we commit funding for the freight sector now. The ERP commits to reduce emissions from freight transport by 35 percent by 2035. • The research and capability component of this bid will enable a strong evidence base for effective freight sector decarbonisation actions at relatively low-cost. This is a high priority [redacted]

[redacted]

COVID-19 related initiatives

General comments

- The Minister of Finance may communicate an expectation that Budget 22 funding commitments for COVID-19 related cost pressures (e.g. CAA and MNZ costs) and support schemes (eg, ETC and MIAC) should only be applied for the short-term, with an expectation that these costs should start to wind down over the course of 2022/23, There may be a general rule applied across all Government COVID-19 related Budget bids (e.g., committing to one year of funding and expecting agencies to come back, if necessary, in Budget 2023). This context applies to all the bids below.

Initiative description	Funding sought ($m)	[redacted]	Ministry position and talking points
COVID-19 impacts on key projects and services			
Crown Support for Reduced Public Transport Revenue due to COVID-19 • As directed by you, the Ministry submitted an initiative seeking funding for both the increased costs and revenue shortfalls impacting public transport due to COVID-19. We initially raised this funding pressure following the Delta outbreak for COVID-19 omnibus funding but were directed to submit through the main process for Budget 2022. • Public Transport is funded through a combination of farebox revenue and government contributions. Both local government (through Public Transport Authorities, PTAs) and Waka Kotahi (through the NTLF) split the remainder according to their agreed Funding Assistance Rates (FARs, around 49:51 respectively for the large PTA's). Consequentially, the impact of increased costs and lost revenue is shared according to the FAR split. Following the initial COVID-19 lockdowns in 2020, the Government funded the total impact through the NTLF including the PTA share. PTAs have been impacted differently to date.	**The initial bid sought** [redacted] This amount was intended to cover 75 per cent of the total shortfall in Auckland, Northland and Waikato and 50 per cent in other regions. **Waka Kotahi now advise that the total impact across both PTAs and the NTLF could be around** [redacted] **in Auckland, Christchurch and Wellington only for the year 2021/22** [redacted]		*Talking points/ Ministry position* • This bid of [redacted] was intended to cover 75 per cent of the total shortfall in Auckland, Northland and Waikato and 50 per cent in other regions. Waka Kotahi, through consultation with the three main PTAs in Auckland, Wellington and Christchurch, now advise that the total impact is likely to be as shown in the table below. **Anticipated fare revenue loss, less known operational cost savings. Full year forecast update (as of 23.02.22)** [redacted] • This shortfall is occurring in the context of structural workforce pressures and acute driver shortages. Combined with revenue shortfall, these two issues will negatively impact levels of service, with the strong potential for long term consequences in commuter behaviour that do not align with mode shift objectives and other funding commitments. • The implication of only funding the NLTF portion is that PTAs will be under greater fiscal pressure to fund their share of the total impact and may look at cutting services and / or reducing other spend (such as road safety projects). PTAs are impacted unevenly and their ability to manage funding pressures is similarly uneven. The implication of not funding the NTLF share (at least) is that it will reduces amounts available to spend on the Governments programme.

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Withheld to protect the supply of similar information and to enable negotiations without prejudice or disadvantage

[redacted]

Pressures on transport agencies' <u>core functions and services</u> (including border agency liquidity facilities)			
MNZ - Extending government support to Maritime NZ to deliver core regulatory functions (1.1) Extends Crown funding to support MNZ to deliver core regulatory functions, meet statutory obligations and maintain viability as a going concern.	Operating: 22/23: 23.300 23/24: [redacted] Funding sought has **decreased** slightly since December submission, due to expectations of improved revenue intake (based on modelling of cargo border scenarios)	[redacted]	*Ministry position* • In October 2021 (DEV-21-MIN-0192 refers), Cabinet agreed that Crown liquidity support for CAA and MNZ to maintain core capability and capacity be addressed through Budget processes. Cabinet noted CAA and MNZ would require Budget 2022 bids to support them through the next two years whilst funding reviews are undertaken. • The Ministry supports a two-year funding approach, as has been used for the bids. The Ministry sees risk with using a one-year only approach. • Multi-year funding gives greater certainty to the Board and enables MNZ and CAA to invest in the capability required to discharge their core regulatory functions, plan their operational activities more effectively, including Government priorities (e.g., ERP and the Carbon Neutral Government Programme (CNGP)), and ensure longer-term performance. • If a one-year approach is taken, the Ministry would need to draft a new Letter of Comfort at the earliest opportunity. Audit NZ will not approve the entity's Annual Report as a going concern unless there is financial certainty for the financial year ahead. If this certainty isn't provided through approving funding for 23/24, Audit NZ will require confirmation of Crown funding through another mechanism such as a Letter of Comfort
Civil Aviation Authority - extension of government funding to deliver minimum aviation safety and security functions Continuation of Crown funding to enable the to fulfil its core functions by covering revenue shortfall, due to reduce activity in the aviation sector because of COVID-19, and ahead of funding review outcomes	Operating: 22/23: 109.293 23/24: [redacted] Funding sought has increased slightly since December submission due to expectations of worsened revenue intake (based on modelling of air and cargo border scenarios)		

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Waka Kotahi's regulatory business – addressing COVID-19 impacts To cover Waka Kotahi's reduced regulatory fee revenue (and associated commission costs) because of the 2021 COVID-19 lockdowns.	Operating: 21/22: 15.000	[redacted]	*Talking points* • If this bid is scaled to only cover losses incurred to date, around $10 million should be provided (rather than the $7-8 million noted in the bid). This reduces the risk of further regulatory loans being required in 2023. *Ministry position* • The Ministry's view is the impact on Waka Kotahi's regulatory revenue is unlikely to exceed $10 million in 21/22, so funding could be scaled to that level and still achieve intended aims. • Less than $10m may not be enough to cover all losses and we note that the regulatory function is still being supported by loans so any COVID-19 impacts not funded through the budget process will increase the likelihood of further regulatory loans being required in 2023. • The impact of the traffic light system on regulatory revenue is still being analysed.
Border agencies' [redacted] *bids*			
[redacted]			*Ministry position* • The Ministry supports a two-year funding approach, as has been submitted [redacted]. The Ministry sees risk with using a one-year only approach. One year of funding constrains an organisation's ability to effectively expand capacity and capability (including offering new staff employment certainty). • Two years of funding allows for alignment with the upcoming funding review, when it will be decided how these activities can be funded on an ongoing basis. One year would require agencies to come back in Budget 2023. • Providing no funding could lead to agencies being unable to deliver on Government commitments, as these will not be achievable through baselines/core liquidity facility funding.
MNZ – Implementing MARPOL obligations to reduce pollution from ships (1.3) Funding for MNZ and MBIE to implement Annex VI of the International Maritime Organisation MARPOL convention in New Zealand, ahead of funding review outcomes.	Operating: 22/23: 3.000 23/24: 2.900 Capital: 22/23: 1.000 23/24: 0.100		
[redacted]			
Aviation connectivity			
Extension of the Essential Transport Connectivity (ETC) scheme To extend the existing ETC scheme and ensure essential domestic transport services are able to continue operating despite COVID-19 restrictions and the loss of international tourists.	Operating: 22/23: 30.492		*Talking points* • There is currently $12.975 million remaining appropriated for ETC. This does not include funding sought for Milford Airport ($3.175m), which Cabinet will consider in March. • Officials are undertaking a review of the ETC and its necessity, under the Reconnecting New Zealanders framework. This will be presented to Cabinet in the coming months. *Context* • In December 2021, Cabinet agreed to extend the ETC with approved funding through to 30 April 2022 (CAB-21-MIN-0520 refers).

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Extension of the Maintaining International Air Connectivity (MIAC) scheme To extend the existing MIAC scheme and provide funding for international flights to continue if restrictions on international passenger movements into 2022/23.	UPDATED	[redacted]	*Talking points* • I will be tabling the MIAC exit strategy (include a possible extension) at Cabinet in late-March/early-April. At that time, if Cabinet decide to extend the MIAC, Cabinet will also consider a pre-commitment against Budget 2022 allowances for MIAC. *Context* • MIAC has currently been approved through to 31 March 2022. • You were provided a draft Cabinet paper and accompanying advice on the MIAC exit strategy and the potential Budget 2022 precommitment (OC220034 refers).
Ministry COVID-19 capacity capability			
Delivering effective transport system responses and advice (policy, investment and strategy) on the COVID-19 pandemic To fund 11 policy and response FTEs at the Ministry for a two-year period to provide advice on and coordinate delivery of transport sector COVID-19 activity. Funding for the 2021/22 FY has been approved through the COVID-19 omnibus process. This bid is seeking funding for the following two years.	Operating: 22/23: 2.478 23/24: [redacted]	Withheld to protect the free and frank expression of opinions	*Talking points* • If to be consistent across government, only one year of funding is provided, I am comfortable with this. *Ministry position* • The Ministry would be comfortable with only one year of finding, if this was the approach taken across government for COVID-19 resourcing. • The Ministry has now fully staffed its COVID-19 response function with funding provided in the 2021 Omnibus process. Funding sought in this bid will maintain these FTE from 22/23. • Benefits of funding two years include: allowing longer fixed-term contracts to be established, providing certainty to FTE and reduced costs to the business (e.g., by hiring FTE instead of using contractors short term).

Key initiatives we expect the Minister of Finance will raise

Initiative title and description	Funding sought ($m)		Ministry position and talking points
Auckland Light Rail – progressing the next phase of project delivery Funding to support the detailed planning phase of the CC2M/ALR project, following Cabinet's decisions on 6 December 2021. The initiative will provide funding for the next operating unit to progress work on the detailed planning phase.	Funding sought has **decreased** from the December submission from $250m to $216m.	[redacted] Withheld to protect the free and frank expression of opinions	*Talking points* • The Unit have decreased the bid, across Client Delivery and Professional Services, by $34 million from $250 million to $216 million. This is mostly due to slower progress assumptions, given the original costs were calculated mid/late last year. • The Unit are happy with the idea of a contingency at ALR Board level. The details of this will be designed by officials in the months to come. *Ministry position* • The Ministry and Treasury have been engaging in further discussions with the ALR Unit on the estimation of personnel and professional services costs for the detailed planning phase, and the funding for strategic land acquisitions. • In line with Ministers' expectations on strong governance and oversight around the project, Officials are considering putting in place mechanisms to ensure that Sponsors and the new competency based ALR board have adequate controls over the ALR Unit's use of funds during the detailed planning phase. This will be reflected in the ALR Board's Terms of Reference, amongst other project control and governance documentation currently being drafted. • The Treasury and the Unit have agreed that an approach to managing contingency can be agreed. At this stage believe that a level of contingency should be held by the Board, and this will be reflected in the project control documentation referred to above. Another option would be for some contingency to be held by Ministers, but at this stage we do not believe that this is necessary. Ministers will have the chance in Budget 2023 next year to assess whether more funding is needed.

Future of Rail - Rail Network Investment Programme This bid seeks operating funding to top-up the National Land Transport Fund (NLTF) to implement KiwiRail's Rail Network Investment Programme (RNIP).	Operating: 24/25: 312.300 [redacted]	[redacted]	*Ministry position* • [redacted] • [redacted]
Future of Rail – Rolling Stock Support the procurement of 29 new mainline locomotives to replace the life-expired passenger and light duty DF fleet and complete the wagon renewal programme. This includes replacing hooper wagons, cassettes and bolsters for forestry wagons, and side-curtain containers for box wagons.	Capital: 22/23: 15.000 23/24: 110.700 24/25: 102.500 25/26: 86.700 26/27: 34.300	Withheld to protect the free and frank expression of opinions	*Ministry position* • This is the final tranche of funding to complete KiwiRail's rolling stock investment programme, replacing life-expired assets with modern, energy efficient locomotives. • Replacement of core assets as part of the Future of Rail programme will enable KiwiRail to deliver its pathway to profit and generate income to support its ongoing operations.

Remaining initiatives

Initiative title and description	Funding sought ($m)	[redacted]	Ministry position and talking points
Chatham Islands shipping solution to enable critical transportation services Funding support to replace the Chatham Islands Enterprise Trust's (CIET) current vessel, the Southern Tiare. The Southern Tiare's end of life is March 2023, by which point it will need to go into dry dock for maintenance. Also seeks funding to repair and maintain the Southern Tiare around March 2023 (5-year survey requirement) which CIET cannot afford.	Operating: 22/23: 11.020 23/24: 24.080	[redacted] Withheld to protect the free and frank expression of opinions	*Talking points* • A scaled option is to support the ship's survey (like a warrant of fitness, but more significant and with more expensive risks attached). If this approach is taken, my officials recommend $5 million is set aside in case survey costs are greater than anticipated (estimated between $3-4 million). More detailed costings for the survey only are expected in mid-late March 2022. • However, taking the Southern Tiare through special survey is a short-term fix only and simply delays the requirement to replace the vessel. Further delays to Crown commitment to a solution are not advisable, as it increases the risk of significantly interrupted service to the Islands due to the long lead times.
[redacted]			

Maritime Security Strategy Implementation: Closing critical gaps in NZ's maritime security system To deliver the key outcomes of the 2019 Cabinet approved Maritime Security Strategy. The bid directly supports the delivery of 16 of the 42 identified national security risks. Submitted on behalf of the Maritime Security Oversight Committee.	Operating: 22.23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26 & outyears: [redacted]	[redacted]	*Talking points* • Cabinet approved the maritime security strategy 2019 (CAB-19-MIN-0555.01). This bid enables that strategy to be delivered, including addressing irregular migration and the use of the maritime domain to introduce narcotics. • The bid does not replace the need for the agencies to continue providing their club funding contributions to maritime security. *Ministry position* • You chose to submit this initiative, as the Minister of Finance provided you discretion to do so. The Ministry supports its submission.
Maritime NZ meeting its obligations under the Health and Safety at Work Act 2015 Seeks additional funding from the Working Safer Levy for MNZ to meet its statutory obligations a the designated maritime regulatory under the Health and Safety at Work Act 2015.	Operating: 22/23: 4.350 23/24: 4.620 24/25: 4.930 25/26 & outyears: 5.050	[redacted]	*Talking points* • This bid is distinct from the other MNZ bids as funding is sought here from the Working Safer Levy, not the liquidity facility. • I am aware of the double counting and my expectation is that should both bids be approved, funding sought for health & safety in the core regulatory bid should decrease (to offset the health & safety funding approved under this bid). *Context* • Funding sought is from the Working Safer Levy, not Budget 2022 allowances. Budget rounds are the avenue used to confirm any increase to an agency's Vote appropriation for HSWA purposes. This is why this bid is separate from the MNZ liquidity facility bids, and the two-year approach funding is sought for in those bids.
Investigating port sector opportunities to support decarbonisation, resilience and regional development To fund three technical studies, to be conducted in 2022/23 financial year: 1. A data exercise to inform development of the New Zealand Freight and Supply Chain Strategy. 2. A technical feasibility study of the Manakau Harbour as a location for a future port. 3. Continuation of work on the Northland dry-dock proposal.	Operating: 22/23: 3.700	[redacted] Withheld to protect the free and frank expression of opinions	*Ministry position* • The Ministry has indicated we consider of highest priority is the data exercise, which would inform the National Freight and Supply Chain Strategy. • We consider the study relating to the Manakau Harbour and the Northland dry dock are lower relative priority. Delaying one or both of these studies to Budget 2023 is a potential option.
[redacted]			

Also withheld as release would likely prejudice the security or defence of New Zealand

Completing a safe minimum operating network (MON) of ground-based navigation aids (GBNAs) Seeks funding for Airways to deliver five (out of 24) navigational aids that will be used to safely recover aircraft as an emergency alternative to GPS navigation, at locations where regular user-pays cost recovery is not feasible.	Operating: 23/24: 0.400 24/25: 0.400 25/26 & outyears: 0.400 Capital: 22/23: 4.000 23/24: 3.000 24/25: 3.000	[redacted]	*Talking points* • My officials have advised if the whole of life operating cost is not funded at this time (15 years), there would need to be a subsequent bid in later Budgets. *Ministry position* • The Ministry supports this initiative and funding being sought into outyears, • Further advice was provided to you under OC210566.
Implementing rescue and firefighting services at Whangārei Joint Venture Airport Funding for a Rescue and Firefighting Service (RFS) to maintain the Whangārei District Airport's compliance with CAA certification status. The capital costs for the RFS vehicle are being covered by funding in the existing JV appropriation, but Crown funding is sought to build the RFS facility at the airport.	Capital: 21/22: 1.200	[redacted]	*Talking points* • If this bid is deferred, the Airport would not be able to grow air services and would likely face reductions in revenue. The Crown would still be liable for meeting the JV Deed obligations. *Ministry position* • The Ministry supports the use of Budget 2022 process to provide this funding. • The RFS is required under the Civil Aviation Rule 139.11. The CAA has notified the Whangārei District Airport that RFS will be required from April 2022.
SuperGold Card - ensuring continued access to affordable public transport for older New Zealanders To cover the expected funding shortfall for councils to meet the expected increased costs of the SuperGold concession.	Operating: 22/23: 2.000 23/24: 2.000 24/25: 3.000 25/26 & outyears: 3.000	[redacted]	*Ministry position* • If this bid was deferred and patronage numbers return to pre-pandemic levels by mid-2022—as they are forecast to do—there will not be sufficient funding in the current SuperGold Card appropriation to cover the Crown's share of the scheme's costs. Councils could choose to cut back on benefits provided for by the scheme, which would be a risk to the scheme's integrity and impact its end-users.
Transport related initiatives in other Votes, in case they are raised		[redacted]	
[redacted] Will fund [redacted] foundational updates to the regulatory system for the use of drones and build the capacity and capability the CAA needs to maintain pace with the sector [redacted]	Operating: 22/23: [redacted] 23/24: [redacted] 24/25: [redacted] 25/26: [redacted] Capital: 22/23: 1.000 23/24: 0.500 24/25: 0.250	[redacted]	*Ministry position* • The Ministry supported the submission of this initiative. • [redacted] • If the funding within for CAA capability and capacity is deferred to next year, the CAA will not be able to build the capacity and capability needed to support the immediate work [redacted]

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Driver licence support - equitable access to driver licences to improve employment, wellbeing and safety outcomes (Ministry of Social Development led) Will fund MSD contracted driver licence support for 64,000 people over 4 years. It will support equity for people disadvantaged by barriers to driver licences. Funding covers costs for: support; consultation; referral pathway design; sector development; increased testing capacity for transport disadvantaged communities and monitoring of take-up and effectiveness.	Operating: 22/23: 16.162 23/24: 20.619 24/25: 24.544 25/26 & outyears: 25.161	[redacted] Withheld to protect the free and frank expression of opinions	*Ministry position* • The Ministry supported the submission of this initiative. • Deferring this bid to Budget 2023 will delay access to driver licence testing and support for some, and further exacerbate wait times and other operational delivery challenges. It would also see many existing driver licence support services lose funding resulting in skills being lost, and inequities in the driver licensing system would continue to grow.