

OC221003

1 December 2022

Tēnā koe

I refer to your email dated 10 November 2022 requesting the following documents under the Official Information Act 1982 (the Act):

- *Decarbonising Transport - update on the work programme*
- *Updated draft Cabinet paper - Progress on establishing a bus industry standard agreement for bus drivers*
- *Meeting with the Chair and Chief Executive of Waka Kotahi NZ Transport Agency 7 September 2022*
- *Letters to Waka Kotahi NZ Transport Agency Board members whose terms are expiring*
- *Meeting with Simon Bridges, CEO Auckland Business Chamber, 7 September 2022*
- *Wellington Regional Leadership committee meeting on 20 September 2022*
- *Ministry of Transport Draft Annual Report 2021/22*
- *Establishing the Framework for Congestion Charging in New Zealand*
- *Taking action on fuel prices - Further Decisions*
- *Civil Aviation Authority – Funding Review Update*
- *Inter-Regional Passenger Rail Enquiry – Presentation to the Transport and Infrastructure Committee*

Of the 11 documents you requested, I am releasing eight with some information withheld or refused and withholding three in full. The following sections of the Act have been used:

9(2)(a)	to protect the privacy of natural persons
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
18(d)	the information requested is or will soon be publicly available

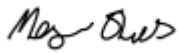
The above information is summarised in the document schedule at Annex 1.

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

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

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

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'Megan Shields'.

Megan Shields  
**Acting Manager, Ministerial Services**

## Annex 1 - Document Schedule

Doc #	Title of Document	Decision on request
1	Decarbonising Transport - update on the work programme (OC220705)	Withheld in full under Section 9(2)(f)(iv).
2	Updated draft Cabinet paper - Progress on establishing a bus industry standard agreement for bus drivers (OC220763)	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv). The final Cabinet Paper will be released on the Ministry's website shortly.
3	Meeting with the Chair and Chief Executive of Waka Kotahi NZ Transport Agency 7 September 2022 (OC220755)	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).
4	Letters to Waka Kotahi NZ Transport Agency Board members whose terms are expiring (OC220771)	Withheld in full under Section 9(2)(f)(iv).
5	Meeting with Simon Bridges, CEO Auckland Business Chamber, 7 September 2022 (OC220741)	Released with some information withheld under Section 9(2)(a).
6	Wellington Regional Leadership committee meeting on 20 September 2022 (OC220806)	Released with some information withheld under Section 9(2)(a).
7	Ministry of Transport Draft Annual Report 2021/22 (OC220828)	Released with some information withheld under Section 9(2)(a). The attachment to this briefing is refused under Section 18(d) as the final Annual Report is publicly available at -

Doc #	Title of Document	Decision on request
		<a href="http://www.transport.govt.nz/assets/Uploads/MOT-4486_Annual-Report-FA2-web.pdf">www.transport.govt.nz/assets/Uploads/MOT-4486_Annual-Report-FA2-web.pdf</a> While we are aware your request captures the draft version of the Annual Report that was attached to this briefing, we believe the final version, available online, will satisfy the public interest test and intention of the Act.
8	Establishing the Framework for Congestion Charging in New Zealand (OC220815)	Withheld in full under Section 9(2)(f)(iv).
9	Taking action on fuel prices - Further Decisions (OC220725)	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
10	Civil Aviation Authority – Funding Review Update (OC220817)	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).
11	Inter-Regional Passenger Rail Enquiry – Presentation to the Transport and Infrastructure Committee (OC220839)	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).



Document 2

1 September 2022

OC220763

**Hon Michael Wood**

**Action required by:**

**Minister of Transport**

Monday, 5 September 2022

## **UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS**

### **Purpose**

This paper seeks your:

- feedback on the revised draft Cabinet paper regarding the Bus Industry Standard Agreement; and
- agreement to begin departmental and Ministerial consultation on the draft paper.

### **Key points**

- We have updated the draft Cabinet paper (provided at Annex 1) to reflect your direction on how the Budget 2022 funding is distributed for the first tranche of improvements to bus drivers' base wage rates (OC220654 refers).
- The draft Cabinet paper proposes that, to receive Crown funding, public transport authorities are required to:
  - demonstrate that operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum;
  - demonstrate that operators commit to pass on future indexation payments to increase drivers' wages; and
  - contribute local share to match Crown funding at the normal funding assistance rate (typically 49 percent local/51 central government) unless they have already provided this in advance of Crown funding.
- The draft Cabinet paper also proposes that base wages will differ for regional and urban drivers, with the aim of reaching \$30 an hour for urban drivers, and \$28 an hour for regional drivers. We recommend public transport authorities determine whether they target the urban rate or the regional rate, based on the needs and characteristics of their region, and their ability to meet the local share required to meet those rates.

- Since our previous advice on the distribution of Crown funding, the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment. This will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it could impact the ability to distribute Crown funding if PTAs are not able to raise additional local share.
- Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. To progress this as quickly as possible, we have proposed a very tight timeframe, with Cabinet Economic Development Committee consideration on 21 September 2022. To meet this timeframe, departmental and Ministerial consultation will need to occur from 5 September 2022 until 13 September 2022.

## Recommendations

We recommend you:

- |   |   |          |
|---|---|----------|
| 1 | <b>agree</b> that public transport authorities (PTAs) should determine whether they meet the urban or regional driver base wage rates, based on the needs of their respective regions | Yes / No |
| 2 | <b>agree</b> that PTAs be required to provide local share for both Crown funding and for any co-funding from the National Land Transport Fund   | Yes / No |
| 3 | <b>agree</b> to start departmental and Ministerial consultation on the draft Cabinet paper, following any further feedback.   | Yes / No |



Helen White  
**Manager, Mobility and Safety**  
 01 / 09 / 2022

Hon Michael Wood  
**Minister of Transport**  
 ..... / ..... / .....

**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

## Comments

## Contacts

Name	Telephone	First contact
Helen White, Manager, Mobility and Safety	s 9(2)(a)	✓
Olivia Kitson, Senior Adviser, Mobility and Safety		

## **UPDATED DRAFT CABINET PAPER - PROGRESS ON ESTABLISHING A BUS INDUSTRY STANDARD AGREEMENT FOR BUS DRIVERS**

### **We have updated the draft Cabinet paper to reflect your direction on Crown funding**

- 1 We have updated the discussion in the Cabinet paper regarding how the first tranche of wage improvements will be met from Crown funding agreed as part of Budget 2022. Based on our previous advice (OC220654 refers), the paper proposes that Crown funding is used to start moving wages towards the nationwide standard agreed by the Bus Industry Standard Sub-group.
- 2 The paper also states that to receive Crown funding, public transport authorities (PTAs) will need to contribute local share to match Crown funding, unless they have already contributed their share. PTAs will also need to demonstrate that operators:
  - 2.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, at a minimum
  - 2.2 commit to pass on future indexation payments to increase drivers' wages.

### **We propose that PTAs determine whether they need to meet the urban or regional base rate**

- 3 We have noted previously (OC220654 refers) that further work is needed to determine the PTAs that need to meet the urban base rate, and those that need to meet the regional rate. We have proposed in the draft Cabinet paper that PTAs determine which rate they need to meet, according to the needs of their region.
- 4 Higher costs of living in urban areas is the key reason for the two different rates. We anticipate PTAs will consider costs of living in determining which rate to apply, as well as their ability to attract drivers to meet demand for services and meet local share to match Crown funding.

### **We propose PTAs be required to match both NLTF and Crown funding**

- 5 Following our advice on how the Budget 22 funding is distributed (OC220654 refers), the Waka Kotahi Board agreed to co-fund wage increases in Auckland from the National Land Transport Fund (NLTF). Other regions will likely also receive co-funding from the NLTF to increase bus driver wages. With this in mind, Waka Kotahi has recommended PTAs be required to provide local share to match both NLTF investment and Crown investment.
- 6 Waka Kotahi's recommended approach will ensure PTAs are able to meet local share for increased wage costs after the four years of Crown funding. However, it is dependent on PTAs being able to raise local share to match NLTF and Crown investment. Consequently, there is a risk that PTAs are unable to match Crown funding, preventing Crown funding from being used to increase wages. This is more

likely in the first year of Crown funding where PTAs have not budgeted sufficient funding and for PTAs not experiencing driver shortages<sup>1</sup>.

- 7 It is also possible that some PTAs provide local share that is less than what would be required to match their portion of Crown funding. In that instance, we would anticipate Crown funding to match the local share provided, even if it is below what might be expected.

**We are seeking your feedback on the draft Cabinet paper, and agreement to start consultation**

- 8 Cabinet approval is required to drawdown the \$61 million allocated in Budget 2022. The funding was agreed by Ministers as a tagged contingency, and that drawdown of the contingency requires Cabinet approval, upon its satisfaction with work to agree nationally consistent terms and conditions for bus drivers.
- 9 To progress Cabinet approval as quickly as possible, we have proposed a tight timeframe, detailed in Table 1 below.

*Table 1: Timeline for Cabinet report back*

Date	Milestone
5 September 2022	Officials receive your feedback on the draft Cabinet paper
5–13 September 2022	Departmental and Ministerial consultation on the draft Cabinet paper occurs, as well as consultation on a summary of the Cabinet proposals with the Bus Driver Conditions Steering Group
15 September 2022	Final paper lodged
21 September 2022	DEV
26 September 2022	Cabinet

<sup>1</sup> We understand the regions not currently experiencing driver shortages are regions with smaller public transport networks, such as Northland, Taranaki, Nelson, and Invercargill.



**ANNEX 1 UPDATED DRAFT CABINET PAPER**

RELEASED UNDER  
THE OFFICIAL INFORMATION ACT 1982

## In Confidence

Office of the Minister of Transport

Cabinet Economic Development Committee

## Progress on establishing a bus industry standard agreement for urban bus drivers

### Proposal

- 1 This paper:
  - 1.1 reports on progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers;
  - 1.2 seeks approval to drawdown the tagged contingency funding for the retaining and recruiting bus drivers initiative, as agreed through Budget 2022; and
  - 1.3 advises Cabinet of the public transport bus sector's intention to roll out further improvements to bus driver terms and conditions, subject to funding availability.

### Relation to government priorities

- 2 The proposals in this paper support the Government's priority to provide an inclusive economy where economic growth is shared by all. The proposals will improve the wages of public transport bus drivers by supporting a bus industry standard.
- 3 The proposals also relate to the Government's commitment to reduce emissions as part of our response to climate change. As part of this, the Government has committed to a range of actions in the Emissions Reduction Plan to reduce reliance on cars through mode shift. These actions include improving the reach, frequency and quality of public transport. The sector will only be able to achieve these outcomes with a sustainable and growing workforce, which is a key outcome I am targeting with this proposal.

### Executive Summary

- 4 Public transport is an increasingly important transport option for New Zealanders, both in terms of its importance in providing access and its role in emissions reduction.
- 5 The sector is reporting huge strains on the ability to deliver the services that New Zealanders need due to a severe shortage of bus drivers. This is limiting the ability of public transport authorities<sup>1</sup> to adequately meet the needs of the public in designing their networks and growing services. Many report that they are now having to run

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<sup>1</sup> Public transport authorities are regional councils, Auckland Transport, unitary authorities (other than Auckland Council) and territorial authorities that have the public transport function.

reduced timetables to manage the shortages, which is impacting on public confidence in the network.

- 6 To address these issues, \$61 million was made available in Budget 2022. To ensure the appropriate distribution of this funding, I asked the industry to collaboratively develop minimum terms and conditions for bus drivers that will stabilise the workforce. I intend to use the Budget 2022 funding to implement immediate wage rate increases as a first step in fulfilling these minimum standards.
- 7 Further improvements to bus driver terms and conditions will be addressed over the longer term. s 9(2)(f)(iv)
- [REDACTED]

## Background

- 8 The public transport network relies heavily on bus drivers; bus services make up the vast majority of the public transport network with around 80% of all passenger boardings.
- 9 Public transport authorities (PTAs) are increasingly unable to maintain reliable public transport (PT) bus services due to difficulties recruiting and retaining bus drivers. Bus operators report being below 80 percent staffing levels, and drivers are working unprecedented levels of overtime. This is impacting service reliability – Auckland Transport (AT) reports its services have dropped to 85 percent reliability. Without the ability to successfully deliver to the baseline schedule, it will be impossible to grow the service and achieve the required reduction in emissions.
- 10 The situation is particularly acute in the large urban centres:
- 10.1 AT estimates that its network is currently short of 500 drivers.
- 10.2 Greater Wellington Regional Council (GWRC) estimates that its network is currently short of 115 drivers.
- 10.3 Environment Canterbury (ECan) estimates that its operators are currently short of 50 drivers. It reports that the frequency of one of its biggest routes has been reduced in response to the shortage, but there are still many trips being cancelled at short notice most days.
- 11 Outside the large urban centres, there have been significant reductions to weekday bus frequencies in Hamilton, Tauranga, Dunedin and Queenstown due to driver shortages. There are around 30 driver vacancies in Hamilton, 55 in Tauranga and 20 each in Queenstown and Dunedin. Despite reduced timetables in these centres, trips are still being missed at short notice due to driver illness. In Queenstown, around 16 percent are being cancelled.
- 12 Additional central government funding is required to support PTAs to fund improvements to driver conditions and wages critical to improving the reliability and sustainability of the PT bus network. COVID-19 has exacerbated the existing financial constraints of PTAs and cost pressures facing PT bus services, with patronage and fare revenue down, and greater staff shortages as a result of isolation requirements. Without additional central government support, PTAs cannot deliver improvements to driver conditions and wages.

- 13 Instead, PTAs would be faced with the option of:
- 13.1 cutting public transport services
  - 13.2 raising rates
  - 13.3 increasing fares
  - 13.4 increasing borrowing levels (noting that PTAs should not borrow to support operating costs)
  - 13.5 reallocating budgets.
- 14 In 2021/22, I instructed Waka Kotahi NZ Transport Agency (Waka Kotahi) to work with PTAs to implement an uplift to the Living Wage for all urban bus drivers. This was executed successfully, with all drivers being lifted to a minimum rate of \$22.75.
- 15 The majority of bus drivers now receive the Living Wage as a base rate. There are some exceptions: in the Auckland region, driver wages were recently increased to an average of \$25.62. per hour, while in Wellington the minimum wage rate is \$27 per hour.
- 16 However, even with these increases the industry continues to experience high levels of attrition and difficulty attracting new staff. Further, while Waka Kotahi was able to co-fund this increase with PTAs, the ability to fund further wage increases on top of the Living Wage through the 2021-2024 National Land Transport Programme is limited and will mean not delivering other public transport activities.
- 17 To help solve these stated issues, tagged contingency funding of \$61 million over four years was approved from the Climate Emergency Response Fund (CERF).
- 18 As a condition of receiving this funding, I requested that Waka Kotahi work closely with the industry to develop an agreed minimum set of terms and conditions that would stabilise the public transport network. This was to explore provisions for:
- 18.1 Base rates – A rate that would be sufficient to attract and retain staff
  - 18.2 Penal rates – Additional payments for working nights, weekends, and/or overtime
  - 18.3 Split shifts – Compensating drivers for working shifts with a large unpaid break due to timetabling
- 19 I have received a preliminary set of terms and conditions from Waka Kotahi. These are outlined below.

**Improvements to bus driver terms and conditions will support the establishment of the Sustainable Public Transport Framework**

- 20 On 1 August Cabinet agreed to establish the Sustainable Public Transport Framework (SPTF) (CAB-22-MIN-0293.01 refers), which sets new objectives for the planning, procurement, and delivery of public transport services. One of the new objectives focuses on long-term improvements to bus driver terms and conditions: 'employment and engagement of the public transport workforce is fair and equitable,



providing for a sustainable labour market and sustainable provision of public transport services’.

- 21 To give effect to this objective, I have instructed officials to develop operational policy to achieve the following outcomes:
- 21.1 bus drivers have the opportunity to maintain employment if there is a change of operator
  - 21.2 the substantive terms and conditions of bus drivers are not negatively impacted by a change of operator
  - 21.3 the terms and conditions of the bus driver workforce are improved to increase recruitment and retention.
- 22 My proposal to fund an increase to bus driver wages, and the implementation of a bus industry standard in the longer-term, is a key part of achieving the SPTF objective, and the more specific outcomes above.
- 23 I also anticipate that further improvements to bus driver terms and conditions can be progressed through a Fair Pay Agreement when enabling legislation is in place. Greater standardisation of terms and conditions will prevent a race to the bottom on wages and will better facilitate the transfer of employees between operators should there be a change of operator.

**Waka Kotahi has been working with the public transport sector to develop standard terms and conditions for bus drivers**

- 24 Currently, there are no standard terms and conditions for bus drivers, and these vary widely throughout the country.
- 25 I tasked Waka Kotahi with representing the Crown as a member of the Bus Industry Standard Sub-Group (Sub-Group). It has worked with unions, PTAs, and operators to identify a set of terms and conditions needed to stabilise the sector and determine an indicative price to deliver these terms and conditions. The Sub-Group has also identified how the \$61 million can best be allocated to make immediate improvements to the sustainability of the bus industry.
- 26 This Sub-Group was overseen by a tripartite Bus Driver Conditions Steering Group (Steering Group), which contained representatives from the Council of Trade Unions, Bus and Coach Association, and local government, as well as central government representatives. This Steering Group had previously been established to oversee the implementation of the Employment Relations Amendment Act 2018 and was also responsible for actioning the uplift of drivers to the Living Wage.
- 27 The Sub-Group met at a series of collaborative, in-person workshops over the first half of 2022. The workshops were a concerted effort to bring together very disparate and often historically contentious positions.
- 28 I have received a set of ideal terms and conditions for bus drivers from the Steering Group that they have agreed upon, that will allow for a stabilisation of the public transport workforce. These are outlined in the table below.

*Table 1: Agreed improvements to bus driver terms and conditions*

Terms and Conditions	Agreed Action
Base Rate – Urban	Increase up to \$30 per hour
Base Rate – Regional	Increase up to \$28 per hour
Split Shift Allowance	\$30 allowance per split shift
Penal Rates	Time 1.2 after 9.00pm

- 29 These conditions have significant financial implications.
- 29.1 Base rate: Indicative calculations estimate that increasing the wage of all drivers by \$1 will cost \$10m per year (excluding local share raised by PTAs).
- 29.2 Split Shift Allowance: there is an overrepresentation of split shifts within the bus driver workforce due to increased services at peak hours. Providing a \$30 allowance for each split shift would result in significant cost increases.
- 29.3 To provide Time 1.2 to drivers who work after 9.00pm will also result in a significant cost to regions with late night services.
- 30 Given these financial implications, the funding available through CERF will not be sufficient to achieve these agreed minimum standards - even if PTAs contribute to the cost at their normal funding assistance rate (FAR).
- 31 As a result, I therefore propose that increases to bus driver terms and conditions will be rolled out in three tranches.
- 32 The first tranche will focus on immediate improvements that can be made within the \$61m allocated through Budget 2022. The second and third tranches comprise further improvements to terms and conditions the Sub-Group has identified that could be made subject to additional funding.

#### **Tranche 1: improvements to base wage rates**

- 33 I propose that the \$61m allocated through Budget 2022 is used to support the sector to standardise base wage rates across the country as much as possible. To receive the Crown funding, I propose operators and public transport authorities are required to contribute to wage increases.

*I propose operators are required to contribute to wage increases consistent with indexation and continue to apply indexation to wage rates in future*

- 34 Public transport service contract prices are adjusted quarterly to account for changes in input costs. This means public transport operators receive increased payments for services if input costs increase, including labour costs. Given operators have already been compensated for increased labour costs, I want to ensure these operators have passed on these additional payments to bus drivers before the Government steps in to fund further wage increases.
- 35 To be eligible for Crown funding, PTAs will need to demonstrate that operators have contributed to increased bus driver wages. This includes demonstrating that:

- 35.1 operators have contributed increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021 at a minimum
- 35.2 operators commit to pass on future indexation payments to increase drivers' wages.
- 36 These requirements will apply to all operators, regardless of region and regardless of the pre-increase wage rate.
- 37 This approach reflects practice to date in some regions. For example, Auckland Transport required operators to contribute to the recently announced wage increases. The operator contribution provided an average increase of \$0.43 an hour across Auckland operators. This component will likely increase further once recent indexation flows through to contract payments in Auckland.

*PTAs will also need to contribute funding, unless they have already self-funded increases to wages*

- 38 In addition to operator contributions, I expect PTAs to contribute local share at their normal funding assistance rate (FAR), which is typically 49 percent. However, some PTAs have already made contributions to increase wages, and we understand others are considering doing the same in advance of Crown funding. Therefore, I am proposing that PTAs who have already matched the share of Crown funding at the normal FAR are not required to provide a further contribution to receive Crown funding.
- 39 Waka Kotahi recently agreed to provide co-funding from the National Land Transport Fund for bus driver wage increases in Auckland – equating to around \$1 per hour. I anticipate other PTAs will likely also receive co-funding from the NLTF for similar increases to bus driver wages. I am proposing that where NLTF funding is provided, PTAs are required to provide local share for both Crown funding and NLTF funding.

*I propose to use the Crown funding to standardise base wage rates as much as possible*

- 40 I propose to use the \$61 million agreed through Budget 2022 to standardise base wage rates across the country as much as possible. This will involve reaching target rates of approximately \$27 an hour in urban areas and \$25 an hour in regional areas, assuming no NLTF contribution<sup>2</sup>. There is insufficient funding to reach the base rates agreed by the Sub-Group indicated in Table 1.
- 41 I want to standardise wage rates to ensure there is greater consistency in bus driver terms and conditions in the future. However, because of current variations in wage rates between operators in some regions, bus drivers will receive different wage increases as a result of the Crown funding. The amount of Crown funding provided to PTAs will depend on how much is required to meet the target rate in addition to operator contributions, as well as how much PTAs are able to contribute to match Crown funding.

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<sup>2</sup> Given some funding is being made available from the NLTF to increase bus driver wages, the target base rates will likely be higher than this.



*I propose to apply Crown funding differently in Wellington, where standardisation of wage rates could lead to wage disparities*

- 42 My proposed approach to standardise wages could lead to wage disparities for Wellington, where flat wage rates are already \$27 an hour. As a result, drivers on this rate in Wellington would receive little or no increase in wages. Conversely, NZ Bus Wellington drivers would likely receive a significant increase to their base rate as it is lower than \$27 an hour. When combined with existing penal rates, this would create a significant disparity between the effective hourly rate of NZ Bus drivers compared to drivers for other GWRC contracted operators.
- 43 To address this issue, I propose to allocate some of the Crown funding to Greater Wellington Regional Council contracted operators according to market share. The funding would be used to:
- 43.1 initially increase base rates to or towards the target rate
- 43.2 subsequently support a penal rate for work after 9pm and/or a split shift allowance for operators that reach the target rate.
- 44 Officials do not have information on the likely cost of supporting penal rates or split shift allowances in Wellington or nationally. Therefore, it is not possible to give an indication of what could be achieved with the funding available at this stage, but I expect officials to regularly update me on this as part of reporting on implementation progress.

*PTAs will determine whether they need to meet the urban or regional rates*

- 45 As indicated in Table 1 above, the Sub-Group has agreed to different base rates for urban and regional drivers. However, the Sub-Group has not determined criteria for what regions or networks meet either category. I propose to allow PTAs to determine whether they target the urban rate or the regional rate, according to what best meets their needs.
- 46 One of the main reasons for different urban and regional rates is the cost of living, which tends to be greater in the main centres. However, I anticipate PTAs will need to look at other considerations in determining which rate is applicable, based on their ability to:
- 46.1 attract drivers to meet demand for services
- 46.2 meet the local share to match Crown funding.

## **Tranche 2: further improvements to base rates, and to allowances**

- 47 A further increase to base rate will be required in order to reach the minimum hourly rate of \$30 for urban drivers and \$28 for regional drivers. This is estimated to cost an additional \$40 million per year and assumes no NLTF investment. Taking into account PTA local share, the additional Crown funding cost of this uplift is estimated to be \$20 million per year.
- 48 This tranche will also see provision of a split shift allowance of \$30 per split shift, and penal rates of Time 1.2 after 9.00pm.



- 49 The overall cost of Tranche 2 is subject to further analysis currently underway. Some of these costs will be captured in existing indexation processes. s 9(2)(f)(iv)

### Tranche 3: longer-term improvements to terms and conditions

- 50 Further actions were identified through the Bus Industry Standard Sub-Group, which I have classed as Tranche 3. These were noted as key actions to improve conditions for drivers, but less urgent than improving the underlying contractual terms. Tranche 3 improvements will be focused on improving:

- 50.1 recruitment and training
- 50.2 rosters, including minimising split shifts where possible
- 50.3 the working environment and infrastructure.

- 51 Further analysis of the financial implications of Tranche 3 is underway.

### Implementation

- 52 Waka Kotahi will be managing the implementation of this initiative and will report to me on progress of the initiative, including through the Ministry of Transport.
- 53 Funding will be administered through existing funding arrangements with PTAs.
- 54 Key milestones and indicative timeframes are outlined below:

Milestone/activity	Timeframe
Cabinet agreement to release funding for Tranche 1	September 2022
Notification to PTAs of availability of funding	September 2022
PTAs consult with operators on contractual changes	October 2022
Distribution of Tranche 1 funding starts	November 2022
Cabinet report back s 9(2)(f)(iv)	December 2022

### Financial Implications

- 55 The proposals in this paper have direct financial implications for the Crown.
- 56 A tagged operating contingency of \$61 million was approved through Budget 2022 from the CERF. This paper proposes that this contingency funding be drawn down to enable the rollout of Tranche 1.
- 57 Tranches 2 and 3 will require additional Crown funding, the amount is yet to be determined.
- 58 s 9(2)(f)(iv)

## Legislative Implications

59 There are no legislative implications with this proposal.

## Impact Analysis

### Regulatory Impact Statement

60 Cabinet's regulatory impact analysis requirements do not apply to this proposal as it does not involve the introduction of new legislation, or changes to, or the repeal of existing legislation.

### Climate Implications of Policy Assessment

61 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the emissions impact is indirect and unable to be accurately quantified.

62 The establishment of nationally consistent terms and conditions is intended to enable greater retention and recruitment of bus drivers and stabilise public transport services, which have been impacted by a shortage of drivers. As a result, this work will support greater reliability of public transport services to encourage mode shift, potentially enabling future transport emissions reductions.

### Population Implications

63 Data from the 2013 census shows that Māori are more likely to work as bus drivers compared to the general population, and so will disproportionately benefit from initiatives to improve bus driver wages and conditions. We understand Pasifika and minority ethnic people are also more likely to work as bus drivers than the general population so will also be more likely to benefit from improvements to wages and conditions.

### Human Rights

64 There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 from these proposals.

### Consultation

65 [TBC following departmental consultation]. The following departments were consulted: Ministry of Business, Innovation and Employment (Workplace Relations), the Treasury, Ministry for the Environment and Waka Kotahi.

### Communications

66 I will announce the outcome of the decisions on this paper in a media release following confirmation from Cabinet.

### Proactive Release

67 This paper will be proactively released within 30 business days of Cabinet confirmation of decisions. Proactive release is subject to redaction as appropriate under the Official Information Act 1982.

## Recommendations

The Minister of Transport recommends that the Committee:

- 1 note that Cabinet established a tagged operating contingency in Budget 2022 of \$61 million over four years to improve the retention and recruitment of bus drivers through more attractive terms and conditions, given effect to through nationally consistent terms and conditions for bus drivers agreed through a bus industry standard agreement for urban bus drivers
- 2 note that a bus industry standard agreement for urban bus drivers has been developed by central and local government, unions and bus operators
- 3 note that the bus industry standard agreement includes a base rate of \$30 an hour for urban drivers and \$28 an hour for regional drivers
- 4 agree that the \$61 million allocated through Budget 2022 be used to standardise base wage rates across the country as much as possible, to meet a target rate in urban areas and in regional areas
- 5 note that the target wage rate for urban and regional areas will depend on the total funding available, including from operator contributions, public transport authorities, and the National Land Transport Fund (NLTF)
- 6 note that, in using the \$61 million to support standardisation, bus drivers will receive different increases to their wages and public transport authorities will receive different levels of Crown funding due to the current variation in base wage rates across the country
- 7 note that public transport authorities will determine whether they aim to meet the base rate for urban drivers or for regional drivers, according to the needs of their regions
- 8 agree that to receive Crown funding for increases to wages, public transport authorities are required to demonstrate that operators:
  - 8.1 have contributed to increased wages consistent with indexation since the previous living wage adjustment on 1 September 2021, and
  - 8.2 have committed to pass on future indexation payments to increase drivers' wages
- 9 agree that public transport authorities are also required to provide local share to match Crown funding at the normal funding assistance rate, unless they have already contributed that amount in advance of Crown funding
- 10 agree that, where funding is provided for bus driver wages from the NLTF, public transport authorities are required to provide matching funding for both NLTF and Crown funding
- 11 note that through the development of the bus industry standard agreement for urban bus drivers, the sector has identified further improvements to bus driver terms and conditions, and will be administered in three tranches, subject to available funding

- 12 note that I will report back to the Committee by December 2022 on progress of Tranche 1 s 9(2)(f)(iv)

*Financial implications*

- 13 note that, as part of Budget 2022 decisions on 11 April 2022 and detailed Budget 2022 financial recommendations agreed to by the Minister of Transport and the Minister of Finance (Joint Ministers) on 14 April 2022, Cabinet and Joint Ministers:

- 13.1 agreed to establish a tagged operating contingency in Vote Transport of the following amounts to provide for the establishment of nationally consistent terms and conditions to improve the retention and recruitment of bus drivers:

	\$m – increase/(decrease)				
<b>Vote Transport</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
<b>Minister of Transport</b>					
Retaining and Recruiting Bus Drivers – Improving Terms and Conditions – Tagged Operating Contingency	-	13.000	15.000	16.000	17.000

- 13.2 agreed that the drawdown of the contingency requires Cabinet approval (establishing any new appropriations as necessary), upon Cabinet's satisfaction with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers

- 14 agree that, as Cabinet is now satisfied with progress to agree nationally consistent terms and conditions via a bus industry standard agreement for urban bus drivers, the contingency funding in recommendation 13.1 can now be drawn down

- 15 agree to establish the following new multi-year appropriation, to run from 1 September 2022 to 30 June 2027:

<b>Vote</b>	<b>Appropriation Minister</b>	<b>Appropriation Administrator</b>	<b>Title</b>	<b>Type</b>	<b>Scope</b>
Transport	Minister of Transport	Ministry of Transport	Retaining and Recruiting Bus Drivers	Non-Departmental Output Expense	This appropriation is limited to improving the retention and recruitment of bus drivers through more attractive terms and conditions.

- 16 approve the following change to appropriations to give effect to the decision in recommendation 14 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)
<b>Vote Transport</b>	<b>2022/23 to 2026/27</b>
<b>Minister of Transport</b>	



**IN C O N F I D E N C E**

Non-Departmental Output Expense: Retaining and Recruiting Bus Drivers MYA	61.000
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- 17 note that the indicative spending profile for the new multi-year appropriation described in recommendation 16 above is as follows:

	\$m – increase/(decrease)				
Indicative annual spending profile	2022/23	2023/24	2024/25	2025/26	2026/27
	13.000	15.000	16.000	17.000	-

- 18 agree that the proposed change to appropriations above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 agree that the expenses incurred under recommendation 16 above be charged against the tagged operating contingency described in recommendation 13 above
- 20 note that, following the adjustment detailed in recommendation 19 above, the tagged operating contingency described in recommendation 13 above is now exhausted and therefore closed.

Authorised for lodgement

Hon Michael Wood

Minister of Transport

2 September 2022

OC220755

Hon Michael Wood  
Minister of Transport

## MEETING WITH THE CHAIR AND CHIEF EXECUTIVE OF WAKA KOTAHI NZ TRANSPORT AGENCY 7 SEPTEMBER 2022

### Snapshot

You are meeting with the Chair and Chief Executive of Waka Kotahi NZ Transport Agency (Waka Kotahi) on Wednesday, 7 September at 8am. This briefing contains advice and talking points to support your engagement.

<b>Time and date</b>	8:00-8.30am, 7 September 2022
<b>Venue</b>	Zoom
<b>Attendees</b>	Sir Brian Roche, Chair of the Waka Kotahi Board Nicole Rosie, Chief Executive of Waka Kotahi
<b>Officials attending</b>	Allan Prangnell, Deputy Chief Executive, System Performance and Governance Sarah Polaschek, Manager, Governance Jenny Smith, Senior Adviser, Governance
<b>Agenda</b>	1. National Land Transport Fund/Plan 2021-24 update 2. State highway maintenance 3. Chair only time
<b>Talking points</b>	Appendix One

### Contacts

Name	Telephone	First contact
Sarah Polaschek, Manager, Governance	s 9(2)(a)	✓
Brett Thomson, Principal Adviser, Governance	s 9(2)(a)	
Jenny Smith, Senior Adviser, Governance	s 9(2)(a)	

# MEETING WITH THE CHAIR AND CHIEF EXECUTIVE OF WAKA KOTAHI NZ TRANSPORT AGENCY 7 SEPTEMBER 2022

## Agenda item one: National Land Transport Fund/Plan 2021-24 update (related to BRI-2557)

- 1 Waka Kotahi has provided you with an update on the pressures facing the National Land Transport Fund (NLTF) and the National Land Transport Plan (NLTP) and the potential implications of these pressures on delivery and the achievement of outcomes during the current NLTP period. s 9(2)(g)(i)  
[REDACTED]
- 2 This briefing follows ongoing discussion between the Chair, the Chief Executive and you about your desire to understand the current pressures and potential impacts on this NLTP and the need to manage expectations of key stakeholders. Waka Kotahi has indicated since the NLTP was adopted, it has experienced significant fiscal and operational impacts both from COVID-19 directly, as well as from related economic factors such as increased inflation, lower productivity, tight labour markets and disrupted supply chains.
- 3 Further Waka Kotahi has communicated to the Ministry that simply reducing the scope and scale of consented projects or projects currently under construction is challenging due to contract negotiations, consenting requirements, and expectations of partners and communities. Where it has identified areas of under-delivery will most likely occur, this is due to these activities being programmed later in the NLTP and the effect of funding pressures on local government.
- 4 Waka Kotahi's Board has the primary responsibility for responding to and managing these pressures, in a way that is consistent with their legislative obligations and the direction provided by the Government Policy Statement on Land Transport (GPS). The Ministry recommends you continue to encourage the Board to explore all avenues to ensure the efficient and effective use of resources within each activity class and do what it can to maximise revenue collection.
- 5 s 9(2)(g)(i) [REDACTED] Whilst additional funding and financing options are discussed in the briefing, the Ministry does not recommend making decisions ahead of Budget 2023. The Ministry will provide you with further advice throughout the Budget 2023 process about cost pressures and new initiatives for Vote Transport, which will enable you to consider a range of options for investment in transport outcomes.
- 6 s 9(2)(g)(i) [REDACTED]

- 7 The briefing also communicates the Board's concerns over the medium- and long-term sustainability of Waka Kotahi. s 9(2)(g)(i)
- 8 The sustainability of the land transport system has been the subject of the Land Transport Revenue Review, in which Waka Kotahi has participated, and you are currently considering your options for responding to issues raised by that review.

### **Agenda item two: State highway maintenance**

- 9 The Ministry expects Waka Kotahi to provide you with an update on the impacts of the recent weather events and to discuss issues relating to rebuilding existing roads, where doing so may not be the optimal option from a resilience standpoint.
- 10 Waka Kotahi may raise with you the financial impact that successive weather events have had on the NLTF. The Ministry notes that "Regional Resilience" is a Budget 2023 priority for you and the Ministry is beginning work with Waka Kotahi to develop an initiative for your consideration. The Ministry has noted your desire for this bid to focus on the areas that have been hardest hit by recent weather events and for this bid to also be consistent with the National Adaption Plan.
- 11 Climate change is likely to increase the amount of weather-related maintenance required in future, particularly given the flooding events and increased frequency of erosion. In this context, improving the efficiency of maintenance expenditure is critical. You will be aware that Waka Kotahi and the Ministry are undertaking a number of actions aimed at improving efficiency following the State Highway Maintenance reviews (OC220048 and OC220424 refer). Waka Kotahi is undertaking a "Current State Assessment" into the Network Outcome Contracts (NOC) delivery model.
- 12 While Waka Kotahi's published metrics suggest that the condition of the State highways is stable, there is increasing public concern about the condition of State highways in several regions. Over the past 21 years (to 2020/21) State highway maintenance spend has increased significantly more than the rate of consumer inflation (CPI). In addition, in the 2018-21 funding period, the maintenance programme suffered under-delivery and higher unit costs than budgeted.
- 13 Waka Kotahi is currently working with the Ministry on maintenance spend projections for GPS 2024.



### Agenda item three: Chair only time

- 14 The Ministry of Transport understands you are considering potential candidates for the position of Chair of the Waka Kotahi Board, following our discussion with you on 30 May 2022 regarding the outcome of interviews for the Chair role.

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- 18 The Ministry recommends you update the Chair on the appointment process currently underway and seek Sir Brian's thoughts on the performance of the three members. The Ministry is available to provide advice to support any options you may wish to consider, or alternatively available to meet with you to discuss further.

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THE OFFICIAL INFORMATION ACT 1982

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

Item	Talking Points
National Land Transport Fund/Plan 2021-24 update	<ul style="list-style-type: none"> <li>• Invite the Chair to speak to the issues raised in the briefing.</li> <li>• You may wish to acknowledge the challenges facing the Board and encourage the Chair to continue to keep you informed.</li> <li>• How is the Board balancing the need to manage cashflow risks with making as much progress as practicable towards the Government's strategic priorities?</li> <li>• How is the Board gaining assurance that reasonable actions have been taken within Waka Kotahi to ensure that investments and activities represent value for money?</li> <li>• If the Chair raises additional funding and financing for the NLTF, you may wish to share your priorities for Budget 2023 and advise that, whilst the expectation remains that Waka Kotahi manage within existing funding, you will be considering all pressures across the Vote in the lead up to Budget 2023.</li> </ul>
State Highway Maintenance	<ul style="list-style-type: none"> <li>• Invite the Chair to provide you with an update on recent significant weather events.</li> <li>• What progress has been made with the "Current State Assessment" of the Network Operation Contracts delivery model?</li> <li>• Does Waka Kotahi agree with public feedback that State Highway condition is worsening? If so, what can be done to address these concerns?</li> <li>• What are Waka Kotahi's projections suggesting about the rate of maintenance spending needed in the next GPS?</li> </ul>
Chair only time	<ul style="list-style-type: none"> <li>• You may wish to update the Chair on the appointment process currently underway</li> <li>• You may wish to seek the Chair's thoughts on the performance of the three members where their terms expire on 17 September 2022</li> </ul>



5 September 2022

OC220741

Hon Michael Wood  
Minister of Transport

## MEETING WITH SIMON BRIDGES, CEO AUCKLAND BUSINESS CHAMBER, 7 SEPTEMBER 2022

### Snapshot

Simon Bridges, Chief Executive Officer (CEO) of the Auckland Business Chamber, has requested this meeting to discuss your transport priorities in Auckland, alongside an update on workplace relations and immigration issues.

<b>Time and date</b>	<b>1.30pm – 2.30pm, 7 September 2022</b>
<b>Venue</b>	9/90 Symonds Street, Grafton
<b>Attendees</b>	Simon Bridges, CEO of the Auckland Business Chamber
<b>Talking points</b>	Suggested talking points are attached in <b>Appendix 1</b>

### Contacts

Name	Telephone	First contact
Karen Lyons, Auckland Director	s 9(2)(a)	✓
Abigail Wyatt, Auckland Adviser		

## MEETING WITH SIMON BRIDGES, CEO AUCKLAND BUSINESS CHAMBER, 7 SEPTEMBER 2022

### Key points

- In May 2022, Simon Bridges, the former National Party leader and Minister of Transport, was confirmed as the new Chief Executive Officer (CEO) of Auckland Business Chamber (the Chamber), replacing Michael Barnett.
- The Chamber is New Zealand's largest business organisation and part of the New Zealand Chambers of Commerce network. It is a voluntary association of companies and individuals engaged in business activities in the Auckland region and focuses on strengthening Auckland's place as New Zealand's pre-eminent commercial, industrial and communications centre.
- The Chamber offers a wide range of business support solutions and services, business awards, events, and networking opportunities for Auckland businesses.
- For this meeting, Mr Bridges will ask about your transport priorities for Auckland, the key initiatives underway, and for an update on Auckland Light Rail and the Additional Waitematā Harbour Crossing. Te Manatū Waka have provided you with some suggested talking points in **Appendix 1**.
- He has also asked for an update on the workplace relations and immigration issues provided below. Talking points on these will be provided to you by officials at the Ministry of Business Innovation and Employment.
  1. *Workplace relations*. Mr Bridges will ask you about fair pay agreements, including the rationale for and against, and where it is in the process. He may also raise the issue of minimum wage and other entitlements (e.g., sickness and holiday pay) and the progress of the Workplace Insurance Scheme.
  2. *Immigration*. He will be seeking your perspective on the skills shortage and an outline on the recent relevant changes in this space, which includes the Accredited Employment Work Visa.

## Appendix 1: Suggested talking points

### Introduction

- Thank you for the opportunity to meet with you today. I always appreciate the views and input that the Auckland Business Chamber (the Chamber) provides into what we are collectively trying to achieve across the transport sector for Auckland.
- I would also like to congratulate you on your new role as Chief Executive of the Chamber, it is great to see you representing the Auckland business community.

**As part of the discussion, you may wish to ask Mr Bridges the following:**

- It would be useful to hear from you what some of the Chamber members and business community have raised as the key issues and challenges they are facing.
- We have continued to work under the Auckland Transport Alignment Project (ATAP) partnership that you would remember well from your time as Minister of Transport. The current ATAP 2021-31 programme sees \$31 billion of investment in Auckland over the next ten years.
- As you would understand, the impact of COVID-19 has caused large cost escalations and the delay of some transport projects here in Auckland. Overall, I am pleased to say that our delivery agencies have performed well despite the challenges, and we have been focused on supporting the ATAP Programme to keep everything on track.
- Our priorities for transport, and in particular the Auckland rapid transit network, need to shape the way our city grows to support our transition to a low-carbon future, create jobs, and foster vibrant, liveable communities.
- Together, this Government and Auckland Council have supported significant investment into critical transport infrastructure and services. This will help Auckland's economic development as well as meeting our social and environmental goals.

### Update on Auckland Light Rail

- As I announced in January earlier this year, Cabinet has endorsed tunnelled light rail for the City Centre to Māngere corridor as the Government's preferred option.
- The next phase for the project is the detailed planning and consenting phase. This includes refining the route and costs, confirming station locations, and finalising the delivery and funding.
- Officials are now working through establishing a Crown entity company (otherwise known as the ALR Company) to be added to Schedule 2 of the Crown Entities Act to undertake the Detailed Planning Phase (DPP). The ALR Company is currently planned to be established by early October.
- Strong and robust governance is vital to the success of the DPP, with appointments to the ALR Board continuing to be made. So far, Dame Fran Wilde was appointed as ALR

Board Chair and Leigh Auton and Lucy Tukua have been appointed as ALR Board members.

- Investing in high capacity and high-quality rapid transit is critical to Auckland's urban development, reducing sprawl and enabling new housing within the city. The corridor will serve centres of urban renewal, including the Kāinga Ora led Housing Programmes for Mt Roskill and for Māngere, both of which will each provide around 11,000 new, high-quality homes in the next 10-15 years.

#### Update on the Additional Waitematā Harbour Crossing

- A new phase has commenced building on the findings of the 2019/2020 business case and taking into account contextual changes since 2020. These include: ALR decisions, the release of the Emissions Reduction Plan (ERP), new national direction to improve housing supply and the cancellation of the Northern Pathway project, which means that the AWHC work will need to consider options for walking and cycling.
- Cabinet has requested that AWHC planning and ALR are progressed in an integrated way. Options will be developed over the next year and community engagement will be getting underway.

#### City Rail Link (CRL)

- As you may have seen, the Dame Whina Cooper tunnel boring machine (TBM) has continued to make progress, breaking through at the Karangahape Station in July 2022. The TBM is planned to breakthrough at Aotea Station in late September 2022, which will be the end of the second (and final) run.
- The CRL is planned to be completed in late 2024, but assessments are being undertaken on what the impact of the COVID-19 pandemic is having on the project's construction timetable and its costs. CRL Limited will have more clarity around those two issues later this year.
- The \$4.4 billion project will effectively double the carrying capacity of the entire rail network, allowing trains to run as frequently as every few minutes across the Auckland region.

#### The Emissions Reduction Plan (ERP)

- With the current climate change agenda and the expectation placed on the transport sector to reduce carbon emissions, our focus is on providing improved transport options that will shift individuals from private vehicles to public transport, walking and cycling.
- This starts with the Government's ERP, which contains targets and actions to achieve a 41 per cent reduction in transport emissions by 2035. With transport accounting for 43 per cent of total domestic CO2 emissions, significant action from the sector is required to achieve the net-zero emissions target by 2050.
- Auckland has a particular role to play, as it is in our larger cities where people are more likely to have an alternative to the private car.

- The actions for delivery are wide-ranging and include our clean car programme, providing better alternative transport options to the private car, setting sub-national Vehicle Kilometres Travelled reduction targets, using our road space differently and improved urban form.
- Auckland Council has aligned with the ERP and set even higher reduction targets in their own Transport Emissions Reduction Plan.

#### Congestion Charging

- We have been progressing work on Congestion Charging. In April 2021, I set up a Select Committee of Inquiry into congestion pricing in Auckland which had unanimous cross-party support. The results of that Inquiry were published in August 2021.
- Officials are also currently working on a policy framework for congestion charging to support Government decision making.

#### Mill Road

- In June 2021, the Government updated the New Zealand Upgrade Programme (NZUP) including changes to the Mill Road project. This was done as part of an effort to meet climate change and housing objectives as well as manage funding pressures across the NZUP Programme.
- Officials are currently working to re-scope the Mill Road project to a smaller scale project, with a focus on addressing safety issues in the corridor and supporting public transport.
- Before these changes, the estimated costs for the Mill Road project increased from \$1.4 billion in 2020 to \$3.5 billion in mid-2021, and the NZ Upgrade Programme as a whole increased in cost from \$6.8 billion to over \$12.8 billion.

#### Penlink

- O Mahurangi – Penlink is part of the New Zealand Upgrade Programme.
- Early construction works are planned to begin in late 2022, with the project completion date set for late 2026.
- Public consultation about a proposal to toll Penlink has finished and is still under active consideration by Ministers.



13 September 2022

OC220806

**Hon Michael Wood**  
**Minister of Transport**

cc Hon Dr Megan Woods  
 Minister of Housing

## WELLINGTON REGIONAL LEADERSHIP COMMITTEE MEETING ON 20 SEPTEMBER 2022

### Snapshot

You are attending the next Wellington Regional Leadership Committee (WRLC) meeting, as one of the two Crown representatives on this Committee. The other Crown representative, Hon Megan Woods, is unable to attend. This meeting will include discussion on the proposed Wellington Regional Policy Statement, initiatives to develop closer alignment between the WRLC and the Wellington Regional Transport Committee, and a presentation on the Porirua Northern Growth Area.

<b>Time and date</b>	<b>3:30pm to 4:15pm, Tuesday 20 September 2022</b>  The meeting is from 3pm to 5pm but you are only attending from 3:30pm.
<b>Venue</b>	Council Chamber Greater Wellington Regional Council 100 Cuba St, Wellington
<b>Attendees</b>	WRLC members. Biographies are attached in <b>Attachment 2</b> .
<b>Officials attending</b>	Nick Potter, Principal Advisor, Ministry of Transport Rebecca Maplesden, Partnership Director, Ministry of Housing and Urban Development
<b>Agenda</b>	<ol style="list-style-type: none"> <li>1. Administration and WRLC meeting dates for 2023</li> <li>2. Programme Director's report with an update on the Implementation of the National Policy Statement – Urban Development and Regional Housing Dashboard</li> <li>3. Programme reporting, including an update on the Future Development Strategy, and alignment of the proposed Regional Policy Statement and Wellington Regional Growth Framework</li> <li>4. WRLC and Regional Transport Committee alignment</li> <li>5. Presentation on the Northern Growth Area – a complex development opportunity in Porirua</li> </ol> <p>You will be present for items 3 and 4. You may be present for item 5.</p>



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A detailed agenda with talking points is attached in **Attachment 1**.

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**Talking points**

Separate talking points are attached in **Attachment 1**.

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**Contacts**

Name	Telephone	First contact
Nick Potter, Principal Advisor, Placemaking and Urban Development	s 9(2)(a)	✓
Kim Kelly, WRLC Programme Director, is the meeting coordinator		

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## **Annex 1: Meeting agenda, talking points, and recommendations**

<b>Agenda item</b>	<b>Summary</b>	<b>Talking Points</b>
<b>Item 1:</b> Administration and meeting dates for 2023	<p>The first part of the meeting before you arrive will address administrative matters.</p> <p>Note that the frequency of meetings has reduced to four in 2023 (compared to six in 2022). This is in line with the other urban growth partnerships.</p> <p>The proposed 2023 dates/times have been run past Ministers' offices.</p>	You will not attend this part of the meeting.
<b>Item 2:</b> Programme Director's report	<p>This is a standing item, including a regular update on the work of the WRLC Secretariat and other administrative matters.</p> <p>Key commentaries include:</p> <ol style="list-style-type: none"> <li><b>1. Update on implementation of the National Policy Statement on Urban Development 2020 (NPS-UD):</b> all tier 1 councils in the region have now prepared District Plan changes to enable the NPS-UD changes as required. A Regional Policy Statement has also been prepared to enable the NPS-UD changes.</li> <li><b>2. Regional Housing Dashboard:</b> as an action under the Regional Housing Action Plan, this Dashboard aims to provide a single source of regional data and analytics. This item seeks endorsement from the WRLC on the direction of work outlined for progressing the Regional Housing Dashboard.</li> </ol>	You are unlikely to be present for this part of the meeting.
<b>Item 3:</b> Programme reporting	<p>This item will cover:</p> <ul style="list-style-type: none"> <li>• an update on the Food Strategy Project</li> <li>• an update on the Future Development Strategy (FDS)</li> <li>• an update on regional housing development options</li> <li>• a statement of alignment between the Wellington Regional Growth Framework (WRGF) and the proposed Regional Policy Statement (RPS).</li> </ul> <p><b>Future Development Strategy (FDS)</b></p> <p>The FDS is required under the NPS-UD and forms the basis for integrated, strategic, and long-term planning.</p>	<p>You may only be present for the discussion on the FDS and RPS.</p> <p><b>Future Development Strategy (FDS)</b></p> <ul style="list-style-type: none"> <li>• You may wish to comment on the importance of this work from a transport investment alignment perspective.</li> <li>• Given the growth and infrastructure pressures facing New Zealand, it is particularly important to ensure infrastructure investment (especially for transport) is directed to achieve the greatest benefit across a range of outcomes including</li> </ul>

Agenda item	Summary	Talking Points
	<p>The discussion on the FDS is likely to be of interest from a transport investment perspective, as it sets the high-level vision for accommodating urban growth over the long term, and identifies strategic priorities to inform other development-related decisions, such as:</p> <ul style="list-style-type: none"> <li>• district plan zoning and related plan changes</li> <li>• priority outcomes in long-term plans and infrastructure strategies, including decisions on funding and financing</li> <li>• priorities and decisions in the regional land transport plan.</li> </ul> <p>This item will seek agreement from the WRLC on the following:</p> <ul style="list-style-type: none"> <li>• <b>Agree</b> to support the Option A as outlined in paragraph 20 of the report, and update the Agreement and Terms of Reference for the WRLC to enable the Committee to sign off the draft and final of the Future Development Strategy, and form a subcommittee to undertake hearings on the Future Development Strategy.</li> </ul> <p><b>Regional housing delivery unit and joint building consent unit update</b></p> <p>At the WRLC meeting on 22 March 2022, the WRLC considered a paper on 'Regional Housing Delivery Options'. The WRLC endorsed further investigation into a 'regional housing delivery unit' and a 'joint building consent unit'.</p> <p>Since then, various changes have led to a reconsideration of this decision. These changes include:</p> <ul style="list-style-type: none"> <li>• Wellington City Council establishing a Community Housing Provider for its social housing stock</li> <li>• Let's Get Wellington Moving and the Northern Growth Area projects considering options for a Specified Development Project</li> <li>• Kāpiti Coast District Council proposing to help more people access affordable housing by establishing an independent community land trust.</li> </ul>	<p>accessibility, housing supply, and emissions reductions.</p> <ul style="list-style-type: none"> <li>• This work is a pre-cursor (and an important interface) for local government and transport investment plans.</li> <li>• We recommend you <b>agree</b> to updating the WRLC Terms of Reference to enable the Committee to sign off the draft and final FDS.</li> </ul> <p><b>Regional housing delivery unit and joint building consent unit update</b></p> <ul style="list-style-type: none"> <li>• We recommend you <b>agree</b> that no further work should be undertaken on a joint building consent unit or on a regional housing delivery unit.</li> </ul>

Agenda item	Summary	Talking Points
	<p>As a result of these changes, the WRLC CEO group are recommending that no further work should be undertaken on the regional delivery unit and the joint building consent unit.</p> <p>This item will therefore seek agreement from the WRLC on the following:</p> <ul style="list-style-type: none"> <li>• <b>Agree</b> that, with regard to the Regional Housing Delivery Unit and Joint Building Consent Unit project that               <ul style="list-style-type: none"> <li>a) no further work should be undertaken on a joint building consent unit</li> <li>b) no further work should be undertaken regionally on a regional housing delivery unit.</li> </ul> </li> </ul> <p><b>Wellington Regional Growth Framework and proposed RPS alignment</b></p> <p>The discussion on the RPS is likely to be of particular interest. Key points are summarised below.</p> <ul style="list-style-type: none"> <li>• The proposed RPS is now out for consultation.</li> <li>• The Wellington Regional Growth Framework (WRGF) recognised the lack of regulatory teeth to support new greenfield development in a way that supports higher density housing than we currently see, and multi-modal travel options.</li> <li>• The proposed RPS aims to give regulatory weight to the WRGF to ensure that urban development is happening in the right places in the right way (e.g., with appropriate levels of density, in less car-dependent areas).</li> <li>• The Greater Wellington Regional Council has prepared Proposed Change 1 to the RPS. The focus of this change is to implement and support the NPS-UD and to start the implementation of the National Policy Statement for Freshwater Management 2020 (NPS-FM). It also addresses issues related to climate change, indigenous biodiversity, and high natural character.</li> </ul>	
<p><b>Item 4:</b> WRLC and Regional Transport Committee alignment</p>	<p>A joint WRLC and Wellington Regional Transport Committee (RTC) workshop was held on 22 August 2022. The aim was to develop a joint understanding of expected housing development over the next 30 years, current plans for transport in the region, emissions reduction activities, and how to achieve the desired future urban development, transport, and emissions reduction needs of the region.</p>	<ul style="list-style-type: none"> <li>• You may wish to express support for this initiative to develop consistent alignment of urban development and transport work programmes, projects and funding.</li> </ul>

Agenda item	Summary	Talking Points
	<p>The Wellington RTC is comprised of two people who represent the Greater Wellington Regional Council, one person who represents each of the eight territorial authorities of the region, one person who represents Waka Kotahi NZ Transport Agency, and one person who represents KiwiRail. Horizons Regional Council also has a Regional Transport Committee with a similar makeup of members. Regional Transport Committees (RTC) prepare land transport programmes and provide advice to regional councils.</p> <p>This item will discuss insights from this workshop. Key themes included:</p> <ul style="list-style-type: none"> <li>the importance of long-term integrated planning for transport and land use</li> <li>the need for clear joint direction and priorities, with funding certainty</li> <li>making it easy for people to “do the right thing” (especially for emissions reductions).</li> </ul> <p>Participants at this workshop agreed on the need for consistent alignment of urban development and transport work programmes, projects, and funding. This will be achieved through:</p> <ul style="list-style-type: none"> <li>The development of the Future Development Strategy, with workshops being undertaken from now to mid-2023</li> <li>the development of the Regional Land Transport Plan, which will identify a future transport system vision by March 2023.</li> </ul> <p>This item will seek agreement from the WRLC on the following:</p> <ul style="list-style-type: none"> <li><b>Agree</b> to continue to work with the Regional Transport Committee/s through both the Future Development Strategy process and the Regional Land Transport planning process to identify and agree the key projects and their sequencing that best support planned integrated urban development and transport in the region.</li> </ul>	<ul style="list-style-type: none"> <li>This will be essential for achieving national and regional priorities for housing, transport, and emissions reductions.</li> <li>We recommend you <b>agree</b> for the WRLC to continue to work with the RTC to support integrated urban development and transport in the region.</li> </ul>
Item 5:	The WRLC has previously endorsed a list of ‘Complex Development Opportunities’ (CDOs). These are priority areas for development. They provide a useful way for	You may only be present for part of this item.



Agenda item	Summary	Talking Points
Presentation on the Northern Growth Area	<p>partners to work together on achieving important outcomes, such as accelerated housing delivery, affordable housing options, and meeting emissions reduction targets.</p> <p>The CDOs list includes seven projects. One of these is the Porirua Northern Growth Area, which this presentation will focus on. This area is located on 1,036 hectares of greenfield land identified as a future urban growth area in the north of Porirua City. It is made up of seven major land holdings and falls within the rohe of Ngāti Toa Rangatira</p> <p>In July 2022, Porirua City Council wrote to Kāinga Ora requesting that the Northern Growth Area be selected for assessment as a Specified Development Project (SDP).</p> <p>SDPs, established under the Urban Development Act 2020, provide a new way for Kāinga Ora to work with councils, iwi and private developers to deliver transformational and complex urban developments.</p> <p>Kāinga Ora is now assessing whether to establish an SDP in the Northern Growth Area. This process will involve approximately nine months of extensive engagement and consultation.</p> <p>Kāinga Ora has undertaken early engagement with Waka Kotahi and Greater Wellington Regional Council. A key element of the SDP assessment will involve exploring its emissions reduction potential by providing public transport links, and master planning activities to promote active travel to key locations, including a school.</p> <p>It is understood that Ngāti Toa Rangatira support the project being considered as a potential SDP and that the main landowners are open to this option if this would help accelerate and enable development.</p>	<ul style="list-style-type: none"> <li>• You may wish to comment in support of the SDP investigation process.</li> <li>• As a hilly greenfield site anchored between two train stations (map attached as <b>Appendix 3</b>), the proposed development will present both opportunities and challenges to achieving good urban form and transport outcomes.</li> <li>• The SDP process, should it be accepted by stakeholders and the Government as the most appropriate pathway, could set the standard for a new way of transit-oriented development in New Zealand.</li> </ul>

## Attachment 2: Biographies

### Wellington Regional Leadership Committee members



**Tracey Martin**  
**WRLC Independent Chair**  
Experienced Member of Parliament with a demonstrated history of working in the political organisation industry.



**Daran Ponter**  
**Chair, Greater Wellington Regional Council**  
Daran became the Chair of GWRC in Oct 2019. He was first elected in the regional council in 2010 and served until 2013. He was appointed as a council member in 2016.



**Anita Baker**  
**Mayor, Porirua City Council**  
Anita was first elected to the Porirua Council in 2010. She is also the Deputy Chair of Chief Executive's Employment Committee. Anita is the Deputy Chair of the WRLC.



**Wayne Guppy**  
**Mayor, Upper Hutt City Council**  
Wayne was first elected to the Upper Hutt Council in 1998 as the Chair of Consents Committee. At the local body election in 2021, he was elected as mayor.



**Andy Foster**  
**Mayor, Wellington City Council**  
Andy is in his first term as mayor after winning election in October 2019. Prior to that he had served as a councillor for the Capital City since 1992.



**Campbell Barry**  
**Mayor, Lower Hutt City Council**  
Campbell was elected to the Wainuiomata Community Board in 2010 and served as Wainuiomata's ward councillor for two terms before being elected mayor in October 2019.



**K Gurunathan**  
**Mayor, Kāpiti Coast District Council**  
K Gurunathan was elected the mayor of KCDC in 2016.



**Alex Beijen**  
**Mayor, South Wairarapa District Council**  
Alex was elected as mayor in 2019.



**Greg Lang**  
**Mayor, Carterton District Council**  
 Greg is in his third term at the Carterton District Council but in his first term as the mayor.



**Lyn Patterson**  
**Mayor, Masterton District Council**  
 Lyn was elected as the mayor of Masterton District Council in 2013. Lyn was also on the 'Mayors Taskforce for Jobs' established in 2000.



**Bernie Wanden**  
**Mayor, Horowhenua District Council**  
 Bernie has been the mayor of Horowhenua District since 2019. Before, he served as a councillor.



**Cherie Seamark**  
**Deputy Chair, Ātiawa ki Whakarongotai Charitable Trust**  
 Cherie has extensive experience in providing kaupapa Māori Primary and Community health service leadership.



**Darrin Apanui**  
**Rangitāne Tū Mai Rā Trust**  
 Formerly the CEO of Te Matatini Kapa Haka Aotearoa, Darrin has held many senior executive roles.



**Helmut Modlik**  
**Te Rūnanga o Toa Rangatira Inc**  
 Helmut is an experienced chief executive, director, businessman and consultant with specialist skills in business and economic development.



**Huia Puketapu**  
**Trustee, Port Nicholson Block Settlement Trust**  
 Experienced in education delivery, management, leadership, advising, governance, trade via NZ Army and the fashion industry. Active 'doer' for her iwi.



**Di Rump**  
**CEO, Muaūpoko Tribal Authority Inc**  
 Experienced in governance, leadership, passionate advocate for social justice, participation, and equity.



**Kelly Bevan, Raukawa ki te Tonga Trust**  
 Current positions: Board member of Te Pae Tahuu, business executive for Te Runanga o Raukawa. Interim board member for the establishment of the Whanau Ora Raukawa Provider organisation.



### Appendix 3: Northern Growth Area in Porirua



Northern Growth Area Boundary Map



Document 7

15 September 2022

OC220828

**Hon Michael Wood****Action required by:****Minister of Transport**

Wednesday, 21 September 2022

## MINISTRY OF TRANSPORT DRAFT ANNUAL REPORT 2021/22

### Purpose

Provides you with the Ministry of Transport's draft Annual Report 2021/22 (the Report) and seeks your agreement to an Addendum to the Report, as required under the Public Finance Act (the PFA).

### Key points

- The attached Report describes the non-financial and financial performance of the Ministry in 2020/21 and we consider it to be low risk.
- The Ministry is responsible for the content of the Report (see pages 1 to 115). As Minister of Transport, you are responsible for an Addendum to the Report on 'Additional non-departmental appropriations' (see pages 116 to 140<sup>1</sup>). The Addendum covers 22 appropriations and is required by section 19B of the PFA.
- We are still awaiting the Financial Overview section which will be inserted once Audit NZ have completed their audit.
- Page numbers refer to the numbers on the screen, not in the printed document. Page numbering will be finalised once all information and amendments have been incorporated.
- Audit NZ will complete their audit on 23 September, at which time we need to provide confirmation of your approval of the Addendum.
- The Report will be signed off with Audit New Zealand on 30 September 2022 and the PFA requires that the Report be tabled in the House by 21 October 2022.
- Audit NZ are yet to complete their final audit (and they may require that some minor amendments be made to the Report). However, the Ministry considers that the Report is a fair reflection of the Ministry's performance and that substantive changes are unlikely to be required.

<sup>1</sup> Section 8 and page 40 as printed on the document

## Recommendations

We recommend you:

- 1 **Note** that you are required by section 19B of the PFA to report on 11 Vote Transport non-departmental appropriations for 2021/22 and that, for completeness, a further 11 appropriations have been included in your non-departmental appropriations report for 2021/22
- 2 **Agree** the Addendum included in the Report is used to meet the requirement in recommendation 1 above Yes / No
- 3 **Authorise** the Ministry to attach your electronic signature to the Addendum to the Report on page 118. Yes / No



Robyn Smith  
**Deputy Chief Executive, Corporate Services**  
 15 / 09 / 2022

Hon Michael Wood  
**Minister of Transport**  
 .... / ..... / .....

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

## Comments

## Contacts

Name	Telephone	First contact
Robyn Smith. Deputy Chief Executive, Ministerial Services	s 9(2)(a)	✓
Prashila Dayal, Senior Adviser, Corporate Accountability		

## MINISTRY OF TRANSPORT DRAFT ANNUAL REPORT 2021/22

1. The Ministry of Transport's draft Annual Report 2021/22 (the Report) is attached.
2. The Ministry is responsible for the content of the Report (see pages 1 to 115). As Minister of Transport, you are responsible for an Addendum to the Report on 'Additional non-departmental appropriations' (see pages 116 to 140). The Addendum covers 22 appropriations and is required by section 19B of the PFA.
3. The content and design of the Ministry's Report is similar to last year. It covers both the Ministry's financial and non-financial performance.
4. We have reported our work and achievements in support of the Government's priorities using the structure set out in our Strategic Intentions 2021-25 document.
5. We consider the Report to be low risk.

### Non-departmental appropriations that you need to report against

6. Section 19B of the PFA contains requirements for an appropriation Minister to provide end-of-year performance information for certain appropriations.
7. The supporting information for the 2021/22 Estimates and Supplementary Estimates, identified that you would provide performance information for 11 Vote Transport appropriations for 2021/22.
8. Following discussions with Treasury and Audit New Zealand in 2021, we have included a further 11 appropriations in the Addendum. It is considered that the Estimates and Supplementary Estimates should have required both the Minister of Transport and KiwiRail to report on these appropriations. Including these appropriations in the Addendum covers any potential risk of non-compliance with the PFA.
9. The Ministry has prepared the additional appropriations report and it is included as an Addendum to the Report, after the audit opinion, for your review (pages 116 to 140). This Report is not subject to audit.
10. If you approve this Addendum, your electronic signature will be added where indicated.

### Process and next steps

11. Audit NZ are currently onsite for their annual audit. This work will be completed by 23 September 2022 to allow the Report to be signed by the Ministry Chief Executive on 30 September 2022. Audit NZ have not raised any significant concerns to date, but there may still be some minor changes to the presentation or content of the Report.
12. Please consider the Report by Wednesday 21 September 2022 and agree the Addendum be included in the Report and that your electronic signature be attached to it. This will allow us to confirm to Audit NZ on 23 September that you have approved the Addendum.
13. The Report must be tabled in the House and published on the Ministry's website by 21 October 2021 (within three weeks of sign-off) or, if the House is not in session, at the next available opportunity in the new Parliament.

21 September 2022

OC220725

**Hon Michael Wood**  
**Minister of Transport**
**Action required by:**  
 30 September 2022

## TAKING ACTION ON FUEL PRICES - FURTHER DECISIONS

### Purpose

To advise you on timetable constraints should the Government wish to extend the temporary reductions to petrol excise duty and road user charges beyond 31 January 2023.

### Key points

- s 9(2)(f)(iv)
- If the Government did want to extend, primary legislation – a Bill in the House – is needed to extend the reductions to road user charges. Any Bill would need to be passed (and receive Royal assent) before Christmas. The reductions to petrol excise duty can be extended by Order in Council. Any Order in Council will also need to be made before Christmas.
- Transport officials will need direction from Ministers no later than **mid-October 2022** to begin the necessary work should the Government wish to extend the temporary reductions beyond 31 January 2023. If the Government chooses not to extend, some fuel companies have requested 90 days' notice to ensure oil stocks for the end date. As requested by Cabinet, officials will update Ministers on the financial impact of the reductions in October.

### Recommendations

We recommend you:

- |   |  |          |
|---|--|----------|
| 1 | <b>copy</b> this briefing to the Minister of Finance, the Minister of Energy and Resources and the Minister of Customs | Yes / No |
| 2 | <b>discuss</b> likely direction with transport officials   | Yes / No |



Marian Willberg  
**Manager, Demand Management and Revenue**

...21/09/2022....

Hon Michael Wood  
**Minister of Transport**

..... / ..... / .....



IN CONFIDENCE

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Marian Willberg, Manager, Demand Management and Revenue	s 9(2)(a)	✓
Andrew de Montalk, Advisor, Demand Management and Revenue		

UNCLASSIFIED

23 September 2022

OC220817

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Tuesday, 27 September 2022

**Hon Kieran McNulty**  
**Associate Minister of Transport**

## CIVIL AVIATION AUTHORITY – FUNDING REVIEW UPDATE

### Purpose

Provides an update on the Civil Aviation Authority's (the Authority) funding review which is being discussed at the Transport Ministers' meeting on 27 September 2022. Specifically, this update relates to:

- s 9(2)(f)(iv)
- 


We propose that the funding review discussion at the next Transport Ministers' meeting informs Minister McNulty's meeting with the CAA Chair and Chief Executive on 10 October 2022, which includes the funding review as an agenda item.

### Key points

- s 9(2)(f)(iv)
- 
- 
- 
- The Authority's total expenditure has increased by around \$56 million (or 41 percent) over the past five financial years – since the completion of the Authority's last full funding review - to \$193 million in 2021/22.
- s 9(2)(f)(iv)

s 9(2)(f)(iv)



- s 9(2)(g)(i)  

- We recommend that Minister Wood agrees to delegate funding review discussions to Minister McNulty, as part of his regular meetings with CAA and MNZ Chairs, to clarify the status of the reviews and any risks to delivery.
- We suggest that Minister McNulty's meeting with the CAA Chair and Chief Executive on 10 October 2022 is used to understand:

s 9(2)(f)(iv)



- - 
  - 
  -
- You may also wish to discuss the proposed talking points for the October meeting (in **Annex 1**) during the Transport Ministers' meeting.

**Recommendations**

We recommend you:

<b>Minister Wood</b>	<b>Minister McAnulty</b>
--------------------------	------------------------------

- |  |  |          |          |
|--|--|----------|----------|
| 1  | s 9(2)(f)(iv) [REDACTED]   |          |          |
| 2  | <b>agree</b> to delegate further discussion on the Civil Aviation Authority's funding review to Minister McAnulty at his regular meetings with the CAA Chair and Chief Executive | Yes / No | N/A      |
| 3  | <b>agree</b> to delegate further discussion on Maritime New Zealand's funding review to Minister McAnulty at his regular meetings with the MNZ Chair and Chief Executive         | Yes / No | N/A      |
| <i>Following Minister McAnulty's meeting with the CAA Chair and Chief Executive on 10 October 2022</i> |  |          |          |
| 4  | s 9(2)(f)(iv) [REDACTED]   | Yes / No | Yes / No |



Chris Jones  
Acting Manager, Governance  
23 / 09 / 2022

Hon Michael Wood  
Minister of Transport  
..... / ..... / .....

Hon Michael Wood  
Associate Minister of Transport  
..... / ..... / .....

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

**Comments****Contacts**

Name	Telephone	First contact
Sarah Polaschek, Acting Deputy Chief Executive - System Performance & Governance	s 9(2)(a)	
Chris Jones, Acting Manager, Governance		✓
Alex Beedell, Senior Advisor, Governance		

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THE OFFICIAL INFORMATION ACT 1982



## CIVIL AVIATION AUTHORITY – FUNDING REVIEW UPDATE

### The Authority has commenced a funding review to return it to financial sustainability

- 5 The Authority was undertaking a mid-point funding review in 2020, which was due to take effect on 1 July 2020. This review planned to check the assumptions and forecasts about volume, resource, and costs made in the Authority's first-principles full funding review in 2016. However, in response to sector uncertainty from the pandemic, Cabinet placed a moratorium on funding reviews across border agencies in March 2020 (CVD-20-MIN-0010 refers).
- 6 On 20 October 2021, Cabinet lifted the moratorium on funding reviews for the Authority and Maritime New Zealand (DEV-21-MIN-0192 refers), and agreed that the entities be required to undertake funding reviews that develop analysis based on Option Two, to support a managed transition back to cost recovery, i.e.:  
*to preserve capability by not undertaking reductions to costs, but raising charges, fees and levies, with a return to financial sustainability occurring in 2023/24.*
- 7 Soon after the moratorium was lifted, the Authority advised officials that it may be unable to meet the 2023/24 implementation date due to resourcing constraints relating to pressures to implement the Civil Aviation Bill, and uncertainty around the outcomes of Budget 2022. The Authority advised that the earliest it would be able to deliver its funding review was 30 June 2024.
- 8 In response to these difficulties, Te Manatū Waka agreed to the Authority delivering its funding review by 30 June 2024. This date was reflected in the Terms of Reference you approved and has been used by officials to monitor (and test) the progress of the Authority's funding review project.

s 9(2)(f)(iv)

10

s 9(2)(f)(iv)

s 9(2)(g)(i)

s 9(2)(f)(iv)

11

s 9(2)(f)(iv)

12

s 9(2)(f)(iv)

suggested talking points for this meeting are provided for your consideration in **Annex 1**.

s 9(2)(f)(iv)

13

Cabinet agreed to support the Authority's managed transition back to financial sustainability while completing its funding review – albeit on the understanding that the review would be completed by 30 June 2024 (DEV-21-MIN-0192 refers).

14

s 9(2)(f)(iv)

15

In Budgets 2021 and 2022, Cabinet agreed to continue the Authority's assess to multi-year appropriation 'Protection of Transport Sector Agency Core Functions' (the liquidity facility) at **\$114.3 million (2021/22)** and **\$109.3 million (2022/23)**. The amount of Crown funding provided through the liquidity facility is the difference between the Authority's actual expenditure for core functions and the actual revenue received in the financial year, up to the total amount of the appropriation available.

16

The 2021/22 and 2022/23 liquidity facility amounts are reflective of the significant impact of boarder closures, travel restrictions, and low activity levels, on the Authority's financial position during the pandemic. It is expected that the Authority's dependence on liquidity funding will lessen from 2023/24, as borders have reopened, and activity levels have increased (however, uncertainty remains about long-term travel trends).

s 9(2)(f)(iv)

18

The Authority's total expenditure has increased by \$56 million (or 41 percent) over the past five financial years – i.e., since the last full funding review was completed - to \$193 million in 2021/22.

CAA expenditure	2016/17 actual	2017/18 actual	2018/19 actual	2019/20 actual	2020/21 actual	2021/22 estimated actual
Total expenses (\$000)	137,163	148,007	158,931	177,511	170,813	193,315
Year-on-year increase		8%	7%	12%	-4%	13%

- 19 The expenditure for these years is in line with the Cabinet approved 2019 AvSec funding review, and the levels anticipated in the suspended 2020 CAA funding review. However, these reviews used pre-COVID activity levels, which predicted annualised growth of 3.6 percent for international passengers and 3.2 percent for domestic passengers - a 15 percent increase in passenger screening by 2022.
- 20 Although there has been an uplift in passenger volumes following the introduction of the *Reconnecting New Zealanders strategy*, long-term travel trends are not yet known.
- 21 In August, international passenger levels reached 56 percent of pre-covid levels and domestic passenger levels were at 94 percent of pre-covid levels in June 2022. At

s 9(2)(f)(iv)

**The outcome of Minister McAnulty's discussions with the Authority will inform next steps for the funding review**

- 25 We suggest that Minister McAnulty's meeting with the CAA Chair and Chief Executive on 10 October 2022 is used to understand:

- 
- 
- 
- 

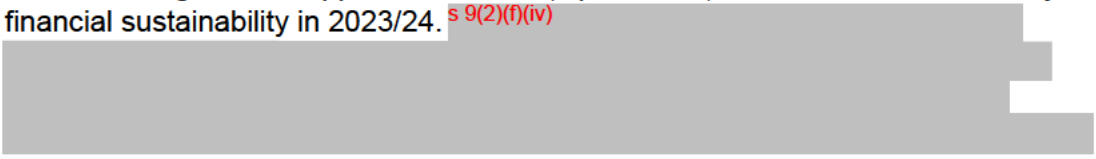


- 26 You may also wish to discuss the proposed talking points for the October meeting (in **Annex 1**) during the Transport Ministers' meeting.

- 27 Following Minister McAnulty's meeting with the CAA, we propose that Transport Ministers meet to discuss their response (if any)

s 9(2)(f)(iv)



- 28 When Cabinet agreed to lift the moratorium on funding reviews it was on the understanding that the approach it chose (Option Two) would return the Authority to financial sustainability in 2023/24. <sup>s 9(2)(f)(iv)</sup>
- 

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**Annex One: Suggested talking points for Minister McAnulty's meeting with the CAA Chair and Chief Executive on 10 October 2022**

- **acknowledge** that the funding review will determine the increases to fees, charges, and levies required to support delivery of the Authority's functions.
- **reiterate** that while Crown funding is within the scope of the funding review's Terms of Reference, the Authority should seek to implement a sustainable new funding model at minimal cost to the Crown.
- **ask** the Chair and Chief Executive about the international trends they are seeing, and what impacts these trends could have for the Authority and the New Zealand's aviation sector.

- s 9(2)(f)(iv) [Redacted]
- [Redacted]

- **ask** the Chair and Chief Executive:

- s 9(2)(f)(iv) [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

- which of the Authority's activities should be funded as a public good?





Document 11

23 September 2022

OC220839

Hon Michael Wood

Action required by:

Minister of Transport

Wednesday, 28 September 2022

## INTER-REGIONAL PASSENGER RAIL ENQUIRY – PRESENTATION TO THE TRANSPORT AND INFRASTRUCTURE COMMITTEE

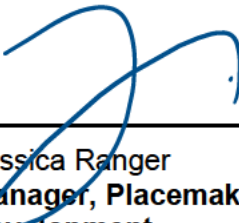
### Purpose

This briefing provides you with a draft speech and back-pocket materials to support your presentation on the inquiry into the future of interregional passenger rail in New Zealand to the Transport and Infrastructure Committee on Thursday 29 September.

### Key points

- The Transport and Infrastructure Committee (the Committee) is undertaking an inquiry into the future of interregional passenger rail in New Zealand. The aim of the inquiry is to find out what the future could hold for inter-regional passenger rail in New Zealand.
- The Terms of Reference of the inquiry are listed below, at **Appendix 1**, reflecting a range of areas of interest for the Committee. The Committee has called for public submissions, with a closing date of 6 October 2022.
- Waka Kotahi has been consulted on this briefing and has provided information for your submission to the Committee.
- KiwiRail has advised it will independently prepare a brief submission setting out its role in passenger rail and the considerations involved in establishing new services and welcoming the Committee's view on the matter.
- On 1 September 2022, Shanan Halbert MP, Chairperson of the Committee, wrote to you requesting the Ministry of Transport act as an advisor to the Committee for the purpose of providing analysis of evidence on the inquiry.
- You have also been invited to make a public oral submission to the Committee for 45 minutes on Thursday 29 September 2022 from 9:45am to 10:30am. The letter asked for opening remarks to be kept to 5-10 minutes to allow the bulk of the time to be used for member's questions.

- To assist you with your presentation, a draft speech and back-pocket material is attached below, at **Appendix 2**. You will have the opportunity to discuss the materials with officials from the Ministry of Transport and Waka Kotahi at a preparation session scheduled for 12.30pm-1.00pm on Wednesday 28 September 2022. Potential questions and answers for Select Committee questions are attached as **Appendix 3**, and **Appendix 4** provides additional back-pocket information.

  
 \_\_\_\_\_  
 Jessica Ranger  
**Manager, Placemaking and Urban Development**  
 ..23... / ...9... / ....22..

\_\_\_\_\_  
 Hon Michael Wood  
**Minister of Transport**

..... / ..... / .....

**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

**Comments**

#### Contacts

Name	Telephone	First contact
Marieka Curley, Senior Advisor, Placemaking and Urban Development	s 9(2)(a)	
Jessica Ranger, Manager, Placemaking and Urban Development		
Jo Heard, Policy Delivery Lead, Supply Chain		✓

**Appendix 1:** Terms of Reference: Inquiry into the future of inter-regional passenger rail in New Zealand

- The Transport and Infrastructure Committee has opened an inquiry into the future of inter-regional passenger rail in New Zealand. The aim of the inquiry is to find out what the future could hold for inter-regional passenger rail in New Zealand. The terms of reference below will guide what the committee investigates, and includes:
  - Investigating possibilities and viability of passenger rail in underserved communities, those with prior rail links that have been disestablished, and those currently advocating for improved rail links;
  - Gaining insights into viability of passenger rail sitting alongside KiwiRail's freight network;
  - Evaluating existing inter-regional passenger rail, such as the Capital Connection, and how these services work between local and regional councils and central government;
  - Gaining insights into the integration of regional rail into existing local public transport networks;
  - Investigating the climate and emissions reductions possibilities of passenger rail, and how this links to VKT (vehicle kilometres travelled) reduction targets in the Emissions Reduction Plan, and including electrification between regions; and
  - Investigating potential rail expansions and investments in specific areas, such as Tauranga (following a recent report on the re-introduction of passenger rail) and the Lower North Island (following a business case funded at Budget 2021).

## Appendix 2: Draft Speech

- Tēnā koutou, tēnā koutou, tēnā tātou katoa
- Its great to be with you today as you undertake an inquiry into inter-regional passenger rail in Aotearoa New Zealand.
- We came into Government in 2017 with a strong desire to build a greater role for rail in the transport system.
- Rail enables access and mobility, transporting people and goods, supporting productivity and business growth, reducing emissions, congestion and road deaths, and strengthening social and cultural connections between communities.
- My vision is for our transport system to be safer, more efficient, accessible, affordable and secure, while creating new jobs and developing the high skilled workforce our future economy needs to thrive.
- We are continuing to support the restoration of the national rail network, to improve resilience and reliability and to support rail freight and metropolitan rail growth. To that end, we have invested over \$8 billion into rail over the past five years.
- We're making sure that KiwiRail has the trains with the resources it needs to carry more freight around the country, enable our passenger networks, and maintain the blue highway across Cook Strait.
- We are also investing to enable our metropolitan rail networks in Auckland and Wellington.
- These investments collectively are critical to enabling urban development and supporting our emissions reduction plan.

### *Background – Case for change*

- When we came into Government, we recognised a long-term plan was required for the rail network. Restoring the rail system required commitment to ongoing and increasing funding contributions to rail compared to historical levels
- The Future of Rail review was set up to consider a more sustainable long-term funding and planning model for rail.
- It came as no surprise that the review found that the rail network was in a state of 'managed decline', which in part was caused by short-term funding decisions around long-lived assets.
- Over the last 40 years, rail in New Zealand has experienced a series of changes, which have limited its ability to provide services to support growing freight and passenger demands.
- Many key assets were at the end of their economic lives and needed to be replaced, such as the Interisland ferries, rolling stock and maintenance depots. There was also

significant underfunding of our metropolitan passenger networks, which are the backbone of transport in our two largest cities.

#### *Current State*

- In terms of inter-regional rail, we have continued to support the maintenance of the capital connection and I am currently considering the business case for a step change in services for the lower north island.
- We have also restarted the first inter-regional passenger service in decades with the Te Huia now up and running. I have continued to explore service improvements on this line and have also been considering the case for rapid rail between Hamilton and Auckland.
- Outside of the main metropolitan areas, New Zealand's rail network is predominantly used for moving freight around the country.
- Three tourism services also exist in both the North and South Islands. These services provide a unique tourism experience rather than an alternative to road or air travel.
- As a State-Owned Enterprise, KiwiRail's focus is on operating in a commercial manner, and it is interested in exploring additional rail services where there is evidence that these would be commercially viable.
- Historically, many of the regional rail passenger services that have operated in New Zealand have not been commercially viable.
- Over the past decade local councils have initiated various investigations into regional passenger rail services. However, many of these have not progressed for a variety of reasons, including the need for ongoing subsidy.

#### *The New Zealand Rail Plan and RNIP*

- Last year, we published the New Zealand Rail Plan (Rail Plan).
- The Rail Plan outlines the Government's vision and investment priorities for rail over 10 years, and the significant changes needed to strengthen rail in our transport system.
- Our long-term vision is for New Zealand's rail network to provide modern transit systems in our largest cities, and to enable increased volumes of freight to be moved by rail. Creating alternative transport options for people and freight is a key part of providing a multi-modal transport system.
- Increasing the use of lower-emission transport options, including rail, is an important step in the Government's response to the climate emergency. Supporting increased use of rail will be a part of the changes needed for transport to meet the emissions targets.
- By moving more people and freight onto rail, our roads will also be less congested and safer.



- The Rail Plan outlines our commitment to embedding and improving the two existing regional passenger rail services in New Zealand. This reflects our commitment to restoring a resilient and reliable rail network as a platform for future investment.
- It provides a clear statement of what Government's strategic investment priorities are over the next decade, to help guide network planning and funding decisions.
- It confirms the changes made to the Land Transport Management Act 2003 (LTMA), which sets out the new planning and funding framework for the rail network.
- These legislative changes enable rail network investment to now be funded from the NLTF, with support from track user charges and ongoing Crown investment.
- This new approach will enable rail to play its part in a multi-modal transport system and will position rail so it can contribute to the Transport Outcomes Framework.
- Future investment decisions taken under the Government Policy Statement 2021 (GPS) and Crown investment decisions are expected to align with the investment priorities outlined in the Rail Plan.
- We want to see rail play its part in a multi-modal transport system. The crucial first step we must take in this initial ten-year period is to achieve a resilient and reliable rail network that also improves safety.
- The pipeline of rail projects highlighted in the Rail Plan is significant. It provides greater certainty to KiwiRail, local government and other rail participants to enable long-term planning and investment in rail.
- The Rail Plan is not a fully funded package of investments. While some rail projects included in the Rail Plan have been funded – such as projects already underway or projects funded by the NZ Upgrade Programme – others will be considered for funding in future.
- Rail is a significant long-term asset, which is why we need a long-term plan. The Rail Plan provides this strategic direction, which is balanced, realistic and deliverable.
- Over the next decade, this investment will take the network out of a state of managed decline and provide a stable platform for future investments for growth. It will also lower greenhouse gas emissions, improve resilience and support employment and the economic recovery from COVID-19.
- I am focussed on implementing the rail plan. But I am also interested in whether there is more that should be done to enable the emissions reduction plan.

*There are wider benefits to passenger rail*

- Through GPS 2021, the Emissions Reduction Plan and the Urban Growth Agenda, New Zealand's framework for urban growth and associated transport needs is fundamentally shifting.
- It is moving away from car dependent, low-density suburban development, towards an efficient and liveable urban form that supports public and active transport.
- This shift will mean less investment in car-based infrastructure, and more in public transport, walking and cycling. It also requires broader thinking about how transport networks influence urban development, and their impacts on social, cultural, environmental, and economic well-being.

*There is also increasing desire for inter-regional services and passenger rail in fast-growing cities.*

- We are also working as part of our Urban Growth Partnerships to develop long-term spatial planning frameworks, which highlight infrastructure priorities. This has included work with Tauranga/Western Bay of Plenty and Hamilton/Waikato Councils.
- Spatial planning will play an increasingly important role in ensuring that future growth strategies for cities and regions are integrated with transport priorities.
- The impacts of spatial planning activities will be important for considering future opportunities for investment.

*Investment pipeline*

- There has been substantial investment in passenger rail under this Government, focused on enabling resilient, reliable and safe metropolitan rail networks in Auckland and Wellington.
- This includes investment from Auckland Council and Auckland Transport, Greater Wellington Regional Council, and the Crown.
- As outlined in the Rail Plan, our strategic investment priorities for rail include investing in the national rail network to restore rail freight and provide a platform for future investment for growth and investing in metropolitan rail to support growth and productivity in our largest cities.
- These are major projects that will go a long way to preparing our commuter rail networks for growth in services.
- We are also focusing on how we can embed and enhance already committed inter-regional passenger services: Te Huia and the Capital Connection.

- I am confident that these investments will not only lay a foundation for future growth but serve to demonstrate the potential of passenger rail in New Zealand.

*Conclusion*

- I know that there are significant ambitions for rail in the transport system.
- This came through clearly in the public feedback we received on the draft Rail Plan and the GPS, and I expect these ambitions will be reflected in the submissions you hear throughout this inquiry.
- This Government shares the public's excitement for rail, and how it can enable it to achieve its emissions reduction targets. However, as a country we need to do more work to consider the value of inter-regional rail services.
- I look forward to the findings of this Committee and seeing what the inquiry can do to help explore the proposals, evidence, and value propositions for expanded investment in inter-regional rail.
- While our immediate investment priorities for rail are focused on providing a resilient and reliable rail network, this significant programme of change is building a platform for future growth.
- Rail is a long-term asset, and the changes we begin to shape now will positively influence the future of our transport system and the wellbeing of all New Zealanders.

## Appendix 3:

**Suggested Q&A for Select Committee questions*****Projects out of scope (e.g. “Why has the Government not invested in X regional service from A to B?”)***

- The Rail Plan sets out our strategic investment priorities over the next decade.
- In the initial ten-year period covered by the Rail Plan, our priority is achieving a resilient and reliable rail network that also improves safety and provides a platform for future growth.
- The pipeline of rail projects highlighted in the Rail Plan is significant. It provides greater certainty to KiwiRail, the wider rail industry and rail users, after decades of under-investment.
- However, this package of investments will also take time and effort to deliver.
- The benefits of any service need to be proven and weighed against the costs of delivery. It is important that any proposal goes through a thorough business case process.

***Delivery timeframes (“Why does rail take so long to deliver?”)***

- The nature of regional passenger rail requires cooperation across multiple local authorities with competing local priorities, differing perspectives on the nature of the opportunity, and varying levels of financial and technical capability.
- In addition, many local authorities no longer deliver rail services. It takes time and expertise to develop and implement the proposals (as was seen with Te Huia).
- Rail also has high start-up costs which require significant investment from government. Rolling stock and upgrading older regional stations is costly and time consuming as many stakeholders are involved.
- There is currently no consolidated framework to support and guide regional passenger rail conversations. This means that discussions are generally ad hoc, at a regional level, and with no consistency of data, costings, or approach. There is a significant risk of duplication of effort, and of resource being invested in initiatives that are unlikely to be progressed to delivery.
- It may also need to take a multi-modal approach to regional transit as the economic viability of rail will vary from region to region, depending on local conditions and market considerations.

***How will you pay for this? / Who will pay for this?***

- The Rail Plan will guide investment decision-making for rail through the NLTF and future Budget rounds as we consider Crown funding. We remain committed to regional economic development and the role that rail can play in our regions.

- We have changed the way we plan and fund rail in New Zealand by moving from a short-term to a long-term focus.
- The funding for any new inter-regional rail services would need to be considered on a case-by-case basis. I would expect there would need to be contributions from users, as well as local authorities and central government – should a service stack up.

***Does New Zealand have a public transport strategy?***

- The Ministry of Transport, in collaboration with Waka Kotahi, local government and public transport operators, is developing a national public transport strategy. The strategy will provide a set of principles for planning and funding diverse kinds of public transport, within and between towns and cities, to enable the development of a national public transport network.
- Alongside the strategy, a business case toolkit will be published that will provide guidance on the specific viability of interregional passenger rail, coach and bus services, and will improve the planning, funding and delivery of these projects.
- The strategy is due for publication in 2025.

***How are the Capital Connection and Te Huia currently funded? How much funding comes from taxpayer subsidies?***

- Both Capital Connection and Te Huia are subsidised through the National Land Transport Fund – Public Transit Services although on different Funding Assistance Rates (FAR).
- Capital Connection has a fixed contribution from two Councils (Greater Wellington Regional Council & Horizons) with the remainder subsidised by Waka Kotahi, in effect a bespoke FAR.
- *Note: Public Transport is funded by NLTF (FAR) + Council Contribution + farebox) Net of fare revenue. Te Huia has a Targeted FAR, established through the Transitional Rail in the 2018 GPS of 75.5%, with 24.5% Council contribution.*

***What is the evidence base for funding key services in Hamilton and Wellington?***

- Te Huia has the potential to replace up to 73,000 return car trips annually, helping to ease congestion and supporting our goal of reducing climate emissions from transport. By strengthening the connection between New Zealand's fastest growing job hubs, we're helping to boost the regional economy.
- By providing a modern service, commuters had a real choice between being stuck in traffic or travelling by train. We know when we give people real travel choices, they can leave the car at home, which helps ease congestion and reduce emissions. The carriages have free Wifi, air conditioning, and plenty of tables and power points, so passengers can use their travel time productively.
- We'll continually monitor the service to make improvements, and more stops could potentially be added in the future.



***Why are you not investing more to reduce carbon emissions?***

- The 10-year pipeline of projects in the Rail Plan is significant and will require ongoing investment from the Government.
- Reducing carbon emissions is a key outcome we expect to see from our investment, and we will be monitoring these as part of a wider monitoring framework.
- Our first priority is to invest in the existing rail network, to ensure it is resilient, reliable and safe. We need to do this first before considering growth projects in the future.
- We have identified projects that would support further emissions reduction, such as further electrification of the network. The Rail Plan does not preclude the Government from taking further decisions to invest in initiatives that reduce carbon emissions.
- Our expectation is that delivering the projects in the RNIP will help achieve mode shift, helping contribute to our emissions reductions targets across the transport system.
- We are considering how we can reduce emissions across all transport modes, and the policies this Government has put in place elsewhere, such as the Clean Car Standards, reflect the holistic, mode-neutral, approach we are taking to emissions reduction across the sector.

***Why aren't we seriously considering passenger rail as an alternative to domestic air travel given the significant emissions savings we could realise?***

- Domestic aviation emissions are included in New Zealand's national GHG inventory, and are covered by our domestic carbon budgets and the Emissions Trading Scheme.
- Efforts to decarbonise international aviation is being done through the International Civil Aviation Organization (ICAO). The sector has agreed to carbon neutral growth from 2020, and introduced the Carbon Offsetting Reduction Scheme for International Aviation in 2016. Negotiations are happening at the ICAO Assembly right now on a long-term aspiration goal for the sector to 2050, which will help channel investment into new technologies such as production of sustainable aviation fuel and cleaner planes.
- In 2024, the Climate Change Commission will advise on whether international transport emissions should also be brought into the domestic emissions budgets.
- Aviation's contribution to the economy is critical because of its role in New Zealand's tourism and freight sectors. It cannot be easily replaced by other modes given New Zealand's distance from markets (for international travel/trade) and reliance on aviation for inter-regional travel. Reducing air travel will be challenging, so efforts must be made to make aviation, both domestically and internationally, greener.
- Sustainable aviation fuel (SAF) is likely to play a key role in decarbonising the sector. SAF is an umbrella term for non-fossil-derived jet fuel. It is produced from alternative feedstocks such as woody biomass (which is often a waste product) or hydrogen. Air New Zealand projects that SAF could enable emissions reduction by up to 85 percent compared to traditional jet fuel.

- Future technologies will also play a role to decarbonise aviation. Electric planes are coming to market, although their passenger capacity is limited to 19 passengers for now. Sounds Air has placed an order for electric planes for its fleet, which are expected to be available from 2030. In the interim Sounds Air is looking at the use of SAF.
- A key challenge for the sector is the cost of SAF – it is three to five times more expensive than traditional fuels and is not currently produced in New Zealand.
- In the ERP, we have initiatives to establish a private-public leadership body focused on decarbonising aviation; work to establish a SAF Mandate for aviation, and work to develop and set specific targets for decarbonising domestic aviation in line with our 2050 targets.

***Is it fair that road users pay for (rail) infrastructure they don't use? What benefits will road users get from this?***

- The NZ Rail Plan is not about favouring one mode of transport over the other. Investment in rail offers many benefits, not just to those who use it.
- Rail saves taxpayers money on congestion, road maintenance costs, injuries and fatalities and reduced carbon emissions.
- We know that rail contributes between \$1.7-\$2.1 billion per year in benefits to New Zealand<sup>1</sup>. We want to see rail supported to continue to deliver these benefits.
  - *Reducing congestion* saves \$1.3 billion, the equivalent of 100,000 fewer daily car trips and taking 30,000 trucks off the road for an hour a day.
  - *Reducing carbon emissions* by 488,000 tonnes a year - the equivalent of taking 87,000 cars off the road - saves \$8.5 million.
  - *Improving safety outcomes* saves \$60 million.
  - *Reducing road maintenance* saves \$63 million.
- There are further benefits which are not quantified in this report such as the economic benefits rail brings to the regions through network resilience, land use and value uplifts, together with benefits from its tourism and freight businesses.
- By moving more people and goods by rail, it helps get cars and trucks off roads, reduces congestion in our major cities and decreases harmful emissions being released into the atmosphere.
- This provides a more consistent approach to the way road users contribute to the NLTF.
- Rail is also an important and sustainable economic contributor to the regions and helps link New Zealand's hinterland to ports and export markets.

<sup>1</sup> According to a study prepared by EY as part of a joint KiwiRail/NZTA team looking at integrated transport planning.

***Doesn't the Government's approach favour rail over road?***

- Not at all. The changes we have made are about allowing better consideration of rail and road investment alongside each other through a better integrated land transport planning and funding system.
- There is a place for all modes in New Zealand. We want a better integrated transport system that has each mode contributing in the right way, to make the whole system work efficiently.
- Personal use of your car and road freight is important, but so is reducing congestion and lowering transport emissions by people catching commuter trains and getting more freight onto rail.
- Rail also reduces harm on our road. New Zealand has a road toll issue with deaths on the road rising markedly since 2013. Taking trucks and cars off the road makes for a safer New Zealand with EY estimating that because we have a rail network, there are 271 fewer fatalities and injuries on the roads.
- This approach looks at the broader benefits of road and rail investment, and how best to integrate to achieve overall transport outcomes.

***Will the Rail Plan stop a repeat of all the urgent track work due to Rolling Contact Fatigue which caused commuter disruption in Auckland?***

- The Rail Plan recognizes historic under investment in rail and is designed to ensure that short-term funding decisions are replaced by the kind of long-term planning and funding that best serves the maintenance of infrastructure as important as our national rail network.
- The Rail Plan takes a long-term, strategic approach and specifically includes investment in metro rail in our largest cities as one of its two strategic investment priorities.
- KiwiRail's regular 10-year rail network investment plans exist to better identify priorities on the network and when they will need to be addressed.
- In the metro areas, KiwiRail will work closely with Auckland Transport, Auckland Council and Greater Wellington Regional Council to agree a programme of proposed rail network investment. KiwiRail is also now a non-voting member of the Auckland and Wellington Regional Transport Committees.
- We all want a resilient and reliable rail network and the Rail Plan will be a significant contributor to delivering that. I expect KiwiRail, Auckland Transport, Waka Kotahi and the Ministry of Transport to work together to understand how the Auckland network got to that point and put the right systems in place to make sure it doesn't happen again.
- Further work on the ground and within the metropolitan rail system is occurring to address the issues that led to the RCF in Auckland. KiwiRail and Auckland Transport are working closely together to support this.

- s 9(2)(f)(iv)

***Shouldn't we just attach passenger carriages to freight services?***

- The regulator and operators consider this to be an unsafe proposition given current infrastructure setups and would be cost prohibitive to remediate.

***Why do tourists get the best of inter-regional passenger rail services in New Zealand?  
Is there a public subsidy?***

- KiwiRail operates its Scenic trains without public subsidy and as a commercial proposition.
- Tourism customers are looking for a different service and value proposition than an inter-regional traveller. Tourists are seeking an experience, are not as price sensitive, and are happy for the service to be slow and potentially stop at a variety of scenic locations. An inter-regional traveller is generally more price and time sensitive.

**Note: Out-of-scope topics:**

The following rail policy related topics are out-of-scope of the Terms of Reference of this inquiry:

- KiwiRail's commerciality
- KiwiRail's Structure
- Privatisation/centralisation of either above (rolling stock) or below-rail (network) assets
- Rail freight
- Rail safety
- the Government's ownership model
- the State-Owned Enterprise model.

The Ministry is aware that there is an active petition requesting the House of Representatives require KiwiRail to cease transport of coal and re-establish KiwiRail as a Government department. Select Committee Petition 121145 refers: [www.parliament.nz/en/pb/petitions/document/PET121145/petition-of-rosemary-penwarden-get-kiwirail-off-coal](http://www.parliament.nz/en/pb/petitions/document/PET121145/petition-of-rosemary-penwarden-get-kiwirail-off-coal).

The Ministry recommends that any questions referring to the abovementioned topics, or other rail policy related subjects that fall outside of the Terms of Reference for this inquiry, should be referred to as such.

## Appendix 4: Back pocket information

<p><b><i>There is a case for investing in our regions</i></b></p>	<p>Investment in rail in our regions increases throughput of freight, while improving the resilience and sustainability of the transport infrastructure that connects regions to one another and exports to markets. It provides opportunities to bring tourists to our regions and creates jobs and economic development opportunities for regional New Zealand.</p> <p>As a key transport mode for bulk exports such as forestry products, investment in rail underpins current and future areas of economic opportunity in the regions. Improved intra- and inter-regional transport links can give businesses and investors confidence that they will have reliable access to markets, enabling accelerated business growth and more higher-paid jobs in the regions.</p> <p>Multi-modal freight and distribution hubs offer efficiency gains for freight transport and encourage investment from private enterprise. The regional focus has meant investments have been uniquely placed towards transport in the regions, and substantial investments in rail capture the benefits offered to those areas</p>
<p><b><i>Passenger Rail has inherent challenges to get up and running quickly</i></b></p>	<p>The nature of regional passenger rail requires the cooperation of multiple local authorities with competing local priorities, differing perspectives on the nature of the opportunity and varying levels of financial and technical capability.</p> <p>Rail also has high start up costs which require significant investment from government. Rolling stock and upgrading older regional stations is costly and time consuming for example, procurement of new rolling stock can take up to five years from contract signing.</p> <p>Currently there is no inter-regional passenger vehicle template that has been specified and could be used to leverage orders. There is however a possible template in the NIRIM rolling stock to deliver this national inter-regional rail platform.</p> <p>There is currently no consolidated framework to support and guide regional passenger rail conversations. This means that discussions are generally ad hoc, at a regional level, and with no consistency of data, costings, or approach. There is a significant risk of duplication of effort, and of resource being invested in initiatives that are unlikely to be progressed to delivery.</p> <p>It may also need to take a multi-modal approach to regional transit as the economic viability of rail will vary from region to region, depending on local conditions and market considerations.</p>
<p><b><i>Funding and Financing</i></b></p>	<p>Amendments to the Land Transport Management Act 2003 will improve integrated planning and investment decisions across road and rail. By making these legislative changes, we have been able to incorporate rail network funding into the Government Policy Statement on land transport 2021 (GPS) and allow KiwiRail to be funded directly via the NLTF for the first time.</p> <p>We will continue to contribute Crown funding to rail, both via the NLTF for the rail network, and directly to KiwiRail for its commercial assets. We will also be establishing track user charges to ensure rail users contribute to the NLTF.</p> <p>The Rail Plan will guide investment decision-making for rail through the NLTF and future Budget rounds as we consider Crown funding. We remain committed to regional economic development and the role that rail can play in our regions.</p>



	<p>We have changed the way we plan and fund rail in New Zealand by moving from a short-term to a long-term focus.</p> <p>Establishing a new long-term planning and funding framework under the Land Transport Management Act 2003 (LTMA 2003) sees rail network investment decisions taken under the LTMA 2003. This will result in the national rail network being planned and funded on a sustainable long-term basis, alongside the rest of the land transport system, including the road and public transport networks.</p> <p>The changes to the LTMA 2003 have been given effect by the Land Transport (Rail) Legislation Act 2020.</p> <p>This approach provides greater certainty for KiwiRail, local government and other rail participants to enable long-term planning and investment in rail. It should also enable increased customer confidence to support increased volumes on rail in the long-run, providing commercial and wider benefits.</p>
<b><i>Roles and responsibilities</i></b>	<p>Roles and responsibilities in respect of the new planning and funding model are set out in the LTMA and NZ Rail Plan.</p> <p>The new planning and funding framework will require KiwiRail to work together with the MoT, Waka Kotahi, The Treasury, Auckland Council, Auckland Transport and Greater Wellington Regional Council to plan and fund New Zealand's rail network infrastructure.</p> <p>KiwiRail will also continue to work with other councils which have responsibilities for inter-regional rail services. Planning, operating, and maintaining the rail network and providing the associated freight, tourism and property services remain the core business and responsibility of KiwiRail.</p> <p>AT and GWRC will remain responsible for planning and operating the metropolitan passenger services in their regions.</p> <p>MoT will continue to provide strategic policy advice to the Minister of Transport on rail. The Ministry will also play an important role in coordinating the implementation of the Future of Rail Review, including the new planning and funding framework.</p> <p>Waka Kotahi is responsible for advising the Minister on how the RNIP, and the activities under it, align with:</p> <ul style="list-style-type: none"> <li>• the purpose of the LTMA</li> <li>• strategic priorities for GPS 2021</li> <li>• the NZ Rail Plan</li> <li>• Regional Land Transport Plans developed by regional Councils</li> <li>• the overall land transport investment programme.</li> </ul> <p>Waka Kotahi is also responsible for:</p> <ul style="list-style-type: none"> <li>• advising that the activities are efficient and effective, and</li> <li>• monitoring delivery of the RNIP.</li> </ul> <p>Waka Kotahi continues to be the rail safety regulator.</p> <p>The Treasury will continue to monitor KiwiRail as a State-Owned Enterprise (SOE) in relation to the expectations of the Minister of Finance and the Minister of State Owned Enterprises as Shareholding Ministers</p> <p>Note the roles and responsibilities for inter-regional rail (beyond Te Huia and Capital Connection) are not considered or defined in the rail plan.</p>

<p><b><i>The Rail Plan's Strategic Investment Priorities for restoring a resilient and reliable network</i></b></p>	<p>Our strategic investment priorities for rail include:</p> <ul style="list-style-type: none"> <li>Investing in the national rail network to restore rail freight and provide a platform for future investments for growth</li> <li>Investing in the metropolitan rail networks to support growth and productivity in our largest cities.</li> </ul> <p>This will drive a balanced programme to:</p> <ul style="list-style-type: none"> <li>support current and future growth in Auckland and Wellington metropolitan rail networks by first completing the programme of rail investments committed through the Auckland Transport Alignment Project (ATAP), NZ Upgrade Programme and the NLTF transitional rail funding, and then considering the next tranche of projects</li> <li>support growth in the regions by completing rail investments committed by the Crown including COVID-19 response projects</li> <li>ensure that safety is enhanced throughout the freight and passenger networks, and health and safety obligations continue to be met.</li> </ul> <p>These priorities will guide investment considered through the new planning and funding framework, and the development of the RNIP.</p> <p>In addition, the NLTF provides supports inter-regional services, which include the Capital Connection from Wellington to Palmerston North, and the Te Huia service from Hamilton to Auckland.</p>
<p><b><i>Te Huia</i></b></p>	<p>The Government has invested \$85.8 million in the service through Waka Kotahi NZ Transport Agency. Local authorities have provided \$12.2 million.</p> <p>Te Huia has the potential to replace up to 73,000 return car trips annually, helping to ease congestion and supporting our goal of reducing climate emissions from transport.</p> <p>Tackling climate change is a Government priority and remains a core part of our COVID recovery plan. Meanwhile getting Te Huia up and running has also helped our COVID economic recovery, with jobs being created building the new stations and refurbishing the carriages.</p> <p>By strengthening the connection between New Zealand's fastest growing job hubs, we're helping boost the regional economy.</p> <p>By providing a modern service, commuters had a real choice between being stuck in traffic or travelling by train.</p> <p>We know when we give people real travel choices, they can leave the car at home, which helps ease congestion and reduces emissions. The carriages have free Wifi, air conditioning, and plenty of tables and power points, so passengers can use their travel time productively.</p> <p>We'll continually monitor the service to make improvements, and more stops could potentially be added in the future.</p>

<p><b><i>Auckland Intercity Connectivity interim indicative business case</i></b></p>	<p>In mid-2020, the Ministry of Transport completed the Cabinet mandated Hamilton to Auckland Intercity Connectivity interim indicative business case. This confirmed the role that future investment in rapid rail could play in transforming connectivity between two of New Zealand's fastest growing cities.</p> <p>This work highlighted how rapid rail can help grow our economy and support urban and regional growth, and further emphasised the importance of both metropolitan and inter-regional rail in connecting communities, that are transit oriented.</p> <p>Building on the positive findings of the business case, further work is underway to determine an appropriate programme of investment over time, complementing the other transport and land use planning activities elsewhere in this nationally significant corridor.</p>
<p><b><i>Hamilton-Auckland Intercity Connectivity</i></b></p>	<p>The Hamilton-Auckland Corridor connects two of New Zealand's fastest growing cities. The parallel road and rail alignments, as well as the Waikato River, make it New Zealand's most significant transport corridor.</p> <p><b>Interim Business Case</b></p> <p>From December 2018 to July 2020, MoT developed an Interim indicative business case on the potential for rapid rail to help deliver the Governments aspirations for growth and economic development in the Corridor. This responded to a recommendation of the Shared Spatial Intent (known as Hei Awarua ki te Oranga) for the settlements between Cambridge, Te Awamutu and Papakura.</p> <p>The Shared Spatial Intent was produced in February 2019 by the Future Proof Partnership, recommending that that fast rail services between Hamilton and Auckland be considered to help integrate and strengthen the two economies.</p> <p><b>Indicative Business Case</b></p> <p>MoT has been undertaking an indicative business case (IBC) to investigate the viability of a faster rail service within the nationally significant Hamilton to Auckland Corridor. s 9(2)(f)(iv)</p> <p>s 9(2)(f)(iv)</p> <p>The IBC is in the process of being finalised, and I expect advice from officials shortly. The IBC was supported by a land use and transport integration study.</p>

	<p><b>Other transport initiatives</b></p> <p>This complements other transport initiatives being taken forward by the Partnership to ensure the Corridor thrives as it grows. This included introducing the Hamilton-Auckland passenger rail service Te Huia, planning for a rapid and frequent transit network for the Hamilton-Waikato metropolitan area, and the electrification of the Auckland metropolitan rail network between Papakura and Pukekohe, which recently benefitted from funding through the Government's NZ Upgrade Programme.</p> <p>Other recently completed transport and land use planning initiatives taken forward by the Partnership have placed rail/rapid transit at the core of future urban development, for example the Drury-Opāheke structure plans and Hamilton-Waikato metropolitan spatial plan.</p>
<p><b><i>Future opportunities</i></b></p>	<p>The key role for rail in enabling the freight and tourism sectors presents strong opportunities for growth with targeted strategic investment.</p> <p>Future priorities for the rail system could include:</p> <ul style="list-style-type: none"> <li>• more regional routes and improved logistics hubs</li> <li>• additional infrastructure and rolling stock to support growth opportunities and regional initiatives</li> <li>• more extensive network upgrades to enable accelerated and increased levels of service, including: - North Island – re-open Stratford to Okahukura line, complete upgrade of rail in Northland, further consideration of Marsden spur line - Golden Triangle – double track Auckland to Hamilton, increase axle weight to 20 tonnes plus Auckland to Tauranga, and 18 tonnes plus elsewhere - Lower North Island – standardise loop lengths from Palmerston North to Waikanae - South Island – increase axle weight to 18 tonnes plus</li> <li>• further investments to respond to the climate emergency and decarbonise the transport sector, including further electrification of the NIMT and associated rolling stock (as discussed in the Case Study opposite).</li> <li>• investigate regulatory rail opportunities.</li> </ul>