

2 February 2022

OC220017

Hon Michael Wood
Minister of Transport**Action required by:**
Wednesday, 9 February 2022

HAMILTON TO AUCKLAND INDICATIVE BUSINESS CASE UPDATE

Purpose

Update you on the progress of the Hamilton to Auckland Indicative Business Case investigation for faster passenger rail. Specifically, we are seeking any comments you may have on the updated investment objectives.

Key points

- As part of completing the Indicative Business Case (IBC) we are working with our consultant WSP to review the investment objectives for faster rail, accounting for relevant national and regional strategies and plans. These form part of the strategic case of the IBC.
- Changes to the investment objectives have been proposed to align with the Government's transport priorities and with broader aspirations such as those under the Emissions Reduction Plan (ERP). The investment objectives are consistent with the Transport Outcomes Framework and Government Policy Statement on land transport 2021 (GPS), and with the Future Proof urban growth priorities.
- Notable changes to the KPIs are to:
 - provide equitable transport and mobility choices for all
 - reduce deaths and serious injuries resulting from the transport system
 - enable kaitiakitanga outcomes in management of natural resources.
- We consider that the updated investment objectives (complete list at Annex 1) are fit for purpose. These will be shared with stakeholders at an engagement hui this month.
- As well as the update of the strategic case, Beca will proceed with a working document about the land use assumptions in early-March 2022. WSP are on track to update potential route alignment and indicative location of stations which form a key element of the IBC by the end of February 2022.

Recommendations

We recommend you:

- 1 **note** the updated investment objectives of the indicative business case (IBC), which will be finalised following any feedback you may have, and from stakeholder engagement. noted



Angela Parker
Acting Manager, Placemaking and Urban Development

Hon Michael Wood
Minister of Transport

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

Comments

Contacts

Name	Telephone	First contact
Angela Parker, Acting Manager, Placemaking and Urban Development	s 9(2)(a)	✓
Ella Sparrow, Adviser, Environment, Emissions and Adaptation	s 9(2)(a)	
Kathleen Wong, Graduate Adviser, Placemaking and Urban Development	s 9(2)(a)	

HAMILTON TO AUCKLAND INDICATIVE BUSINESS CASE UPDATE

Background

- The Hamilton to Auckland intercity connectivity work responds to Hei Awarua ki te Oranga (also known as the Corridor Plan) which recommended that fast rail services between the cities be considered to help integrate and strengthen the two economies and support the Hamilton-Auckland corridor (the Corridor) as a whole.
- The interim IBC, completed in July 2020 by WSP, offered four scenarios for rapid rail connections between Hamilton and Auckland and presented a strong case for further investigation of rapid rail in the Corridor.
- Findings from the interim IBC detailed significant benefits of a faster service including improved economic integration and access, support for growth, providing a sustainable transport alternative, and potential reduction in crashes, injuries, and fatalities. Overall findings concluded faster rail in the Corridor warranted further investigation and analysis.
- Given the short timeframe of the project, we are providing this update now as any feedback which may result in significant changes will not be able to be incorporated later once the draft IBC has been completed.

Minor changes are proposed to the investment objectives

- Analysis of the gaps in the interim IBC identified the need to review the investment objectives against changes to broader strategies and to include more specific timebound targets.
- Notable changes to the KPIs are to:
 - provide equitable transport and mobility choices for all
 - reduce deaths and serious injuries resulting from the transport system
 - enable kaitiakitanga outcomes in management of natural resources.
- The investment objectives in the interim IBC were fit for purpose at the time, however they have been updated to align with the GPS 2021, ERP, and changing planning and transport priorities. Comparisons between interim IBC investment objectives and KPIs with the proposed updates are shown in Annex 1.
- These additions reflect a broader focus on how the suitability of a preferred option would be selected.
- The review of the objectives has shown that rapid rail in the Corridor will contribute to the Government's commitment to prioritise safety within the transport system and reduce greenhouse gas emissions. It aligns with priorities in the GPS, as well as Road to Zero.
- We are assessing the Hamilton to Auckland IBC within the context of other transport projects in the Corridor. Projects like the Waikato Expressway and future investment that comes out of the Hamilton Waikato Metro Spatial Plan will have a significant

effect on development patterns. While we continue to plan for growth in the short and medium term, we can use the IBC to inform land use and transport planning out to 50 or 100 years, and consider how it contributes to protection of the sensitive environment along the Waikato River.

Stakeholder and Māori engagement will take place over the coming months

- Given the available timeframe and budget, we will focus our stakeholder engagement primarily around the Future Proof Partnership members. This will be supported by additional engagement with any key stakeholders not captured by Future Proof.
- WSP and Beca are taking a coordinated approach with their approach to mana whenua and stakeholder engagement to provide for a consistent experience, regardless of the aspect of the project they are interacting with.
- We are also coordinating with the project team for the Hamilton-Waikato Metro Spatial Plan Programme Business Case which forms part of the Future Proof work programme, to ensure that engagement is coordinated. The two business cases have common objectives and outcomes for the Hamilton-Waikato area, and will need to be designed to integrate as they both develop.

We continue to engage with mana whenua in the Corridor

- We have continued our relationship with mana whenua which began during work on the interim IBC in 2019. Past engagement has covered how they want to be involved, and how we can further align with their aspirations and sharing significant milestones.
- Upcoming engagement with mana whenua will consist of hui in February and April 2022 and will be led by WSP and Beca.
- Information shall be provided in a manner that demonstrates how the faster rail service would contribute to mana whenua economic, social, cultural and spiritual relationships, and how it will contribute to the enhancement, restoration and protection of the awa and whenua.

We are regularly updating other central government agencies

- We have re-established a central government reference group that comprises representatives from KiwiRail, Waka Kotahi, Ministry of Housing and Urban Development, The Treasury, and Kāinga Ora. The group's purpose is to receive and regular updates and communicate these to key organisations that will be impacted or are responsible for aspects of this project's outcomes. We will also seek their input when finalising the IBC.

The Ministry has arranged an independent peer review of the IBC

- The Ministry has decided to have an independent peer review of the IBC and deliverables to ensure that the final IBC meets the Treasury guidelines and provides a robust assessment of faster rail. Aurecon New Zealand Limited (Aurecon) has been selected to do the peer review.

- Aurecon are the lead consultant on the Hamilton-Waikato Metro Spatial Plan Programme Business Case and bring their knowledge of the local context to the review.

Risks and impacts

- WSP and Beca are seeking meaningful engagement with mana whenua, but the short timeframe of the IBC work will limit the effectiveness of this engagement. The Ministry will continue to build and maintain relationships with mana whenua beyond the timeframe of the IBC.
- The impact of COVID-19 and subsequent restrictions may limit the ability for meetings and workshops to happen in person. While this is a risk to meaningful engagement, our consultants have experience with previous virtual interactions, particularly in the Waikato and Auckland areas.
- We note that both WSP and Beca have business continuity plans in place that include alternative working arrangements for project and business resilience.

Next steps

Consultants' programmes

- WSP and Beca are both on track with programme delivery. WSP are currently working on updating the potential alignments, and incremental improvements to existing infrastructure. Beca are preparing a report on land use assumptions and design assumptions, prior to confirming design principles in the coming weeks.

Confirming the preparation of a Land Value Uplift Report

- We have approached Market Economics Limited (Market Economics) to produce a Land Value Uplift report. This report has yet to be scoped and we are in discussions about the timing and feasibility of this work given the 30 June 2022 deadline for the IBC.
- Beca identified Market Economics as a potential suitable supplier due to their wide experience in this area, including Auckland Light Rail, Let's Get Wellington Moving, and research throughout New Zealand's urban economies.
- We will continue to keep you updated through the weekly report.

ANNEX 1

KPIs, objectives and outcomes

Table 1 Updated investment objectives for Ministry feedback

Interim Investment objective	Interim KPIs	Updated Investment objective	Updated KPIs
Reduce travel time between Hamilton and Auckland to improve access and harness the benefits of agglomeration	<ul style="list-style-type: none"> • Improve access to labour markets, education, and social activities 	Reduce travel time between Hamilton and Auckland to improve economic integration between the two respective economies and harness the benefits of agglomeration.	<ul style="list-style-type: none"> • Improve journey time and journey time reliability for inter-regional business to business, leisure, and social related trips
	<ul style="list-style-type: none"> • Improve commute times and reliability of journeys 		<ul style="list-style-type: none"> • Increase the size of the inter-regional labour pool that business can draw upon
	<ul style="list-style-type: none"> • Increase the size of the labour pool that can be drawn upon 		<ul style="list-style-type: none"> • Improve access to employment opportunities
	<ul style="list-style-type: none"> • Improve access to tertiary educational and health care opportunities 		<ul style="list-style-type: none"> • Enhance access to tertiary education • Greater access to social and recreational opportunities
Support urban development strategies for the metropolitan areas to reach their full potential	<ul style="list-style-type: none"> • Potential for enabled capacity (especially transit-oriented development) within the catchment area of a strategic station location 	Unlock significant urban development potential (especially affordable housing) within the Hamilton-Waikato Metro Spatial Plan and Supporting Growth southern areas that reduce transport inequalities, the need to travel by private vehicle and help improve health and wellbeing	<ul style="list-style-type: none"> • Potential for additional enabled capacity (especially transit-oriented development) within the catchment area of a strategic station locations
	<ul style="list-style-type: none"> • Alignment with planned investment in the public transport systems in the metropolitan areas 		<ul style="list-style-type: none"> • Alignment with current and planned public transport systems in the metropolitan areas
	<ul style="list-style-type: none"> • Increase the corridor's transport network capacity and utilisation of this capacity 		<ul style="list-style-type: none"> • Increase the useability of the public transport service between the two metropolitan areas • Reduce the need to travel by private vehicle to key employment and social opportunities • Provide equitable transport and mobility choices for all

Interim Investment objective	Interim KPIs	Updated Investment objective	Updated KPIs
<p>Reduce the contribution inter-city travel makes to greenhouse gas emissions, transport accidents, injuries and fatalities (now and into the future) by enabling sustainable transport choices.</p>	<ul style="list-style-type: none"> • Increase public transport mode share for inter-regional travel • Increase public transport patronage in the corridor • Reduce CO2 emissions • Reduce harmful air pollutants 	<p>Reduce the contribution inter-city travel makes to greenhouse gas emissions, transport accidents, injuries and fatalities (now and into the future) by enabling sustainable inter-regional transport choices.</p>	<ul style="list-style-type: none"> • Increase public transport mode share for inter-regional travel • Increase the corridor's transport network capacity and utilisation of this capacity • Reduce deaths and serious injuries resulting from the transport system • Reduce CO2 emissions • Reduce harmful air pollutants • Enable kaitiakitanga outcomes in the management of natural resources.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1987

4 February 2022

OC210997

Hon Michael Wood
Minister of Transport
Action required by:
 Friday, 11 February 2022

NATIONAL ADAPTATION PLAN ACTIONS FOR CONSIDERATION

Purpose

Provides information on the proposed transport actions for the National Adaptation Plan (NAP) under the Climate Change Response Act 2022 (CCRA) and seeks your agreement to the inclusion of these actions in the draft NAP that will be consulted on in Q2 of 2022.

Key points

- Under the CCRA, Aotearoa must prepare a NAP to support how we will adapt to the effects of climate change, including the significant physical risks to our transport system. Plans are produced every six years.
- The NAP will respond to the first National Climate Change Risk Assessment published in August 2020 and the 43 risks that Cabinet agreed in-principle as being in-scope for the NAP, including key risks to the transport system.
- Te Manatū Waka the Ministry of Transport (the Ministry) and Waka Kotahi have identified five transport actions for inclusion in the NAP, which will help support our ability to adapt to these risks. ^{s 18(d)}

- Each of the actions sit within existing work that the Ministry and Waka Kotahi have underway. ^{s 18(d)}

- Coordination across critical infrastructure sectors is also a key challenge. Resource and capacity challenges have limited work being progressed in this area, but this is now a busy space with several strategic work programmes underway that will lead to work at the operational level.
- The Ministry, in consultation with the National Emergency Management Agency, the Ministry for Business, Innovation and Employment, the Ministry for the Environment and others, are exploring how policy options to enhance transport (and other) infrastructure resilience can be progressed through existing work programmes, including the NAP.

Recommendations

We recommend you:

- 1 **agree** the five proposed transport actions for inclusion in the NAP Yes / No
- 2 **note** public consultation on the draft NAP is planned for Q2 of 2022, subject to Cabinet approval in March 2022.



 Ewan Delany
Manager, Environment, Emissions & Adaptation
 1 / 2 / 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
Ewan Delany, Manager, Environment, Emissions & Adaptation	s 9(2)(a)	✓
Joanna Pohatu, Principal Advisor, Environment, Emissions & Adaptation		
Michelle Palmer, Graduate Advisor, Environment, Emissions & Adaptation		

OFFICIAL INFORMATION ACT 1982

NATIONAL ADAPTATION PLAN ACTIONS FOR CONSIDERATION

Climate change poses risks to the transport system

- 1 In August 2020, the Government released the first National Climate Change Risk Assessment (NCCRA). The NCCRA highlighted risks covering all aspects of life from our ecosystems and communities to buildings and the financial system.
- 2 The NCCRA highlighted that climate change will pose significant physical risk to our transport system including to our ports, linear transport networks, airports, and associated infrastructure due to extreme weather events, ongoing sea-level rise, landslides, and coastal erosion. Annex 1 highlights the key priority risks for transport.

The National Adaptation Plan (NAP) will support our ability to adapt to these risks¹

- 3 The Government is developing its response to the risks identified in the NCCRA (including the transport risks), through the preparation of the NAP. The NAP will support Aotearoa to adapt to the effects of climate change and includes actions for the next six years.
- 4 Aotearoa will repeat this cycle of publishing risk assessments and NAPs every six years. The Climate Change Commission (the Commission) will report on the implementation of the NAP and its effectiveness every two years, following its publication.

An effective adaptation response requires a coordinated effort

- 5 The actions required to address our climate risks span all portfolios and parts of society. As such, the NAP has been developed as an all-of-government plan. The Ministry for the Environment (MfE) are leading the overall NAP work programme. Lead agencies are overseeing the development of outcome-based action plans.
- 6 The NAP has been developed through engagement with iwi/Māori as well as local government and other key stakeholders. Public consultation on the draft NAP is planned for Q2 of 2022, subject to Cabinet approval in March 2022.

Cabinet has taken in-principle decisions on the strategic direction for the NAP

7

s 18(d)

8

¹ Under the Climate Change Response Act (CCRA) 2002 Aotearoa must produce both emissions reduction plans and a National Adaptation Plan (NAP) to address climate change impacts. These requirements were legislated in late 2019.

9

s 18(d)

The Ministry and Waka Kotahi have identified five transport actions for inclusion in the NAP

- 10 The transport actions for the NAP link into Te Manatū Waka the Ministry of Transport's (the Ministry) and Waka Kotahi NZ Transport Agency's (Waka Kotahi) existing work programmes, such as the proposed emissions reduction plan. A short description of each action area is provided. Since these are existing work areas, no decisions are required on them.
- 11 Each of these actions will build on the direction of the current Government Policy Statement on land transport (GPS).

s 18(d)

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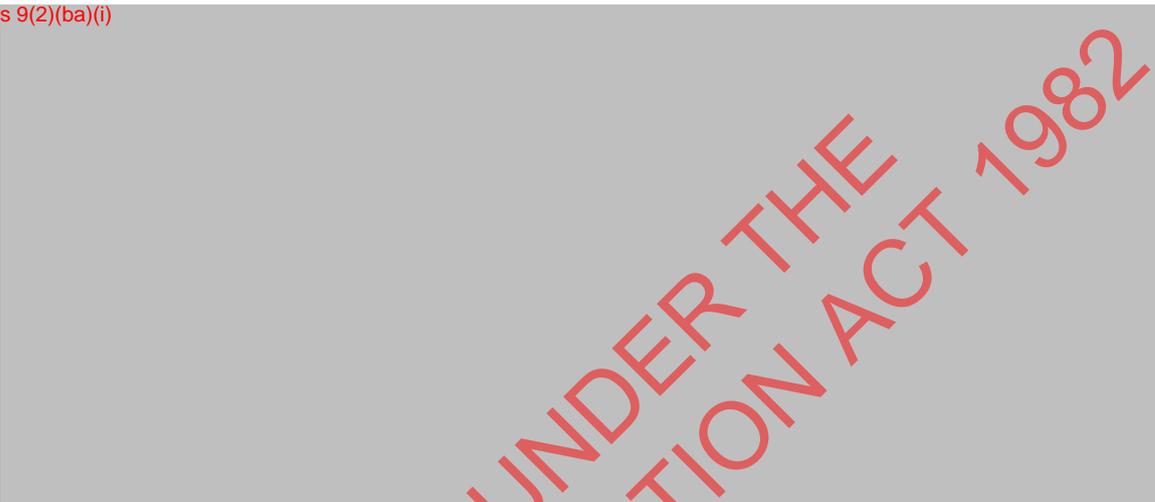
s 18(d)

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The Ministry is also tasked with exploring options to improve transport (and other) infrastructure resilience

26 In March 2021, the Department of Prime Minister and Cabinet directed the Ministry to lead the development of New Zealand's first National Risk Profile for transport infrastructure resilience. This National Risk Profile was developed with engagement from the transport sector and identified sector risks and vulnerabilities. In November 2021, the Ministry reported to the Hazard Risk Board² (HRB) on a series of mitigation measures to address these risks, targeted at increasing resilience, accessibility, and connectivity of transport in Aotearoa.

27 s 9(2)(ba)(i)



28

Next steps for the NAP

29 In early 2022, Ministers will consider the strategic narrative for the NAP, and sequenced actions.

30 We seek your confirmation that you agree with the actions identified in your portfolio so we can finalise the draft sequencing of actions for the draft outline NAP prior to that discussion.

31 Public consultation on the draft NAP is planned for Q2 of 2022, subject to Cabinet approval in March 2022. It is a statutory requirement to deliver the NAP by August 2022.

² The HRB is lead through the Officials' Committee for Domestic and External Security Coordination.

ANNEX 1 – KEY PRIORITY TRANSPORT RISKS IDENTIFIED IN THE NATIONAL CLIMATE CHANGE RISK ASSESSMENT (NCCRA)

Built Environment Priority Risks	Urgency*	Consequence**
B5 Risks to ports and associated infrastructure, due to extreme weather events and ongoing sea-level rise	70	Major
B6 Risks to linear transport networks, due to changes in temperature, extreme weather events and ongoing sea-level rise	60	Extreme
B7 Risks to airports, due to changes in temperature, wind, extreme weather events and ongoing sea-level rise	55	Extreme
Economy Priority Risks	Urgency*	Consequence**
E7 Risks to businesses and public organisations from supply chain and distribution network disruptions, due to extreme weather events and ongoing, gradual changes	68	Major

**Urgency ratings*

The NCCRA assessed the urgency of taking action to address each risk (the 'adaptation urgency'), to determine the degree to which further action is recommended in the next six years. The urgency ratings in this NCCRA range from 44 to 94 and are based on several factors, particularly whether an adequate response is underway or planned.

***Consequence ratings*

Priority risks have extreme or major consequence ratings in at least one of three assessment timeframes (now, by 2050, by 2100). Consequence ratings reflect the degree to which the assets and values in each domain are exposed and vulnerable to climate hazards. The consequence ratings are insignificant, minor, moderate, major, or extreme.

s 18(d)

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16 February 2022

OC220030

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 21 February 2022

2022 MARCH BASELINE UPDATE FOR VOTE TRANSPORT

Purpose

Seek your approval of the 2022 March Baseline Update (MBU) Submission for Vote Transport, prior to submitting it to the Minister of Finance. The submission needs to be signed and dated before **1pm on Monday, 21 February 2022** to meet the Treasury deadline for this process. One soft copy of the submission needs to be delivered to the Minister of Finance's office.

Key points

- The MBU submission updates the Vote Transport figures in the Treasury's financial system for any Cabinet decisions and/or other adjustments that have been agreed since the 2021 October Baseline Update submission was finalised in November 2021. MBU is important as it enables the Treasury to make the correct in-year revisions and ensure that the Economic and Fiscal Updates are as accurate as possible.
- While MBU is a technical update, with its contents designed to require no approval by Cabinet, it does provide an opportunity to seek joint Ministers' agreement to make changes to baselines that joint Ministers have the authority to approve and to adjust the future spending profile of multi-year appropriations.
- All changes in the update are explained in the submission except for any prior Cabinet or joint Minister decisions which are summarised in this briefing.

Recommendations

We recommend you:

- 1 **sign** the attached 2022 March Baseline Update submission for Vote Transport to the Minister of Finance Yes / No
- 2 **deliver** one soft copy of the signed submission to the Minister of Finance's office by 1pm on Monday, 21 February 2022. Yes / No



Paul Laplanche
Chief Financial Officer
 16 / 2 / 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
Paul Laplanche (Chief Financial Officer)	s 9(2)(a)	
Bonar Robertson (Financial Controller)	s 9(2)(a)	✓
Alice Kavwenje (Senior Financial Accountant)	s 9(2)(a)	

2022 MARCH BASELINE UPDATE FOR VOTE TRANSPORT

The March Baseline Update is a technical update to the Vote Transport figures in the Treasury's financial system

- 1 The March Baseline Update (MBU) submission updates the Vote Transport figures in the Treasury's financial system (CFISnet¹) for any Cabinet decisions and other adjustments that have been agreed since the October Baseline Update (OBU) submission was finalised in November 2021. MBU is important as it enables the Treasury to make the correct in-year revisions and ensure that the Economic and Fiscal Updates are as accurate as possible.
- 2 While MBU is a technical update, with its contents designed to require no approval by Cabinet, it does provide an opportunity to seek joint Ministers' agreement to make changes to baselines that joint Ministers have the authority to approve and to adjust the future spending profile of multi-year appropriations.
- 3 The adjustments fall into the following categories:
 - 3.1 Cabinet or joint Minister decisions already made since the last update
 - 3.2 expense or capital transfers – transfers of appropriations between years
 - 3.3 fiscally neutral adjustments – transfers of funding between appropriations that do not affect the overall commitment of funding
 - 3.4 forecasting changes – some appropriations may be altered if their source funding is forecast to change
 - 3.5 other technical changes
 - 3.6 extension of tagged contingencies – tagged contingencies cease to exist on 1 February of the following year, unless joint Ministers agree to extend the expiry date
- 4 Adjustments of types 3.2 to 3.6 above may be made with the approval of joint Ministers (you and the Minister of Finance) as permitted by Cabinet Office Circular CO (18) 2 or section 9 of the Land Transport Management Act 2003. Your signature on the attached submission and the Minister of Finance's letter notifying the outcome of the update constitutes approval in this case.
- 5 Attached to the submission will be two tables showing the MBU adjustments. These are the standard reports generated from the Treasury's CFISnet system.
- 6 This briefing includes an annex (Annex 1: Appropriation Amounts). This shows the amount of each appropriation in Vote Transport per year from 2021/22 to 2025/26 after the MBU changes are made, as well as the 2021/22 appropriation from the 2021 October Baseline Update (i.e. prior to MBU changes). Appropriation amounts affected

¹ CFISnet consolidates financial information from all departments, Crown entities and other Crown-controlled entities, for all of Government budgeting and reporting.

by MBU changes are highlighted in green. This is for your information only and is not included with the MBU submission to the Minister of Finance.

- 7 The submission to the Minister of Finance includes a recommendation that appropriation changes be included in the 2021/22 Supplementary Estimates, and increases be met from Imprest Supply in the interim. This is important, as the 2021/22 Supplementary Estimates will be an Act that will validate changes made to appropriations since the 2021/22 Estimates, and Imprest Supply is the mechanism to facilitate the changes until the 2021/22 Supplementary Estimates Act is passed.

There are no unusual items in the submission

- 8 There are no unusual items in this submission and the Ministry of Transport (the Ministry) has followed the template format provided by the Treasury.
- 9 All changes in the update are explained in the submission, except for any prior Cabinet or joint Minister decisions, which are not required in the written submission. However, the fiscal impacts of these prior decisions are included in the tables attached to the submission. For completeness, these prior decisions are summarised below:
- 9.1 Joint Ministers approved a number of changes to appropriations to provide funding for the Community Connect Pilot [OC210780]. This included transferring \$3.640 million from the Ministry's *Policy Advice, Ministerial Servicing and Other Functions* departmental appropriation to create a new *Community Connect Programme* non-departmental appropriation and drawing down \$1.500 million from the *New Zealand Upgrade Transport Projects – Tagged Capital Contingency* to meet the full Community Connect set up costs of \$5.140 million. Joint Ministers also approved a fiscally neutral adjustment of \$0.760 million from the Community Connect Programme appropriation to Vote Social Development to meet the Ministry of Social Development's set-up costs associated with the pilot.
- 9.2 Joint Ministers approved the reestablishment of the *Maintaining Airfreight Capacity* appropriation along with the transfer of \$0.300 million from the *Maintaining Essential Transport Connectivity* multi-year appropriation to fund an unpaid Qantas' invoice under the International Air Freight Capacity scheme [OC210863]
- 9.3 Cabinet approved additional funding of \$1.215 million for the Ministry to meet the cost of 11 policy and response FTEs to provide advice on and coordinate delivery of transport sector COVID-19 activity [DEV-21-MIN-0235; CAB-21-MIN-0487]
- 9.4 Joint Ministers approved a fiscally neutral adjustment of \$200.000 million to provide for an equity injection into KiwiRail Holdings Limited resulting from the transfer of assets from the Auckland City Rail Link [OC210784]
- 9.5 Cabinet approved a Crown loan facility of up to \$2 billion to Waka Kotahi to support the implementation and delivery of the National Land Transport Programme 2021 – 2024. Joint Ministers then approved \$127.000 million for the fair value write-down of the loan to provide for the risk that the loan is

considered concessionary for accounting purposes. [DEV-21-MIN-0254; CAB-21-MIN-0520; T2021/2951 and OC210985]

Land transport revenue forecasting is still to be finalised

- 10 The Ministry is classified as a forecasting department, as it is responsible for forecasting road tax revenue.
- 11 The Treasury will provide the economic data used for forecasting purposes in February 2022, and results of the forecasting exercise will be finalised by late March 2022. Preliminary revenue forecast results will be entered into the Treasury's CFISnet system on Thursday, 17 February 2022 but will not be included in the attached submission or tables to the Minister of Finance.
- 12 Any changes to land transport revenue will be matched by changes to National Land Transport Fund appropriations. The Land Transport Management Act 2003 provides a permanent legislative authority (PLA) for such changes to these appropriations, so the changes do not require the approval of joint Ministers.
- 13 Information about the forecast land transport revenue and its effect on the delivery of the current Government Policy Statement on land transport will be included in a separate briefing to you and the Minister of Finance. The Ministry will advise you immediately of any concerns with the levels of actual revenue compared to forecast.

Consultation

- 14 The entities affected by these changes have been consulted and agree to them.

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ANNEX 1: APPROPRIATION AMOUNTS

Items highlighted green are amounts that have changed because of MBU changes.

Departmental appropriations

The *Transport – Policy advice, ministerial servicing, governance, and other functions* appropriation below is a single annual appropriation. The three main components of the appropriation have been separately included for information purposes only.

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
Search and Rescue Activity Coordination PLA	5,332	4,718	6,094	3,580	3,580	3,580
Search and Rescue Training	1,659	1,659	1,300	700	-	-
Transport – Policy advice, ministerial servicing, governance, and other functions	60,453	55,318	52,069	45,937	45,358	45,358
<i>Component 1: Policy advice, ministerial servicing, and governance</i>	54,667	49,802	47,295	41,745	41,245	41,245
<i>Component 2: Milford Sound / Piopiotahi</i>	1,475	1,205	595	325	325	325
<i>Component 3: Fuel Excise Duty Refund Admin (incl ACC Revenue)</i>	4,311	4,311	4,179	3,867	3,788	3,788
Total departmental appropriations	67,444	61,695	59,463	50,217	48,938	48,938
Full OBU 2021 forecast		67,444	56,256	50,500	49,221	49,221
Change from OBU 2021		(5,749)	3,207	(283)	(283)	(283)

Non-departmental appropriations

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
A. CLASSES OF OUTPUTS TO BE SUPPLIED BY ORGS OTHER THAN THE DEPT						
Accident or Incident Investigation and Reporting	7,247	7,247	7,247	7,865	7,199	7,199
Weather Forecasts and Warnings	25,623	25,623	25,724	25,724	25,724	25,724
Land Transport Regulatory Services	3,873	3,873	3,873	3,873	3,873	3,873

UNCLASSIFIED

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
SuperGold Card Enhanced Public Transport Concessions Scheme MCA 1. SuperGold Card – Administration of the Public Transport Concessions Scheme	95	95	95	95	95	95
Civil Aviation Services MCA: 1. Civil Aviation Services	1,924	1,924	1,924	1,924	1,924	1,924
Maritime Regulatory and Response Services	9,299	9,299	9,299	9,299	9,299	9,299
Road User Charges Investigation and Enforcement	4,986	4,986	6,986	3,779	3,779	3,779
Road User Charges Refunds	3,156	3,156	3,120	3,010	3,012	3,012
Rail - Maintenance and Renewal of the Rail Network	362,930	360,092	471,329	520,279	-	-
Clean Car Standard - Operation	5,957	4,957	11,870	11,842	11,842	11,842
Clean Car Discount - Administration	110,000	140,000	18,000	18,000	18,000	18,000
Rail – Grants	31,000	8,958	44,764	8,226	8,464	8,668
HSW - CAA	1,201	1,201	1,201	1,201	1,201	1,201
HSW - Maritime	6,194	6,194	6,194	6,194	6,194	6,194
MCA PGF - Supporting Regional and Infrastructure Projects	2,121	1,621	1,000	-	-	-
Protection of Waka Kotahi NZ Transport Agency's Core Regulatory Function	782	782	-	-	-	-
Protection Transport Agency Functions MYA (AvSec)	116,601	116,601	16,890	-	-	-
Protection Transport Agency Functions MYA (CAA)	27,565	27,565	-	-	-	-
Protection Transport Agency Functions MYA (MNZ)	21,700	21,700	-	-	-	-
Rail - Maintaining an Electric Locomotive Fleet - MYA	25,176	10,912	8,215	6,049	-	-
Recreational Aviation Safety Activities PLA	300	230	320	-	-	-
MCA 2 Restorat SH1 between Picton & Chch	6,176	3,176	3,451	-	-	-
Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme	242	242	179	-	-	-
MCA COVID-19 - NLTF Operating Cost Pressure and Revenue Shortfall Funding	126,785	123,785	3,000	-	-	-
Maintaining Airfreight Capacity National Land Transport Program PLA	-	300	-	-	-	-
Search and Rescue and Rec Boating Safety Act PLA - CE	2,973,772	2,851,470	3,492,005	3,744,748	3,569,965	3,673,792
Search and Rescue and Rec Boating Safety Act PLA - CE	12,672	14,272	13,459	13,459	13,459	13,459

UNCLASSIFIED

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
Search and Rescue and Rec Boating Safety Act PLA - 3rd parties	11,390	10,475	10,766	5,193	5,193	5,193
Sub-total	3,898,767	3,760,736	4,160,911	4,390,760	3,689,223	3,793,254
B. OTHER EXPENSES						
Membership of International Organisations	863	863	863	863	863	863
Rail – Railway Safety and Public Policy Projects	3,770	3,770	3,770	3,770	3,770	3,770
Bad Debt Prov - MV Reg / Lic and Road User Chges	4,000	4,000	4,000	4,000	4,000	4,000
SuperGold Card Enhanced Public Transport Concessions Scheme MCA						
2. SuperGold Card – Public Transport Concessions for Cardholders	31,061	31,061	31,061	31,061	31,061	31,061
HIF - Fair Value Write-down of Loan MYA	22,419	22,419	-	-	-	-
MCA PGF - Regional Projects and Capability (NZTA)	200	200	-	-	-	-
MCA PGF - Regional Projects and Capability (KiwiRail)	4,129	4,129	-	-	-	-
MCA PGF - Enabling Infrastructure Projects (NZTA)	43,091	28,091	15,000	-	-	-
MCA PGF - Enabling Infrastructure Projects (KiwiRail)	27,672	27,672	-	-	-	-
Civil Aviation Services MCA: 2. Improving Safety in the Aviation Sector	700	700	700	218	-	-
KiwiRail Holidays Act Remediation	1,129	-	1,129	-	-	-
Waka Kotahi NZ Transport Agency Palmerston North	1,500	1,500	1,500	-	-	-
Maintaining international air services MYA	371,980	371,980	-	-	-	-
Maintaining essential transport connectivity MYA	18,616	18,316	-	-	-	-
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA	5,264	5,264	3,909	-	-	-
Water Search, Rescue and Safety Frontline Services	15,145	15,145	15,145	15,145	15,145	15,145
Shovel ready project funding - Rail	5,661	5,661	-	-	-	-
Auckland City Rail Link Targeted Hardship Fund MYA	4,200	4,200	1,800	-	-	-
Auckland City Rail Link - Operating MYA	2,065	2,287	4,656	3,938	683	-
Community Connect Programme	-	4,380	-	-	-	-

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
National Land Transport Programme Loan 2021 – 2024: Fair Value Write-down	-	127,000	-	-	-	-
Sub-total	563,465	678,638	83,533	58,995	55,522	54,839
C. CAPITAL INVESTMENTS IN ORGS OTHER THAN DEPTS						
Civil Aviation Authority – Capital Injection (MYA)	16,339	16,339	53,561	43,319	-	-
Clean Car Standard - Capital	10,590	9,090	7,130	-	-	-
Rail - KiwiRail Holdings Limited	609,364	613,767	852,623	954,564	589,746	298,103
NLTF Borrowing Facility for Short-Term Advances	750,000	750,000	750,000	750,000	750,000	750,000
Regional SH MYA	55,144	34,944	22,165	-	-	-
Rail - KiwiRail Equity Injection	10,853	10,853	26,200	4,200	2,200	2,200
Rail - NZ Railways Corp Equity Inj MYA	83,303	83,303	78,000	43,000	-	-
JV Airports	-	-	-	500	500	500
Auckland CRLMYA	485,800	471,211	529,380	220,949	82,147	-
MCA 2 Rebuild SH1 between Picton & Chch	495	495	331	-	-	-
Housing Infrastructure Fund Loan MYA	76,500	76,500	264,000	-	-	-
Capital Investment Package - Roads, Walking and Cycling	566,837	406,837	790,510	978,630	795,990	566,370
Loans to Essential Transport Operators MYA	5,000	5,000	-	-	-	-
COVID-19 - NLTF Borrowing Facility MYA	100,000	-	-	-	-	-
Waka Kotahi NZ Transport Agency Regulatory Loans - MYA	41,000	29,000	21,000	19,000	-	-
MCA PGF - Rail projects	25,750	25,750	10,600	9,050	-	-
MCA PGF - Infrastructure Projects	49,184	24,844	26,556	3,540	-	-
Rail – KiwiRail Equity Injection for Transfer of Auckland City Rail Link Assets	-	200,000	-	-	-	-
National Land Transport Programme Loan 2021 – 2024	-	505,000	645,000	850,000	-	-
National Land Transport Programme - New Infrastructure for and Renewal of State Highways PLA	880,520	1,037,322	223,258	77,166	471,006	463,189
MNZ RCCNZ costs-capital Expenditure PLA	286	286	105	105	105	105
Joint Venture Airports - Crown Contr MYA	4,454	4,454	2,989	-	-	-
Sub-total	3,771,419	4,304,995	4,303,408	3,954,023	2,691,694	2,080,467

Appropriation	OBU 2021	MBU 2021				
		21/22	22/23	23/24	24/25	25/26
Total Non-Departmental Appropriations	8,233,651	8,744,369	8,547,852	8,403,778	6,436,439	5,928,560
Full OBU 2021 forecast		8,233,651	7,484,434	7,251,903	6,602,880	6,140,226
Change from OBU 2021		510,718	1,063,418	1,151,875	(166,441)	(211,666)

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2022 MARCH BASELINE UPDATE FOR VOTE TRANSPORT

16 February 2022

Hon Grant Robertson
Minister of Finance
Parliament Buildings
WELLINGTON

2022 March Baseline Update

Submission for Vote Transport

Introduction

This report covers those items affecting the baseline for Vote Transport for the March Baseline Update. The report excludes the result from revenue forecasting which is dependent on economic indicators that the Treasury will release shortly. The Ministry of Transport (the Ministry) will report any forecasting changes separately from the 2022 March Baseline Update process.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The Table 2 referred to below is attached to this letter.

The proposed changes to baselines are as follows:

Changes Requiring Approval of Joint Ministers

Expense or Capital Transfers

An explanation of each proposed transfer is listed below, and the amounts are specified in Table 2.

Transport - Policy advice, ministerial servicing, governance, and other functions

The Ministry has one-off funding currently approved for specific projects. External factors mean that \$2.710 million of this funding will need to be transferred to 2022/23. An expense transfer is required to ensure the approved level of funding for the projects are retained. The expense transfer requests are as follows:

- Domestic Transport Costs and Charges Study (DTCC): The DTCC study was planned to be completed in 2021/22, however, there have been delays in the project due to unexpected resource unavailability, as well as issues on confidentiality agreements regarding third party data supply sharing. The project team is working with KiwiRail to determine the type of information that can be accessed and what could be publicly released. The study aims to improve the Ministry's understanding of the costs of the New Zealand transport system and is still a priority for the Ministry. \$0.898 million is required to be transferred from 2021/22 to 2022/23 to meet the costs of the study.

- Hamilton to Auckland Intercity Connectivity: The Ministry has approached an external consultant to produce a Land Value Uplift report. This report has yet to be scoped and the Ministry is in discussions with the consultant about the timing and feasibility of this work given the 30 June 2022 deadline. Based on discussions with the consultant, they are unlikely to deliver the report in full by 30 June. An expense transfer of \$0.047 million is required to reserve a small portion of the project budget in case finalising this report runs from 2021/22 into the 2022/23 financial year.
- Milford Aerodrome: The Ministry was expecting to enter into a new contract for the management of the aerodrome in 2021/22. s 9(2)(f)(iv) [REDACTED]
[REDACTED] An expense transfer of \$0.270 million from 2021/22 to 2022/23 is required to secure the contract. Without this transfer, the Ministry would need to increase the additional funding sought for the operation of the aerodrome.
- Drone Regulatory Programme: There have been delays in the commencement of the project due to the difficulty recruiting suitable personnel in the COVID-19 environment. As a consequence of COVID-19 and the rare skillsets required for this piece of work, the Ministry struggled to recruit within the initial planned timeframe. \$0.328 million is required to be transferred from 2021/22 to 2022/23 to cover the costs of the programme.
- Resource Management Act: The Ministry's input into the Resource Management Act (RMA) reform is a high priority for the transport system. The intended use of this funding is primarily to cover the cost of secondees from transport agencies into the Ministry to boost our technical capability to provide input into the RMA reforms, and for any consultancy support that may be necessary to undertake the work. There were delays in the project due to the time it took to identify the right candidates to support the Ministry. The RMA reforms are ongoing through 2022/23 and the Ministry will continue to need the external expertise of consultants to support the transport system response. \$0.264 million is required to be transferred from 2021/22 to 2022/23 for the continued work on the RMA.
- Future of Rail: The Future of Rail is a cross-agency project to identify the purpose rail serves, and how it can contribute to New Zealand's transport system. Extensive stakeholder engagement and consultation on the independent review of system issues that contributed to rolling contact fatigue on the Auckland metro network has taken longer than expected. Participants in the metro rail system have a lot of valuable input to provide. This occupied Ministry resources for longer than expected and delayed the completion of the Future of Rail Programme. \$0.404 million is required to be transferred from 2021/22 to 2022/23 to cover the costs of the programme.
- Civil Aviation Bill: The report back of the Select Committee on the Civil Aviation Bill is being delayed until June 2022; therefore \$0.093 million is required to be transferred from 2021/22 to 2022/23.
- National Freight & Supply Chain Strategy: Due to COVID-19 lockdowns and limitations on public gatherings, a series of stakeholder workshops were unable to proceed and have been rescheduled to a later date. Comprehensive stakeholder engagement is critical to the success of the freight and supply chain strategy, making the workshops and related activities essential. \$0.175 million is therefore required to be transferred from 2021/22 to 2022/23.

- **Future of the Revenue System:** The work was unable to be undertaken within the original timeframes planned due to delays in finalising the contract with the University of Auckland. The University project team has had resourcing impacts from COVID-19, and also wants to incorporate learnings from a similar exercise for Watercare into the research approach, which has delayed finalising the contract. The Ministry is currently working with the University of Auckland, aiming to commence the contract before the end of the current financial year. \$0.218 million is therefore required to be transferred from 2021/22 to 2022/23 to complete the contract.
- **Transport Security Forum:** Due to the Ministry's function in responding to COVID-19, the reallocation of resources meant that the Ministry was unable to hold the Transport Security Forum in 2021/22. The forum has been rescheduled therefore \$0.013 million is required to be transferred from 2021/22 to 2022/23.

Joint Ministers can approve these transfers under Cabinet Office Circular (18) 2.

Tuawhenua Provincial Growth Fund – Transport Projects MCA (Waka Kotahi)

Waka Kotahi has requested to transfer funding for various Provincial Growth Fund (PGF) projects from 2021/22 to outyears.

Category	2021/22 \$000	2022/23 \$000	2023/24 \$000
Supporting Regional and Infrastructure Projects	(500)	500	-
Enabling Infrastructure Projects	(15,000)	15,000	-
Infrastructure Projects	(24,340)	20,800	3,540
Total	(39,840)	36,300	3,540

The request for expense transfers is due to significant delays being experienced by some of the projects. These delays are due to factors that are beyond Waka Kotahi's control and include consent issues, land purchase agreement setbacks, and geotechnical and design issues.

This change transfers some funding out to 2023/24, which is three years beyond the original timing of 2020/21 for delivery of the programme as agreed by Cabinet.

Joint Ministers can approve these transfers under Cabinet Office Circular (18) 2.

Reinstatement of the South Island Transport Corridors MCA

Waka Kotahi has requested to transfer \$3.000 million from 2021/22 to 2022/23 for the restoration and rebuild of State Highway 1 following the November 2016 Kaikōura earthquake. This transfer is in the operating 'Restoration of State Highway 1 between Picton and Christchurch' category of the multi-category appropriation.

This request relates to the need to retain funding for the defects liability period which is two years post practical completion. Current forecasts from the North Canterbury

Transport Infrastructure Recovery (NCTIR) indicates that less funding will be required this financial year than initially estimated.

Joint Ministers can approve this transfer under Cabinet Office Circular (18) 2.

COVID-19 - NLTF Funding for Cost Pressures and Revenue Shocks MCA

Waka Kotahi has requested an expense transfer of \$3.000 million from 2021/22 to 2022/23 under the operating 'COVID-19 - NLTF Operating Cost Pressure and Revenue Shortfall Funding' category of the multi-category appropriation.

This request relates to the timing of COVID-19-related settlements with the Public Private Partnerships (PPPs), with some costs forecast to occur in the next financial year.

Joint Ministers can approve this adjustment under Cabinet Office Circular (18) 2.

Capital Investment Package - Roads, Walking and Cycling

The 'Capital Investment Package – Roads, Walking and Cycling' appropriation funds Waka Kotahi's New Zealand Upgrade Programme projects. Waka Kotahi has requested changes to the appropriation per the table below.

Capital Investment Package - Roads, Walking and Cycling	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Approved funding before MBU	566,837	565,510	628,630	1,010,990	766,370
Proposed changes to appropriation	(160,000)	225,000	350,000	(215,000)	(200,000)
Total funding after MBU	406,837	790,510	978,630	795,990	566,370

These changes are the result of reforecasting by Waka Kotahi following the rebaselining exercise in which Cabinet approved changes to the New Zealand Upgrade Programme transport projects, including stopping further progress on the Northern Pathway. Waka Kotahi is requesting that appropriations are aligned to reflect decisions confirming the programme's direction and funding commitments.

Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-21-MIN-0374.01].

Clean Car Standard – Operation and Capital

Waka Kotahi has requested to transfer \$1.000 million from 2021/22 to 2022/23 for the 'Clean Car Standard – Operation' and \$1.500 million from 2021/22 to 2022/23 for the 'Clean Car Standard – Capital' initiative.

The clean car standard scheme is complex, and legislation is still in the process of being finalised. The revised forecast reflects timing changes in some of the project's deliverables while legislation is being finalised.

Joint Ministers can approve these adjustments under Cabinet Office Circular (18) 2.

Rail - Maintenance and Renewal of the Rail Network

KiwiRail has requested changes per the table below for their Public Transport Infrastructure Activity Class within the Rail Network Investment Programme.

Rail - Maintenance and Renewal of the Rail Network	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Approved funding before MBU	362,930	467,400	521,370	-	-
Proposed changes to appropriation	(2,838)	3,929	(1,091)	-	-
Total funding after MBU	360,092	471,329	520,279	-	-

This request is primarily due to delays in getting funding approval for the Wellington Metro Upgrade Programme (WMUP) 5 project. Additionally, Covid-19 travel restrictions have delayed train controller training intakes in the Auckland integrated rail management centre, requiring this activity to happen next financial year.

This transfer of funding remains within the intended three-year period of the approved RNIP 2021-2024.

Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-21 MIN-0116.30]

Rail – Grants

KiwiRail has requested changes to the 'Rail – Grants' appropriation per the table below.

Rail – Grants	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000
Approved funding before MBU	31,000	19,700	10,200	24,100	-	-
Total change to appropriation	(22,042)	25,064	(1,974)	(15,636)	8,668	5,920
Total funding after MBU	8,958	44,764	8,226	8,464	8,668	5,920

As the design has progressed and construction market feedback received, the Hillside Road programme has changed, therefore spend has been updated from the initial estimates in the investment profile. Development of the wagon manufacturing timetable has also informed changes to the funding profile.

These changes transfer funding out to 2025/26 and 2026/27, which is two years later than the original timing of 2024/25 for the project, as was agreed by Cabinet [CAB-21-MIN-0116.30]

Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-21-MIN-0116-30].

KiwiRail Holidays Act Remediation

KiwiRail has requested to transfer \$1.129 million from 2021/22 to 2022/23 for their Holidays Act remediation payments.

As of January 2022, KiwiRail has paid out \$24 million to current and former staff members. KiwiRail is actively attempting to locate the remaining staff that have not yet been paid and expect to fully utilise the funding in the 2022/23 financial year.

Joint Ministers can approve this transfer under Cabinet Office Circular (18) 2.

KiwiRail Holdings Limited

This appropriation funds capital projects being carried out by KiwiRail, including approved New Zealand Upgrade Programme, Future of Rail and shovel-ready projects. KiwiRail has indicated that it requires changes to be made to the funding profile of a number of these projects, as outlined in the table below.

Programme	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000
Approved funding before MBU						
New Zealand Upgrade Programme	242,805	399,787	474,788	177,388	20,798	229,000
Future of Rail - New Interisland Ferry Assets to Support a Resilient and Reliable Rail Freight System	79,202	111,000	52,174	61,052	79,672	-
Future of Rail - Rolling Stock Investment to Support a Resilient and Reliable Railway	225,257	234,866	110,877	-	-	-
Future of Rail - Rolling Stock and Mechanical Depots	-	-	229,111	263,898	226,074	3,600
Shovel-ready projects - Transport	4,900	11,300	20,700	2,100	-	-
Total approved funding	552,164	756,953	887,650	504,438	326,544	232,600
Proposed changes to spending profile for the projects through MBU						
New Zealand Upgrade Programme	20,493	(35,792)	(4,834)	130,001	119,132	(229,000)
Future of Rail - New Interisland Ferry Assets to Support a Resilient and Reliable Rail Freight System	8,927	54,070	77,728	(61,052)	(79,672)	-

Future of Rail - Rolling Stock Investment to Support a Resilient and Reliable Railway	(23,538)	48,036	(24,498)	-	-	-
Future of Rail – Rolling Stock and Mechanical Depots	-	-	20,727	11,927	(67,901)	35,247
Shovel-ready projects - Transport	(1,480)	6,057	(9,009)	4,432	-	-
Total proposed changes to appropriation	4,402	72,370	60,114	85,308	(28,441)	(193,753)
Total funding after MBU						
New Zealand Upgrade Programme	263,298	363,995	469,954	307,389	139,930	-
Future of Rail - New Interisland Ferry Assets to Support a Resilient and Reliable Rail Freight System	88,129	165,070	129,902	-	-	-
Future of Rail - Rolling Stock Investment to Support a Resilient and Reliable Railway	201,719	282,902	86,379	-	-	-
Future of Rail – Rolling Stock and Mechanical Depots	-	-	249,838	275,825	158,173	38,847
Shovel-ready projects - Transport	3,420	17,357	11,691	6,532	-	-
Total funding after MBU	556,567	829,324	947,764	589,746	298,103	(190,153)

The reasons for the funding profile changes are:

- New Zealand Upgrade Programme: The movement in funding reflects updated phasing of \$90.000 million for the Whangarei to Otiria Project and \$139.000 million for the Marsden Point Rail Link that had been allocated to the 2026/27 year in the October Baseline Update. The profile of the Drury stations spend has also been further refined in this update as further design details are confirmed with the appointment of the design consultant. Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-21-MIN-0374.01].
- New Interisland Ferry Assets: A preferred tenderer has been selected for the design contract, and final negotiations are concluding. Funding discussions with the Wellington and Marlborough Ports (the Ports) are also in late stage negotiations. With updated programmes from the design contractor and funding profiles from the Ports the timing of the Crown funding drawdowns has been

revised. Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-20-MIN-0155-34].

- Rolling Stock Investment and Rolling Stock and Mechanical Depots: The mainline locomotives contract and Waltham construction contracts have been executed since the October budget update. Execution of these contracts has informed new payment profiles. Furthermore, a requirement to bring forward container flat top wagons to meet projected peak freight demands has seen a contract executed for 200 wagons earlier than originally planned. Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-20-MIN-0155-34 and CAB-20-MIN-0116-30].
- Waltham maintenance facility – KiwiRail shovel ready project: The main construction contractor has been appointed with construction to commence in March 2022. With the confirmation of the contractor and construction methodologies, the programmes have been revised and the spend profile has changed to align with the project schedule. Joint Ministers can approve these transfers (which includes bringing funding forward) under delegation from Cabinet [CAB-20-MIN-0341].

In-Principle Expense Transfer

Accident or Incident Investigation and Reporting

The Transport Accident Investigation Commission (TAIC) has requested an in-principle expense transfer of up to \$0.155 million from 2021/22 to 2022/23.

Contract negotiations with the proposed provider of investigation management software for the Knowledge Transfer System project have taken longer than planned, resulting in a delay to delivery timeframes and implementation of the software. As a result, some of the expenditure may now occur in the 2022/23 financial year.

Joint Ministers can approve this in-principle expense transfer under Cabinet Office Circular (18) 2.

Fiscally Neutral Adjustments

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2.

Search and Rescue and Recreational Boating Safety Activities PLA – Maritime New Zealand

Maritime New Zealand has requested a \$1.600 million increase in Search and Rescue and Recreational Boating Safety funding for 2021/22. Under this appropriation, Maritime New Zealand currently receives just over \$1 million to cover variable search and rescue costs.

The number of search and rescue deployments continues to rise year on year, with particularly high volumes over summer. This is likely to be a result of increased domestic travel due to COVID-19 border closures. For the July to December 2021 period, there were 162 incidents, compared to 115 in the same period for the prior

year. The increase in incidents has also seen an increase in the number of deployed helicopter hours, which adds significant cost to deployments. Maritime New Zealand anticipates that the volume of outdoor recreational activities will continue to be high for the rest of the financial year, basing the forecast on the same deployment volumes for the equivalent period in 2021.

An increase in appropriation for 2021/22 of \$1.600 million will ensure that Maritime New Zealand is better able to meet the cost of search and rescue activities. Historically, an equity injection has been sought to reimburse Maritime New Zealand for additional variable search and rescue costs incurred by them in the prior year.

Increasing the appropriation now will ensure funding can be provided to them this year, noting only actual costs incurred are covered, so any appropriation not required will not be drawn on. This increase is fiscally neutral to the Crown as the variable search and rescue costs are funded from land transport revenue, specifically through a decrease to the National Land Transport Programme Capital PLA, meaning less funding is available for NLTP initiatives.

Joint Ministers can approve this increase under section 9(1) of the Land Transport Management Act 2003.

Transport - Policy advice, ministerial servicing, governance, and other functions

The Border Executive Board is an interdepartmental executive board established under the Public Service Act 2020 by Cabinet in 2020/21 to deliver an integrated and effective border system. The Board was provided funding up to 2021/22, with the expectation that the longer-term funding arrangement would be club funding from the agencies involved.

The Ministry requests a fiscally neutral transfer of \$0.117 million in 2022/23 and then \$0.283 million for 2023/24 and outyears from the 'Transport – Policy Advice, ministerial servicing, governance, and other functions' appropriation in Vote Transport to Vote Customs for the purpose of the Ministry's contribution to the funding of the Border Executive Board.

Joint Ministers can approve this adjustment under Cabinet Office Circular (18) 2.

Forecasting Adjustments

An explanation of each proposed forecasting adjustment is listed below, and the amounts are specified in Table 2.

Search and Rescue Activity Coordination PLA

The Ministry has funding currently approved for specific projects under the 'Search and Rescue Activity Coordination PLA'. External factors mean that \$0.614 million of this funding will need to be moved to 2022/23. The reasons for the funding adjustments are as follows:

- New Zealand Search and Rescue Council's work programme: The COVID-19 pandemic and associated restrictions placed limits on the sector's capacity to fully implement the New Zealand Search and Rescue Council's planned work programme. In addition, the Ministry had to reallocate resources to the COVID-19

response. The relevant costs for this work programme are expected to be incurred in 2022/23. A funding adjustment of \$0.367 million from 2021/22 to 2022/23 is required.

- **Search and Rescue Review:** In 2019, joint Ministers approved \$1.500 million funded from the fuel excise duty to support a review of the recreational safety and search and rescue systems. Over the past 18 months, the COVID-19 pandemic has constrained the Ministry's ability to commence the review. In late 2021, the Ministry kicked off the review in earnest, appointing staff, undertaking initial engagement with the sector to scope the review, finalising the terms of reference, and appointing sector experts to the Review Advisory Group. The review is scheduled to take up to 18 months and is scheduled to conclude in mid-2023. In order for the review to be completed, a funding adjustment of \$0.247 million from 2021/22 to 2022/23 is required.

Joint Ministers can approve this funding adjustment under section 9(1) of the Land Transport Management Act 2003.

Recreational Aviation Safety Activities PLA

A funding adjustment of \$0.070 million from 2021/22 to 2022/23 is required for Recreational Aviation Safety Activities.

Aeropath Limited, the only company which does Instrument Flight Procedures (IFPs) in New Zealand, does not have the capacity in its current work program to develop any new IFPs in the 2021/22 financial year. As initial IFPs tend to be complex, Aeropath has indicated that the earliest it can do this work is in the 2022/23 financial year.

Joint Ministers can approve this funding adjustment under section 9(1) of the Land Transport Management Act 2003.

Search and Rescue and Rec Boating Safety Act PLA - 3rd parties

A funding adjustment of \$0.915 million from 2021/22 to 2022/23 is required for Search and Rescue and Recreational Boating Safety Activities.

Ongoing impacts of COVID-19 are resulting in Coastguard New Zealand focusing on delivering its core functions and is causing delays in the development of business cases for information management and business improvement and decision-making co-ordination and standardisation projects. This requires funding to be moved into the following year.

Joint Ministers can approve this funding adjustment under section 9(1) of the Land Transport Management Act 2003.

National Land Transport Programme PLA

Land transport revenue funds the National Land Transport Fund (NLTF). The revenue is appropriated to the National Land Transport Programme through two appropriations by authority of the Land Transport Management Act 2003.

Waka Kotahi has reforecast how they plan to spend these funds over the next five years and reforecast the split between operating and capital expenditure. The following table outlines the adjustment to the two appropriations to align with Waka Kotahi's reforecast.

Appropriation	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
National Land Transport Programme PLA (Operating)	(122,302)	450,792	339,283	298,964	350,207
National Land Transport Programme PLA (Capital)	156,802	(454,422)	(369,564)	(299,660)	(350,100)
Total	34,500	(3,630)	(30,281)	(696)	107

Under section 9 of the Land Transport Management Act 2003, Waka Kotahi has legislative authority to determine the split between operating and capital expenditure, up to the value of the total land transport revenue, and therefore does not require ministerial approval. The adjustments are included in this submission for completeness.

A revenue reforecasting exercise is currently being completed which is dependent on economic indicators that the Treasury will release shortly. The Ministry will report any forecasting changes separately from the 2022 March Baseline Update process. The preliminary and final results for this reforecast exercise, and the subsequent changes to the PLA's, will be entered in to the CFISnet system as required by the Treasury, so will not match the tables attached to this submission.

Other Technical Changes

An explanation of each proposed technical change is listed below, and the amounts are specified in Table 2.

Multi-Year Appropriations (MYAs)

The Ministry has set up a number of MYAs for projects that span over a number of years. For these projects, the Ministry has authority to reprofile funding only if it is within the timeframe agreed for the MYA.

Regional State Highways MYA - Accelerated Regional Road Package

Waka Kotahi has requested to reprofile \$20.200 million from 2021/22 to 2022/23 for the accelerated regional road package.

The request is primarily due to scheduling delays outside of Waka Kotahi control, have meant that funding for several projects within this appropriation has been delayed until the 22/23 year. Delays included public consultation interruption, resource consenting hold-ups, land purchase delays, contractor work stoppages, iwi agreement over design deferment and in some areas; Covid-19 lockdown delays.

Joint Ministers can approve this adjustment under Cabinet Office Circular (18) 2.

Clean Car Discount – Administration MYA

Waka Kotahi has requested to reprofile the appropriation supporting the payment of rebates and administration costs under the Clean Car Discount scheme, per the table below.

Clean Car Discount – Administration MYA	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Approved funding before MBU	110,000	92,800	63,800	25,200	10000
Proposed changes to appropriation	30,000	(74,800)	(45,800)	(7,200)	8,000
Total funding after MBU	140,000	18,000	18,000	18,000	18,000

This is based on a revised forecast following the deferral of the start of the full feebate scheme for the Clean Car Discount until April 2022. The initial funding profile was based on an expectation that feebates would have commenced by 1 January 2022 to fund rebates.

Joint Ministers can approve these adjustments under Cabinet Office Circular (18) 2.

COVID-19 - NLTF Borrowing Facility MYA

Waka Kotahi has requested to reduce the COVID-19 – NLTF Borrowing Facility by \$100.000 million in 2021/22. This would remove any remaining authority under this appropriation.

The availability of the COVID-19 lending facility ended in November 2021. The remaining funds that are undrawn are no longer available.

Joint Ministers can approve this adjustment under Cabinet Office Circular (18) 2.

Auckland City Rail Link MYA

City Rail Link Limited have indicated the profile of funding required from the Crown differs from the current profile of the multi-year appropriation. In addition, there is \$2.540 million allocated to the 2023/24 financial year for KiwiRail’s capital costs associated with the City Rail Link project which also requires change to the profile. The combined effect of these changes requires moving appropriation as per the table below.

Auckland City Rail Link MYA	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Approved funding before MBU	485,800	453,200	269,000	95,687	-
Proposed changes to appropriation	(14,589)	76,180	(48,051)	(13,540)	-
Total funding after MBU	471,211	529,380	220,949	82,147	-

Joint Ministers can approve these adjustments under Cabinet Office Circular (18) 2.

Waka Kotahi NZ Transport Agency Regulatory Loans MYA

Waka Kotahi has requested to reprofile \$12.000 million from 2021/22 to 2022/23 (\$2.100 million) and 2023/24 (\$9.900 million).

This is based on current forecasts following Cabinet approval to allow more flexibility around the regulatory loans to support all regulatory costs including implementation costs associated with the regulatory funding review [GOV-21-MIN-0058; CAB-21-MIN-0550].

Joint Ministers can approve these adjustments under Cabinet Office Circular (18) 2.

Rail - Maintaining an Electric Locomotive Fleet – MYA

KiwiRail has requested a reprofile of \$14.264 million from 2021/22 to 2022/23 (\$8.215 million) and 2023/24 (\$6.049) million for maintenance of electric locomotive fleet.

The project programme has been revised to be in line with new health and safety compliance requirements for the locomotive, and delays incurred to date. Delays are primarily driven by a combination of COVID-19-related global supply chain issues, as well as a significant change in the brake and control systems procurement strategy, and extensive research and development works being required to upgrade legacy train control systems.

Joint Ministers can approve these adjustments under Cabinet Office Circular (18) 2.

Auckland City Rail Link - Operating MYA

KiwiRail has requested a reprofile to the Auckland City Rail Link - Operating appropriation per the table below.

Auckland City Rail Link - Operating MYA	2021/22 \$000	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Approved funding before MBU	2,065	4,670	4,469	360	-
Total change to appropriation	222	(14)	(531)	323	-
Total funding after MBU	2,287	4,656	3,938	683	-

These changes are required to reflect the updated programme and changes that have come from the Link Alliance and City Rail Link project requirements that this work is supporting.

Joint Ministers can approve this adjustment under Cabinet Office Circular (18) 2.

Other Technical Changes

An explanation of each proposed technical change is listed below, and the amounts are specified in Table 2.

Protection of Transport Sector Agency Core Functions MYA

In December 2021, Cabinet approved additional funding of \$16.890 million in 2022/23 to meet the full cost of providing 156 Aviation Security Service personnel to Managed Isolation and Quarantine facilities until the end of June 2023 [CAB-21-MIN-0525 and SWC-21-MIN-0215].

However, the 'Protection of Transport Sector Agency Core Functions' multi-year appropriation expires 30 June 2022, and Cabinet did not approve an extension of the appropriation to 30 June 2023.

To give effect to Cabinet's intent and to enable the funding to be accessed in 2021/22, joint Ministers authority is required to extend the expiry date of the multi-year appropriation needs to 30 June 2023.

Extension of Tagged Contingency/Contingencies

I agree, and seek your agreement, to extend the expiry of the following operating tagged contingency:

Transmission Gully – Tagged Operating Contingency

Cabinet has previously approved a tagged operating contingency of \$130.600 million to provide for further costs relating to the negotiated settlements for the transport-related Public Private Partnerships (PPPs), Transmission Gully and Pūhoi to Warkworth.

The tagged contingency has an expiry date of 1 April 2022.

Because of ongoing negotiations with PPP operators and uncertainty around the potential claims for COVID-19 impacts, it is likely that this tagged contingency will need to be accessed after April 2022. Therefore, the tagged contingency needs to be extended to 1 February 2023.

Other Cabinet decisions

A number of items listed in Table 2 attached to this submission do not require joint Ministers' approval. All Cabinet decisions relating to Vote Transport made since the previous baseline update have been included in this update and are listed in detail in Table 2 attached to this letter.

Recommendations

I agree and recommend that you:

1. **agree** the changes to those baselines for the appropriations in Vote Transport that require joint Ministers' approval, as set out in Table 2;
2. **agree** that the proposed changes to appropriations for 2021/22, covered by recommendation one above, be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
3. **agree** to an extension to the Protection of Transport Sector Agency Core Functions multi-year appropriation to 30 June 2023; and
4. **agree** to the extension from 1 April 2022 to 1 February 2023 for the Transmission Gully – Tagged Operating Contingency.

I recommend that you:

5. **note** that Table 2 includes for completeness other changes to baselines for the appropriations in Vote Transport that have been approved by Cabinet or Joint Ministers since the previous baseline update or do not require such approval.

Yours sincerely

Hon Michael Wood
Minister of Transport

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982



16 February 2022

OC210984

Hon Michael Wood

Action required by:

Minister of Transport

Thursday, 24 February 2022

SUBMARINE CABLES AND PIPELINES PROTECTION ACT 1996: JOINT HAWKE BAY PIPELINE PROTECTION AREA APPLICATION

Purpose

This briefing seeks your approval for the Ministry of Transport (the Ministry) to undertake consultation on your behalf on a joint application for three protected areas, under Section 12(2) of the Submarine Cables and Pipelines Protection Act 1996 (the Act). The application seeks to establish three protected areas in the Hawke Bay for outfall wastewater pipelines operated by the Hastings District Council, Napier City Council and Pan Pac Forest Products Limited.

Key points

- The purpose of a protected area declared under section 12 of the Act is to protect submarine cables and pipelines from the risk of damage caused by ships anchoring or engaging in fishing operations.
- The Hastings District Council (HDC), Napier City Council (NCC) and Pan Pac Forest Products Limited (Pan Pac) are operators of outfall wastewater pipelines that discharge treated wastewater into Hawke Bay.
- These three operators are seeking a proactive legal mechanism to protect their respective pipelines from accidental structural damage from anchors or commercial inshore fishing vessels' equipment striking the pipelines. Damage to these pipelines would generate repair costs for the operators, and may negatively impact the local communities, economies, environments, and operators.
- The operators have consulted the community and stakeholders for the three proposed protected areas and received predominantly positive feedback.

30/3/2022 Please note that consultation has been delayed at the request of the applicants

Recommendations

We recommend you:

- 1 **agree** that the Ministry of Transport undertakes consultation on your behalf with the affected parties listed in *Appendix 2*, using the draft consultation letter in *Appendix 1*, in respect of the three protected areas covered in the joint application from Hastings District Council, Napier City Council, and Pan Pac Forest Products Limited. Yes / No
- 2 **agree** to an eight-week consultation period, from the beginning of March 2022. Yes / No



Nick Paterson
Acting Manager, Resilience and Security
 16 / 02 / 2022

Hon Minister 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
Marshida Kolthoff, Policy Advisor, Resilience & Security	s 9(2)(a)	✓
Nick Paterson, Acting Manager, Resilience & Security		

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

SUBMARINE CABLES AND PIPELINES PROTECTION ACT 1996: JOINT HAWKE BAY PROTECTION AREA APPLICATION

The Ministry has received a joint application to establish three protected areas for outfall wastewater pipelines in the Hawke Bay

Protected areas protect cables and pipelines from being damaged

- 1 The purpose of protected areas, declared under section 12 of the Act, is to protect submarine cables and pipelines from the risk of damage caused by ships anchoring or engaging in fishing operations.
- 2 Declaring the areas to be protected areas under the Act will mean they appear on the relevant nautical charts, and their presence can be notified by other means such as website information and local publicity. This will make the zones more visible, complement the existing educational material provided by the operators, and provide additional deterrence through the offences set out in the Act in respect of protected areas.

The joint application proposes to establish protected areas for three outfall pipelines in East Clive (Hastings), Awatoto (Napier), and Whirinaki (North of Napier) respectively

- 3 In October 2020, the Ministry received a joint application to establish protected areas under the Act for three outfall wastewater pipelines operated by the Hastings District Council, Napier City Council and Pan Pac Forest Products Limited.
- 4 The Ministry requested additional information on risk, impacts and community consultation from the applicants. A revised application was received in September 2021.
- 5 The application covers three proposed protected areas. HDC already has a protected area in place for a part of its outfall pipeline (approximately 300 metres in length for the diffuser (point of discharge)) and is applying to extend this zone to provide for the entire pipeline (a length of approximately 2950 metres). NCC is seeking to protect its 1600 metre wastewater pipeline in Awatoto, and Pan Pac seeks to protect its 2600 metre wastewater pipeline in Whirinaki.

Legislative authority

- 6 Protected areas may be established by the Governor-General by Order in Council, on the recommendations of the Minister of Transport. The Minister must not make any such recommendations unless:
 - 6.1 the Minister has first consulted with such persons, or organisations representing such persons, as the Minister considers would be affected by the Order; and
 - 6.2 those persons or organisations have a reasonable opportunity to make submissions to the Minister; and
 - 6.3 the Minister has regard to those submissions.

The purpose behind protecting these three outfall pipelines

- 7 The key reasons for the operators wanting to establish these three proposed protected areas are that:
- 7.1 outfall pipelines are expensive assets to build, maintain, and operate. There is a limited availability of specialists to undertake investigation and repair work. Furthermore, damage to pipelines is costly and time-consuming to investigate and repair, so added deterrence from the protected areas will reduce the risk of damage;
 - 7.2 protection under the Act is part of managing the risk along with other complementary measures, such as education campaigns and signage;
 - 7.3 it will reduce the risk of environmental damage caused by discharge through a leak in the pipeline, as could result from anchoring or fishing damage,
 - 7.4 and will support the applicants' compliance with existing resource consents and other outfall pipeline obligations.

Deterrence versus risk

The benefits of risk deterrence for outfall pipelines

- 8 Existing pipeline protected areas have primarily been established to respond to a known risk. The likelihood of damage to these pipelines appears to be relatively low, as is discussed below. However, if damage to the pipelines eventuates it could pose high economic, environmental, and social costs to the community and operators.
- 9 Therefore, this application primarily seeks the benefits of deterrence, to mitigate the risk of damage to the pipelines by raising awareness of the areas in which pipelines are located and providing legal remedy for damages.
- 10 The Ministry's role is confined to the establishment of the protected area and prosecution. While we do not hold any operational or enforcement role, declaring protected areas raises awareness, provides deterrence and affords the basis for prosecuting people who risk damaging submarine assets. Operationally, cable and pipeline asset owners take an active interest in monitoring prohibited activity within protected areas such as the Cook Strait protected area¹.
- 11 Section 11 of the Act creates an offence for a person who 'wilfully or negligently' damages a submarine cable or pipeline, of the penalty for which is up to \$250,000, regardless of whether there is a protected area in place.
- 12 However, enforcement under Section 11 in the event of damage is reactive and lacks the pre-emptive deterrence and visibility of a notified protected area that is marked on nautical charts.

¹Transpower contracts Seaworks to do the patrol work and provides protection officers who are authorised under the Act, as well as paying for helicopter patrols. Fishing and anchoring are illegal within the Cook Strait protected zone for any vessel of any size. The Cook Strait protected zone is patrolled by a patrol vessel 24/7, with support from a helicopter service, protection officers and Maritime Police.

- 13 A protected area is a preventive approach to mitigate the risk of damage to the pipelines. By prohibiting certain fishing and anchoring activities in the protected areas, the risk of damage from commercial fishing activities or anchoring decreases significantly.
- 14 The declaration of a protected area does not prevent any vessel from traversing the areas, provided it does not anchor or engage in commercial fishing activity while in the area.

Exemptions for the pipeline protected area

- 15 Additionally, the protected areas will not restrict:
- 15.1 ships that are being used for research carried out by or for the Ministry of Fisheries, as long as the research is carried out without directly or indirectly attaching any of the ships involved to the seabed, whether by anchoring or by any other means;
 - 15.2 a ship being used for any repair, maintenance or service of the pipeline and associated parts, valves and components;
 - 15.3 a ship entering the pipeline protected area for monitoring, sampling, research and planned or unplanned (as a result of an accident) maintenance and inspection purposes;
 - 15.4 anchoring of those ships for purposes set out above in paragraph 15.1, 15.2 and 15.3;
 - 15.5 gathering of kaimoana (seafood) through means that do not involve anchoring, fishing lines, or trawlers; and,
 - 15.6 diving, surfcasting, or kontiki fishing.

There are several risks and impacts if these pipelines are damaged

- 16 Damage to the pipelines from anchors or the fishing equipment of commercial vessels striking the pipeline would generate significant repair costs for the operators, as well as impacting the local communities, economies, environments, and operators negatively. If the worst case scenario occurs (full pipe break at quarter length) and the outfall needed to be shut down for a period of more than three hours, HDC or NCC would both be required to begin discharging treated wastewater using the emergency beach outfall to avoid overflowing untreated sewage in the network.
- 17 Consequences would likely include restricting beach access, recreational activities, and fishing opportunities to the public due to the environmental risks improper dispersal poses and attributing to higher pollution levels.
- 18 Damage is also likely to cause disruption to the operation of the Wastewater Treatment Plants, the continuity of business (Pan Pac), and result in a reduced level of service (including industrial trade waste users and the coastal environment) to the wider community, mana whenua, and stakeholders including ratepayers and industry

users. Pan Pac also wishes to reduce any risks to its relationship with local stakeholders, the community and to its local environment.

- 19 In 2016, the HDC pipeline was damaged in three separate locations, one of which was severe, and caused a visible discharge plume approximately half-way along the outfall. The council considers that the damage is likely to have been caused by an impact load, such as trawling activities. However, as any evidence, such as net fragments, weights, or cables, is usually 10 or more metres below sea level, and in murky waters, this is difficult to prove.
- 20 Although the NCC and Pan Pac outfall pipelines have not suffered damage like that of HDC to date, protected areas will still help reduce the risk of any potential future damage to the pipelines from anchoring or commercial fishing.

The community and commercial impact of declaring a protected area

- 21 The key stakeholders affected by a potential order declaring the protected areas are commercial inshore fishers. The intent of the order would be to ensure a 'no anchor zone' for all vessels and exclusion of commercial vessels from fishing in the protected area to avoid any potential damage to the pipeline.
- 22 The order does not intend, nor should it have any impact upon, mana whenua and their customary marine interests, rights, and practices. To that end, the proposed order:
 - 22.1 will not restrict tāngata whenua or other persons' access in the proposed protected pipeline areas; and,
 - 22.2 will not restrict customary rights, access, or resources.
- 23 Furthermore, a protected area will reduce the risk of damage to the pipelines, thereby mitigating risks to the natural environment.

This is the first application received to protect a full outfall pipeline

- 24 Historically, protected areas have only been declared under the Act for telecommunication cables and oil and gas pipelines. The one exception is the protected area currently in place for the diffuser at the end of the HDC pipeline. Should the proposed protected areas be declared, they would be the first to be established for a full outfall pipeline.
- 25 This could encourage more outfall pipeline protected area applications, which will have procedural resourcing implications for Government. There are no ongoing administrative costs to Government once a protected area comes into force.

Consultation requirements

The operators have already conducted consultation with key partners and stakeholders

- 26 The operators have taken a collaborative approach and conducted substantial engagement with key partners and stakeholders whilst generating their application.
- 27 The pipeline protected area consultation was from 24 June to 16 July 2020. The consultation was advertised as part of group consultation in the Napier Courier. Courier circulation went to 22,000 Napier households. The consultation was also advertised via digital screen in Napier City Council Customer Services and Taradale Library. There was a website page advertising the five consultations on the NCC homepage, as well as links to the consultation pages on the annual plan page².
- 28 A flyer was delivered to nearby properties of the NCC and HDC wastewater outfall and signs were put up by the beach and cycleway pathways. A sign was also posted adjacent to the boat ramp at Clifton located south of the Hastings wastewater treatment plant, a popular boat ramp for launching recreational boats. Pan Pac carried out a targeted letter drop to local residents at Whirinaki.
- 29 A total of 25 submissions were received. Four of the twenty-four responders were not supportive, two noting that:
- 29.1 “we should not be putting our sewage out to sea. It should all be land based”, and;
- 29.2 that it would be “far better to fix it properly we have not spent any money on this in years. Push it out to 2.4 km like the others and have the same exclusion zone as them. stop pumping sewage out of a broken pipe to close to shore the brown stain is very noticeable if you know what you are looking at”.
- 30 Neither of these comments are related to an application for a protected area.

Iwi have indicated some concern relating to the proposed protected areas

- 31 The operators have also conducted specific follow up engagement with local Iwi, including Te Taiwhenua o Te Whanganui-a-Orotū and Tangoio Marae, who indicated that they were not supportive of the proposed protected area. Their key concerns were related to having restricted access to the areas, moana (ocean), and seabed. The applicants have had ongoing contact with these two applicants and have since clarified that this protected area will not restrict access, nor any of the customary rights to the area held by tāngata whenua.
- 32 Pan Pac engaged with representatives from Maungaharuru Tangitu Trust who represent the hapu of Tangoio Marae. Pan Pac understands that the submitters and the trustees of the Tangoio Marae are comfortable with the proposal.
- 33 The Ministry will be engaging with affected Iwi during the consultation period, to confirm Iwi’s position.

To make a recommendation, the Act requires the Minister to consult with affected persons.

² www.sayitnapier.nz

- 34 Before deciding whether or not to make a recommendation to the Governor-General to declare a protected area, the Act requires the Minister of Transport to consult with persons who are likely to be affected by the protected area, to provide them the opportunity to make submissions, and give regard to those submissions.
- 35 The Ministry proposes that you agree to a consultation period of eight weeks, in which everyone who submitted feedback to the applicants during their previous engagement is consulted, as well as the partners and stakeholders identified by HCC, HDC, and Pan Pac as being potentially impacted by a protected area are consulted (a list can be found in *Appendix 2*). The Ministry will also provide the consultation information on its website.
- 36 Should you agree, the Ministry will write on your behalf to all parties identified in *Appendix 2*, providing them with link to a copy of the joint application and invite their submissions on the proposal. The draft letter for consultation is in *Appendix 1*.
- 37 Eight weeks for consultation is considered a reasonable period. Although the proposals are well known locally and have already been discussed through earlier community consultation, we anticipate that an Omicron outbreak may influence the priorities of affected parties, particularly smaller iwi groups. This would double the consultation periods implemented for other orders related to protected areas.

Next Steps

If you agree, we will consult with stakeholders for an eight-week period

- 38 Following consultation, we will provide you with further advice, including a summary of submissions and recommendation on whether to proceed with the application. Should you wish to proceed, we will provide you with a Cabinet paper, seeking permission to instruct the Parliamentary Counsel Office (PCO) to draft an Order in Council, and a Regulatory Impact Statement.

Appendix 1: Draft Consultation Letter

date

Dear

Napier City Council, Hastings District Council and Pan Pac Forest Products have jointly applied for a protected zone to be declared above their ocean-based wastewater pipelines under section 12 the Submarine Cables and Pipelines Protection Act 1996 (the Act).

Under section 12 of the Act, protected areas aim to protect submarine cables and pipelines from the risk of damage caused by ships anchoring or engaging in commercial fishing operations.

A declaration under section 12 may only be made by the Governor-General by Order in Council on the recommendation of the Minister of Transport. The Minister must not make any such recommendation unless:

- (a) the Minister has first consulted with such persons or organisations representing such persons as the Minister considers would be affected by the order; and
- (b) those persons or organisations have a reasonable opportunity to make submissions to the Minister; and
- (c) the Minister has regard to those submissions.

You/your organisation are/is one of the parties that the Minister considers may be affected by the establishment of a protected area for the Napier City Council, Hastings District Council, or Pan Pac Forest Products wastewater pipelines

I invite you to submit on the proposal and would appreciate hearing your views on the effects such an order may have. Submissions should reach the Ministry no later than 29 April 2022.

To assist you in making your submission, a link to the material that the three applicants have submitted in support of their joint request can be accessed at:

<https://www.savitnapier.nz/ncc/submarine-pipeline-protection-2/>.

Should you wish to meet directly with the Ministry to discuss concerns over this matter, we will be happy to provide you with that opportunity. Please contact either Marshida Kolthoff (email: m.kolthoff@transport.govt.nz) or Paul Fistonich: (email: p.fistonich@transport.govt.nz).

Yours sincerely

Appendix 2: Stakeholder contact list

1. Napier Sailing Club
2. Hawke's Bay Sport Fishing Club
3. Napier Fishermans Association
4. Hawke's Bay Seafoods Ltd
5. Maritime Safety Inspector, Napier
6. Moana Pacific Fisheries Ltd
7. Coastguard Hawke's Bay
8. Ocean Adventures
9. Union Hotel
10. fv Westerner
11. Regent Fishing
12. HB Jet Sports Club
13. HB Rowing Club
14. HB Fish and Game Association
15. Wilderness Jet Tours
16. Heretaunga Ararau O Ngati Kahungunu Waka Ama Roopu
17. HB Legasea
18. FINZ – Fishing Inshore NZ
19. Ngati Parau
20. Ngati Kahungunu
21. Ngati Pahauwera
22. Mana Ahuriri
23. Mangaharuru Tangitu Trust
24. Te Taiwhenua o Heretaunga
25. Heretaunga Trust Settlement
26. Maanu Paul
27. Soulsport Ltd
28. Ahuriri Community Constable
29. Experience Hawke's Bay
30. First Security
31. Firman's Marine Ltd
32. Ocean Beach Surf Lifesaving Club
33. Nga Tukemata Okahungunu
34. Te Arawhiti

MEETING BRIEFING

17 February 2022

OC220068

Hon Michael Wood
Minister of Transport

MEETING WITH CITY RAIL LINK LIMITED CHAIR AND CHIEF EXECUTIVE - 23 FEBRUARY 2022

Snapshot

You will be meeting with City Rail Link Limited's (CRL's) Chair and Chief Executive on 23 February 2022. To support you in your meeting, we have provided some suggested talking points.

Time and date	4.30pm, 23 February 2022
Venue	Zoom
Attendees	Sir Brian Roche, Chair of the CRL Board Dr Sean Sweeney, Chief Executive of CRL
Officials attending	Allan Prangnell, Deputy Chief Executive (Acting), System Performance and Governance Sarah Allen, Principal Adviser, Programme Assurance and Commercial
Agenda	Item 1: Update on CRL's budget and schedule Item 2: Targeted Hardship Fund Item 3: Workforce update (especially regarding health and safety) Item 4: AOB
Talking points	Included within the briefing.

Contacts

Name	Telephone	First contact
Sarah Allen, Principal Adviser, Programme Assurance and Commercial	s 9(2)(a)	✓
Fleur D'Souza, Manager, Programme Assurance and Commercial	s 9(2)(a)	
Allan Prangnell, Deputy Chief Executive (Acting), System Performance and Governance	s 9(2)(a)	

MEETING WITH CITY RAIL LINK LIMITED CHAIR AND CHIEF EXECUTIVE - 23 FEBRUARY 2022

Background

- 1 Your last meeting with the CRL Chair and Chief Executive was 1 November 2021. Topics discussed included:
 - the CRL project budget and schedule
 - project risks, including the impact of COVID-19
 - s 9(2)(b)(ii), s 9(2)(ba)(i)
 - health and safety.

Agenda

- 2 The agenda for this meeting follows a similar structure to prior meetings:
 - Item 1: Update on CRL's budget and schedule
 - Item 2: Targeted Hardship Fund
 - Item 3: Workforce update (especially regarding health and safety)
 - Item 4: AOB.
- 3 Urban development has not been included on the agenda for this meeting as a separate update on the CRL development opportunities programme will be provided by the Ministry (expected to be in early March 2022, following discussions with the Treasury and Ministry of Housing and Urban Development).

Item 1: Update on CRL budget and schedule

- 4 Please refer to OC220073 City Rail Link performance update to 31 December 2021 for updates on each of the agenda items.

Suggested speaking points:

s 9(2)(b)(ii), s 9(2)(ba)(i)

s 9(2)(b)(ii)

Item 2: Targeted Hardship Fund (the Fund)

Suggested speaking points:

- How much has been paid to businesses from the Fund so far? How can any other businesses that are likely eligible be further encouraged to apply?
- Of the applications that have been declined, what are the reasons for this?

Item 3: Workforce update (health and safety)

Suggested speaking points:

- What is the impact to construction sites so far from the Omicron outbreak?

s 9(2)(ba)(i)

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EXTRACT - OC220073

The remainder of this briefing is withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(f)(iv), 9(2)(i) and 9(2)(j) of the Official Information Act 1982

17 February 2022

OC220073
T2022/251

Hon Michael Wood
Minister of Transport

Action required by:
Wednesday, 23 February 2022

Hon Grant Robertson
Minister of Finance

CITY RAIL LINK LIMITED PERFORMANCE UPDATE TO 31 DECEMBER 2021 **(OIA EXTRACT)**

Purpose

The purpose of this briefing is to provide a performance update on the City Rail Link (CRL) project.

Key Points

- Updates on the Targeted Hardship Fund and health and safety are provided in **Appendix One and Appendix Two**.

CITY RAIL LINK LIMITED PERFORMANCE UPDATE TO 31 DECEMBER 2021

Next steps

...

25. The Link Alliance is making good progress at sites and there have been several very positive achievements of late, including:

- the breakthrough of the Tunnel Boring Machine at Aotea Station on 22 December 2021
- The Aotea site connected through to the end of the existing C2 tunnel in early December 2021
- The re-routing of the 'Huia 2' watermain was successfully achieved within target dates
- The progress achieved with both mined station caverns at the Karangahape Station has been better than planned despite the Link Alliance having to

resolve complex ground conditions that were not picked up in the borehole investigations

- The recent Christmas 'Block of Line' went well, with key works completed and the potential for several months of delay mitigated. We note that there was a huge amount of co-operation and planning between KiwiRail, Auckland Transport and CRL to achieve this.

The draft Programme Business Case for the CRL Development Opportunities Programme has been provided

29. The Joint Board Committee (Eke Panuku and Kāinga Ora) has provided a draft Programme Business Case to Sponsors' officials on 29 November 2021.
30. We expect to provide you advice in March 2022 on the draft Programme Business Case following consultation with the Ministry of Housing and Urban Development, Auckland Council, Eke Panuku and Kāinga Ora.

Additional updates are provided in the appendices

31. An update on the progress of the Targeted Hardship Fund (THF) is provided in Appendix One. Sponsors' officials do not propose amending the Sponsors' guidelines at this time.
32. We intend to review the THF later this year with the latest available information on the payments to businesses, the project's schedule, and feedback from affected businesses and the Heart of the City.
33. An update on health and safety is provided in **Appendix Two**,

APPENDIX ONE: UPDATE ON THE TARGETED HARDSHIP FUND

Applications to the C3 Targeted Hardship Fund (THF)

As at 31 January 2022, CRL has received 118 applications (including applications for Advance Interim Payments as well as to the full THF once set up). Of these, 51 applications were accepted, and businesses have received payments totalling \$499,149.77 (GST exclusive) from the THF.

Number of THF applications, by status, as at 31 January 2022

Application status	Number of applications
Accepted	51
Declined	43
Processing	24
Total	118

There were 43 declined Targeted Hardship Fund applications, including Advance Interim Payment applications:

- 34 of these were declined due to being outside of the C3 Affected Area, as per Sponsors' guidelines
- the remaining nine applications were declined due to starting operations in the area after C3 works commenced (October 2019) or not providing sufficient evidence of financial hardship relating to the C3 construction activity.

There were 24 applications being processed, of which 16 were awaiting further documentation from the applicant.

Please note that this information will now be out of date. The total amount paid to businesses from the Fund as at 31 March 2022 was \$834,000.

The review of the THF will be undertaken in late 2022

The THF's progress will be monitored by Sponsors' officials and it will be reviewed later this year to consider the next steps. That review will consider the latest available information on the payments to businesses, the project's schedule, and feedback from affected businesses and the Heart of the City.

We note that one of the guidelines from Sponsors for the THF is now obsolete:-

If a business is receiving the COVID-19 Wage Subsidy (or other targeted Government financial support for a COVID-19 Alert Level 3 or 4 event), it should not be eligible for financial assistance from the Fund for the same time period.

Sponsors' officials do not propose amending the Sponsors' guidelines at this time to incorporate the red and orange settings of the COVID-19 Protection Framework. As such, businesses are able to receive payments at the same time as receiving other support from the various COVID-19 financial support schemes available to businesses. The review of the THF later this year will include consideration of the Sponsors' guidelines if the THF is extended through to the end of the CRL project.

APPENDIX TWO: UPDATE ON HEALTH AND SAFETY

**BRIEFING**

18 February 2022

OC220048

Hon Michael Wood
Minister of Transport**Action required by:**
Friday, 11 March 2022**GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT
REVIEWS (STATE HIGHWAY MAINTENANCE AND COST DRIVERS)
- UPDATE AND NEXT STEPS**

Purpose Please note that although a reference is made to an attached report, no report ended up being attached to this briefing when it was sent to the Minister

Summarises the findings of the State Highway Maintenance Review final report (attached), including key recommendations for your endorsement. It also summarises findings from a separate cost drivers review.

Key points from State Highway Maintenance Review

- The Ministry of Transport, in collaboration with Waka Kotahi, has reviewed spend on state highway maintenance to ensure investment is giving effect to the Government Policy Statement on land transport (GPS) in an efficient and effective manner.
- The review is timely given growing maintenance costs, degradation of the state highway network across all condition measures, and uncertainty around the levels of investment that are required following historical flat lining of maintenance spend.
- The review has identified potential improvement opportunities across the system, including that:
 - The GPS needs to more clearly signal the outcomes sought from maintenance activities
 - Internal financial/budget management processes need further refinement to ensure the planned level of works is programmed and delivered on time and to budget
 - Improvements are required to ensure that all work (maintenance and renewal) is completed to the required specification the first time, with reduced performance and quality issues
 - Statement of Performance Expectations (SPE) measures are not fully representative of the difficulties Waka Kotahi are facing, and they appear to mask degradation in condition and service.
- Waka Kotahi has already made and continues to implement improvements to enhance the efficiency and effectiveness of investment for 2021-24 (and beyond).

Where opportunities still exist, several recommendations have been provided to build on the lessons learnt from the 2018-21 funding period, including:

- Getting the investment signals and forecasts right
 - Enhancing sector wide capability and competency
 - Asset Management Business Process Improvement
 - Strengthening Waka Kotahi's performance monitoring
 - Having more robust assurance and at the right level
 - Enhancing monitoring and evaluation of performance to drive continuous improvement
- Recommendations will be implemented as part of:
 - The delivery and implementation of the 2021–24 NLTP
 - GPS 2024 development
 - Future Letters of Expectation to Waka Kotahi, and Statements of Performance Expectations
 - Ongoing improvements to the Ministry's monitoring and evaluation functions.
 - **Key points from Cost Drivers Review**
 - The Ministry (in conjunction with Waka Kotahi) also assessed the cost drivers impacting upon the transport sector and determined labour and material costs have increased beyond inflation. These costs are mainly outside the control of Waka Kotahi and are likely to continue.
 - An overarching recommendation has suggested review findings are validated with industry, and that Waka Kotahi is further engaged to better understand the work they have underway in relation to transport investment cost drivers.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | note the review found further opportunities to improve the efficiency and effectiveness of State Highway Maintenance investment. These are summarised below and can be found in greater detail within appendix 2. | Yes / No |
| | <ul style="list-style-type: none">● Refining GPS investment signals and forecasting practices● Need to enhance sector wide capability and competency● Asset Management Business Process Improvement | |

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- Strengthening Waka Kotahi's performance monitoring
- Having more robust assurance and at the right level
- Further monitoring and evaluation of performance to drive future improvement

- 2 **endorse** utilising the GPS as a lever for enhancing the efficiencies achieved by the State Highway Maintenance activity class Yes / No
- 3 **note** a second phase cost drivers review will be completed by the end of financial year and that findings from this review are attached as an appendix Yes / no

Tim Herbert

Vanessa Browne

Tim Herbert
**Manager, Investment
 (Ministry of Transport)**
 17/02/22

Vanessa Browne
**National Manager, Programme &
 Standards (Waka Kotahi)**
 17/02/22

Hon Michael Wood
Minister of Transport
 / /

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

Comments

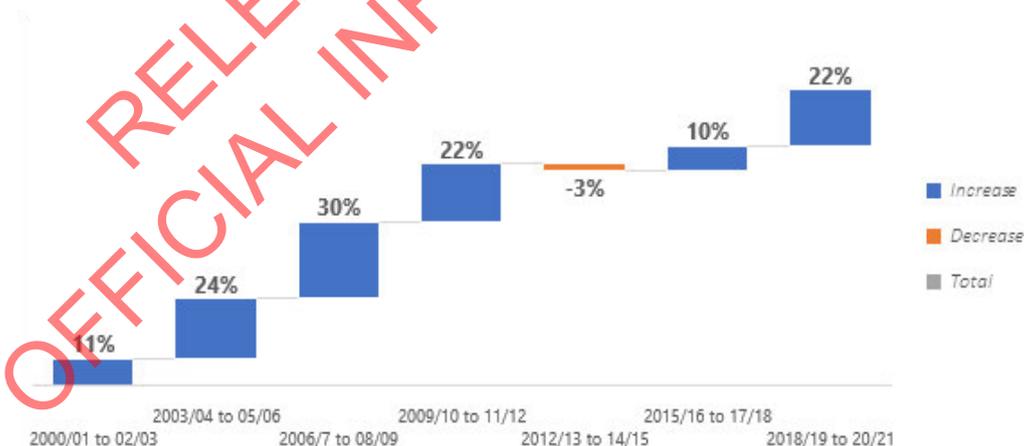
Contacts

Name	Telephone	First contact
Tim Herbert, Manager, Investment	s 9(2)(a)	✓
Joanne Leung, Manager, Domain Strategy Economics and Evaluation (DSEE)	s 9(2)(a)	
Brittany Farrant-Smith, Advisor, Investment	s 9(2)(a)	
Alexis Garland, Senior Advisor, DSEE	s 9(2)(a)	

GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT REVIEWS (STATE HIGHWAY MAINTENANCE AND COST DRIVERS) - UPDATE AND NEXT STEPS

1. The Ministry of Transport and Waka Kotahi reviewed the efficiency and effectiveness with which investment in the State Highway Maintenance activity class has achieved what it intended to. This was done to ensure we are achieving value for money from investment and are setting sustainable levels of maintenance expenditure over the longer-term. This review was prioritised due to indications that the condition of the State Highway network is deteriorating, and greater investment is required to restore the condition. Results from this review will feed into development of GPS 2024 and continuous improvement of the maintenance programme.
2. Investment for State Highway maintenance occurs via the State Highway Maintenance activity class as part of the wider National Land Transport Programme (NLTP). It is funded by the National Land Transport Fund (NLTF) in accordance with requirements and priorities for the applicable GPS issued by The Minister.
3. Over the 2018-21 investment period, the Waka Kotahi Board approved an investment level of \$1.79B for maintenance and operations (including a \$156M provision for emergency works) within GPS bands \$1.8B and \$2.13B. This represented a 22% increase on the previous 3-year period. This is higher than recent increases given the 'flatlining' of investment from 2010 global financial crisis (GFC), however, is more consistent with increases experienced before GFC.
4. Actual expenditure for the 2018-21 period was at the upper end of the GPS band at \$2.18B. This material increase is related to increased costs incurred through emergency work events, administrative costs, and contractor costs.

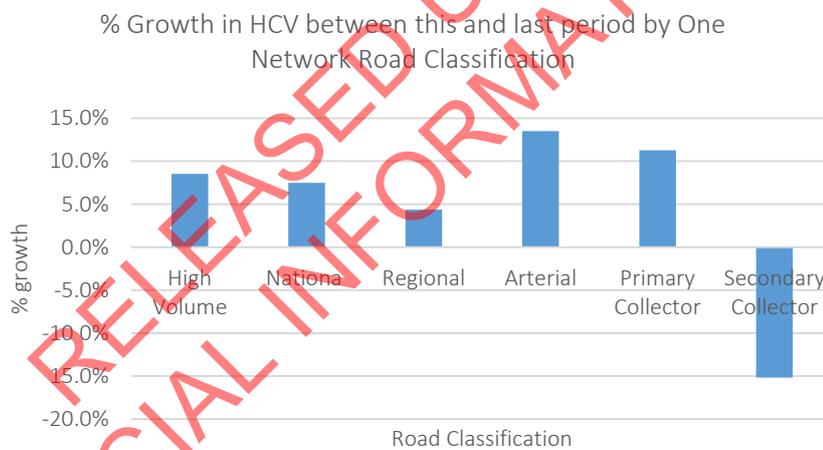
Figure 1. Expenditure change between 3-year funding blocks



Waka Kotahi are facing a range of external pressures

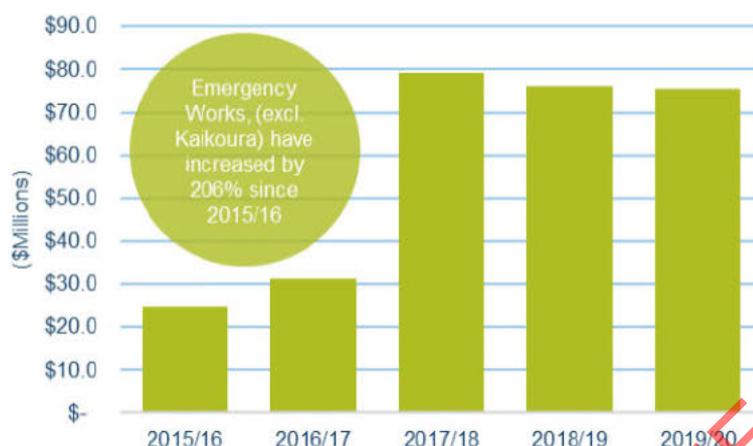
6. Waka Kotahi are facing a range of external cost pressures including cost escalation, traffic and freight growth, more significant and frequent natural events, and growing complexity of the network (in terms of length, assets, and technological advancement).
7. Over the 2018-21 period, 11% (~\$220M) more than budget was spent. Half of which arose in response to unforeseen natural events, 21% for additional works and/or increased service costs from suppliers, 7% from administrative costs, 8% from growing complexity of the network, 14% from focused temporary traffic management risk management activities. Expenditure associated with traffic volume growth (\$27M), freight growth (\$20M) and Inflation (\$98M) was accounted for within budget.
8. The number of heavy vehicles using the road has grown at a rate of 0.72% per year, influenced by the move to high productivity motor vehicles (HPMV) and 50Max vehicles (see figure 2). This increase in heavy vehicle use results in faster consumption of the pavement. While heavier vehicles pay additional road user charges that reflect the additional costs they impose on the network, the maximum funding available is limited by the GPS activity class funding ranges, which means the additional revenue transfers to other activity classes.

Figure 2. Percentage growth in the number of Heavy Commercial Vehicles for 2018-21 compared with 2015-18



9. The total length of the state highway network has grown by 9.3% over the past ten years, safety barriers have increased by 109% and rumble strips by 57%. This means there are a greater quantity of assets to maintain and renew. The cost of rising asset growth is in the order of \$9-\$15 million over the three-year funding period.

Figure 3. Emergency works expenditure last 5 years (excl. Kaikoura Earthquake)



10. There have also been more frequent and significant natural events. Over the 2018-21 funding period, an additional \$84m above budget (\$154m) was required above budget for emergency works. Figure 3 shows how emergency work expenditure has changed over the past 5 years.

The Ministry tested efficiency and effectiveness measures used across the network. Results indicated acceptable standards are being met, but there is room for improvement

11. An assessment was completed to determine the level of efficiency and effectiveness with which State Highway Maintenance activities have been delivered. The key findings are summarised below, and the detailed assessment is attached as an appendix.
12. There are gaps which can be targeted, and the recommendations within appendix 1 reflect these areas.
13. These gaps were particularly prevalent in the activities associated with converting investment into delivered outputs (across the various work programmes) and in their supporting processes, procedures, and systems to optimise developing and managing budgeting and delivering of programmes to time, cost, and quality. These are explored further in the next section.
14. Whilst some of the gaps identified are currently being addressed by ongoing or emerging continuous improvement actions, where opportunities for improvement persist, recommendations have been prioritised based on their impact. Success will require these recommendations to be progressed and implemented.

Further improvement opportunities for Waka Kotahi include:

Table 1. List of identified improvement opportunities

Improved budget and change management procedures		
Area for improvement	Evidence	Solution
Delivering against the agreed program of work	Actual expenditure (\$2.17b) over the 2018-21 funding period was 11% above proposed expenditure (\$1.95b). When considering external impacts such as Covid-19	Waka Kotahi have already implemented a number of improvements to enhance the delivery of the 2021-24 investment, such as implementing an enhanced

	and cost inflation on these variances, further opportunities were identified in delivering against the agreed program of work.	business operating model, definition of governance roles, enhancing operational and financial planning processes, and more robust performance monitoring and reporting procedures.
Ensuring agreed investment is converted into delivered outputs	<p>The scale of variance observed between budget and actual spend, instances of under-delivery and greater unit costs than budgeted, all point to further opportunities to improve efficiency. For e.g.,</p> <ul style="list-style-type: none"> • The pavement rehabilitation programme delivered 4% less length for 38% more cost than targeted. • The surfacing programme delivered 7% less for 25% more cost than targeted • The Drainage programme delivered 60% less at a higher cost • The Audio Tactile Profile (ATP) programme delivered 76% less than its scheduled programme 	<p>Waka Kotahi are currently reviewing procurement options for ATP to see where there are opportunities for greater efficiency and effectiveness of programme delivery.</p> <p>Waka Kotahi have also revised their business operating model for the Transport Services Group which appears to offer potential for greater efficiency and effectiveness in service delivery.</p>

Improved quality management activities

Area for improvement	Evidence	Solution
Quality issues were identified which suggest renewal work processes and procedures could be improved.	<p>76% of pavement and surfacing treatments have some form of condition performance issue (from very minor texture deficiencies through to significant rutting and roughness issues; the financial liabilities of which equate to \$55M (approximately 3% of the total State Highway maintenance investment over three years)</p> <p>The proportion of pavement renewal sites requiring pavement maintenance in the first year after rehabilitation has steadily risen since 2013/14 (21.5km), before peaking in 2018/19 (54.3km).</p>	<p>Waka Kotahi have increased their surveillance and monitoring of construction activities and formed a team of specialists to undertake this construction quality auditing work. This provides Waka Kotahi with the opportunity to enhance the effectiveness underpinning processes, clarity of roles and responsibilities and competencies</p>

GPS 2024 needs to better align investment priorities with maintenance activities if it is to direct maintenance spends in the most effective way

Area for improvement	Evidence	Solution
Wording of current GPS investment measures are not reflective of the activities of maintenance and are necessitated on “improvement” or “enhancement”. This language directly opposes the intent of maintenance (which is merely to maintain service levels) and	<p>When mapping maintenance activities against reporting measures (as defined in GPS 2018, section 2.7), it was determined that the maximum likely influence maintenance activity can have on meeting these targets/requirements equates to 12%.</p>	<p>Improved signalling of priorities and refinement of outcome/output metrics for State Highway Maintenance have been put forward as recommendations for consideration in the development of GPS 2024.</p> <p>An investment planning team has been established within Waka Kotahi that will work with The Ministry to</p>

therefore, means it is difficult to meaningfully measure the contribution that maintenance has on achieving GPS priorities.

better align and balance the GPS investment signals with the investment needs and pressures faced by Waka Kotahi.

Refine Statement of Performance Expectation (SPE) measures

Area for improvement	Evidence	Solution
Current SPE measures for state highway maintenance mask the challenges Waka Kotahi are facing.	The current suite of SPE measures for SH maintenance provide a 'high-level' view of performance, however, don't concisely illustrate the adequacy of investment levels and/or if the SH assets are in a 'fit-for-purpose' state.	An initiative is underway to propose potential new SPE measures for SH Maintenance that might better reflect the challenges on the network. This initiative also seeks to help implement expectations of the Cabinet Office Circular CO (19)6: Investment Management and Asset Performance in the State Services.

GPS 2024 will be an important lever for enhancing the efficiency and effectiveness of State Highway Maintenance Investment.

15. This review identified further opportunities to enhance efficiency and effectiveness of maintenance spend, resulting in 41 recommendations being made. These recommendations have been broadly categorised into one of the following themes:

Table 2. Broad recommendation classification

1	Refining GPS investment signals and forecasting practices
2	Need to enhance sector wide capability and competency
3	Asset Management Business Process Improvement
4	Strengthening Waka Kotahi's performance monitoring
5	Having more robust assurance

16. A workshop between Waka Kotahi and The Ministry was conducted and recommendations prioritised based on how easily they can be implemented and their potential impact. The ten most practicable recommendations are outlined below and within appendix 2.

Table 3. Prioritised recommendations

Ranking	Theme (owner)	Recommendation
1	Investment Levels (MoT)	Refining GPS investment signals and requirements to be better related to the contribution and expectations from the maintenance investment.
2	Asset Management Business Process Improvement (WK)	Finalising and approving (preferably by Chief Executive) an appropriate asset management policy and asset management strategy which clearly set out the organisation's plans and objectives for the assets it manages.
3	Investment Levels (MoT)	Working closely with Waka Kotahi in the development of 10-year forecasts to ensure they are more reflective of trends and pressures faced by the industry
4	Assurance and Evaluation (WK)	Increasing independent surveillance/audit activities on the NOC Supplier construction works to help enhance the effectiveness and/or adherence

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		of the quality assurance and control activities undertaken by NOC Suppliers.
5	Asset Management Business Process Improvement (WK)	Developing an overarching Asset Management Framework to manage its assets. This should aim to facilitate improved integration, planning, and management of the assets and to align with the delivery of Waka Kotahi Strategic Plan and attain successful performance in asset management.
6	Capability and Competency (WK)	Establishing a centralised team within the Transport Services Group to ensure an ongoing commitment to continual professional/technical development of internal workforce skills and capabilities is maintained. This may likely build from the work already undertaken by the Operating Model embedment project and Draft Asset Management Competency Framework developed by Waka Kotahi from the Treasury's Investor Confidence Rating review.
7	Assurance (MoT)	Consider undertaking further reviews under the GPS Work Programme to determine the efficiency and effectiveness of Local Road Maintenance Activity Class.
8	Assurance and Evaluation (WK)	Refining the organisation's contract variation processes to include the role of Activity Class Manager to ensure that funding is available before agreements are made.
9	Capability and Competency (WK)	Developing and implementing a training programme to further enhance internal staff awareness and use of the systems and processes underpinning programme development, management, and delivery of asset renewal projects.
10	Performance monitoring (WK)	Quantifying the proposed outputs for all asset types/ programmes for the 2021-24 funding period to enable more robust analysis of variance of budget versus actual.

17. Waka Kotahi have confirmed many (approximately 50%) of these recommendations are already underway or scheduled in as emerging improvement activities.
18. Where action has yet to be made, or improvement gaps persist, the GPS 2024 will serve as an important tool in ensuring the successful implementation of these recommendations.
19. Ongoing monitoring will be important to ensure the actions and outcomes of these recommendations are being realised.