

OC220246

10 August 2022

s 9(2)(a)

Tēnā koe s 9(2)(a)

I refer to your email dated 13 July 2022 requesting the following documents under the Official Information Act 1982 (the Act):

- *Early actions to progress the trial of the equity orientated vehicle scrappage scheme*
- *Auckland Light Rail Board - Updated paperwork for Cabinet's Appointments and Honours Committee*
- *Additional information requested in relation to the assistance for the trial vehicle scrappage Scheme*
- *International Maritime Organisation- New Zealand position on an equitable transition proposal*
- *Release of Te Manatū Waka Ministry of Transport's Long-Term Insights Briefing*
- *Parking Offences and Penalties Review*
- *City Rail Link Limited Statement of Performance Expectations 2022/23 and Statement of Intent 2022-25*
- *Auckland Transport Alignment Project (ATAP) 2021-24 Funding Considerations*
- *Auckland Light Rail Funding and Financing Policy Work Programme*
- *Auckland Light Rail - Investing Management System*
- *Follow Up Briefing - Budget Economic and Fiscal Update 2022 - Forecast of National Land Transport Act Fund Revenue*
- *Correspondence from Hyundai on hydrogen and road user charges*
- *The Ministry of Transport's future modelling capability - Project Monty*
- *Attendance at Air New Zealand Board Meeting*
- *Joint briefing: Taking action on fuel prices draft Cabinet paper extending the reductions to Petrol Excise Duty, Road User Charges and monitoring arrangements for two months*
- *Taking action on fuel prices - proposed release of briefings and talking points*

Of the 16 documents you requested, I am releasing seven with some information withheld, releasing excerpts from one, withholding two and refusing five. Additionally, I am not providing one document as it mistakenly appeared on our May published list of briefings.

The following sections of the Act have been used:

- | | |
|--------------|---|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 6(b) | as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by |
| | (i) the Government of any other country or any agency of such a Government; or |
| | (ii) any international organisation |
| 9(2)(a) | to protect the privacy of natural persons |
| 9(2)(b)(ii) | to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information |
| 9(2)(ba)(i) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public |
| 9(2)(ba)(ii) | to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest |
| 9(2)(f)(ii) | to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility |
| 9(2)(f)(iv) | to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials |
| 9(2)(g)(i) | to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty |
| 9(2)(j) | to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) |
| 18(d) | the information requested is or will soon be publicly available |

The above information is detailed in the document schedule attached as Annex 1.

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

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

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

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'H. Penman', followed by a horizontal line and a period.

Hilary Penman
Manager, Ministerial Services

Annex 1 - Document Schedule

Doc #	Reference number	Title of Document	Decision on request
1	OC220281	The Ministry of Transport's Future Modelling Capability - Project Monty	Released with some information withheld under Section 9(2)(a).
2	OC220282	Early Actions to Progress the Trial of the Equity-Orientated Vehicle Scrappage Scheme	Withheld under Section 9(2)(f)(iv).
3	OC220340	Additional Information Requested in Relation to the Assistance for the Trial Vehicle Scrappage Scheme	Withheld under Section 9(2)(f)(iv).
4	OC220351	International Maritime Organization- New Zealand Position on an Equitable Transition Proposal	Released with some information withheld under Sections 6(a), 6(b), 9(2)(a), 9(2)(g)(i) and 9(2)(j).
5	OC220347	Auckland Light Rail Board: Appointment of Chair and Members	Refused under Section 18(d). A major proactive release of ALT documents will be published on the Ministry's website in August 2022.
6	OC220323	Auckland Light Rail Funding and Financing Policy Work Programme	Refused under Section 18(d). A major proactive release of ALT documents will be published on the Ministry's website in August 2022.
7	OC220394	Auckland Light Rail - Investment Management System	Refused under Section 18(d). A major proactive release of ALT documents will be published on the Ministry's website in August 2022.
8	OC220311	Auckland Transport Alignment Project (ATAP) 2021-24 Funding Considerations	Excerpts from this document are provided: The remainder of the document is withheld under Section 9(2)(f)(iv).
9	OC220358	Follow Up Briefing - Budget Economic and Fiscal Update 2022 - Forecast of National Land Transport Fund Revenue	Released with some information withheld under Section 9(2)(a).
10	OC220355	Correspondence from Hyundai on Hydrogen and Road User Charges	Not provided. This document was mistakenly listed on the Ministry's published list of documents for May 2022.

Doc #	Refence number	Title of Document	Decision on request
11	OC220317	Joint Briefing: Taking Action on Fuel Prices- Draft Cabinet Paper Extending the Reductions to Petrol Excise Duty, Road User Charges and Monitoring Arrangements for Two Months	Refused under Section 18(d). The document is scheduled to be published on the Ministry's website soon.
12	OC220307	Taking Action on Fuel Prices - Proposed Release of Briefing Papers and Talking Points	Refused under Section 18(d). The document is scheduled to be published on the Ministry's website soon.
13	OC220206	Parking Offences and Penalties Review	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(ii), 9(2)(f)(iv) and 9(2)(g)(i).
14	OC220318	Release of Te Manatū Waka Ministry of Transport's Long-Term Insights Briefing	Released in full.
15	OC220330	City Rail Link Limited Statement of Performance Expectations 2022/23 and Statement of Intent 2022-25	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(ba)(i), 9(2)(ba)(ii), 9(2)(g)(i) and 9(2)(j). Additionally, two of the appendices are available online so are refused under Section 18(d). They can be found here: www.cityraillink.co.nz/publications
16	OC220404	Attendance at Air New Zealand Board Meeting	Released with some information withheld under Section 9(2)(a).

25 May 2022

OC220281

Hon Minister Wood**Minister of Transport**

THE MINISTRY OF TRANSPORT'S FUTURE MODELLING CAPABILITY- PROJECT MONTY

Purpose

To provide you with an overview of the Ministry's future modelling capability, project Monty. No action is required, officials will discuss project Monty with you at the meeting scheduled for 1600hrs 2nd June.

Key points

- The Ministry is developing a *Systems Shift* approach to help the transport system navigate through the complex and multiple challenges facing the sector. This approach will provide guidance on what we need to focus on, over the next decade, to ensure we are on track to deliver objectives like decarbonisation, are using transport levers together, and are connecting with other systems.
- Tools like Monty, and our work on the Generational Investment Approach are key foundations for taking this evidence based, long term perspective. Monty is a step-change in our analytical toolbox, the Agent Based approach to transport modelling is fast becoming best practice across the globe to understand how transport affects people, their behaviours and journeys.
- Monty is a simulation tool supported by elements of machine learning. It simulates the choices that people make in undertaking their daily transport activities, e.g. travel to work, school, shopping etc. These choices are largely economically driven in terms of the cost and time spent using a particular mode of transport.
- Monty compares a base case scenario to a counterfactual scenario where a policy or infrastructure intervention has been made, e.g. road pricing or a light-rail system. Analysis of the differences in key metrics such as Vehicle Kilometres Travelled, emissions or mode-share can be made, alongside more societally related analysis using for example personas, can then highlight the impact on transport outcomes such as emissions.
- Monty provides the ability to also think about future scenarios encompassing the impact of changes in land-use, population, and infrastructure to test interventions and provide enhanced optionality in planning for the future of transport.

- Illustrative examples of analysis, drawn from our development work and a road pricing case study, along with a more fulsome explanation of the Monty methodology are provided in the attached presentation pack.

D. Daniel Jenkins

Dan Jenkins
Manager, Analytics and Modelling
 25 / 05 / 2022

Hon Michael Wood
Minister for Transport
 / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Dan Jenkins, Manager, Analytics and Modelling	s 9(2)(a)	✓
Jade Mackay, Principal, Analytics and Modelling	s 9(2)(a)	

5 May 2022

OC220351

Hon Michael Wood
Minister of Transport

Action required by:
 Friday, 13 May 2022

INTERNATIONAL MARITIME ORGANIZATION - NEW ZEALAND POSITION ON AN EQUITABLE TRANSITION PROPOSAL

Purpose

Seek your direction to the New Zealand delegation to the International Maritime Organization (IMO) Intersessional Working Group on Greenhouse Gas Emissions (ISWG-GHG), specifically, agreement for New Zealand to support a proposal made by some Pacific Island countries about how the IMO should seek to give effect to an equitable transition of the shipping sector to zero emissions.

Key points

- The IMO's ISWG-GHG will meet 16-20 May 2022 s 6(b)
 [REDACTED]
 [REDACTED] the proposal seeks the IMO's agreement to:
 - ensure equity between states in the transition to zero emissions shipping.
 - accept distribution of revenues raised by IMO market-based measures (MBMs) as a means of ensuring equity, with a priority for countries most vulnerable to the impacts of climate change.
 - convene a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.
- While the draft 2022 International Climate Change Engagement Plan¹ states New Zealand will promote equitable solutions and a Just Transition in all multilateral climate forums this is not a specific element of our negotiation mandate for the IMO, as agreed by Cabinet in August 2021 [CAB-21-MIN-0199 refers]. Rather, Cabinet agreed that in IMO negotiations, New Zealand will seek outcomes that recognise and protect the interests of Pacific Island countries and territories.
- Ensuring an equitable transition for States presents a number of challenges to the IMO:
 - The IMO's primary role is to regulate international shipping;

¹ This is led by the Ministry of Foreign Affairs and Trade and supported by Te Manatū Waka.

- s 9(2)(g)(i) [REDACTED]
- Addressing inequity through the collection and redistribution of carbon revenues is a new activity for the IMO and likely to involve transactions of unprecedented value;
- s 9(2)(g)(i) [REDACTED]
- s 6(a), s 9(2)(j) [REDACTED]
- s 9(2)(g)(i), s 9(2)(j) [REDACTED]

Recommendations

We recommend you:

- 1 **note** the International Maritime Organization is likely to consider its role in the equitable transition of the international shipping sector to net zero emissions by 2050;
- 2 s 6(b) [REDACTED]
- 3 **agree** the New Zealand delegation can support these calls in principle, subject to satisfactory resolution of implementation details; Yes / No
- 4 **refer** this briefing to Hon James Shaw Minister for Climate Change and Hon Nanaia Mahuta Minister of Foreign Affairs and Trade. Yes / No


 Ewan Delany
 Manager, Environment, Emissions and
 Adaptation

4 / 5 / 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 and Adaptation	s 9(2)(a)	✓
Michelle Palmer, Adviser, Environment, Emissions and Adaptation	s 9(2)(a)	

INTERNATIONAL MARITIME ORGANIZATION - NEW ZEALAND POSITION ON AN EQUITABLE TRANSITION PROPOSAL

In 2018, the International Maritime Organization (IMO) adopted the Initial IMO Strategy on Reduction of Greenhouse Gas (GHG) Emissions from Ships

- 1 The Initial Strategy establishes a vision for international shipping, sets “levels of ambition” relating to energy efficiency, carbon intensity and peak and decline of GHG emissions, identifies guiding principles, and provides adoption of implementation measures. The strategy is set to be reviewed in 2023.
- 2 The current key commitments include:
 - 2.1 reduce CO₂ emissions by at least 40 percent by 2030;
 - 2.2 peak GHG emissions as soon as possible and reducing by 50 percent by 2050; and
 - 2.3 a pathway of CO₂ emission reduction consistent with 1.5°C Paris temperature goal.
- 3 The latest IMO study shows the global GHG contribution from shipping has increased from 2.76 percent in 2012 to 2.89 percent in 2018. This is projected to continue to increase.
- 4 As agreed by Cabinet in 2021 [CAB-21-MIN 0 99 refers], New Zealand’s priorities in the IMO negotiations to operationalise the strategy include:
 - 4.1 an ambitious revised IMO Strategy, applicable to all ships, accompanied by a concrete schedule of pragmatic steps to ensure appropriate action is not deferred;
 - 4.2 recognition and protection of the interests of Pacific Island countries and territories; and
 - 4.3 operationalisation of Common but Differentiated Responsibilities and Respective Capabilities (CBDR/RC) by the IMO.

The next round of IMO negotiations will take place virtually on 16 - 20 May 2022

- 5 These negotiations will be a meeting of the IMO’s ISWG-GHG and is scheduled to focus on medium- and long-term emission reduction measures. There is increasing acceptance amongst participating governments that such measures will be “market based”, i.e. include carbon pricing of international shipping emissions in some form.
- 6 The May ISWG-GHG meetings are not a decision-making process. They serve to make recommendations to the June negotiations of the IMO Marine Environment Protection Committee. We anticipate recommendations will determine the parameters for further consideration of specific market-based measures (MBMs).

- 7 A number of MBM proposals have been raised in the IMO over recent years. These have given rise to questions about how disproportionate negative economic impacts on some states should be addressed, and how revenues collected through such measures should be spent. These MBM proposals remain on the table, and more are expected. Some countries' interest has turned to resolving some of the high-level questions at a principled level before addressing specific options for measures.
- 8 Te Manatū Waka, Maritime New Zealand and the Ministry of Foreign Affairs and Trade (MFAT) are jointly commissioning analysis of the risks and opportunities to New Zealand from different approaches to MBMs.

s 6(b)

- 9 The proposal seeks the IMO's agreement to:
 - 9.1 ensure equity between states in the transition to zero emissions shipping;
 - 9.2 accept distribution of revenues raised by IMO MBMs as a means of ensuring equity, with a priority for countries most vulnerable to the impacts of climate change; and
 - 9.3 convene a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.
- 10 The proposal frames distribution of revenues raised by IMO measures as a means of ensuring equity in the transition to zero emissions shipping. Amongst other things, it invites member states to remain cognisant of the need to protect the climate system for the benefit of future generations, and to ensure all countries have access to transition technologies and fuels. It proposes convening a dedicated meeting to consider concrete proposals on characteristics of MBMs including revenue collection and use.

The proposal is based on arguments New Zealand has made in international forums

- 11 These arguments include:
 - 11.1 The most recent Intergovernmental Panel on Climate Change science underscores the need for urgent action.
 - 11.2 A sustainable and equitable global transition requires more than just achieving the temperature goal of limiting global average temperature rise to 1.5°C (i.e. developed countries must show leadership, the most vulnerable countries must be supported).
 - 11.3 An appropriate mechanism is needed for the IMO to address any disproportionate negative impacts on states arising from its emissions reduction measures without diluting the ambition of such measures.
 - 11.4 Financing shipping related activities alone will not maximise the IMO's contribution to climate action and sustainable development.

s 9(2)(j)

s 9(2)(g)(i), s 9(2)(j)

Proposed New Zealand response to the equitable transition proposal

New Zealand's well-known commitment to stand with the Pacific in relation to international climate change matters leads to expectations we will support the equitable transition initiative

s 6(a), s 6(b)

- 17 While the delegation's current IMO negotiation mandate is silent on issues of equity, the MFAT-led draft 2022 International Climate Change Engagement Plan states New Zealand will promote equitable solutions and just transition in all multilateral climate fora.

Accordingly, we seek your agreement that we will speak in support of the core elements of
s 6(a) *proposal*

- 18 These core elements include a commitment to equity, the concept of redistributing of revenues to address vulnerability to climate change, and convening a meeting to explore how to do this.

19 s 9(2)(g)(i), s 9(2)(j)

With or without agreement to commit to an equitable transition, the MBM proposals on the table at the IMO will give rise to decisions about institutional arrangements and the IMO's role in relation to revenues and assessing climate impacts. This means there will be opportunities for New Zealand to promote its preferred solutions in due course. s 9(2)(g)(i), s 9(2)(j)

s 9(2)(g)(i), s 9(2)(j)

s 6(a), s 9(2)(g)(i), s 9(2)(j)

- 21 New Zealand may be one of only a few countries that support the proposal at the upcoming IMO ISWG-GHG meeting. s 9(2)(g)(i), s 9(2)(j)

Next Steps

- 22 New Zealand's proposed response has been informed by MFAT, Maritime New Zealand, the Ministry for the Environment and Te Mahatū Waka.
- 23 Officials from MFAT plan to speak to the Minister of Climate Change next week to discuss the proposal further ahead of the ISWG-GHG meeting commencing on 16 May 2022.

EXCERPTS FROM BRIEFING OC220311

Document: OC220311 Auckland Transport Alignment Project (ATAP) 2021-24 Funding Considerations

Excerpt One on Page 1:

All delivery agencies (KiwiRail, Waka Kotahi NZ Transport Agency and Auckland Transport) are experiencing similar issues resulting from cost escalations, COVID19 impacts, labour supply and material shortages.

Excerpt Two on Page 1:

The Auckland Transport programme is most impacted, due to the size and breadth of the programme and the impact of a significant fall in revenue from public transport.

Excerpt Three on Page 3:

The Auckland Transport Alignment Project (ATAP) 2021-31 ten year programme was approved by Cabinet and Auckland Council in March 2021.

Excerpt Four on Page 3:

A number of issues have conflated which are resulting in pressures on the ATAP 2021-24 programme. These include:

- The COVID19 situation in Auckland was worse than elsewhere in the country, and longer lockdowns have had, and continue to have, a greater effect on public transport resulting in a significant reduction in revenue
- Capacity issues already in the system pre-COVID19 have worsened
- Significant cost escalations have occurred across the ATAP programme resulting from the cost of materials and labour
- On-going COVID19 impacts including supply chain logistics, access to labour, access to materials and fluctuations in workforce availability and turnover.

Excerpt Five on Page 5:

In addition, a judicial review on the Auckland RLTP is currently underway. The review relates to the full 10-year programme.

The remainder of this document is withheld under Section 9(2)(f)(iv)

31 May 2022

OC220358

Hon Michael Wood

Action required by:
 Tuesday, 7 June 2022

Minister of Transport

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

Purpose

This briefing responds to a request from the Minister of Finance to include funding approved by Cabinet to cover lost revenue from road user charges (RUC) and fuel excise duty (FED) reductions in the National Land Transport Fund (NLTF) revenue forecast.

Key points

- The Treasury has advised the budget forecast process is complete and it is no longer possible to update the NLTF revenue forecast.
- The purpose of the NLTF revenue forecast is to estimate future revenue to the NLTF, not the overall financial position of Waka Kotahi NZ Transport Agency. The funding approved by Cabinet is not an ongoing revenue source for the NLTF, hence it was not included in the forecast.
- We will provide you with a report on actual NLTF revenue after the end of this financial year. This report will include how much NLTF revenue was lost due to RUC and FED reductions and how much of Cabinet's \$585m support was required this financial year.

Table 1: Forecast revenue for the 2021-24 National Land Transport Programme (NLTP 2021) Comparing Half Year Economic and Fiscal Update 2021 (HYEFU 2021) and Budget Economic and Fiscal Update 2022 (BEFU 2022)

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

Table 2: Forecast revenue for the NLTP 2021, including Crown support to cover RUC and FED reductions comparing HYEFU 2021 and BEFU 2022.

Financial Year	HYEFU 2021	BEFU 2022	Difference	
	(\$ million)	(\$ million)	(\$ million)	(%)
2021/22	4,244	4,075	-169	-4.0
2022/23	4,404	4,342	-62	-1.4
2023/24	4,524	4,414	-110	-2.4
Total	13,172	12,831	-341	-2.6

- See Annex 1 for the comparison of Government Policy Statement on land transport 2021 lower expenditure ranges, HYEFU 2021, BEFU 2022, and BEFU 2022 including Crown support agreed by Cabinet to cover RUC and FED reductions.

Recommendations

We recommend you:

- 1 **refer** this briefing to Hon. Grant Robertson, Minister of Finance

Yes / No



Marian Willberg
Manager, Demand Management and Revenue

..31/05/2022....

Hon Michael Wood
Minister of Transport

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

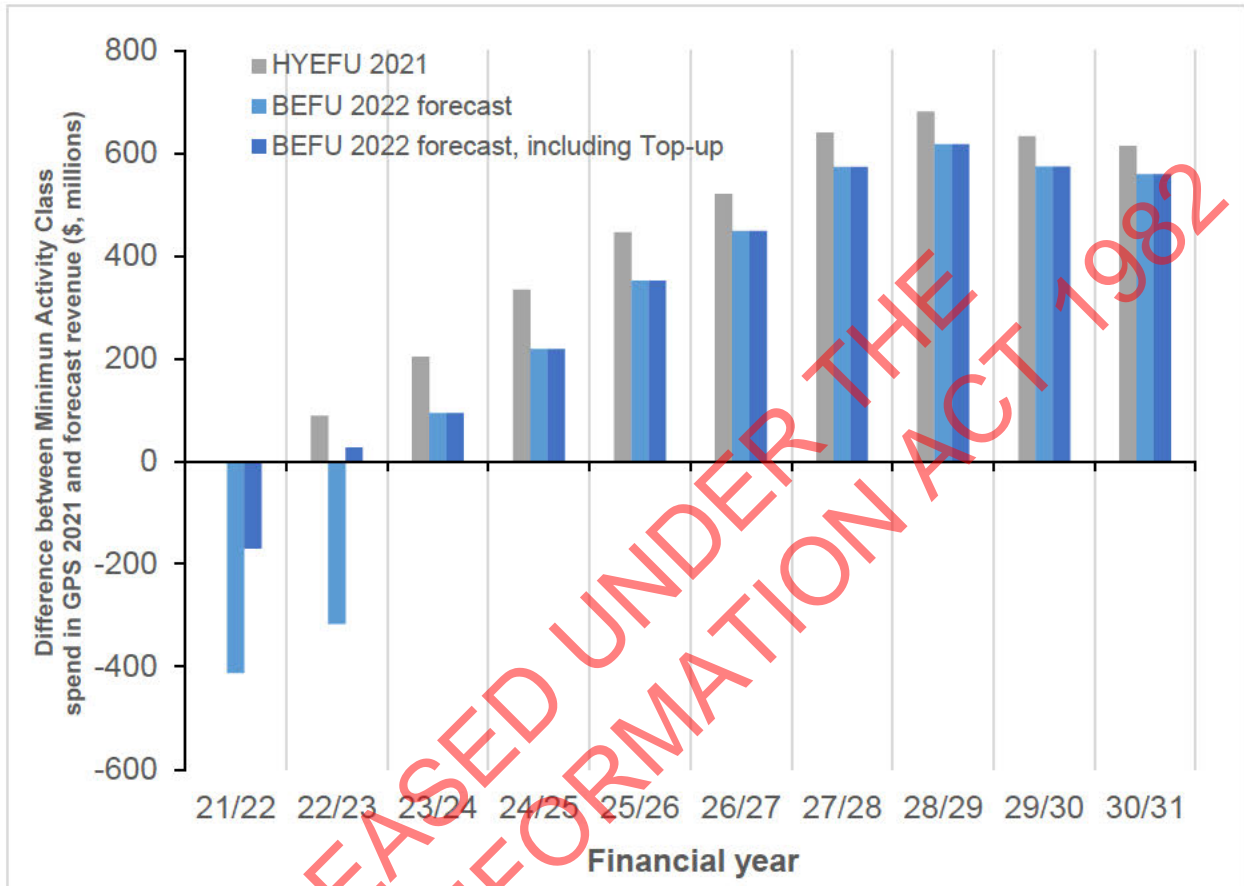
☐ Overtaken by events

Comments**Contacts**

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

ANNEX 1

Figure 1: Ten-year comparison of GPS 2021 lower expenditure ranges, HYEFU 2021, BEFU 2022, and BEFU 2022 including Crown support agreed by Cabinet to cover RUC and FED reductions.



6 May 2022

OC220206

Hon Michael Wood

Action required by:

Minister of Transport

Friday, 20 May 2022

PARKING OFFENCES AND PENALTIES REVIEW

Purpose

- Updates you on the progress we have made in our regulatory stewardship review of parking offences and penalties.
- Seeks your approval to progress further policy development on draft legislative change proposals to parking offences and penalty levels.

Key points

- In October 2021, we updated you on the completion of our initial regulatory stewardship review of the parking regulatory system (OC210623 refers). We informed you that we would be progressing a workstream to review parking penalty levels, with the aim of ensuring that penalties for parking offences are proportionate, fair and an effective deterrent.
- s 9(2)(f)(iv)
[Redacted text block]
- The status quo risk of regulatory failure and the impact this could have on the Government's strategic priorities needs to be weighed up with the risks involved in undertaking this work. This includes the disproportionate impact of increased penalty levels on low-income groups.
- Hon Phil Twyford, Associate Minister for the Environment, has expressed interest in this work in relation to the implementation of the National Policy Statement on Urban Development (including via a letter to you, sent 17 June 2021).
- We are seeking your approval to progress to the next stage of policy development. This next stage will involve gathering evidence to test the robustness of our draft assessment and to help mitigate the impacts of the aforementioned risks. We will then develop a final set of proposed changes for your consideration and approval to consult.

- Our proposed timeline sets us on track to undertake formal public consultation in November – December 2022, s 9(2)(f)(iv)

Recommendations

We recommend you:

- 1 **agree** that we move forward with the next stage of policy development Yes / No
- 2 **provide** your feedback on the draft proposals and proposed timeline set out in this briefing Yes / No
- 3 **indicate** if you would like to meet with officials to discuss the content of this briefing Yes / No
- 4 **agree** to forward this briefing to Hon Phil Twyford, Associate Minister for the Environment for his information Yes / No



 Megan Moffet
 Manager, Regulatory Policy
 04 / 05 / 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
Megan Moffet, Manager, Regulatory Policy	s 9(2)(a)	✓
Evangeline Lindsay, Policy Adviser, Regulatory Policy	s 9(2)(a)	

PARKING OFFENCES AND PENALTIES REVIEW

In October 2021, we provided initial information on work to review New Zealand's parking offences and penalties

- 1 In October 2021, we updated you on the completion of our initial assessment of the performance of New Zealand's parking regulatory system (OC210623 refers).
- 2 We informed you that we would be progressing this workstream to review parking penalty levels, with the primary aim of ensuring penalties for parking offences are proportionate, fair and an effective deterrent.

Parking offences and corresponding penalties are used to encourage fair, efficient, and safe parking behaviour

- 3 The Land Transport (Road User) Rule 2004 (the Rule) sets out the majority of New Zealand's 31 parking offences^{1,2}. These offences are designed to restrict or prohibit certain types of undesirable parking behaviours which can have impacts on the transport system and other transport users.
- 4 There are two main types of parking offences:
 - 4.1 Offences which aim to support the fair and efficient allocation of scarce parking resources, including offences for parking overstaying, loading zones, mobility parking bays, etc.
 - 4.2 Offences which aim to restrict unsafe parking behaviours, including parking on a motorway, parking on a level crossing, parking too close to an intersection, etc.
- 5 Corresponding penalty levels (infringement fees and fines) for offences are set out in Schedule 1 of the Land Transport (Offences and Penalties) Regulations 1999 (the Regulations)³.
- 6 Enforcement of parking offences is largely undertaken by local government appointed parking wardens. However, Police are also able to issue parking infringement fees. Hundreds of thousands of parking infringements are issued in New Zealand each year.
- 7 The majority of parking offences have fixed penalty levels. However, in the case of infringement fees for parking overstaying offences, a maximum level is set out in the Regulations, and local government road controlling authorities (RCAs) set their own infringement fee levels at or below the maximum through their parking bylaws.

¹ [Section 336\(7\)](#) of the Local Government Act 1974 sets out an offence for parking in a pedestrian mall

² In relation to a portion of a road where parking is for the time being governed by the location of parking machines placed under the authority of a bylaw of a local authority, parking is defined as "the stopping or standing of a vehicle on that portion of the road for any period exceeding 5 minutes". For any other portion of road, parking is defined as "the stopping or standing of a vehicle (other than a vehicle picking up or setting down passengers in a loading zone or reserved parking area and entitled to do so) on that portion of the road".

³ [Schedule 1B, Part 1](#) sets out the penalty levels for offences which parking wardens can enforce.

We have undertaken further policy development and stakeholder engagement to understand the need for regulatory change

- 8 Since October 2021, we have completed further scoping and policy work to understand the specific regulatory issues related to parking offences and penalties. We sent out a survey and held two targeted workshops with RCAs to better understand how they apply parking offences in practice.
- 9 We have also had informal engagements with RCAs through the Local Government Technical Advisory Group (LG-TAG), a group which includes members from a range of different RCAs across New Zealand.
- 10 Our engagements provided insights into the need for legislative change to ensure:
 - 10.1 parking penalties are proportionate, fair and an effective deterrent
 - 10.2 parking offences are clear, enforceable, and comprehensive.

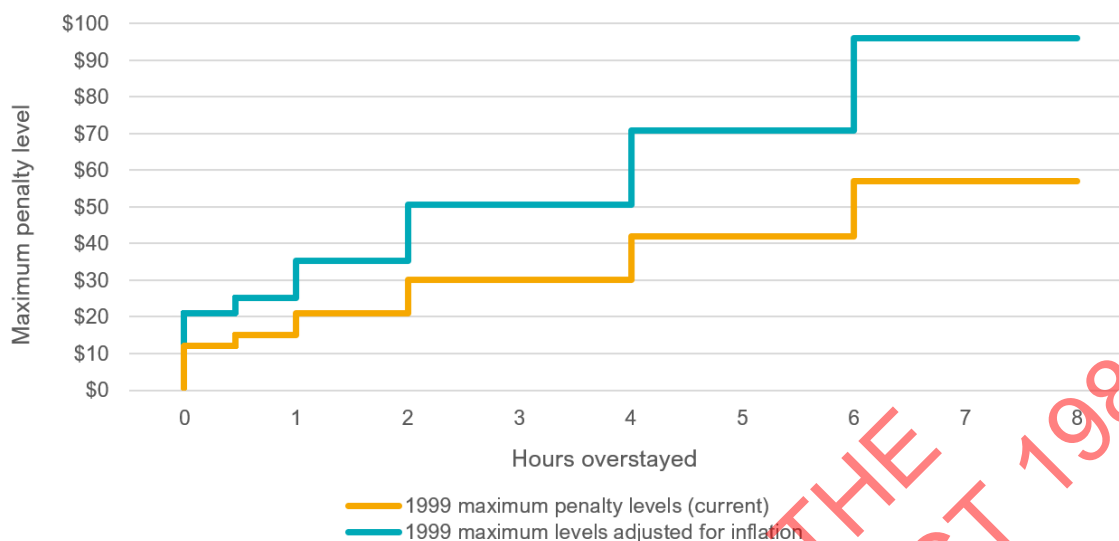
Inflation has eroded the value of parking penalty levels, affecting their level of deterrence and proportionality to harm

- 11 The majority of parking penalty levels have not been updated since 1999, over which time inflation has eroded their value (OC210623 refers)⁴
- 12 This means that the penalties for some unsafe and inefficient parking practices are not having the desired deterrent effect and in some cases, are not reflective of the impact offences can have on the transport system and other transport users. For example, the penalty for parking on the footpath is currently set at \$40. Increasing the parking infringement fee by an appropriate amount would more effectively counteract the impact of this offence on pedestrians, particularly those with disabilities or caregivers with small children who are less able to safely manoeuvre around a car parked on the footpath.
- 13 This inflationary erosion is particularly problematic when it comes to the penalties for parking overstaying offences, where the maximum infringement fee ranges from \$12 (for up to 30 minutes overstayed) to \$57 (for over six hours overstayed). A \$57 parking infringement fee set in the year 1999 would be equal in value to approximately \$95 (inflation-adjusted) in 2022⁵. However, despite inflation reducing the value of parking penalties, penalty levels have not been reviewed over this time.

⁴ This excludes the penalty for parking in a mobility parking space (s6.4(1A) of the Rule) which was increased in 2008 via amendment regulations.

⁵ Reserve Bank of New Zealand, 2022 – <https://www.rbnz.govt.nz/monetary-policy/inflation-calculator>

Maximum Penalty Levels for Overstaying Adjusted for Inflation



Low penalty levels for parking overstaying offences are creating perverse incentives when it comes to paying for parking

- 14 A perceived low likelihood of being caught (due to limitations on enforcement capability and resource) combined with low penalty levels (if known) incentivises some users of the parking system to risk getting a ticket instead of paying for parking upfront.
- 15 This is a rational choice when parking prices in some urban centres are on par with the potential fee. For example, in Auckland's Zone 1, the cost of on-street parking is \$5 per hour for up to the first two hours of parking, increasing to \$10 per hour for every hour after that (see graph below)⁶. The main alternative, Wilson Parking, have Auckland CBD parking buildings with casual rates that vary from between \$6 to \$16 an hour depending on location⁷.

Deterrence Effect of Parking Penalties in Auckland CBD



⁶ Auckland Transport, 2022 - <https://at.govt.nz/driving-parking/find-parking/parking-in-central-auckland>

⁷ Wilson Parking, 2022 - <https://www.wilsonparking.co.nz/parking-locations/auckland/auckland-cbd>

- 16 Given the current maximum parking penalties for parking overstaying, this means that if someone wanted to park for four hours in Auckland's CBD, they could either comply and pay \$30 for the use of the parking space or risk getting a \$30 parking ticket for overstaying § 9(2)(g)(i)

Low penalties could lead to increasing levels of regulatory failure

- 17 As is demonstrated through the Auckland CBD example above, maximum penalty levels for parking overstaying offences are creating an artificial cap on the amount of money that local government RCAs can charge for on-street parking (if they want people to be incentivised to pay for their parking in the first place). If RCAs implement parking charges that are the equivalent to or higher than the maximum penalty level, parking users lose the financial incentive to pay for parking.
- 18 When parking penalties remain static for long periods of time it means that the cost of paid parking may be unable to change to:
- 18.1 *respond to increases in parking demand* - to efficiently manage what is an increasingly scarce and valuable resource
- 18.2 *manage and support new strategic policy directions* - such as trends toward urban intensification, emissions reductions, mode shift, and placemaking.
- 19 With increasing demand for on-street parking, particularly due to changes being implemented through the National Policy Statement on Urban Development (NPS-UD)⁸, deterring inefficient and unsafe parking practices is crucial to ensure equitable access to increasingly scarce parking resources.
- 20 If RCAs are unable to use pricing to efficiently manage demand for parking resources, this can increase road congestion in high-demand areas. If more vehicles are cruising to find a parking space, this can also have flow-on impacts for transport emissions.

We have reviewed parking penalty levels using the Effective Financial Penalties Categorisation Tool

- 21 In March/April 2022, you agreed to Te Manatū Waka's Effective Financial Penalties Framework (the Framework) being publicly released on the Ministry's website (when the Regulatory Systems (Transport) Amendment Bill goes out for consultation) (OC210982 refers). This regulatory stewardship framework was designed to be applied to penalties across New Zealand's transport system to ensure penalty levels:
- respond to the offence's severity (in terms of the impact that could result)
 - act as a deterrent to undesirable behaviour
 - are proportionate to one another

⁸ The NPS-UD has directed councils to remove the requirement for new dwellings to include car parks. In the immediate term, this policy change is expected to increase on-street parking demand, as less off-street parking is available for residents.

- take into consideration the relative responsibilities of individuals and entities.

22 s 9(2)(f)(iv)

23 s 9(2)(f)(iv)

We are also considering potential regulatory stewardship amendments to improve clarity and minimise existing enforcement challenges

24 Through informal consultation with RCAs, several issues have been raised that are limiting RCAs' ability to enforce parking offences. s 9(2)(f)(iv)

25 With your approval to work through the next stages of policy development, we will continue to refine our proposals, engaging informally with RCAs and other stakeholder groups where appropriate. We will provide you with advice about our analysis when we seek your approval to consult on proposed changes.

We plan to test s 9(2)(f)(iv) through the next stage of development

26 With your approval, our next stage of policy development would involve data collection to test the robustness of s 9(2)(f)(iv)

27 s 9(2)(f)(iv)

28 Following further analysis, we intend to provide you with a briefing and Cabinet paper requesting approval to consult on the proposed changes. This stage will provide you with a further opportunity to provide feedback s 9(2)(f)(iv)

These changes could have disproportionate impacts on low income groups, especially given the current economic climate

29 Any increases to parking penalty levels and potential changes to parking charges as a result would have inequitable impacts.

30 Those on lower incomes face disproportionately high impacts compared to their higher-income counterparts. This is especially the case if the recent trend of inflation increases does not change. In the year from March 2021 to 2022, the consumer price

⁹ s 9(2)(f)(iv)

index increased 6.9 percent, the largest change since a 7.6 percent annual increase in the year to the June 1990 quarter. That includes a 4.5 annual increase in food prices and a 6.6 percent increase in household living-costs in the year to March 2022 (6.7 percent for Māori)¹⁰.

- 31 In our next stage of policy development, we plan to investigate opportunities to lessen the burden of increased penalty levels, particularly on lower income groups. This will include investigating the feasibility of operational approaches that could improve equity outcomes.

Proposed increases to penalty levels could be received negatively

- 32 Increases to parking penalty levels could be received negatively by some groups. Such feedback will need to be carefully planned for and managed in order to ensure the consultation phase is centred around evidence.

Key risks (with mitigations where relevant) include:

- A perception that increases to penalty levels are poorly timed. Global trends being felt in New Zealand such as cost of living and fuel price increases mean changes could be perceived as yet another strain on the incomes of hard-working families. In addition, continued impacts of COVID-19 on the small business economy s 9(2)(g)(i)
 (s 9(2)(f)(iv))
 s 9(2)(g)(i) We anticipate that stakeholders will want to know why these changes are being made a priority now rather than later. We will clearly communicate the risks of the status quo in the consultation materials.
- Alternatively, a perception that the government should have given attention to penalty levels much sooner.
- A perception that this initiative is a “revenue gathering” exercise – that it will increase council revenues without perceptible benefit to the public and at the expense of parking users. Our next stage of information gathering will include investigating current RCA parking enforcement revenue levels, where funds are directed, and s 9(2)(f)(iv)
- A perception that changes unfairly target car users and that this work is for the sole purpose of reducing emissions rather than to avoid regulatory failure. We will work to communicate clearly with stakeholders about what regulatory stewardship is and why this work is important to help avoid regulatory failure. We will also communicate the impacts that a lack of stewardship could have on broader strategic goals like emissions reductions.

¹⁰ Stats NZ, 2022 – <https://www.stats.govt.nz/information-releases/household-living-costs-price-indexes-march-2022-quarter>

But penalty levels need to act as an effective deterrent if the parking regulatory system is to be able to perform its function

- 33 Without effective levels of deterrence, the incentive to comply with parking requirements is considerably limited. This factor is increasingly well known, with Te Manatū Waka and your Office receiving letters from members of the public or stakeholder groups about the ineffectiveness of parking penalty levels.
- 34 Without regulatory stewardship intervention, the ability of the parking regulatory system to be used to fairly and efficiently allocate scarce parking resources is likely to be further undermined.
- 35 s 9(2)(g)(i) Left unchanged, the deterrent effect of these penalties will continue to decline as their financial value deteriorates with inflation. This could lead to a failure of the parking regulatory system if enough people decide to forgo paying for their parking and commit overstaying offences.
- 36 In addition, without a clearly defined and comprehensive set of parking offences, there is a risk that RCAs will s 9(2)(g)(i) be unable to effectively discourage parking behaviour that is harmful to the integrity and efficiency of the transport system, and that can negatively impact safety and equitable access for all transport users.

Failure to implement changes to penalty levels and offences also poses significant risks to the Government's strategic priorities

- 37 While this project is fundamentally intended as a regulatory stewardship exercise, it is likely to have flow-on benefits for the Government's climate change response and wellbeing priorities.
- 38 Associate Minister for the Environment, Hon Phil Twyford, wrote a letter in August 2021 to you as the Minister of Transport and to Hon Nanaia Mahuta, Minister of Local Government. s 9(2)(f)(ii)
- 39 s 9(2)(f)(ii) the NPS-UD has directed councils to remove the requirement for new dwellings to include carparks. In the immediate term, this policy change is expected to increase on-street parking demand, as less off-street parking is available for residents. RCAs have also expressed their concerns about their ability to manage on street parking demand given this increased pressure.
- 40 While some residents might choose to no longer have a private vehicle, many are expected to want to keep their cars (at least initially). In areas where parking demand is particularly high, RCAs need to be able to manage parking demand, and incentives to comply are important to reduce offending behaviour.

- 41 s 9(2)(f)(ii)

- 42 s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED] Work to ensure the parking regulatory system is efficient, effective, and fair will support the success of these kinds of s 9(2)(f)(iv) [REDACTED] which are ultimately rooted in the Government's goals to address transport emissions.

We are seeking your agreement to continue further policy development of draft proposals

- 43 We are seeking your s 9(2)(f)(iv) [REDACTED] approval to continue to the next stage of policy development.
- 44 We will conduct further informal engagement with key stakeholders to test our thinking s 9(2)(f)(iv) [REDACTED] prior to formal consultation.
- 45 If you agree to us progressing policy development, we will continue our research to better understand the impact of potential changes to penalties and offences. This includes gathering data about:
- 45.1 the number of offences committed in recent years and the impact of parking offences on the safety and integrity of the transport system.
 - 45.2 levels of recidivist offending behaviour, types of offences most commonly unpaid, reasons for not paying for parking offences, etc.
 - 45.3 the effect of penalty increases on lower income groups as well as operational approaches to reduce disproportionate impacts.
 - 45.4 The amount of RCA revenue collected from parking enforcement, including as a percentage of their total revenue, and relative to funding for parking enforcement
- 46 This information will be used to inform the development of a final package of proposals for your consideration and approval to consult. We will also use this data to inform our regulatory impact analysis and consultation materials.

We are seeking your feedback on the proposed timeline

- 47 Having considered our resource capacity, we have developed the following timeline. This timeline takes into account the potential impact of local government elections in October 2022 (and therefore local government capacity to provide feedback) as well as the General Election in 2023.

Proposed Timeline - Formal Consultation in November – December 2022

- 48 This timeline sets us on track to undertake formal public consultation in November – December 2022 and allows us to consult after local government elections have happened in October 2022.
- 49 We would work to have all consultation materials and impact analysis on any proposed legislative changes to you in October 2022, ready for Cabinet policy approval and approval to consult.

50

s 9(2)(f)(iv)

51

Accelerated Timeline

- 52 If you would like to see this project progress more quickly, we could add resource to the project team to accelerate policy development and preparation for consultation at an earlier date. An accelerated timeline would need to take into account the impact of local government elections in October 2022, particularly on the ability of RCAs to provide feedback on any proposed changes.
- 53 Should you prefer an accelerated timeline, we suggest you meet with officials to discuss the potential options, risks, and mitigations of moving this work forward more quickly.

Annexes withheld under Section 9(2)(f)(iv)

5 May 2022

OC220318

Hon Michael Wood
Minister of Transport

Click to enter a date or delete this + "Action required by:"

RELEASE OF TE MANATŪ WAKA MINISTRY OF TRANSPORT'S LONG-TERM INSIGHTS BRIEFING

Purpose

This briefing provides you an update on the Te Manatū Waka Ministry of Transport Long-Term Insights Briefing (LTIB). It outlines the second public consultation process and outlines the process for tabling the LTIB with Select Committee.

Key points

- The LTIB is a statutory requirement in the Public Service Act 2020 (the Act). The Ministry's LTIB will be on *the impact of automated vehicles operating on Aotearoa New Zealand roads*. This topic was selected because automated vehicles (AVs) have not been a priority in the Ministry's work programme but present significant future opportunities and challenges that need careful consideration ahead of their deployment.
- As required by the Act, the first round of public consultation was completed in September 2021 around the scope and substance of the LTIB. This has shaped the final draft LTIB. We are now set to release the final draft for the second round of public consultation on Friday 5 May 2022. We are providing you with a copy of the final draft LTIB, and the survey questions that will accompany it, so you have visibility of the content and insights we have drawn.
- Engagement has been integral in the development of the LTIB. We have engaged with councils, academics, industry groups, the disability sector, and other Government agencies. This has influenced the questions we have included in the paper and our decision to focus on New Zealanders and the wider transport industry as two separate groups that will be impacted by AVs.
- We will provide you with a copy of the final LTIB during the week 27 June 2022, in time to table it with the House of Representatives on 30 June 2022, where it will be subject to a select committee review.
- The Act requires the LTIB to be produced 'independently of Ministers'. We are therefore not seeking your feedback on the document but are happy to answer any questions you may have about its content or the LTIB process. We intend to brief you on the contents of the LTIB once it is finalised, and before it is presented to Select Committee.

Recommendation

We recommend you note the contents of this briefing.



Bryn Gandy
Acting Chief Executive

..4... / .May..... / ..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
Bryn Gandy, Secretary for Transport & Chief Executive		
Richard Cross, Manager, Strategic Policy and Innovation		✓
Dave Hadley, Principal Adviser, Strategic Policy and Innovation		
Mikusha Newdick, Graduate Adviser, Strategic Policy and Innovation		

RELEASE OF TE MANATŪ WAKA MINISTRY OF TRANSPORT'S LONG-TERM INSIGHTS BRIEFING

Overview of the LTIB process

- 1 The Public Service Act 2020 (Schedule 6, clauses 8 and 9) introduced a requirement for agencies to develop a Long-term Insights Briefing (LTIB) at least once every three years. The LTIB topic Te Manatū Waka has chosen is *the impact of automated vehicles (AVs) operating on Aotearoa New Zealand roads*. There is a high level of uncertainty around the impact of AVs on the transport system in New Zealand. The LTIB process affords the Ministry an opportunity to explore the opportunities and challenges in detail before AVs are deployed on New Zealand roads. This will enable us to develop future policy options which will improve individual wellbeing as well as support broader transport outcomes.
- 2 The LTIBs needs to be produced independently of Ministers. We are therefore unable to seek your input on the topic or content as it would breach the requirements under the Public Service Act. We will continue to keep you informed of progress on a 'no surprises' basis. Additional detail on the LTIB requirements can be found in Annex 1

The Ministry has completed the final draft of its LTIB

- 3 On 25 August 2021 we provided you with a briefing that outlined Te Manatū Waka Ministry of Transport approach for the planned consultation on the topic it has selected for its LTIB (OC210671 refers). A copy of the consultation document was provided to you at the time, so you had visibility of the content and approach.
- 4 During the first round of public consultation in September 2021, we received 29 submissions across Government, academia, advocacy groups and industry. Feedback included:
 - Emphasising the importance of social and equity impacts of AVs
 - Covering the role of government and regulation
 - Acknowledging data and cybersecurity concerns with the technology; and
 - Ensuring the impact of AVs on the wider transport ecosystem and natural environment was covered.
- 5 We have incorporated feedback from the first round of public consultation into the final draft LTIB. The final draft has been structured around the key questions we need to answer to understand the impact of AVs. The LTIB is set out across five sections:
 - Sections one and two provide context around the transport system and introduce the concept of technology and automation. They also introduce the transport outcomes framework, which is the lens used when discussing the impact of AVs.
 - Section three identifies the key questions that New Zealanders and the wider transport sector will want answers to in order to understand the potential impact of AVs on them. It includes considerations for local and central Government, including transport outcomes, current organisational goals, and regulation.
 - Sections four and five pull together the insights we have drawn from the previous section and briefly outlines what we could do next.

- 6 As well as producing an LTIB that delivers on the requirements under the Act, the intention is to provide an evidence base which could be used to develop an AV regulatory work programme and Roadmap. The final draft LTIB has been endorsed by the Senior Leadership Team at the Ministry of Transport.

Engagement has been integral in the development of our LTIB

- 7 We also have dedicated substantial time to engaging with representatives and organisations on the content and focus for the LTIB. We have engaged with a range of different stakeholders including Age Concern, representatives from the disability sector, local government including regional and city councils, academics, Business NZ and other government agencies.
- 8 Notably, one stakeholder group that we struggled to engage with (despite concerted efforts), was Māori. Given the existing commitments for Māori pertaining to the current Resource Management Act and Three Waters Reforms, coupled with the low immediate importance of this topic area and its time horizon, engagement was difficult. To ensure we have covered the impact on Māori we have focussed on reflecting existing literature in the paper, and targeted Māori commentators through the Ministry's Te Ao Māori Knowledge Hub.

We will release the final draft LTIB document for public consultation in May

- 9 The Public Service Act 2020 requires agencies to consult with the public twice before the final LTIB is tabled with the House of Representatives by 30 June 2022.
- 10 The second public consultation process will focus on the content of the LTIB and how well we have incorporated the initial feedback received. This serves as an opportunity for stakeholders to comment on the final draft of the LTIB before it goes to Select Committee.
- 11 The final draft of the LTIB will be sent directly to the stakeholders we have engaged with, as well as posted on different channels for wider engagement including the Ministry and Public Services Commission websites, through the Transport Knowledge Hubs and on social media (Facebook, LinkedIn).
- 12 The consultation period will be three weeks from 6 May to 27 May 2022. We do not perceive any risks with the release of the final draft LTIB and will respond to any feedback accordingly.

You will table the final LTIB in the House of Representatives where it will be subject to a select committee review

- 13 Once we have incorporated the feedback from the second public consultation, we will provide you with the final version of the LTIB. The deadline for tabling the final version of the LTIB is 30 June 2022. You should expect the final LTIB in the week of 27 June. At this stage there is nothing for you to do until the consultation process is completed.
- 14 Once the LTIB is tabled it is likely to be referred to the Transport and Infrastructure Select Committee (Select Committee). We will brief you and provide any supporting documentation if you are required to present the LTIB to them.

ANNEX 1 – LTIB requirements

The LTIB is a statutory requirement to be led by chief executives

- 1 The Public Service Act 2020 (Schedule 6, clauses 8 and 9) introduced a requirement for agencies to develop a Long-term Insights Briefing (LTIB) at least once every three years.
- 2 LTIBs are designed to be led by chief executives, who:
 - are asked to produce a briefing in time for it to be presented to Parliament by 30 June 2022.
 - are required to select the subject matter for the Briefing. They must do this by considering those trends, risks and opportunities that are particularly relevant to their department's functions.
 - can select the time horizon that is the most appropriate for the area under investigation.
 - must consider the consultation feedback when finalising the subject matter for the LTIB (before it is drafted) and then the content of the LTIB. This means genuinely considering matters raised during consultation. However, the final decision rests with chief executives and there may be good reasons not to adopt an approach suggested during consultation.
 - also need to appropriately consider Māori and Treaty interests as part of their thinking on the LTIBs.
- 3 The Public Service Act requires LTIBs to be produced independently of Ministers. This means that we will be keeping you informed of progress on a 'no surprises' basis, but we will not be asking you to approve the briefing and we are unable to seek your input on the content.

ANNEX 2 – Survey for public consultation

Survey purpose

We appreciate your interest in Te Manatū Waka's Long-term Insights Briefing (LTIB) on the impact of automated vehicles operating on New Zealand roads.

The Ministry chose to investigate the impact of automated vehicles as they present significant challenges and opportunities for the transport system over the next 10-15 years. The impacts will be wide-reaching and will affect different groups in New Zealand society.

The LTIB provides the opportunity to understand these potential impacts in more depth, and in a New Zealand specific context. Your views will help shape how we further this work and how it is presented at Select Committee. As such, we are keen to hear your thoughts on the content we have included in the briefing.

The following questions have been structured around the key themes discussed in the briefing. There are eight questions in total. It should not take more than 15 minutes to complete the survey questions. There is also an opportunity to comment on anything else you would like to at the end of the survey questions.

The consultation period closes **5pm Friday 27 May**.

Please note that the questions are not compulsory to answer, please type NA if you do not have any comments on a given question. Before you begin, could you please indicate who you are responding on behalf of:

- Myself (as an individual)
 - A New Zealand business
 - An industry organisation or advocacy group
 - A local government agency
 - A central government agency
 - Academia
 - Other, please specify
-

Survey questions**Question one: Safety**

Safety is the primary consideration for regulators when considering the impact of AVs. The LTIB attempts to emphasise the importance of safety when thinking about the potential impact of AVs. It does this by raising the concerns that New Zealanders, the transport sector, and regulators might have, and identifying what to consider when responding to those concerns.

1. *What, if anything, is missing from the LTIB discussion on **safety** and AVs? Please write N/A if you do not wish to comment*

Question two: Equity

We know that the introduction of AVs on New Zealand roads will affect different groups in society differently. The LTIB attempts to clarify where some of these equity challenges might lie and outline how equity could be impacted through the introduction of AVs.

2. *What, if anything, is missing from the LTIB discussion on **equity** and AVs? Please write N/A if you do not wish to comment*

Question three: Regulation

For AVs to operate on New Zealand roads, existing regulations might need to be amended, or new ones created. The LTIB attempts to outline what areas regulation should focus on and where changes to regulatory settings might be required.

3. *What, if anything, is missing from the LTIB discussion on **regulation** and AVs? Please write N/A if you do not wish to comment*

Question four: Compliance systems and processes

The introduction of AVs into the New Zealand vehicle fleet will inevitably result in some changes to existing vehicle standards, compliance systems and process. The LTIB attempts to identify those areas across the transport sector where change may be required and what this change may need to look like.

4. *What, if anything, is missing from the LTIB discussion on **compliance systems and processes** and AVs? Please write N/A if you do not wish to comment*

Question five: Vehicle software

A reliance on vehicle software in AVs to undertake the driving task introduces some risks to the transport system. The LTIB attempts to highlight the potential cyber-security, privacy, and software update risks, and identify what might need to be done to manage them.

5. *What, if anything, is missing from the LTIB discussion on **vehicle software risks** and AVs? Please write N/A if you do not wish to comment*
-

Question six: Economic disruption

AVs have the potential to disrupt jobs and professions, but also to improve business efficiency and reduce costs for consumers. The LTIB attempts to outline the areas where AVs might have these impacts and the implications for industry and Government as a result.

6. *What, if anything, is missing from the LTIB discussion on **economic disruption** and AVs? Please write N/A if you do not wish to comment*
-

Question seven: Infrastructure

For AVs to be safely introduced across New Zealand, there will need to be investment in supporting infrastructure (both digital and physical) in at least some parts of the country. The LTIB attempts to raise this as an area that needs further consideration.

7. *What, if anything, is missing from the LTIB discussion on **infrastructure** and AVs? Please write N/A if you do not wish to comment*
-

Question eight: Transport outcomes

The transport outcomes framework has been used to help assess the impact AVs operating on New Zealand roads could have. The LTIB has attempted to consider each of the five outcomes and drawn insights around what this could mean for future policy development for each.

8. *What, if anything, is missing from the LTIB discussion on the impact of AVs on New Zealand's **transport outcomes**? Please write N/A if you do not wish to comment*
-

*If you have further comments on the Long-term Insights Briefing on the **impact of automated vehicles operating on Aotearoa New Zealand roads**, please include them below. Please write N/A if you do not wish to comment*

12 May 2022

BRIEFING

OC220330

Hon Michael Wood
Minister of Transport

Action required by:
Friday, 20 May 2022

Hon Grant Robertson
Minister of Finance

CITY RAIL LINK LIMITED STATEMENT OF PERFORMANCE EXPECTATIONS 2022/23 AND STATEMENT OF INTENT 2022-25

Purpose

In this report we provide advice on City Rail Link Limited's (CRL's) draft Statement of Performance Expectations (SPE) 2022/23 and Statement of Intent (SOI) 2022-25. We have also provided – for your consideration – a letter providing comments on both documents.

Key points

- As shareholders in CRL, you have an important role to play in setting expectations for the entity and influencing their public accountability documents, including the SPE and SOI.
- CRL provided you with a copy of its draft SPE and SOI on 30 April 2022. You have 15 working days to provide feedback on both documents from this date, i.e. by 20 May 2022. CRL must take any feedback into account before finalising their SPE and SOI prior to 1 July 2022.
- Overall, we are satisfied that the content of the SPE and SOI align with shareholders' expectations for CRL, but suggest some potential improvements for CRL's consideration in the draft letter to the Chair (see **paragraph 27**).
- Although we are comfortable that the content of the SOI is appropriate, the period covered is shorter than the minimum period required by s139(2) of the Crown Entities Act 2004. We have suggested draft wording in the letter to the Chair to address this issue.
- The Ministry of Transport and the Treasury have consulted with Auckland Council on the proposed feedback included within the attached letter to the CRL Chair. They are comfortable with its content.

IN CONFIDENCE

Recommendations

We recommend you:

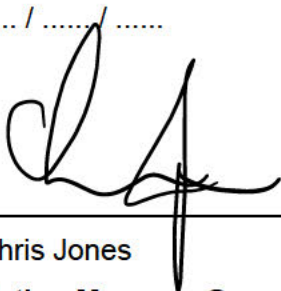
1. **agree** to the Minister of Transport signing the attached letter to the Chair, which provides feedback on the draft SPE and SOI.

Yes / No
Minister of Finance

Yes/ No
Minister of Transport

Hon Grant Robertson
Minister of Finance

..... / /



Chris Jones
Acting Manager Governance
Ministry of Transport
12 / 05/ 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
Jenny Smith, Senior Adviser, Governance, Ministry of Transport	s 9(2)(a)	✓
Chris Jones, Manager (Acting), Governance, Ministry of Transport	s 9(2)(a)	

CITY RAIL LINK LIMITED STATEMENT OF PERFORMANCE EXPECTATIONS 2022/23 AND STATEMENT OF INTENT 2022-25

The Statement of Performance Expectations (SPE) and Statement of Intent (SOI) provide an important opportunity for you to influence an entity's short- to medium-term priorities

CRLL provided its draft SPE and SOI on 30 April 2022 for your review

- 1 An SPE is a statutory planning and accountability document governed by the Crown Entities Act 2004 (the Act).
- 2 The purpose of an SPE is to:
 - enable you to participate in the process of setting annual performance expectations
 - enable the House of Representatives to be informed of those expectations
 - provide a base against which actual performance can be assessed.
- 3 SOIs have a similar purpose, but outline strategic intentions and medium-term undertakings. The SPE operates within those intentions and includes reporting towards those intentions. SOIs must cover a minimum of four years, and be refreshed either at least every three years or at your direction. As CRLL's current SOI was published in June 2019 it is required to publish an updated SOI prior to 1 July 2022.
- 4 CRLL provided you with drafts of both documents on 30 April 2022 (**Appendix One and Two**). The Act requires you to provide comments on these documents within 15 working days of receipt; i.e. by 20 May 2022. The entity must take this feedback into account before finalising the SPE and SOI before 1 July 2022.

CRLL's draft SPE and SOI should be viewed as part of the wider accountability framework for the CRL project

- 5 CRLL is a single objective company with performance accountability for the project managed through a separate Project Delivery Agreement (PDA). The combination of the PDA and the SPE provides a comprehensive accountability framework for CRLL and the City Rail Link (CRL) project.
- 6 CRLL's SOI must reflect both the Government's overarching objectives and priorities for the transport sector, as well as the strategic objectives of Auckland Council.
- 7 Your Letter of Expectations (LoE) to the CRLL Chair (dated 2 May 2022) sets out expectations for the Board of CRLL for the 2022/23 year. A copy of this letter is attached as **Appendix Three**.
- 8 CRLL's LoE is different from the other agencies within the transport sector, as the PDA already provides a clear set of expectations around what the company is to deliver. Therefore, the LoE largely focuses on the ways CRLL gives effect to the PDA. The draft SPE and SOI incorporate expectations from the LoE that go beyond what is already covered in the PDA (including performance measures for health and safety and for community and stakeholder engagement).

Strategic Alignment

CRL's draft SOI covers a period of three years. This period aligns with the original target completion date for the project, but falls short of the minimum period required by the Crown Entities Act 2004.

- 9 CRL's draft SOI sets out the company's strategic objectives for the period 1 July 2022 to 30 June 2025 (**Appendix Two**). The focus of the draft SOI is the completion of the CRL project which is expected to be achieved during the SOI period (with target completion dates to be updated following analysis of COVID-19 delays).
- 10 Section 139(2) of the Act specifies that each SOI must cover a minimum period of four years. CRL have chosen a three-year period as it aligns with the expected completion date of the CRL project. Following the completion of the project and final asset transfers CRL's current functions will cease and the future of the company will be subject to Shareholders' decisions.
- 11 s 9(2)(g)(i) No formal plans have yet been made to wind-up the company. Although you are able (under s139B(3) of the Act) to grant CRL an exemption from the requirements of s139 "if a Crown entity is likely to be disestablished or, in the case of a Crown entity company, removed from the register under the Companies Act 1993", we are of the view that there is not enough certainty around the future of CRL to satisfy this requirement.
- 12 CRL is not able to provide meaningful information about its strategic intentions post the completion of the project. For this reason, extending the SOI's end date to 30 June 2026 is unlikely to provide Shareholders or Parliament with any additional information about CRL.
- 13 We have included text in the draft reply letter (**Appendix 3**) reminding CRL of the requirements of the Act and encouraging them to consider extending the end date of their draft SOI. If they do not wish to do so, the letter suggests that they acknowledge the requirements of s139(2) within their SOI and explain why they have chosen a shorter period.

CRL's strategic context has changed since its last SOI was released, and the draft SOI reflects those shifts

- 14 Although CRL's overall objectives remain the same as the previous SOI, the content and many of the measures have been updated to reflect changes to CRL's strategic context. The main changes are:
 - **Changes to recognise completed procurement:** Recognition of the integration of the C5 and C7 contracts into the C3 contract (Project Alliance Agreement).
 - **COVID-19:** Disclosure of the uncertainty of the impact of COVID-19 on the CRL project. The impact of this uncertainty on contract end dates as well as costs are specifically discussed.
 - **Oversite Development:** The draft SOI reflects the change in CRL's role from leading work on development opportunities to supporting Eke Panuku and

Kāinga Ora in their work to develop the programme business case. CRLL has introduced new measures for areas that it remains accountable for (consent obligations and below ground infrastructure).

- **Health and Safety:** Commentary and measures have been updated to reflect CRLL's increasing maturity in this area. Changes to health and safety measures being made for the first time in 2022/23 are discussed in **paragraph 18** below.
- **Communication and Engagement:** Further detail has been added to reflect CRLL's close relationships with KiwiRail, Auckland Transport, and Mana Whenua.

- 15 Overall, we are comfortable that the draft SOI adequately reflects your expectations for CRLL as well as the current operating context. Auckland Council has not raised any concerns about the incorporation of their own strategic objectives.

Delivery expectations and performance

The draft 2022/23 SPE is structured in the same way as the previous year's SPE, and many of the performance measures remain similar

- 16 CRLL's draft SPE for 2022/23 is attached for your reference at **Appendix One**. The SPE sets out the key milestones expected to be achieved over 2022/23 as well as establishing performance targets over five key strategic areas. The draft SPE provides short-term performance targets aligned with the medium/long-term strategic objectives and contract completion dates contained in the draft SOI.
- 17 CRLL has incorporated the new service performance reporting standard – PBE FRS 48 *Service Performance Reporting* – in its draft SPE. This reporting standard establishes principles and requirements for service performance information for Public Benefit Entities (including Government entities). Although this standard focusses on year-end reporting, entities have been advised to consider the requirements when preparing SPEs and Estimates information. CRLL has chosen to include a foreword on pages 9-10 of its draft SPE disclosing key judgements, assumptions and contextual information relating to service performance information.
- 18 The strategic performance areas, with observations of changes from the 2020/21 SPE, include:
- **Health and safety:** Consistent with Sponsors' expectations that health and safety remains a top priority, CRLL has added an additional performance measure – achieving a Health and Safety Performance Index (HSPI) score of 80 or more over a 12-month period. This indicator is calculated based on a number of lag and leading indicators, and a score of 80 is regarded as a stretch target for the NZ construction industry. s 9(2)(ba)(ii)

CRLL has retained its metric requiring an externally validated assessment of the CRL HSE Management System using the Risk Management Maturity Model, but is now aiming to achieve Level 3, and Level 4 in six or more areas (the 2021/22 target was for two or more areas).

Consistent with previous years, CRLI is setting its Total Recordable Injury Frequency Rate (TRIFR) target as “at or below seven injuries per million hours worked”. While the TRIFR target has been determined within the context of the New Zealand construction environment, we recommend you encourage CRLI to continue to strive for a lower TRIFR (even if the performance measure target remains). This message is consistent with your previous comments to CRLI about the target TRIFR rate.

- **Project delivery:** These targets are updated annually to reflect the key milestones expected to be achieved in the upcoming year.
- **Funding envelope:** SPE targets in this area remain largely unchanged – the target relating to CRLI’s approved appropriation has been adjusted to allow for a 10% under-spend, which is more consistent with the nature of appropriations and CRLI’s current environment. Although CRLI is still expected to manage within the existing funding envelope for this financial year, uncertainty remains about the impact of COVID-19 on overall cost and schedule. CRLI is currently undertaking a comprehensive review of schedule and cost, including settlement of the Link Alliance COVID-19 claim, and will update Sponsors late in 2022.
- **Sustainability and social outcomes:** There have been some minor adjustments to these targets, reflecting updates to the progress of each contract or completion of contracts. CRLI has performed well in this area to date, and we have no concerns around the nature of these targets.
- **Community and stakeholder engagement:** CRLI has added a new measure relating to the Targeted Hardship Fund (THF) and is aiming to produce a Mana Whenua partnership case study. The THF measure focuses on the timeliness of the processing of applications which we consider to be an important dimension of the THF. We consider the targets in this area to be consistent with the expectations contained in your LoE.

- 19 Oversight development has not been included as a strategic performance area and there are no specific targets for this in 2022/23. CRLI does however note (on page 8 of the draft SPE) its support for the development work being led by Kāinga Ora and Eke Panuku. The draft SOI includes performance targets in the area, and we expect to see these appear in future SPEs as the development work progresses.

Financial performance

CRLI is forecasting expenditure within its current financial envelope for 2022/23, however significant uncertainty remains about the impact of COVID-19.

- 20 CRLI is budgeting a deficit of \$125 million for 2022/23, compared to a forecast deficit of \$395 million in 2021/22. Being in a deficit position is normal for CRLI (with Shareholders’ contributions being recorded as contributed capital rather than revenue) and results can vary significantly from year to year as the contracts progress and assets are vested upon completion to their ultimate owners.
- 21 The SPE shows total contributions from Shareholders as \$1,028 million (Crown share \$514 million) for the 2022/23 year, which is consistent with the funding appropriated for the delivery of the project.

22 CRLL is also forecasting THF revenue and expenditure of \$6 million for 2022/23. CRLL is working with its auditors to ensure THF revenue and expenditure is appropriately disclosed, and changes will be made to the draft SPE to reflect this feedback.

23 s 9(2)(j), s 9(2)(ba)(ii)

Risks

24 Key financial and non-financial performance risks for CRLL during 2022/23 include:

- uncertainty as a result of COVID-19, both in terms of costs and schedule
- supply chain disruption (constraints, delays and extra costs with shipping)
- a shortage of skilled staff and labour due to a tight construction market, thereby impacting skilled and general labour availability and cost
- higher than expected construction cost inflation
- s 9(2)(g)(i)
- s 9(2)(g)(i)
- unexpected discovery of geographic constraints and unfavourable ground conditions.

25 The CRL project is managed in a manner consistent with other large infrastructure projects. A risk register is therefore managed by CRLL and is under constant review. Sponsors receive monthly reporting from CRLL on both project delivery and financial performance. The anticipated final cost of the contracts and project overall are risk-adjusted every month. This information is also reviewed by the independent Sponsors' Assurance Manager and advice is provided to Sponsors based on those reviews.

Consultation

26 We have consulted with Treasury on this briefing; and both Treasury and Auckland Council have been consulted on the contents of the feedback letter to CRLL (**Appendix Four**). Treasury and Auckland Council are comfortable with contents of the letter and Treasury is comfortable with the contents of this briefing.

Comments to the Chair

27 Based on our review of the draft SPE, and in consultation with Auckland Council, we suggest the following themes are reflected in the response to the Chair (**Appendix Four**):

- re-emphasise the importance of the CRL project and the need for CRLL to maintain high levels of transparency and accountability

IN CONFIDENCE

- thank CRLL for their hard work in refreshing the SOI and providing a draft SPE by the due date
- note the importance of health and safety to Shareholders, s 9(2)(ba)(i)
[REDACTED]
[REDACTED] Inform CRLL that you welcome the addition of the HSPI to CRLL's suite of health and safety measures and encourage CRLL to achieve the targets it has set for itself
- note the incorporation of oversight development measures in the draft SOI and encourage CRLL to include these in future SPEs in line with the progress of the development work
- remind CRLL of the requirement for an SOI to cover a minimum of four years and encourage them to either extend the period covered or to reference the requirements in their final SOI and explain why a shorter period is appropriate.

Next Steps

- 28 Please review the attached letter providing feedback at **Appendix Four**, alongside CRLL's draft SPE and SOI, and provide Shareholders' feedback to CRLL before 20 May 2022. CRLL must consider your comments before finalising its SPE and SOI.
- 29 CRLL is required to publish the final SPE and SOI as soon as practicable, but no later than 1 July 2022.
- 30 Final versions will be provided to your offices upon completion. The Minister of Transport will be required to table these documents in the House of Representatives (either upon receipt, or when CRLL's 2021/22 Annual Report is tabled in late October/early November 2022).

Appendices:

- Appendix One: CRL's draft Statement of Performance Expectations 2022/23
- Appendix Two: CRL's draft Statement of Intent 2022-25
- Appendix Three: CRL's Letter of Expectations 2022/23
- Appendix Four: Letter to Chair of CRL on the draft Statement of Performance Expectations 2022/23 and Statement of Intent 2022-25

Note: Appendices One and Two are refused under Section 18(d). Final versions of these documents are available online at: www.cityrailink.co.nz/publications

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Appendix 3

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

s 9(2)(a)

Dear Sir Brian

Letter of Expectations 2022/23 for City Rail Link Limited

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

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

Management of risks, costs and schedule

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

CRL in an alliance environment

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

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

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

Supporting the assurance framework

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

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

Strong relationships with KiwiRail and Auckland Transport

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

Health and Safety

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

Strong community engagement and working collaboratively to mitigate impacts on communities

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

Supporting the wider development opportunities associated with the CRL project

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

Supporting the Auckland Light Rail project

We have appreciated CRLL's engagement with the Auckland Light Rail project to date. We expect this engagement to continue in order to support integration between the two projects and the sharing of lessons learned from the delivery of CRL.

Reliance upon a fully engaged and effective Board

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

Yours sincerely

Hon Michael Wood

Minister of Transport

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

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Appendix 4

Sir Brian Roche
Chair
City Rail Link Limited

s 9(2)(a)

Dear Sir Brian

Draft Statement of Performance Expectations for 2022/23 and draft Statement of Intent for 2022-25

Thank you for providing City Rail Link Limited's (CRL) draft 2022/23 Statement of Performance Expectations (SPE) and Statement of Intent for 2022-25 (SOI). We appreciate the time and effort that has gone into preparing these documents.

Sponsors have high expectations for the City Rail Link (CRL) project, both in how construction is managed and also in enabling future benefits of the investment to be realised once operational. CRL's SPE and SOI, while only a part of overall assurance, provide important public transparency and accountability around the performance of the CRL project. In this regard, it is important that these documents continue to incorporate a comprehensive range of performance measures and targets providing a clear basis against which performance can be assessed – both over the medium term as well as the next financial year.

In accordance with the Crown Entities Act 2004 (the Act), we wish to provide the following comments on your draft documents on behalf of Shareholders.

We appreciate that both documents have retained a similar format to previous published versions, with slight changes being made to both to reflect the progress of the projects and shifts in CRL's strategic context and operating environment. We consider the coverage and set of measures and targets to be comprehensive and reflective of our expectations, but provide the following comments for your consideration:

- **Health and safety:** This is an area of critical importance to Shareholders. We are pleased with the addition of the Health and Safety Performance Index (HSPI) and commitment to continuous improvement shown by increasing ambition in your Risk Management Maturity Model indicator. We encourage CRL to continue to strive for a TRIFR and HSPI that are lower than targeted.
- **Funding envelope and financial performance:** The targets in this area are set at a high level. We expect that CRL will continue to seek opportunities for organisational efficiencies. We acknowledge the significant uncertainty that

CRL is facing due to the impacts of COVID-19 and look forward to receiving updated cost and schedule information in late 2022.

- **Oversite development:** We appreciate the addition of targets in this area in the draft SOI and encourage you to incorporate them into future SPEs as the development work progresses.
- **SOI period:** We note that the period covered by your draft SOI is shorter than the minimum period required under s139(2) of the Act. Whilst we acknowledge your unique circumstances – being a single objective company charged with delivering a project that is intended to be complete within the next three years – we encourage you to consider extending your draft SOI out to 30 June 2026. If the period is not extended, we ask that your final SOI references the fact it does not comply with s139(2) of the Act and provides a short explanation as to why a shorter period is appropriate.

Please take account of these comments and engage with officials to deliver further drafts for consideration by Shareholders before the final documents are due (by 30 June 2022).

Yours sincerely

Hon Michael Wood

Minister of Transport

cc Hon Grant Robertson, Minister of Finance
Hon Phil Goff, Mayor of Auckland
Bill Cashmore, Deputy Mayor of Auckland

25 May 2022

OC220404

Hon Michael Wood
Minister of Transport

ATTENDANCE AT AIR NEW ZEALAND BOARD MEETING**Snapshot**

You have agreed to provide a five-minute speech to the Air New Zealand Board on the topic of "current issues and opportunities in the air travel space". Following your speech, there will be an opportunity for a Q&A session.

Time and date	7.30 – 8.30am, 27 May 2022
Venue	Air New Zealand House, 185 Fanshawe Street, Auckland
Attendees	Air New Zealand Board members: Dame There Walsh (Chair) Claudia Batten Dean Bracewell Larissa Cooney Larry De Shon Alison Gerry Paul Goulter Jonathan Mason
Officials attending	No officials will be attending.
Media	No media are expected.
Speaking notes	Speaking notes are attached.

Contacts

Name	Telephone	First contact
Tom Forster, Manager, Economic Regulation	s 9(2)(a)	✓
Ken Hopper, Senior Licensing Adviser		

ATTENDANCE AT AIR NEW ZEALAND BOARD MEETING

Financial information

- 1 On 24 February 2022, Air New Zealand announced its interim financial results for the six-month period ending 31 December 2021. Some highlights:
 - a statutory loss before taxation of \$376 million
 - operating revenue of \$1.1 billion - 9 percent lower than the prior period, driven, Air New Zealand says, by a 26 percent decline in passenger revenue due to the national alert level restrictions and 107-day Auckland lockdown
 - cargo revenue, supported by the Maintaining International Air Connectivity scheme, increased 29 percent to \$482 million
 - fuel costs increased 14 percent to \$174 million
 - liquidity of \$1.4 billion as at 23 February 2022, made up of approximately \$170 million of cash and \$1.24 billion of available funds under the remaining Crown Facility and Redeemable Shares
 - a current expectation for the full 2022 financial year is a loss before taxation and other significant items that will exceed \$800 million.

Environmental matters

- 2 The Emissions Reduction Plan (ERP) released this month contains a transport chapter setting out targets to reduce transport emissions by 41 percent by 2035.
- 3 Transport is one of our largest sources of emissions. It accounts for approximately 17 percent of our gross domestic emissions. Transport is responsible for approximately 39 percent of our CO2 emissions.
- 4 Aviation will play a part to help reduce domestic aviation emissions. Given this the ERP has identified three initial actions for the sector:
 - Develop and set specific targets for decarbonising domestic aviation in line with 2050 targets – the targets need to be developed and set by the end of 2023.
 - Establish a public-private leadership body focussed on decarbonising aviation, including operational efficiencies, infrastructure improvements, and frameworks to encourage research, development and innovation in sustainable aviation. This leadership body is to be established by the end of 2022.
 - Implement a sustainable aviation fuel (SAF) mandate - the proposed settings for a SAF-specific mandate are to be developed by December 2022, once the findings of Air New Zealand's SAF Feasibility study are available.

The Sustainable Aviation Fuels obligation

- 5 On 1 November 2021, Cabinet agreed that aviation fuels would be excluded from the Sustainable Biofuels Obligation and would be addressed through a separate SAF Obligation.
- 6 An aviation specific obligation will mean a guaranteed reduction in emissions from aviation fuel through the deployment of biofuels. This is in line with overseas best practice and recognises that a uniform target, as proposed under the Sustainable Biofuels Obligation, would be unlikely to stimulate demand for SAF. This is primarily due to SAF's higher relative cost, both compared to conventional jet fuels and other conventional biofuels (e.g., ethanol and biodiesel).
- 7 The Minister of Energy and Resources and the Minister of Transport are to report back on the proposed settings of a SAF-specific obligation by December 2022. This will be informed by the findings of the MBIE – Air New Zealand SAF feasibility study. This feasibility study is in train and examines the potential for domestic SAF production, with initial findings expected in July 2022.
- 8 We expect to undergo preliminary engagement with key stakeholders, such as Air New Zealand, to test initial policy development prior to the December 2022 Cabinet report back, but after the findings of the MBIE-Air NZ SAF feasibility study are made available.

International services

- 9 As Covid restrictions relax, Air New Zealand is restoring its international network, including the important North America market. September 2022 will see the pandemic-delayed commencement of its New York service, followed in October by the resumption of services to Chicago. Services to Houston resume in July 2022.
- 10 We expect China's Covid response will delay a full return to this important tourism market for some time to come. At one point, there were six Chinese carriers operating to New Zealand. Currently, only China Eastern Airlines (from Shanghai) and China Southern Airlines (from Guangzhou) are operating, but with much reduced frequency of service.

Suggested Talking Points/Questions and Answers

Pre-departure testing

Why hasn't the Government removed the need for pre-departure testing (PDT)?

We have agreed to remove PDT no later than 31 July 2022. This date takes account of current work underway on testing and surveillance and new variant planning, which will help to provide a level of reassurance for the health and safety of New Zealanders before the date for removal of PDT can be confirmed. This means it's possible for the date to be earlier than the end of July.

We recognise the need to provide as much notice as possible of when PDT will be removed, especially with the school holidays in July. I also understand you are starting or recommencing 15 routes in 14 days in July, so certainty around the date would be highly beneficial.

Vaccination and testing:

Why are mandates still in place now that the virus is in the community?

We recognise that the border workforce has been subject to testing and vaccination requirements for some time now, and they have played an incredibly important and significant role in the country's line of defence.

Advice on the future of both the Required Testing Order and the Vaccination Order, as it may apply to border workers, is under active consideration by Government. Any changes will be communicated quickly to you as key stakeholders.

Reconnecting New Zealanders – talking points

I want to thank Air New Zealand for all your work over the last few months, as our Reconnecting New Zealanders plan has been rolling out. Your staff have been critical to achieving a safe and smooth reopening of the air border. They've been professional, flexible and pragmatic.

You also continue to provide government with valuable advice on the impact and feasibility of border reopening policies.

Capital raising

I congratulate you on the successful \$1.2 billion capital raising. This shows significant confidence in the airline. Were any unexpected issues encountered during this process or lessons learned?

Environment

I understand that, together with the Ministry of Business, Innovation and Employment, you are undertaking a feasibility study into the potential for domestic sustainable aviation fuels. Further to this, have you already identified where you would like to engage with respect to policy settings development or other aviation decarbonisation possibilities?

International

I am encouraged by the pace at which you are intending to restore your international network. Aside from fuel costs and the pandemic, are there other particular issues you face in the international sphere?

Are there any challenges in restoring your previous code-share arrangements with Star Alliance partners and other airlines you cooperate with?

Do you foresee a return to operating services to South America? (Air New Zealand operated to Buenos Aires prior to the Covid-19 pandemic.)

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Annex 1: Speaking Notes

ATTENDANCE AT AIR NEW ZEALAND BOARD MEETING

Approx 500 words (5 Minutes).

Welcome

- Tena koutou katoa – good morning
- I am pleased to attend your Board meeting to provide a brief overview of the current opportunities and challenges that exist in aviation.
- Firstly, I'd like to thank Dame Therese Walsh for the invitation to speak here today

Transport emissions

- The Emissions Reduction Plan (ERP) released this month contains a transport chapter setting out targets to reduce transport emissions by 41 percent by 2035.
- Transport is one of our largest sources of emissions. It accounts for approximately 17 percent of our gross domestic emissions. Transport is responsible for approximately 39 percent of our CO2 emissions.
- Aviation will play a part to help reduce domestic aviation emissions. Given this the ERP has identified three initial actions for the sector:
 - Develop and set specific targets for decarbonising domestic aviation in line with 2050 targets – the targets need to be developed and set by the end of 2023.

- Establish a public-private leadership body focussed on decarbonising aviation, including operational efficiencies, infrastructure improvements, and frameworks to encourage research, development and innovation in sustainable aviation. This leadership body is to be established by the end of 2022.
- Implement a Sustainable Aviation Fuel (SAF) obligation (previously referred to as mandate) - the proposed settings for a SAF-specific obligation are to be developed by December 2022, once the findings of the joint Ministry for Business, Innovation and Employment (MBIE) - Air New Zealand domestic SAF production feasibility study are available.
- We expect to engage further with you to test initial policy development for the SAF obligation prior to the December 2022 Cabinet report back.
- I'd like to acknowledge the significant work that Air New Zealand is doing in taking steps to reduce emissions, including your work in working with manufacturers on electric planes and alternative fuels.

COVID-19 and aviation

- While there is light at the end of the tunnel with the reopening of our borders, aviation has experienced an incredibly tough few years.
- We remain committed to supporting aviation as the sector recovers. We have extended critical support through the MIAC scheme to March 2023, to ensure freight connectivity is retained while we rebuild international connections and support New Zealand's economic recovery.

- Air New Zealand is key to ensuring the scheme continues to meet its objectives. I would like to thank Air New Zealand for your continued support, especially as we enter the exit phase of the scheme.
- I am pleased to see significant passenger recovery on key routes, allowing support to be exited in some cases. Exiting support where it is no longer needed remains a key focus for MIAC.
- I understand Transport officials are working closely with your staff on how to best manage the significant fuel price increases impacting the aviation sector, and that you are developing ways to reduce your support requirements. We will need to continue working together as these price pressures increase.

Conclusion

- I'd like to acknowledge the work that you, your executives and your staff have put into Air New Zealand over the last few years in particular.
- I am pleased to see Air New Zealand gearing up services to both new and familiar international destinations.
- It's been tough, and the challenges aren't over yet, but Air New Zealand will remain a critical part of our aviation sector.
- I look toward to further strengthening of the government/airline relationship.