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Ministry of **Transport**  
TE MANATŪ WAKA

**BRIEFING**

10 November 2020

OC200752

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

## **PUBLIC TRANSPORT WORK PROGRAMME AND DECARBONISATION OF THE PUBLIC TRANSPORT BUS FLEET**

### **Purpose**

This briefing:

- attaches an A3 providing an overview of the public transport system and our proposed public transport work programme (Appendix 1)
- provides advice on the parts of the Ministry's work programme that relate to decarbonisation of the public transport bus fleet – the Public Transport Operating Model (PTOM) review and the Transport Emissions Action Plan (TEAP)
- provides an overview of council activity in relation to decarbonising the public transport bus fleet.

You will receive separate detailed briefings on the PTOM review and the TEAP.

### **Key points**

- The proposed public transport work programme covers key issues faced by the sector, including COVID-19 response and recovery, a review of PTOM, and the accessibility and affordability of public transport. You can find more detail in Appendix 1.
- We anticipate you will have a particular interest in how the Ministry's work programme supports the decarbonisation of the public transport bus fleet.
- Interventions to accelerate the decarbonisation of the bus fleet should be considered as part of the TEAP and the extension of the Low Emission Vehicles Contestable Fund.
- The PTOM review can address system barriers to decarbonising the public transport bus fleet. We will provide further advice on the PTOM review in late November or early December 2020.
- Councils have existing commitments and ambitions to decarbonise the bus fleet and are progressing work to support these objectives, which the Ministry is engaging in.

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## Recommendations

We recommend you:

- 1 **discuss** with officials the attached materials.

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Helen White  
**Manager, Mobility and Safety**

10/11/2020

Hon Michael Wood  
**Minister of Transport**

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**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

**Comments**

## Contacts

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## **PUBLIC TRANSPORT WORK PROGRAMME AND DECARBONISATION OF THE PUBLIC TRANSPORT BUS FLEET**

**The proposed public transport work programme covers key issues faced by the sector**

- 1 The Ministry has an ambitious work programme covering a range of issues, including:
  - 1.1 COVID 19 response and recovery, including how we bring back public transport patronage, and provide support to councils and public transport operators during periods of resurgence
  - 1.2 a review of the planning and procurement framework for public transport services, the Public Transport Operating Model (PTOM)
  - 1.3 cross sector work to address workforce issues (Waka Kotahi NZ Transport Agency led)
  - 1.4 accessibility and affordability of public transport.
- 2 This work programme is covered in more detail in Appendix 1, alongside an overview of the public transport system context and an overview of public transport planning and investment (including PTOM).
- 3 Given the election commitments relating to decarbonisation of the bus fleet we anticipate you will have a particular interest in how the Ministry's work programme supports this outcome. The two key parts of the Ministry work programme that are relevant to this outcome will be the TEAP and the PTOM review.

**Interventions to accelerate the decarbonisation of the bus fleet need to be considered as part of the TEAP and the extension of the Low Emission Vehicles Contestable Fund**

- 4 You will receive a separate briefing on the TEAP, and that briefing describes the commitments New Zealand has made for decisive action on climate change, including in the transport sector.
- 5 The Ministry of Transport is developing a TEAP, which will contribute to a national cross-sector Emissions Reduction Plan that is under development (led by the Ministry for the Environment). The Climate Change Commission is also due to issue draft recommendations to the Government in February 2021.
- 6 We consider that work on decarbonisation of the public transport bus fleet, and particularly any interventions from central government to accelerate decarbonisation, should be considered alongside the broader suite of potential actions to achieve transport emission reductions, particularly those relating to heavy vehicles.
- 7 One of the issues identified with de-carbonisation of the bus fleet has been the cost of vehicle charging infrastructure and associated upgrades to the electricity supply for bus depots. Work is currently also being undertaken on the extension of funding for the Low Emission Vehicles Contestable Fund signalled in the Labour Manifesto. We

believe that this fund could be used to support the funding of electric charging infrastructure for buses.

### **The PTOM review can address system barriers to decarbonisation of the public transport bus fleet**

- 8 The current settings in PTOM, particularly relating to procurement and ownership, pose potential barriers to decarbonisation of the public transport bus fleet. The PTOM review will include a focus on addressing the current system barriers to ensure PTOM enables decarbonisation of the bus fleet. To be successful the PTOM review will need to be progressed collaboratively with the sector.
- 9 We will provide detailed advice in late November or early December 2020 on the PTOM review, including progress to date, the findings of the first stage impact evaluation, the proposed scope of future work, and the next steps.
- 10 To facilitate engagement with the sector we will prepare a discussion paper in early 2021.

### **Councils have existing commitments and ambitions to decarbonise the public transport bus fleet**

- 11 Auckland Council (through Auckland Transport (AT)), Greater Wellington Regional Council (GWRC), and Environment Canterbury (ECAN), which together contract services that use four out of five public transport buses in New Zealand, have commitments and ambitions to decarbonise their bus fleets. Auckland Council and ECAN have made commitments to only procure zero emission buses from 2025.
- 12 Over the next few years these councils are deploying an increasing number of zero emission buses, including 98 additional zero emission buses in Wellington, 25 in Canterbury, and 32 in Auckland. These councils are also progressing work, both individually and collaboratively, to support their decarbonisation objectives beyond this short-term vehicle deployment. For example:
  - 12.1 AT is convening a Low Emission Bus Working Group that is focussed on removing barriers to early adoption of zero emission buses. The Working Group is comprised of councils, operators, government, vehicle suppliers/manufacturers, and energy/electricity stakeholders
  - 12.2 the Regional Authorities Transport Special Interest Group (TSIG), chaired by GWRC, is currently scoping a joint project between councils and government on decarbonising the public transport fleet. We anticipate this project will build on work we commissioned on options to accelerate decarbonisation of the bus fleet (see Appendix 1 for more details).
- 13 We are engaging in both of these initiatives, and we will ensure the PTOM review considers the findings and outcomes of each.



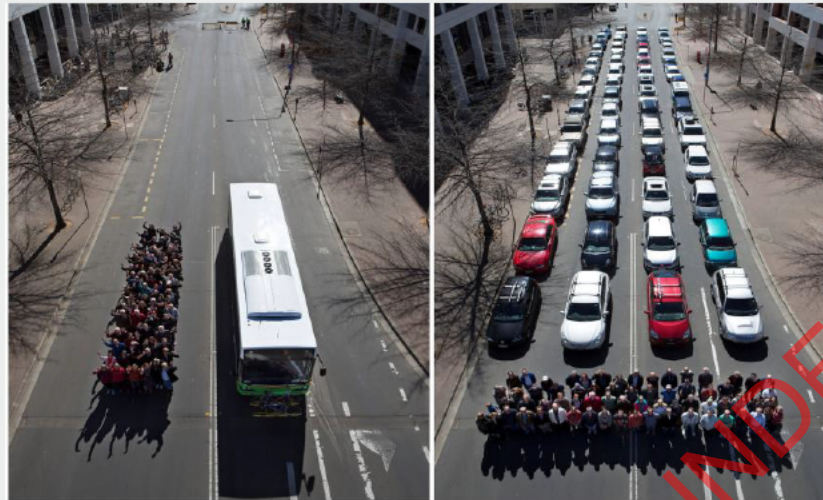
**Appendix 1: Public transport system overview and the Ministry's work programme**

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## PUBLIC TRANSPORT SYSTEM CONTEXT

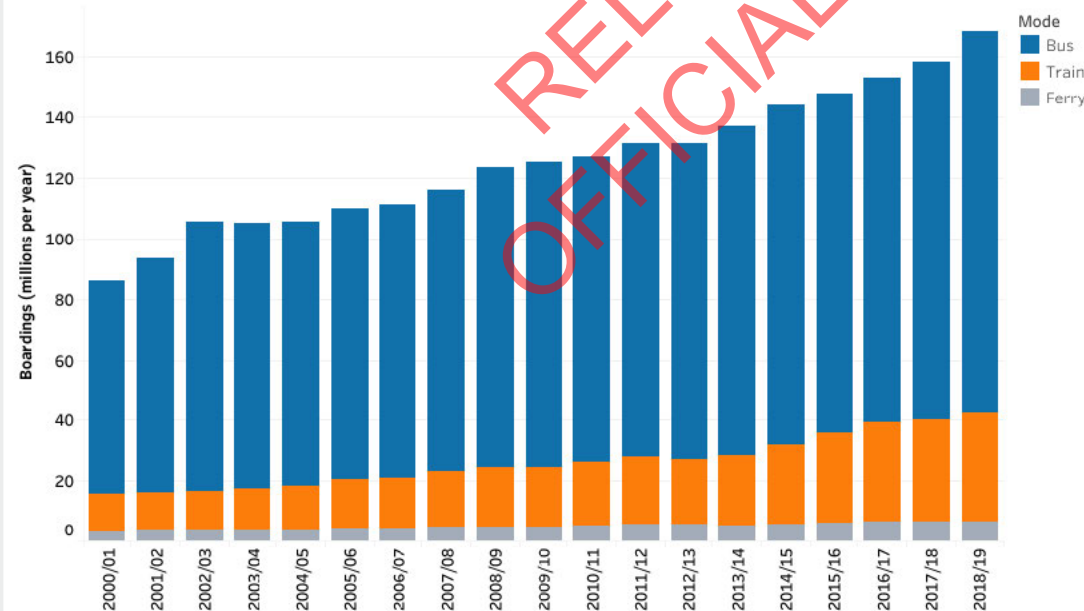
## Public transport (PT) contributes to multiple transport outcomes, particularly Inclusive Access, Economic Prosperity, and Environmental Sustainability

- PT refers to bus, train, and ferry services that are available to the public. PT includes both government funded and commercially operated services. The government typically has more influence over publicly funded services.
- This A3 focuses on bus and ferry services. Passenger rail services will be covered in a separate briefing.
- PT has two key functions: access and efficient people movement.
- PT ensures people have access to goods, services, education and employment. Elderly and people with disabilities often rely heavily on PT.
- PT is critical to the operation of our main cities as it moves people more efficiently, using less space, than private motor vehicles.
- Journeys by PT typically result in significantly lower greenhouse gas emissions per km than those by private car.



## PT usage has been growing strongly in our main centres and these regions have been gearing for growth

PT005 - Public transport boardings by mode



Source: Ministry of Transport

- To meet projected growth in PT usage, and attract new users, regional councils have been planning to increase service capacity and frequency, requiring additional vehicles and drivers.
- Over 90 percent of PT journeys are made in Auckland, Wellington, and Canterbury. Around three quarters of PT journeys are made by bus nationally.

## PUBLIC TRANSPORT PLANNING AND INVESTMENT

## Publicly funded bus and ferry PT services are planned and procured under the Public Transport Operating Model (PTOM).

- Regional councils (including AT) are responsible for planning and service delivery, with services contracted to private operators.
- Under PTOM, regional councils prepare regional public transport plans (RPTs), which detail their public transport networks. The bus and ferry routes that make up these networks are bundled into units and competitively tendered or negotiated with operators.
- Private operators are responsible for employment relations and typically provide the vehicles and depots used to deliver services.
- Services are co-funded by central government through Waka Kotahi NZ Transport Agency (Waka Kotahi).
- Public transport services, including metro rail services, are funded from a mix of fares (including a Crown contribution for the SuperGold Card scheme), council share, and the National Land Transport Fund (NLTF). In 2018/19 fares made up \$373m (including \$30m for SuperGold) (43%), council share made up \$241m (27.5%) and the NLTF made up \$258m (29.5%).
- Central government influences the delivery of public transport through legislation (e.g. the Land Transport Management Act 2003), policy and planning (e.g. Waka Kotahi guidance), and funding (e.g. the Government Policy Statement on Land Transport and investment decision making).
- Service contracts are agreed between regional councils and private operators, and current contract lengths vary between 6, 9 and 12 years. As a result, changes to public transport policy can be complex and may take some time to embed.

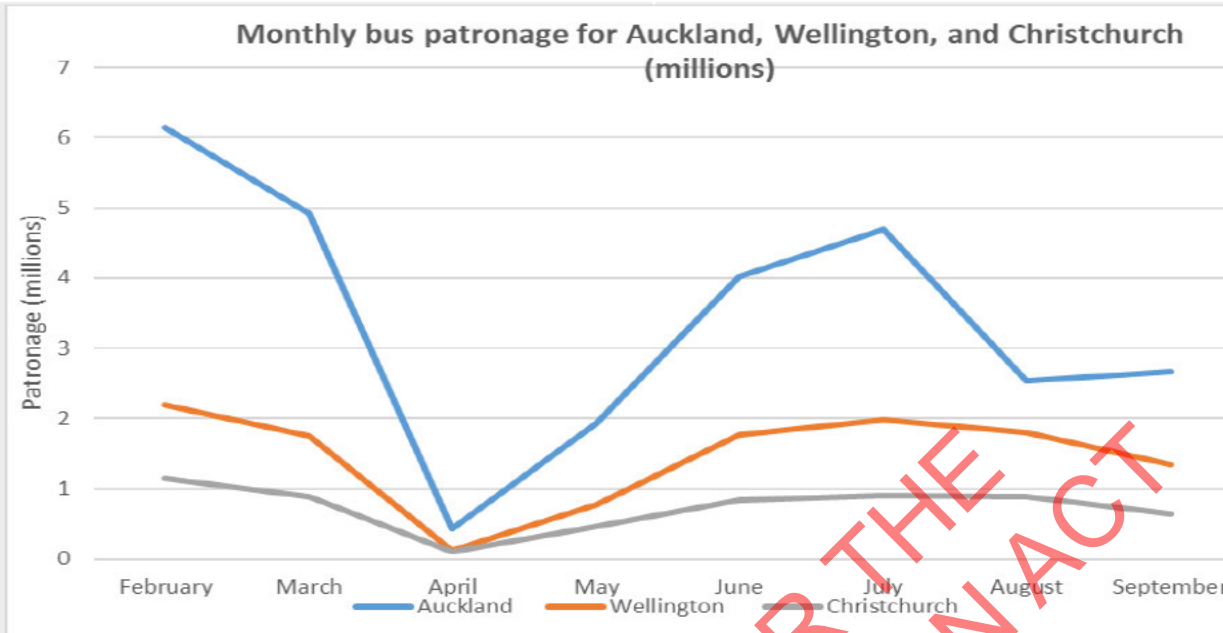
## Government provides additional support for people with different transport needs, including the SuperGold Card and Total Mobility schemes

- The SuperGold Card scheme gives people over 65 free PT travel at off-peak times.
- The Total Mobility scheme provides subsidised door-to-door transport services to eligible people with long-term impairments who cannot access regular PT.



#### COVID-19 has impacted PT use and threatens the sustainability of service provision

- PT patronage and farebox revenue were severely impacted by the outbreak of COVID-19 because of restrictions on travel and measures to maintain physical distancing.
- Patronage had recovered strongly but the Auckland resurgence and associated travel and distancing restrictions saw further impacts on patronage.
- With continued potential for resurgence of COVID-19, and changing travel habits (e.g. more working from home), there is some uncertainty about future levels of PT patronage.



#### COVID response and recovery has been our first priority since March 2020

- Ministry public transport policy staff have been deployed in COVID response work, including working with the Ministry of Health and the public transport sector to respond to alert level changes.
- Additional Crown funding was provided to support the NLTF given reduced revenues associated with COVID-19. This allowed Waka Kotahi to set aside \$111m for 2020/2021 to meet additional PT cost and revenue pressures associated with COVID-19, including reduced farebox revenue. This has allowed regional councils to maintain service levels despite reduced patronage.
- We anticipate there may be ongoing cost/revenue pressures for PT service delivery. We consider the first priority for COVID-19 recovery in relation to PT should be maintaining existing service levels and supporting mechanisms to drive a return of patronage.
- You may need to make policy decisions and/or seek Crown funding in future to support the recovery of PT.

#### PTOM has been in place since 2013 and should be reviewed as part of good policy practice

- Most regions have now implemented PTOM. Canterbury was the last major region to implement PTOM, and new PTOM contracts in Canterbury begin in November 2020.
- Unions have suggested PTOM tendering has put downward pressure on bus driver wages and conditions.
- Ministry-commissioned research found PTOM increased competition for service contracts. The impact of tendering on drivers' wages and conditions varied by region and depended on whether bus drivers changed operators.
- As part of good policy practice the Ministry reviews policy frameworks like PTOM to ensure they have met their objectives and remain fit for purpose.

#### A review of PTOM is underway, but has been delayed due to the sector's focus on responding to the COVID pandemic

- The PTOM Review is structured into two stages: an impact evaluation, which then feeds into a policy and legislative review.
- The impact evaluation, which has been contracted to KPMG/Mott MacDonald, has been delayed by COVID and is due to be completed before Christmas.
- The scope of the policy and legislative review will be informed by the findings of the impact evaluation and will be a key upcoming policy decision, which we will seek by the end of 2020.

#### Prior to COVID, PT bus services were impacted by prolonged driver shortages and industrial relations issues

- Driver shortages have resulted in high numbers of service cancellations and industrial relations disputes have resulted in service disruption.
- Relatively low wages and poor working conditions for bus drivers have contributed to the driver shortages and industrial relations issues.
- Driver shortages have since eased given the impact of COVID on the labour market. However, there is an opportunity to make changes that ensure the industry is more sustainable in the long term.

#### Collaborative work across the sector is underway to address workforce issues

- In 2019 the Ministry led work to ensure a smooth transition to new rest and meal break entitlements for bus drivers.
- The Government entered into a Memorandum of Understanding (MoU) with public transport bus operators, councils, and unions to address systemic issues in the sector - with a particular focus on workforce issues. An industry Steering Group is responsible for overseeing the implementation of the MoU.
- Over time the issues became more operational and responsibility for leading the work was transferred to Waka Kotahi. The Waka Kotahi Board endorsed a set of actions to support improvements to bus driver terms and conditions. As part of this Waka Kotahi will coordinate and work closely with the industry Steering Group on a programme to progressively implement a wage floor across current and future contracts.
- The Steering Group is progressing a Bus Driver Workforce Development Programme, which will build on work already underway by regional councils.
- Waka Kotahi will keep you updated on progress with this work programme.

#### Auckland Council, Greater Wellington Regional Council (GWRC), and Environment Canterbury (ECAN) have ambitions and commitments to decarbonise their bus fleets

- To date there has been limited deployment of zero emission buses (ZEBs) in New Zealand - with a total of 21 e-buses in regular operation.
- Over the next few years additional ZEBs are being rolled out in the main centres. Auckland will have an additional 32, Wellington will have another 98 and Canterbury will have another 25.
- Councils are paying a premium (anywhere from 20 to 100 percent) to provide services in ZEBs compared to diesel.
- The price premium reflects a range of factors, including high upfront capital costs, current policy settings, and how operators are pricing risk.

#### We have investigated options to accelerate the decarbonisation of the bus fleet

- We commissioned KPMG/Mott MacDonald to prepare a report on options to accelerate the decarbonisation of the bus fleet.
- The report has been finalised and has been shared in confidence with Waka Kotahi, Auckland Transport, GWRC, and ECAN.
- The Transport Emissions Action Plan will be exploring a range of options to support emissions reductions from public transport, including decarbonisation of public transport. It should be noted that the majority of our emission reduction gains for public transport will come from actions that support mode shift.

#### Stakeholders are concerned about access to and affordability of public transport

- Stakeholders have raised concerns about the affordability of, and access to, Total Mobility services.
- The Total Mobility and SuperGold card schemes have been in place since the 2000s and should be reviewed as part of good policy practice.
- We are also aware of concerns about the affordability of public transport. For example, some research indicates that fares in Auckland and Wellington are high when compared to those in other international cities.

#### In 2019 we investigated a scheme to reduce fares for Community Services Card holders

- The investigation focused on how this scheme could be implemented, and what it would cost.
- Councils, who set public transport fares, were supportive of this proposed scheme if it was funded by central government. Progressing an initiative of this nature would require Crown funding.

#### We will undertake a review of the Total Mobility and SuperGold Card schemes

- As part of the Government's Disability Action Plan 2019-2023, we have committed to undertake an assessment of the provision of services for people with different transport needs.
- This assessment will include a review of the Total Mobility and SuperGold Card schemes, and identify options for responding to any barriers or gaps in service.
- We will be seeking decisions from you on the timing and scope of this assessment.



# PUBLIC TRANSPORT – WORK PROGRAMME

2020

2021

2022

## COVID-19 RESPONSE AND RECOVERY

### Reactive work with Ministry of Health and Waka Kotahi to respond to alert level changes (MOT led)

Timing and resource requirements are unpredictable, but COVID response work is our highest priority to ensure services continue with operators having clear guidance on the requirements. While we can scale resources to advance this work, it does impact on delivery of other parts of the work programme.

### Funding and operational support for councils throughout COVID response and recovery (Waka Kotahi led)

With uncertainty about public transport patronage and the potential for continued revenue pressures, Waka Kotahi continues to support councils with COVID recovery.

### Addressing funding and revenue pressures for PT and the NLTF (MOT led supported by Waka Kotahi)

If there are ongoing reductions to PT patronage and/or further COVID resurgence events the ability to continue to meet revenue shortfalls from the NLTF could be constrained. MOT will provide advice around these issues if necessary

## PTOM REVIEW PHASE 1: COMPLETE IMPACT EVALUATION

### The PTOM Evaluation will inform the scope of the policy and legislative review (MOT led)

The PTOM Evaluation is nearly complete. In late November/early December 2020, we will provide advice on the findings and the next steps to progress the PTOM Review.

## PHASE 2: POLICY AND LEGISLATIVE REVIEW

### The PTOM Review may require legislative changes (MOT led)

The timing and resourcing requirements for the PTOM policy and legislative review will depend on the scope. We envisage the release of a discussion document in the first quarter of 2021, with policy decisions in mid to third quarter 2021.

Any changes to legislation will require amendments to the Land Transport Management Act 2003, which are likely to take from 2021 into 2022.

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### Ensuring public transport is attractive and affordable will support inclusive access and mode shift

- The SuperGold Card scheme has been in place since 2008, providing cardholders with free off-peak public transport travel.
- The Ministry has undertaken several funding reviews, but has not undertaken a policy review since the scheme was introduced.

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### The Ministry has committed to reviewing the Total Mobility scheme as part of the Disability Action Plan 2019-2023

- The Disability Action Plan was developed by the Office for Disability Issues in collaboration with the Disabled People's Organisations Coalition and government departments.
- Scoping of the review of the Total Mobility scheme must commence by 2023.
- We have a good understanding of the physical barriers impacting disabled people's access to transport, but we have limited knowledge of disabled people's direct experiences using transport services (such as the Total Mobility scheme).

## TOTAL MOBILITY REVIEW PHASE 1: RESEARCH AND SCOPING

### Research to understand barriers to the use of the Total Mobility scheme, and exploring opportunities to improve the scheme (WK led)

Waka Kotahi is seeking tenders to complete this research. Timeframes for completion are TBC but may not be available until December 2021.

## PHASE 2: REVIEW AND IMPLEMENTATION

### The scope and timing of the review will be considered following Phase 1 (MOT led)

Waka Kotahi's research will inform the scope of the Ministry's review of the Total Mobility scheme, which will aim to address concerns that have been raised from the disability community.

## ONGOING DELIVERY OF OPERATIONAL PROGRAMMES (SELECTED PROGRAMMES)

### Bus Driver Workforce Development Programme (WK partnering with councils, unions, and operators)

- This programme is still being scoped with the industry Steering Group. However, it is likely to include the implementation of rest and meal breaks, a workforce skills and capability plan, and work on bus driver remuneration and benefits.

### Requirements for Urban Buses (WK-led)

- Waka Kotahi is reviewing the Requirements for Urban Buses in New Zealand (RUB). The RUB sets vehicle standards for buses used in public transport services that are contracted by regional councils. The purpose of the RUB is to create efficiencies and improve the usability and accessibility of buses for all customers. Waka Kotahi is currently consulting on changes to the RUB and expects to adopt most changes in Q1 2021. Once in place the RUB will be implemented through future service and vehicle procurement.

### Public Transport Design Guidelines (WK-led)

- Waka Kotahi is developing design guidelines for public transport that are intended to support regional and local councils in delivering high-quality, user centric public transport systems. The guidelines will cover a range of topics and are being delivered incrementally, over the course of 2021. The Guidelines will then be operationalised through ongoing design and construction of public transport systems, supported by investment decisions from Waka Kotahi.

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Ministry of Transport  
TE MANATŪ WAKA

BRIEFING

10 November 2020

OC200876

Hon Michael Wood  
Minister of Transport

## COVID-19 – AVIATION SECTOR RECOVERY STRATEGY

### Purpose

Establish the need for, and recommend an approach towards, developing an Aviation

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### Key points

- Aviation connects New Zealand, and New Zealanders, to the world, providing access to global markets, and facilitating trade, tourism and international education. It allows whanau and friends to connect in the Pacific, Australia and further afield and supports business travel and knowledge transfer. It plays an essential role in social and economic regional outcomes, facilitating the movement of freight and people, and providing connections with our other transport modes.  
Withheld under Section 6(a) of the Official Information Act 1982
- International and regional connectivity provided by aviation has been important during the COVID 19 response by [REDACTED] and New Zealanders and essential workers come here. It will also be a critical enabler of New Zealand's economic recovery through retaining important links and position in tourism and trade markets, and supporting regional recovery.
- COVID-19's impact on the aviation industry, the up and down stream sectors it supports, and the corresponding economic hit to New Zealand, has been unprecedented. International passenger aviation is now at 2% of pre-COVID levels and domestic aviation at 60-70%. Billions of dollars have been lost of balance sheets and thousands of people have lost their jobs. The sector has, and is, repositioning itself for what is likely to be a different looking sector for some time.
- The Government has taken steps to ensure critical domestic and international connectivity remains through the: International Airfreight Capacity Scheme; Essential Transport Aviation package; alleviation of government fees and charges; and loan facility to New Zealand's national carrier (Air New Zealand). Combined, these initiatives have ensured New Zealand has maintained a minimum domestic and international aviation network.
- However, this funding will be used by early 2021, and given a vaccine is only predicted to be available and distributed widely towards the end of 2021 into 2022, additional Government support will be needed to maintain connectivity. In addition there needs to be a plan for incremental risk based opening of borders over 2021 and a plan for aviation recovery or many NZ operators will find it difficult to survive and

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international carriers may leave New Zealand. Without a longer-term plan, we risk taking decisions in isolation that could have detrimental and irreversible impacts on the aviation sector, our connectivity to the world, and the wider New Zealand economy. How we think about air services, aviation infrastructure, and our ability to manage a range of risks in the system, is at a critical juncture in time.

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Kirstie Hewlett  
Deputy Chief Executive System and  
Regulatory Design

12 / 11 / 2020

Hon Minister Wood  
Minister of Transport

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Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

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Kirstie Hewlett, Deputy Chief Executive, System and Regulatory Design	[REDACTED]	✓

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**COVID-19 - AVIATION****The Importance of Aviation**

- 1 Aviation connects New Zealand and New Zealanders to the world, provides access to global markets, and facilitates trade and tourism. Strong inter-industry linkages with both upstream and downstream sectors make aviation an important part of the economy.

*Imports and Exports*

- 2 International aviation is crucial to our high value export firms. Air freight carries less than 1% of our trade by volume, but about 16% of our exports and 22% of our imports by dollar value<sup>1</sup>. In the year to June 2020, NZ exported \$10.2 billion of products by air, and imported \$15.4 billion worth of products. Most of the volume of our air freight exports is from the primary sector; from lobster, salmon and seafood, to lamb, cherries and avocados.
- 3 Exports freighted by air are high value, and normally time sensitive. Our trade position in market is often based on the freshness and quality of the product. Air freight products earn much more for the country when shipped fresh (or live) by air than they do when frozen or otherwise processed. Fresh, chilled tuna can sell for ten times the price of frozen tuna. The value of frozen lobster is, at best, 50% of the value of live lobster.
- 4 Most of the air freight export products come from regions that are economically reliant on particular products, for instance coastal communities dependent on fisheries. These industries are major employers. 150,000 New Zealanders are employed in the agriculture, forestry and fishing sector.
- 5 Imports coming to New Zealand by air freight include medicines, medical devices, and COVID supplies from a range of different markets. Machinery parts from countries like the US and Japan are often needed at short notice and are critical to keep things like agriculture or mining equipment working for business continuity, as well as vehicle parts, as also imported. There are also large quantities of imported consumer goods which go both direct to consumers and retail businesses.

*People-related exports: Tourism and International Education*

- 6 Some of our key people export services also rely on aviation.
- 7 Before COVID-19, tourism was our biggest export industry,<sup>2</sup> and employed 8.4% of the total workforce (229,566 people). In the year to March 2019, international tourism expenditure contributed over 20% to NZ's total exports of goods and services, amounting to \$17.2 billion. International tourists paid \$1.8 billion in goods and services tax (GST) to the Crown. New Zealand's position in tourist markets, and the

<sup>1</sup> <https://www.transport.govt.nz/mot-resources/transport-dashboard/6-air-passenger-and-freight/ar010-exports-and-imports-by-airport-value-billion-dollars/>

<sup>2</sup> <https://www.tourismnewzealand.com/about/about-the-tourism-industry/>

Aviation Service Agreements which allow Air NZ to land in other countries, and other countries airlines to operate here, have taken decades to build and negotiate.

- 8 Before the pandemic, international education contributed an estimated \$4.4 billion to the New Zealand economy, and supported 33,000 jobs.<sup>3</sup>

*Travel for essential workers and business connection*

- 9 Aviation is critical to bringing skilled migrants to New Zealand. Travel of skilled people to New Zealand is an essential enabler for sectors as diverse as the film and screen sector, the digital sector, health, transport and construction, or the food and beverage sector. Business travel both from, and to, New Zealand is also an important channel for international knowledge transfer.

*Bringing New Zealanders home, social connection and fulfilment of our obligations*

- 10 We are a global society, with one of the largest diaspora in the world per capita, and the ability to connect to our friends, family and whānau in Australia, the Pacific, and beyond provides important social connection and wellbeing in our society.
- 11 It is also important that New Zealanders wishing to return home whether for economic or personal reasons can, and that New Zealand is able to meet our international obligations relating to humanitarian programmes, including relating to the Pacific and restarting our refugee settlement programme.

*Aviation also supports upstream businesses*

- 12 Air transport relies on several upstream sectors. Support activities include: the operation of airports and those that work on their precinct, rental and leasing services, petroleum manufacturing, aircraft maintenance and engineering. Ancillary services that support aviation, such as ground handling and catering services are significant employers and particularly concentrated in South Auckland.

*Aviation plays an important role in regional connectivity and development*

- 13 Good domestic and regional air connectivity facilitates the movement of people and freight across the aviation system and provides connections with our other transport modes. In addition to the regions served, it benefits the nation as a whole, as well as other parts of the aviation sector. Benefits to the country as a whole from good regional air connectivity include:
- economic benefits from having thriving regions – regional connectivity supports both business activity and tourism
  - economic network effects, including economies of scale and scope due to more connections between consumers and producers
  - increased efficiency, as it can be cheaper for people to travel for services or for specialists to be flown in (such as for specialised or complex medical services) than to replicate the services locally on a conventional basis
  - increased connectivity and opportunities for domestic travel and trade
  - resilience to emergencies and disasters

<sup>3</sup> page 10 - <https://enz.govt.nz/assets/Uploads/International-Education-Strategy-2018-2030.pdf>

- national cultural cohesion
- 14 The general aviation sector also delivers a number of services and benefits to regions and sectors from: domestic cargo/freight delivery, emergency medical flights; agricultural services, tourism services, flight training, as well as recreational flying.

*The Aviation Sector presents a number of risks and challenges*

- 15 Airports and airlines deliver the significant benefits described above, but at the same time the movement of people and goods at airports creates significant risks for New Zealand that need to be managed.
- 16 Therefore, airlines and airports are required to play an important role in supporting the Government's need to manage these risks, and meet its broader policy objectives. Airports do this by ensuring aviation and border agencies and other essential services have sufficient space, infrastructure and facilities to carry out roles that enable the safe, secure and efficient movement of people and goods through our airports.
- 17 Airports and airlines have also had to play a key role in implementing health measures to manage COVID 19. It is likely that there will be more demand for space and facilities at airports to manage COVID and other health issues into the future (e.g. pre-departure and arrival screening and separation of passengers).
- 18 Airlines also create emissions and air quality/noise issues that need to be managed. Domestic aviation contributes about 6% of all national transport emissions, but has remained relatively unchanged between 1990 and 2016 as the shift to larger and more fuel-efficient aircraft offset the increase in domestic air travel. Prior to COVID 19, Air New Zealand was one of New Zealand's largest carbon emitters. In 2019 its carbon footprint (greenhouse gas emissions) increased by 5.2%. It is actively considering how to reduce emissions through more sustainable fuels and energy services, and more emission-efficient aircraft.

**The sector has faced significant impacts from COVID 19**

*International Aviation*

- 19 COVID border restrictions resulted in a dramatic decrease in international flights – falling from around 550 per week pre-COVID, to less than 100 per week in April, and around 130 per week now. International passenger volumes have decreased from 120,000 per week at this time last year to around 2,500 per week currently (a 98% reduction).
- 20 New Zealand is a small, distant and expensive market at the best of times. Many airlines have scaled-back their services to New Zealand. Air New Zealand has put more than half its international fleet into long-term storage, and Qantas is not running an international passenger network apart from a few flights to New Zealand now as a result of state openings to New Zealand.
- 21 The number of airlines flying to New Zealand has reduced from 30 down to 20 in the same period.

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- 22 Border restrictions, and quota and booking allocation systems in New Zealand, which restrict inflow of passengers to manage capacity in managed isolation and quarantine (MIQ) facilities, make it difficult for airlines to run commercially viable international passenger services at this time. [REDACTED]

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- 23 Our international airports have also been hard hit. Many infrastructure plans have had to been put on hold, delayed or reduced in scope, given the significant revenue impacts (both international and domestic). Auckland Airport has cancelled or deferred infrastructure projects with a projected total completion value of more than \$2 billion until there is more certainty about future market conditions and it is again able to support higher capital expenditure levels and associated borrowings. While this has been incredibly challenging for airports, airlines and agencies that work at the airport, it also provides opportunities to undertake work that is better performed with reduced passenger volumes (eg runway maintenance), and for airports to work with airlines and agencies to consider how to build back infrastructure in the medium term in a way that enhances airport and Government outcomes.
- 24 At the same time, the operational costs of implementing new public health measures are largely falling on airlines and airports at a time of significant financial pressure. This includes responding to policy directives and air border orders relating to international arriving passengers, transiting passengers, air crew (from both passenger aircraft and freighters), and departing maritime crew, as well as preparation to meet government requirements for future Safe Travel Zones, all of which leads to operational complexity as well as triggering material operating and capital expenditure. These costs may increase as new measures are required to accommodate quarantine-free travel arrangements. For example, Auckland Airport is making a significant investment in establishing separate zones for passengers going onto MIQ ("red") and quarantine-free ("green") flights.
- 25 There have been significant job losses across airlines and airports, although there would have been considerably more without the Government's wage subsidy, IAFG and aviation fee and levy relief. Some operators have put in place furlough arrangements to enable people to return as aviation recovers.

#### *Domestic Aviation*

- 26 Domestic aviation is currently at around 60-70% of pre-COVID levels. However, movement between Alert Levels can cause significant disruption and financial impacts. The decision to remove physical distancing configurations on planes at Alert Level 2 will provide more stability for recovery, but any movements into higher Alert Levels with physical distancing has significant impacts. Business travel is also much softer, and the absence of international tourists which make up 20% of the market, will make it difficult for the domestic sector to recover much more beyond 70% until borders open.
- 27 Air New Zealand has said the current CAA and Airways levy and fee relief package has had a significant impact on it being able to sustain its domestic network [REDACTED]

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- 28 Jetstar continues to operate in the New Zealand market but on a reduced schedule. It has struggled to maintain business during higher Alert Levels when physical distancing configurations on aircraft were required.

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- 29 Many smaller domestic passenger airlines, such as Sounds Air and Air Chathams, continue to receive support from the Transport Connectivity Aviation relief package to maintain some critical services, and have also found the current CAA and Airways fee relief measures important for sustained operation.
- 30 Regional airports have faced a number of financial pressures, many have had stakeholder, including local Government, and financial institutions support to continue to operate.
- 31 Regional airports obtain revenue through landing charges and airport services. Some have small numbers of users, but the minimum costs of maintaining airport infrastructure such as terminals, runways and navigational procedures are independent of traffic volumes.

- 32 Prior to COVID-19 New Zealand had adequate regional air connectivity, but levels of service were declining as many operators of smaller regional airports could not recover the high cost of maintaining their facilities from the fees they are able to charge airport users. Ratepayers in some regions are contributing to the costs of maintaining airports. The scale of investment required makes this unsustainable and places a very heavy burden on some communities. Some of these issues have been exacerbated by COVID 19 where local government has also seen financial pressures resulting from revenue declines in other services.

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- 33
- 34 Five regional airports are joint ventures, half-owned by the Government. The COVID-19 alert level changes has resulted in a drop in revenue and all Joint Venture Airports

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- 35 Air navigation services are also critical to the safe operation of the aviation system and contribute significantly to New Zealand's economic prosperity. Many regional airports are not able to fund the instrument flight procedures (IFPs) required to safely fly into those airports. IFPs are instructions for pilots for flying a route or an airport approach using satellite positioning or ground-based navigation aids. For example, airports need at least an approach from each end of the runway.
- 36 Some of the regional airports are also not able to afford some of the ground based navigational aids required in case satellite positioning is lost and aircraft need to be

recovered safely to the ground. These ground based navigation aids are required to support some services that use helicopters, including emergency medical services.

37 Many other jurisdictions provide Crown support for important regional air connectivity recognising the difficulties in funding some smaller regional services, but their importance to regions' economic and social outcomes and resilience. In the previous term, Cabinet agreed in principle to establish a regional air connectivity fund to support regional connectivity and address these issues. A Budget bid for this was not successful in Budget 2020.

38 These issues, which existed pre-COVID, have now been exacerbated by COVID 19. Local Government's ability to provide support has got harder as it has also seen financial pressures resulting from revenue declines in other services. There are real concerns there are may be safety issues if essential investment in airport navigation and infrastructure does not occur.

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*General Aviation*

- 44 The general aviation (GA) sector is a diverse one, covering activities such as air transport (carriage of passengers and freight between two points), agriculture, pest control medical evacuations, flight training and tourism (including "fly-seeing" and parachuting).
- 45 Different parts of this sector have been affected differently in the response phase, and will come through the recovery at different paces.
- 46 Tourism aviation businesses are particularly exposed to international tourism and will take much longer to recover, and it is possible that some firms may fail in the interim. Like other tourism providers, aviation operators will need to pivot, redesign and right-size their businesses to survive.
- 47 There are a number of initiatives in place to support tourism businesses during this time. These include the tourism transitions programme which will deliver advice and support for either pivoting a business towards the domestic and Australian market, hibernating a firm, or other options. The approach to date by the Government to the tourism aviation operators is that for equity reasons these firms should be accessing broader Government, and tourism support, like other tourism businesses.
- 48 The flight training sector are heavily affected by impacts from COVID-19. Some training schools have a 70% or 80% ratio of overseas students. In the short term, overseas students have not been able to enter New Zealand. This has affected enrolment and take up of enrolment both for courses that cover a standard New Zealand academic year, but also course with other start dates. Stakeholders are interested in further discussions about visa exceptions in this area, given the contribution students make to the New Zealand economy, paying fees, on an annual basis of around \$80,000 compared with PhDs of \$7,250 and other doctoral students of around \$44,000 (Auckland University rates).
- 49 Apart from the lock down in Alert Level 4, agricultural general aviation has only had small impacts. We would expect that this part of the sector will return to a new normal that looks very much like the old normal quite quickly.

*Aviation and Border Government Agencies*

- 50 COVID-19 has had a major impact on the revenues of the CAA, as the CAA covers many of their regulatory costs from levies, fees and charges, sharp drops in passenger revenue (particularly due to border restrictions). It is critical that AVSEC and CAA are adequately supported to maintain the capacity and capability to be able to operate domestically, and at the border as passengers return, but also that the agency achieves efficiencies over the short term and is right sized for the future.
- 51 The CAA and AVSEC have held a number of vacancies to make savings. Those staff who are left are fully utilised undertaking domestic screening at airports, a reduced role of international screening, and operating in MIQ (see below). AVSEC is also called on from time to time to play a role at airports in any resurgence.



- 52 Around 220 - 250 AVSEC staff provide security services at MIQ facilities (with the staff costs paid for by a CAA liquidity facility and overheads by the Ministry of Health/Ministry of Business, Innovation and Employment). Besides support for MIQ, the advantage of AVSEC providing a key role in relation to isolation accommodation, is that when the border opens, even incrementally, AVSEC staff can transition back to their previous roles. AVSEC staff require 6-12 months of training depending on the role, so this will enable there to be sufficient staff to carry out work immediately and also save on costs of recruitment and training of new staff.
- 53 Maritime NZ and other border agencies like MPI, Customs and Immigration have also been impacted by lower passenger and freight volumes. The impacts are dependent on agency. Customs for example, is playing a large compliance role, particularly at the Maritime Border, in relation to COVID management.

#### *Airways*

- 54 Airways has seen significant drops in revenue, and has required cash injections from the Crown (including from the Aviation Relief Package) to continue to operate. It has delayed many of the projects and investments it had underway to improve air navigation in New Zealand. It has also taken steps to consider withdrawal of service at seven regional aerodromes due to declines in traffic volumes. As a State-Owned Enterprise (SOE), Airways is required to operate as a commercial business, with an emphasis on considerations of safety and efficiency. We are providing you with another briefing on *Air Navigation* in the next few weeks.

### **The Aviation Sector is key to New Zealand's Economic Recovery**

#### *What will the pace of recovery look like?*

- 55 The recovery of aviation from COVID-19 will take much longer than originally anticipated when the Aviation relief programme was first put in place.
- 56 Current Government COVID 19 scenarios model a vaccine coming online and being widely distributed by late 2021 or early 2022. If borders do not open incrementally before this time there will be significant impacts for aviation operators, including Air New Zealand. Please see *International Connections and the Border* briefing.
- 57 The industry recognises that full recovery will take some years. IATA, the global airline representative body, forecasts that global passenger traffic will not return to pre-COVID-19 levels until 2024.<sup>5</sup> Recovery may also be longer due to changes in transport behaviour by cautious consumers or an increase in video-conferencing instead of business travel.
- 58 Recovery will also not be spread equally, and long haul travel to small, distant and expensive markets like New Zealand are likely, without intervention, to be among the last to recover (aviation recovery normally happens first in the Northern hemisphere). This is especially likely given the border settings necessitated by New Zealand's elimination strategy.

<sup>5</sup> <https://www.iata.org/en/pressroom/pr/2020-07-28-02/>



*Aviation will be a key driver for economic recovery*

59 New Zealand is an island nation, so substitution with other modes of passenger transport (e.g. high speed rail), is not possible.

60 New Zealand will need aviation in the following ways to support recovery:

- Key imports and exports which rely on airfreight (and cannot reposition), and provide a number of jobs, will need to continue to come to, and, from New Zealand or we will lose position in trade markets that will either take time, or we may not be able, to recover from. Positioning New Zealand globally is a key pillar of Labour's manifesto, and exports have been identified by the Treasury as critical for New Zealand's economic recovery.
- Currently work is underway to consider how to attract high value tourists and grow a more sustainable tourist industry for future recovery. As part of this we will need to retain aviation connections and slots in key markets and be well-positioned to take advantage of incremental or larger border re-openings.
- The Government is setting out a long term recovery plan for the international education sector in recognition that the sector will play a vital role in the recovery and rebuild. Without the ability to travel to New Zealand, those international students will study elsewhere, and New Zealand educational institutions will miss out.
- While COVID has led to consideration of how we might want to re-define our immigration policies and strategies, there is, and will continue to be, high demand for skilled workers through response and into recovery which require aviation links to travel here. New Zealand's response to the COVID pandemic also provides opportunities to market us as a country to skilled workers we would like to attract.
- While the experience of COVID-19 has forced many individuals and businesses to adjust to remote working, video conferencing and using other technology solutions, it is likely that there will still be value in face to face meetings by business and corporate travellers. Without the ability to visit clients, to work overseas, or bring in foreign talent, those sectors could all lose out on business opportunities to competitors from other countries who are able to travel. In addition, those corporate and business passengers often travel in premium cabins, which make a disproportionate contribution to airline earnings. Enabling travel by those passenger groups could be a mechanism to assist airline revenue growth in advance of opening up to the wider passenger market.
- Aviation connections that allow New Zealanders to come home and to reconnect to friends, family and whānau in Australia, the Pacific, and beyond will be integral to regaining normalcy and wellbeing in our society and to meet our obligations to the Pacific and other humanitarian programmes. Even under current settings it can be expensive to fly, and for people to get to New Zealand from some parts of the world.

*The sector will not be able to deliver through response and into recovery without Government support in the short to medium term*

We need to maintain a Minimum International Network

- 61 It is important to acknowledge given the length of recovery the aviation sector will need to continue to adjust, and that our future aviation connections will not be as wide, or as far, as pre-COVID-19. Many aviation operators in New Zealand have recognised this and undertaken a number of steps to adjust their business (e.g. redundancies, delaying or changing infrastructure plans, or in the case of Air New Zealand reducing its international network).
- 62 However, given the importance of aviation to economic recovery we need to at least retain our minimum international network to ports which are important for trade, and social and business connections. Particularly, given our experience of the Global Financial Crisis, that if we lose strategic routes, these will take months, or years, to recover.
- 63 In March 2020 when the IAFC was being developed officials from the Ministry, with support from other agencies, undertook work to identify the key international airports which were important for trade (imports and exports), tourism, international obligations (e.g. the Pacific) and connection. This has formed the minimum international network we believe needs to be maintained for response but also to support economic recovery.
- 64 In early 2021 we understand that many international airlines will decide whether they remain in New Zealand over 2021. This decision will be based around whether New Zealand has a clear risk-based strategy towards border re-opening in the future. It will also be based around other levels of support like the future of levy and fee relief and the IAFC. Increasingly countries in the Asia-Pacific are taking risk based approaches to their border re-openings. Hong Kong, China and Singapore in particular are piloting small risk based border-opening approaches with each other, and Australia has signalled it will be considering more uni-lateral border re-openings. If this expands in 2021, then more services will operate between these countries, driving down the costs of moving goods and passengers in these countries. This will make the cost of flying here even more expensive in comparison, if we have not incrementally opened.
- 65 Alongside a clear approach for risk based incremental border re-opening, there will need to be more Government support over the next 12 months to maintain the minimum international network, with support gradually decreasing as more air services flow.  
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- 66 A large part of the international passenger network is reliant on Air New Zealand. Air New Zealand has been clear that at present, its international network is only sustainable with support from the IAFC. [REDACTED] and Air New Zealand does not operate any international flights outside the IAFC.<sup>6</sup> Many other international airlines, which do not receive Government support, have stopped operating international passenger networks for this reason.

<sup>6</sup> With the exception of a flight from Brisbane to Los Angeles, which is supported by the Australian government.

- 67 Having a strong national carrier is of significant benefit to New Zealand. A New Zealand-based carrier will employ more New Zealanders and have more New Zealand shareholders than an overseas-based carrier, so make a much greater contribution to the New Zealand economy. It will market New Zealand in overseas markets in a way no overseas carrier will, and provides a greater level of both service and confidence of continuation of service to New Zealand passengers, importers and exporters.
- 68 New Zealand also needs to maintain slots (arrival and take-off times at airports) that have been negotiated over a number of years. Normally, congested airports (such as Shanghai or Haneda in Tokyo) are fully allocated and operate a "use it or lose it" system. That requirement has been waived, but if the recovery is slow, effort may be needed to ensure that Air New Zealand retains slots for future use. There is a risk that some governments, having provided failing airlines with substantial support, will attempt to protect these airlines from competition, rather than seeking a return to broader connectivity as soon as it is safe.
- 69 It is also important a range of international airlines continue to operate to New Zealand, as they support services to important routes on the minimum international network Air New Zealand does not, and maintain a competitive and sustainable aviation sector in NZ. Many international airlines only continue to operate to New Zealand because of IAFC and/or relief from Airways and CAA charges, especially given passengers are capped by the Government quota/ MIQ booking allocation system.
- 70 When the relief from CAA and Airways charges finished in 31 August 2020, and before a decision was made to extend it to December 2020 several airlines approached the Government and other aviation bodies asking about the relief, seeking extension, and indicated for some of them it would cause them to re-think services and operation.
- 71 Between March and the implementation of the IAFC at the end of April, many airlines stopped operating, or reduced services, to New Zealand. Many of these airlines then resumed services because of the IAFC. Only a small number of passenger carriers operate outside of the scheme, and only do so as they are subsidised by their home Governments, which have alternative non-financial motivations to continue those operations, such as maintaining links into New Zealand for recovery, food security, or geostrategic considerations. Our experience of when borders closed and the actions many airlines took indicates that there is a small finite supply of those air services, so one of the benefits of the IAFC is that it reduces New Zealand's dependency on carriers supported in this way and the risk that their service pattern changes at short notice. These carriers are also not able to service all the other international ports/markets that we rely on for imports or exports, so even if they increased their services they would not support the minimum international network.
- 72 Non-IAFC airlines have added only a very small number of additional flights since March. Singapore Airlines is operating some services but has pulled out its operations at Wellington for the medium term, and Polar Air Cargo added a weekly flight to Seoul. This growth has not been of a scale to suggest that the market is recovering or has adjusted to the new environment.



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Many airports are considering changes to their infrastructure plans now as a result of COVID 19, including how they can down-grade, defer, or more efficiently and effectively implement infrastructure changes. A key consideration in this will be aviation screening and border agency needs, and what health screening might be needed at airports in the future. Government agencies are also considering how they can work with airports to ensure that security, health and other border agency requirements are built into new plans. Much of the investment in infrastructure will result in efficiencies for Government agency operation at the border in the medium term, as well as deliver better outcomes.

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Many other jurisdictions are facing the same challenges with aviation screening and have made investment in security screening part of Aviation sector support packages.



- 80 To date airports have paid for much of the cost to implement new health measures at airports, this is becoming increasingly difficult, more thought needs to be given as to whether there is some cost sharing or support for the Crown over the short term.  
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### Domestic Network Support

- 82 In addition, there are a number of challenges domestically with aviation outlined above in relation to our national carrier and regional connectivity that need to be addressed over this Government term.
- 83 There is a risk with reduced domestic passenger volumes, and without relief from Airways and CAA fees and charges some domestic air services will stop over the next 12 months. We need to understand what the impacts will be on communities and regions' economic development, and to determine whether the Government is comfortable with the loss of this connectivity.
- 84 There is a range of air navigation funding challenges that may need to be addressed in 2021/22, or we will see some safety issues, and possible issues with flight paths for helicopters and emergency services. It is also likely the digital aerodrome information services might be an alternative for air traffic control services in the airports Airways has indicated they would like to withdraw from given financial pressures. While this will be much cheaper in the medium term, there is currently little funding in the system to bring in this new technology.
- 85 These are the types of issues that would have been funded by the Regional Air Connectivity Fund, which was agreed in principle by Cabinet, but not funded in Budget 2020. While such a fund may be agreed in the future, some of these issues will need to be resolved in some way in 2020/2021 and are critical for maintaining domestic aviation network and connectivity.
- 86 The Treasury has been concerned that the aviation sector not become reliant on fee and levy relief, or the IAFC. However, given the reliance on aviation by downstream and upstream firms, its role in both response and economic recovery, and the current scenarios for border openings, we believe a case can be made for extending the \$600m Aviation Relief Package, which runs out around the end of March 2020, for another year. We believe this is also aligned with the Government focussing COVID funding support more on sectors that are continue to be hard hit and are important for recovery.
- 87 Many other jurisdictions have also recognised this need with ongoing financial support and recovery strategies for the aviation sector into 2021. International financial support for aviation has taken the form of direct subsidies, loans, equity, grants and cash injections, wage subsidies, relief from aviation fees and charges, and broad sectoral schemes.

88 We believe any financial support from Government should:

- recognise that in the short term the sector needs to adapt, and investment should not unnecessarily impede market responses and business dynamics, however,
- still support the on-going provision of a minimum domestic and international network (i.e. essential connectivity) important for delivery of social and economic outcomes, and critical for recovery;
- should encourage productivity and competition to enable a sustainable future aviation sector in NZ;
- be designed for Government exit when passenger volumes return or context changes
- where possible, support a move to a low carbon sector
- be sector, rather than firm specific, but recognise the ownership and other interests the Crown has in maintaining a viable national carrier.
- recognise that funding for aviation actually supports a range of other sectors and is a key driver for economic recovery
- consider investments that also support the aviation sector transition to a secure, safe healthy and more efficient border.

89 We note the current aviation relief package interventions already meet these objectives:

- The IAFC was designed to support a minimum international network for passengers, freight and recovery of markets. It provides capacity for both imports and exports, and was open to all airlines to encourage competition and ensure all key routes were reached. While it cushioned, it did not completely relieve the increases of COVID export and import prices, so that firms had to adapt and there was still competition by cargo carriers outside the scheme. It also provided the ability for the Government to reduce its cost and exit as passenger volumes returned.
- The relief from Airways and CAA fees and charges is a broad sector relief package that applied to international and domestic airlines. It encourages international airlines to fly, and has supported Air NZ and domestic airlines to continue to offer key domestic services and routes.
- The Aviation Essential Transport Connectivity Fund: provided grants to any aviation operator in the supply chain who was essential to ensure aviation passenger connectivity, and whom has demonstrated full use of other broader Government support and other funding sources.

90 For more detail on these schemes, and the money spent as part of the Relief Package, see the briefing on *Financial Sustainability of Transport Operators*.

91 There is a review of the IAFC scheduled to report to Ministers early in 2021. Even if the scheme is not retained in its current form there is likely to be some support needed after this date. Relief from fees and levies finishes in December 2020, and thought should be given to whether this, or other support is needed. There are also a range of domestic regional connectivity issues that will need to be addressed over 2021 to maintain a domestic regional network, and potentially support needed around investment in aviation security infrastructure.

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92 We propose that you seek an extension to the Aviation Relief Package for 2021 as a budget bid from the COVID 19 Fund, [REDACTED] and would like to discuss this with you.

93 The benefit of the Relief Package is that it has enabled efficient and quick funding of a range of issues that have evolved through response into recovery. Any initiative under it would have to be "essential for domestic and international aviation connectivity" and would still require joint Ministerial or Cabinet agreement. We would also recommend any spending be aligned with any Aviation [REDACTED] agreed by Cabinet, discussed below.

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94 We note, as per above, investment in aviation relief has provided significant support to exporters and importers, enabled New Zealanders to come home, and skilled workers to enter New Zealand. For this reason, and to demonstrate its real focus, we suggest it be renamed the Aviation International and Domestic Connectivity Fund.

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**The Government has responded quickly** [REDACTED]

95 The Government responded quickly to the impacts of COVID 19 on the aviation sector with an Aviation Relief Package comprising the fee and levy relief, the IAFC and Aviation Essential Transport Activity Fund.

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96 [REDACTED]

97 [REDACTED]

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OFFICIAL INFORMATION ACT

UNCLASSIFIED



11 November 2020

OC200409

**Minister of Transport****AUCKLAND TRANSPORT ALIGNMENT PROJECT (ATAP) 2021-31 UPDATE****PURPOSE**

Update you on the development of investment options and advice for the 2021-31 ATAP Programme and key considerations

**KEY POINTS**

- You are about to go into the final stages of the 2021-31 ATAP considerations, these will happen between now and the end of 2020. You will lead the government's discussions with the Mayor of Auckland and finalise an agreed investment package.
- We have worked with the ATAP partner agencies to develop options for investment for the ATAP 2021-31 programme. Given the complexity and level of detail of the ATAP programme, we would like to meet with you in mid November to prepare you for upcoming discussions with the Mayor of Auckland.
- Key points of discussion in relation to ATAP 2021-31 are likely to be funding, response to growth in Auckland (in particular the amount of local transport investment allocated to support the New Zealand Upgrade Projects in Drury) and prioritisation of projects for inclusion in the programme.
- The ATAP programme supports modeshift towards public transport and walking and cycling as well as investment in local and strategic roads. The programme also supports the integration of urban growth with transport.
- Most of the ATAP 2018-28 programme will remain, this is expected as the programme is entering year three of a ten-year investment programme.
- A large portion of the ATAP programme is either under construction or contract or is seen as 'essential' to continue.
- Included in the 'essential' portion of the programme is a significant amount required to keep the existing ATAP programme functioning effectively through renewals and operational expenditure. There are also a number of Auckland Transport (AT) programmes including safety and optimisation that need to continue in any programme.

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- [REDACTED]

- Looking at the programme for 2021-31 we have used the ATAP objectives to guide various options, one of which is a response to growth/spatial priorities across the region.
- Suggested packages of investment for the 2021-31 decade are being developed within funding assumptions of \$16.3b (NLTF) and \$8.8 billion (Auckland Council, (excluding CRL funding)), noting that Crown funding also funds ATAP. These will highlight some investment choices to be made.
- At the end of November we will provide you with advice on recommended package options.

## RECOMMENDATIONS

We recommend you:

- 1 **agree** to a meeting with Mayor Goff, Mayor of Auckland and a briefing with officials prior Yes / No
- 2 **refer** this briefing to Hon Grant Robertson, Minister of Finance for his reference in his role as ATAP sponsor Yes / No

Karen Lyons  
Director, Auckland

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

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

Withheld under Section 9(2)(a) of the Official Information Act 1982

Name	Telephone	First contact
Lou Lennane, Auckland Strategic Programme Lead	[REDACTED]	✓
Karen Lyons, Director Auckland	2 [REDACTED]	

# AUCKLAND TRANSPORT ALIGNMENT PROJECT (ATAP) 2021-31 UPDATE

## INDICATIVE PACKAGE OPTIONS FOR 2021-31 ARE BEING FINALISED

*We have been working across the ATAP partner agencies and are on track to provide you with indicative 2021-31 ATAP package options for investment by end November 2020*

- 1 Using the ATAP 2020 Terms of Reference (Appendix A) as a base, we have brought a range of people together from across the ATAP partner agencies to review the 2018-28 existing ATAP programme and to assess new projects for inclusion in the 2021-31 programme and outer decades.
- 2 The review of the existing programme involved 'testing' the projects in the 2018-28 programme so we are confident to continue with them in light of the objectives set out in the Terms of Reference including the stronger emphasis on climate change, mode shift and the need to support growth in agreed spatial priority areas as well as the impact of Covid-19.
- 3 In addition we have assessed new projects put forward by Auckland Transport, Waka Kotahi, the NZ Transport Agency and KiwiRail for inclusion in the 2021-31 programme. The output of this assessment will also provide a base for the outer decades programme (2031-51).

## DEVELOPING A PROGRAMME THAT RESPONDS TO ATAP OBJECTIVES

*We are in the process of developing indicative ATAP 2021-31 package options that are guided by the agreed ATAP objectives*

- 4 Political agreement has been reached on the ATAP 2020 Objectives and these are being used to assess projects for inclusion in the 2021-31 programme. The shared Government and Auckland Council objectives are:
  - Enabling Auckland's growth through a focus on intensification in brownfield areas and with some managed expansion into emerging greenfield areas
  - Accelerating better travel choices for Auckland (modeshift)
  - Better connecting people, places, goods and services
  - Improving resilience and sustainability of the transport system and significantly reducing the greenhouse emissions it generates
  - Making Auckland's transport system safe by eliminating harm to people
  - Ensuring value for money across Auckland's transport system through well targeted investment choices.

## DEVELOPMENT OF THE ATAP 2021-31 PROGRAMME - ENSURING ATAP MOMENTUM CONTINUES

*ATAP 2021-31 will see a large part of the ATAP 2018 programme continue*

- 5 The current programme (ATAP 2018-28) has successfully progressed transport investment in Auckland over the first three years and has enabled a number of projects to be delivered. The programme supports modeshift towards public transport and walking and cycling as well as investment in local and strategic roads.
- 6 It is important to continue the momentum achieved over the past three years and we are proposing that a large portion of the ATAP 2018-28 programme is taken forward into the 2021-31 programme (approximately \$29 billion). This leaves little room for new projects.
- 7 The first part of the continued programme is 'committed' which refers to projects either currently under construction or under contract. This portion of the programme represents approximately \$6.3 billion.
- 8 The second part of the suggested continued programme is made up of a number of essential elements which have been agreed by the ATAP partner agencies as required going forward (\$22 billion). A significant portion of 'essential' is renewals funding (\$6 billion) and operational funding (\$7.7 billion) across the three delivery agencies (Auckland Transport, Waka Kotahi and KiwiRail).
- 9 Some of the "essential" programmes could be scaled back if there is insufficient funding and/or to fit in new projects. Auckland Transport are not expected to support any scaling back of the AT programmes in this category.
- 10 Included in the 'Future Planning' and 'Route Protection' items in Table 1 is \$60 million for detailed planning work and potential property acquisition for the Additional Waitemata Harbour Crossing (AWHC). Waka Kotahi, Auckland Transport and Auckland Council have been working together on a business case for the AWHC over the past two years. [REDACTED]  
[REDACTED] The business cases are underway and Waka Kotahi will be providing you briefings on these in due course.  
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- 11 The essential elements and rationale for including them in the 2021-31 programme are detailed in Table 1 below.

Table 1: Committed and Essential Elements of the ATAP 2021-31 Programme

Committed			
	\$ million	Description	If not included in essential
Projects in construction or under contract	6,346	Projects either under construction or contractual obligations are in place (includes \$2.2b for City Rail Link (CRL))	Projects under construction would cease leaving partially completed projects and legal action



			Contractual arrangements would be broken potentially incurring legal action, financial costs and reputational risk
<b>Essential</b>			
CRL Day One programme	754	This programme is required to enable the improved level of service expected from Day 1 of CRL operation	Benefits of the CRL (increased patronage) will not be realised, intended timetable will not be possible, not enough trains to implement the timetable, network delays and disruptions post CRL opening, customer complaints, safety compromised
New Zealand Upgrade Programme (NZUP)	3,481	This funding is a commitment from the Crown, allocated to specific projects, separate funding stream	
New Zealand Upgrade Programme complementary projects	TBC *	These projects are to allow the NZUP infrastructure to operate	Investment made in NZUP infrastructure may not be realised due to stranded assets
Rapid Transit City Centre to Mangere and Northwest	1,800	Funding allocated to Auckland Light Rail (ALR) CC2M and Northwest as per government political direction	Funding would be reallocated to other projects and then not available when required to progress (ALR)
COVID Response Recovery Fund (CRRF)	85	Funding allocated to Auckland for specific CRRF projects, separate funding stream	
Renewals – Auckland Transport	4,200	Minimum level of funding required to maintain AT renewals	Larger investment required in the future as assets degrade. AT renewals programme will fall further behind, assets will be 'sweated' further, safety risks. Customer service levels decrease
State Highway maintenance, operations and renewals – Waka Kotahi	1,620	Minimum level of funding required to maintain Waka Kotahi Maintenance, Operations and Renewals (MOR)	Routine maintenance and network management on the State Highways in Auckland will be reduced, safety and productivity risk
KiwiRail renewals	130	Rail renewals not covered in the AT OPEX line	
AT Operating Expenditure (net)	7,600	Minimum level of operational funding required for Public Transport (PT) services for AT and asset maintenance	PT services and asset maintenance in Auckland will be reduced if this money is reallocated to other projects

Future Planning	176	Funding to ensure a pipeline of planning, investigation and business case development continues	Less certainty about future costs and planning
Route protection	104	Funding to ensure property acquisition for route protection is enabled	By not funding route protection now, the cost of acquiring land at a future date will be greater and key land parcels may be available at higher costs, projects will take longer
Safety Programme	883	Funding for the AT and Waka Kotahi safety programmes. Minimum level of funding required to ensure programme outcomes are met	Not funding safety would result in negative outcomes for Road to Zero and Vision Zero, likely to not achieve targets
Optimisation Programme	329	Minimum level of funding required to enhance the existing network.	Opportunities and the productivity of the existing network will be lost
Connected communities Programme	522	Funding required to deliver an integrated programme of transport (walking, cycling and bus priority improvements) on a number of arterials	Loss of opportunity to improve bus, cycle and safety improvements on critical corridors Less funding would mean a smaller number of arterials will have connected communities delivered
Cycling Programme	226	Funding enables delivery of the 2017 business case	Less funding would limit further development beyond completion of the Urban Cycleways Programme (UCP_
Minor capex	208	Funding for small scale capital projects	Less funding would result in funding for other projects needing to be re-prioritised to cover minor CAPEX. Customer complaints would potentially rise
PT minor capex	223	Funding to enable response to customer requests for small scale PT related capital projects	Less funding would mean unable to provide small complementary projects to make the system work. A reduction in safety and levels of service for PT
Urban Cycleways	113	Funding to complete the Urban Cycleways Programme	The Urban Cycleways Programme would be stopped if funding ceases or reduced if funding is reduced
Local Board initiatives	200	Funding allocated to local boards (Auckland Council) to enable local board projects to be delivered	Local boards would not be able to progress local projects
Integrated Ticketing	184	Contribution from AT to the national ticketing programme	The AT HOP contract ends in 2026. Investment in a replacement system is required. AT is committed to contributing to the national development of one system

City Centre Bus Improvements	128	Investment required in Grafton Gully and Wellesley St to complement CRL once opened and support city centre bus operation	Unable to accommodate existing bus volumes in city centre after CRL changes to Victoria St require buses to move to Wellesley St
Total	\$29,384		

\*TBC This figure is contingent on pending NZUP decisions

## FUNDING THE 2021-31 ATAP PACKAGE

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- 12 The National Land Transport Fund assumption we have used for the 2021-31 period is \$16.3 million and Auckland Council have confirmed their funding assumption for the same period is \$8.8 billion (excluding City Rail Link funding).
- 13 In addition, there are other funding sources which come into the ATAP programme, including Crown funding for the City Rail Link (CRL) New Zealand Upgrade Programme and Covid Response Funding. The following table details the funding sources included in the ATAP programme:

Funding Source	\$ (millions)
National Land Transport Fund (NLTF) (indicative level)	16,300
Auckland Council Funding (excluding CRL)	8,376
New Zealand Upgrade Programme (NZUP)	3,234
Crown Infrastructure Partners (CIP) Project Funding	364
City Rail Link (CRL) funding from Auckland Council	1,554
CRL Crown funding	1,554
COVID19 Response and Recovery Fund (CRRF)	85
Total indicative funding envelope for ATAP 2021-31	31,647

- 14 The \$16.3 billion from the NLTF is used in part to fund projects that are fully funded and delivered by Waka Kotahi and in part to co-fund the Auckland Transport component of ATAP. Co-funded projects in Auckland receive a 51 per cent Funding Assistance Rate (FAR) which is determined by Waka Kotahi.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

20 In ATAP 2021-31 we are aiming to provide realistic funding assumptions. We will provide advice around funding assumptions and options in our next piece of advice to you.

#### 2021-31 DISCRETIONARY SPEND

*There are choices to be made about investment across the Auckland region for the discretionary portion of the package*

21 [REDACTED]

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22 As an ATAP working group we have been working to develop options for spending the discretionary portion of the funding envelope. Evidence to inform package development was gathered from a number of sources to arrive at priorities for the discretionary spend. Evidence sources include business cases, subject matter expert presentations and Portfolio Investment Assessment (PIA) evaluation.

23 We initially developed several packages with different focus on the ATAP objectives (climate change, growth, Drury, modeshift (PT), modeshift (active)), and two packages that show a spread of investment over all of these.

24 From the initial seven packages, we have selected three investment packages that demonstrate choices and trade-offs for transport modelling (Drury, Modeshift Public



Transport and a regional package). None of the three options will be the recommended final investment package but as discrete packages, they demonstrate various choices and different levels of targeted investment required. In addition, we are modelling the base package (those elements in committed and essential, previously discussed).

25 There are a number of common projects in each of the modelled packages that sit within the discretionary spend. These are:

- Lincoln Road corridor improvements
- Sylvia Park bus improvements
- Albert/Vincent St bus improvements
- Downtown Bus Improvements
- Accessibility Improvement Project
- Airport to Botany (second stage investment).

26 In addition to these common elements in all packages, the following table shows key unique elements of each package:

Package	Significant unique elements (modelled)
Modeshift (Public Transport)	<ul style="list-style-type: none"> <li>• The regional park and ride programme</li> <li>• Northern busway enhancements</li> <li>• Connected Communities (full programme)</li> <li>• Neighbourhood interchanges programme</li> <li>• Whangaparaoa Interchange</li> <li>• Rosedale Rd Corridor</li> <li>• Middlemore Station</li> <li>• High priority projects for the Auckland Housing Programme (AHP) (\$108m)</li> </ul>
Growth - Drury	<ul style="list-style-type: none"> <li>• A Drury programme of \$840m of local infrastructure investment (informed by the earlier Drury Transport Investment Programme work)</li> <li>• \$400m towards rail investment over and above investment required for CRL day 1 programme (rolling stock)</li> <li>• Growth investment in the Northwest (\$203m)</li> <li>• High priority projects for the Auckland Housing Programme (AHP) (\$173m)</li> <li>• Paerata Investment</li> </ul>
Regional Package	<ul style="list-style-type: none"> <li>• The regional park and ride programme</li> <li>• Neighbourhood interchanges programme</li> <li>• Connected Communities (partial funding)</li> <li>• Hill St</li> <li>• Rosedale Road corridor</li> <li>• Smales/Allens Rd improvements</li> <li>• Glenvar/East Coast Rd improvements</li> <li>• SH18 Squadron Drive interchange</li> <li>• Growth investment for Northwest (\$282m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Auckland Housing Programme (\$285m)</li> <li>• Drury investment (\$526m)</li> </ul>
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## RESPONSE TO GROWTH

- 27 The Auckland Housing Programme, the North West of Auckland and Drury are all considered important spatial priorities for 2021-2031. Investment ranges have been developed for each spatial priority area, within the context of limited discretionary funding for the overall programme. Local investment in Drury is expected to be a key point of discussion between Government and Auckland Council as we finalise the ATAP package.

[REDACTED]

A key consideration will be the extent of discretionary spend that is allocated to the Auckland Housing Programme, Drury and the Northwest.

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- 28 As part of the spatial priority discussion, we have been working through options for providing transport infrastructure for the Auckland Housing Programme (AHP). The AHP requires significant investment in infrastructure wider than transport, in particular water and wastewater and the investment level required is far greater than currently budgeted for. ATAP will be challenged to provide anything other than minimal investment in transport infrastructure required for the AHP.

## NEXT STEPS AND IMPORTANCE OF TIMING

- 29 Meetings with Mayor Goff have been a useful way of establishing process around ATAP and working through decision-making as a partnership.
- 30 Between now and the end of the year, we will set up a number of meetings for you and Mayor Goff to discuss the package options with an initial meeting likely to be mid November to discuss the direction so far.
- 31 Over the next few weeks we will be finalising indicative packages for your consideration. Our next briefing to you will be initial advice on preferred packages of investment. This will be with you by the end of November 2020.
- 32 It is important that a decision on the preferred ATAP 2021-31 package of investment is made prior to the end of the year in order to inform the development of the Auckland Regional Land Transport Plan (RLTP) and Auckland Council's Long-Term Plan.

## Appendix A – ATAP Political Terms of Reference

# Auckland Transport Alignment Project (ATAP) 2020 Update

## Terms of Reference

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## **1 Parties**

- 1.1 The Minister of Transport, the Hon Phil Twyford
- 1.2 The Minister of Finance, the Hon Grant Robertson
- 1.3 The Mayor of Auckland, Phil Goff
- 1.4 The Deputy Mayor of Auckland, Bill Cashmore
- 1.5 The Planning Committee Chair, Auckland Council, Chris Darby
- 1.6 Chair of the Independent Maori Statutory Board, David Taipari

## **2 Background**

- 2.1 The Auckland Transport Alignment Project (ATAP) commenced in 2015 and aligned the priorities of both central government and Auckland Council. Initial work developed a long-term strategic approach for the development of Auckland's transport system to deliver the best possible outcomes for Auckland and New Zealand.
- 2.2 Since 2015, various projects have been undertaken collaboratively by the ATAP partners including developing indicative investment packages.
- 2.3 The most recent investment package for 2018 to 2028 was agreed by Cabinet and Auckland Council in April 2018.

## **3 Purpose of the project**

- 3.1 There is a need to update the 2018-28 ATAP package in light of a number of emerging considerations. These include:
  - The impacts of Covid-19, including the impacts on Government and Auckland Council revenue streams
  - Any decisions taken on the economic stimulus package announced by the Government within the timeframes of the ATAP 2020 update
  - The New Zealand Upgrade Programme (NZUP) transport investment in Auckland
  - Climate change and mode shift as increasingly significant policy considerations for both the Government and Auckland Council
  - The need to provide direction for the upcoming round of statutory planning processes including the Regional Land Transport Programme (RLTP), Auckland



Council's Long-term Plan (LTP), the Government Policy Statement on Land Transport, and the National Land Transport Programme

- Emerging spatial priorities.

- 3.2 The ATAP 2020 Update will use the agreed decade one (2018-28) package of projects as a base given the existing commitment to its delivery.
- 3.3 This project will not replace the statutory decision-making responsibilities of Auckland Transport regarding the activities within the Auckland Regional Land Transport Plan or the NZ Transport Agency regarding the National Land Transport Programme or KiwiRail regarding the Rail Network Investment Plan . It will also not replace the statutory decision-making responsibilities of Auckland Council regarding the development of its Long-term Plan and/or associated with the application of its Regional Fuel Tax.

#### **4 Government and Auckland Council Priorities**

- 4.1 The shared Government and Auckland Council objectives for transport in Auckland are:

- Enabling Auckland's growth through a focus on intensification in brownfield areas and with some managed expansion into emerging greenfield areas
- Accelerating better travel choices for Auckland (modeshift)
- Better connecting people, places, goods and services
- Improving resilience and sustainability of the transport system and significantly reducing the greenhouse emissions it generates
- Making Auckland's transport system safe by eliminating harm to people
- Ensuring value for money across Auckland's transport system through well targeted investment choices.

- 4.2 In addition to the objectives above, the ATAP 2020 Update will consider modeshift, climate change, emerging brownfield and greenfield spatial priorities and transport investments in light of the Covid-19 economic shock.

- 4.3 ATAP 2020 will also take into account broader priorities outlined in relevant statutory documents such as the draft Government Policy Statement on Land Transport (2021-2031) and Auckland Council's Auckland Plan.

#### **5 Project Approach and Scope**

- 5.1 The project will take a collaborative partnership approach aimed at agreeing an indicative prioritised investment package for Auckland. Phase one of the work will focus on the 2021-2031 period with the aim of providing advice to council and government prior to the government elections in September. Decisions on the recommended package are expected to be made post the elections. Work on decades two and three (2031-2051) at a more indicative level will commence once decisions are made on the 2021-2031 period.
- 5.2 Packages of investment will be developed and evaluated within funding envelopes based on logical assumptions of expected funding levels. The impacts of Covid-19 on revenue streams and on delivery of the ATAP programme will be assessed .
- 5.3 The 2021 to 2031 work includes six workstreams, all of which will incorporate advice on the impacts of Covid-19:
- *Prioritisation and evaluation.* This workstream brings together all of the work to develop indicative package(s) of investment that meet the objectives and considerations outlined in section 4. It will determine a prioritisation and evaluation methodology. Packages of priority projects will be developed and funding envelopes applied . The extent to which packages achieve modeshift will be a key part of the evaluation framework.
  - *Climate change.* This will determine how a climate change lens can be applied to assessing ATAP projects.
  - *Operating expenditure.* This will focus on the operating expenditure component of the package, particularly in terms of maintaining service levels and identifying consequential operational expenditure arising from capital investments.
  - *Operationalising ATAP.* This will identify and review any operational rules that may impede the implementation of ATAP and seek agreement on ways to resolve these.
  - *Funding.* This will determine the funding envelope for 2021-31, covering funding from Government, Auckland Council and other sources. Initially assumptions based on Covid19 recovery scenarios will guide this work.
  - *Urban Development.* This will ensure urban development and land-use considerations underpin the ATAP investment package.

## 6 Governance of the Project

- 6.1 The project will be led by the ATAP Governance Group, co-chaired by the Secretary for Transport and the Chief Executive of Auckland Council. The ATAP Governance Group consists of the Secretary for Transport, Deputy Secretary Treasury, the State Services Commission Deputy Commissioner Auckland , and the Chief Executives of Auckland Council, the NZ Transport Agency, Auckland Transport and KiwiRail.

6.2 The ATAP Steering Group consisting of officials from the Ministry of Transport, the Treasury, Auckland Council, the NZ Transport Agency, Auckland Transport and KiwiRail, will provide detailed direction and oversight to the project teams.

6.3 The ATAP Governance Group will:

- Approve funding assumptions
- Approve the investment options to be developed
- Approve the assessment and prioritisation framework
- Provide advice to the Parties as required
- Recommend a package to the parties with clearly defined funding sources from central and local government
- Ensure the project is delivered to the agreed scope and timeframes
- Ensure that the project is aligned and integrated with other government and Auckland Council related work as appropriate.

6.4 The ATAP Parties will:

- Provide direction to the ATAP 2020 Update through the objectives, considerations and approach set out in this Terms of Reference
- Receive updates on the work and provide feedback at appropriate points/milestones
- Build consensus on the indicative package(s) as they are developed
- Receive advice from the Governance Group on the recommended package
- Make final decisions on the recommended package.

## 7 Project Timing

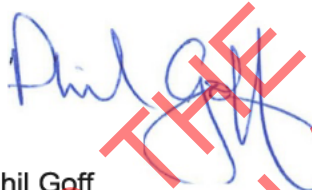
7.1 The first phase of the ATAP 2020 Update (focused on 2021 to 2031) will provide advice to the political sponsors mid-late August, prior to government elections in September

7.2 This enables the consideration of advice prior to the elections and decision making early in the new term of government.

7.3 The work on the 2031-2051 period will commence once the work on the first decade is complete



Hon Phil Twyford  
Minister of Transport

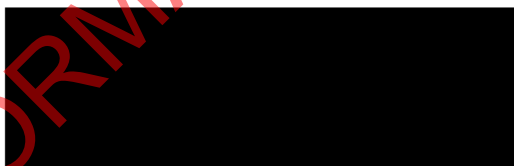
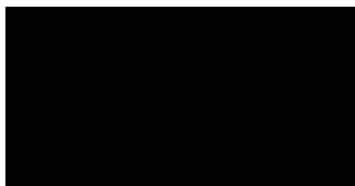


Phil Goff  
Mayor of Auckland

Date:      Date:

21.9.20

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Hon Grant Robertson

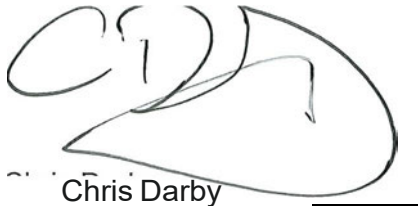
Minister of Finance

**Date:** 27 September 2020

Bill Cashmore

Deputy Mayor of Auckland

Date:



Planning Committee Chair, Auckland Council

Date:



David Taipari

Chair, Independent Maori Statutory Board

**Date:** 6/07/2020

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**Ministry of Transport**

TE MANATŪ WAKA

**BRIEFING**

11 November 2020

OC200811

**Hon Michael Wood**  
**Minister of Transport****Action required by:**  
Wednesday, 18 November 2020

## **THE CONGESTION QUESTION - RELEASE OF MAIN FINDINGS AND TECHNICAL REPORTS**

### **Purpose**

To seek approval to release The Congestion Question's (TCQ) main findings report and technical reports and request a meeting to discuss the project's findings, ahead of the public release of the reports.

### **Key points**

- The Auckland Transport Alignment Project (ATAP) has two major components: an infrastructure investment package (OC200409 refers) and investigation into demand management through congestion pricing. Improving transport outcomes in Auckland requires both capital investment and demand management interventions.
- Since 2017, officials have been progressing an investigation into whether congestion pricing is appropriate for Auckland, known as TCQ. Significant technical work has been completed, representing a comprehensive technical investigation into congestion pricing for Auckland.
- We recommend that the technical reports are publically released. Several stakeholders, including the Automobile Association, are advocating for this.
- Also, Auckland Council's Planning Committee will receive the reports at its meeting on 3 December. This will mean that the reports become public via the agenda on 26 November. We would prefer to proactively manage the release at the time of the agenda close.
- The reports will be released as officials' reports, not government policy, but we expect strong interest from the public and stakeholders. As Minister of Transport you will be expected to engage on the issue and we will work with you to prepare some initial comments on the work. We recommend you discuss the release with your Cabinet colleagues ahead of end-November.
- We welcome the opportunity to discuss TCQ with you before the release. We would also like to discuss progressing the congestion pricing work.

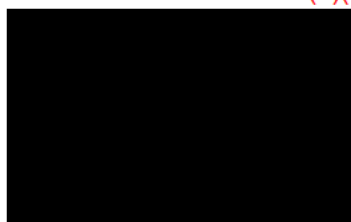
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## Recommendations

We recommend you:

- |   |   |          |
|---|---|----------|
| 1 | <b>agree</b> to the publication of the TCQ main findings and technical reports on the Ministry of Transport's and other Congestion Question agencies' websites, subject to a briefing from officials and discussion with colleagues | Yes / No |
| 2 | <b>agree</b> to a meeting with officials to discuss the project and the release of the reports.   | Yes / No |

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Karen Lyons  
Director Auckland

11 / 11 / 2020

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

Withheld under Section 9(2)(a) of the Official Information Act 1982

Name	Telephone	First contact
Karen Lyons, Director Auckland		✓
Marian Willberg, Manager Demand Management and Revenue		
Nick Reid, Senior Adviser, Demand Management and Revenue		
Bryn Gandy, Deputy Chief Executive Strategy and Investment		

## THE CONGESTION QUESTION - RELEASE OF MAIN FINDINGS AND TECHNICAL REPORTS

### TCQ has completed significant technical work

- 1 The Auckland Transport Alignment Project (ATAP) strategic work reinforced that achieving a substantial improvement in transport outcomes in Auckland requires investigating demand management interventions including congestion pricing, as well as capital investment.
- 2 In response, The Congestion Question (TCQ) was commenced as a joint project between Auckland Transport, Auckland Council, Waka Kotahi the New Zealand Transport Agency, the Ministry of Transport, the Treasury and the State Services Commission.
- 3 The Terms of Reference tasked TCQ to: "Undertake a thorough investigation sufficient to support a decision on whether or not to proceed with introducing pricing for demand management purposes in Auckland".
- 4 In December 2017, Cabinet received the findings from Phase I of the project, which focused on information about congestion in Auckland and international congestion charging case studies. The project's findings were publically released. Cabinet approved the project continuing to Phase II to investigate potential congestion pricing schemes. Phase II is now complete.
- 5 In July 2020 we provided the Minister of Transport an update on our findings. Also, we signalled our intention to publish the main findings report and technical report. The reports were not released due to the need to focus on the COVID-19 response.
- 6 There is an increasing public interest in the release of the reports. Several stakeholders (including the Automobile Association) have signalled their desire for the reports to be released, to further the public conversation on congestion pricing. These stakeholders are aware of the project's several years of work, and are keen to see progress.

### TCQ's Phase II reports are now complete and ready for public release

- 7 TCQ has finalised two summary reports relating to the analysis carried out in Phase II; the main findings report (provided as Attachment one) and the technical report (Attachment two). Working papers are also complete including a social impact assessment, persona research (representing the viewpoints of different users), and papers on the environmental impacts, technology requirements, mitigation options and the transport modelling used to help assess pricing schemes.
- 9 The reports bring together TCQ's research, options development and evaluation. The reports summarise the technology, social and implementation considerations of the investigation undertaken into congestion pricing in Auckland
- 10 We recommend releasing the summary reports and working papers as officials' technical work.



## Technical work demonstrates a credible case for congestion pricing

- 11 The work shows that there is a technical case for implementing congestion pricing in Auckland. With the right design, supported by improved public transport services, and a mitigation program to assist vulnerable road users, the opportunity exists for Auckland to benefit from a sustainable 8-12 percent improvement in congestion (roughly the same as the improvement seen in the school holidays) once the full scheme is implemented.
- 12 Even a small improvement in network performance has the potential to generate a meaningful lift in transport and economic productivity. Other potential benefits include reduced emissions and revenue, which could be hypothecated to transport initiatives.
- 13 The main findings are:
  - 13.1 The preferred scheme is a region-wide Strategic Corridors scheme that applies to the main arterial roads and motorways targeting the most congested corridors. Its implementation could be phased through time, starting with corridors into the city centre and timed to align with improvements in rapid transit, including the opening of City Rail Link, Eastern Busway completion, North-West Busway and improvements to the Northern Busway.
  - 13.2 Charges would be higher for peak time periods, with a charge applied each time a vehicle is detected on a road (within a two hour window).
  - 13.3 Mitigating the impacts of a congestion pricing scheme on vulnerable households is necessary. Mitigations could be through price subsidies, or discounts and could be linked to the Community Services Card.
  - 13.4 Automatic Number Plate Recognition (ANPR) technology is the most feasible option in the short term for implementing congestion pricing. Other technologies are not yet ready for a region-wide rollout (on-board units) or provide sufficient coverage (smart phone apps).
  - 13.5 Air quality and greenhouse gas emissions are likely to improve slightly as a result of a reduction in overall kilometres travelled and reduced 'stop-start' traffic.
  - 13.6 Congestion pricing will raise revenue, but this is not the central aim. Revenue could be used for transport infrastructure or measures that will support those most negatively impacted, but the overall goal is to manage demand on the network.
- 14 The main findings report is not a formal decision report. It recommends that there is a strong technical case for congestion pricing in Auckland for demand management purposes and that public engagement is undertaken before a decision to implement.

### **We would like to meet with you ahead of the public release**

- 15 The release of these reports is likely to generate significant interest from a range of stakeholders, media and potentially the public.
- 16 Therefore, ahead of the report release, we would like to meet with you to discuss the project's main findings.
- 17 We recommend you discuss the release with cabinet colleagues and in particular the Minister of Finance, a sponsor of the project.

### **Public release of the reports is proposed for Thursday 26 November**

- 18 We propose that the main findings and technical reports are publically released on Thursday 26 November, via the Ministry of Transport and other TCQ agencies' websites.
- 19 There are also several stakeholders that TCQ previously engaged with. On the day of the release, TCQ will hold a stakeholder briefing event to update these stakeholders. They will be keen to see the work that they have contributed to reaching a milestone.
- 20 The proposed release date aligns with the close of the Auckland Council Planning Committee agenda for its December 3 meeting. Once the agenda closes on 26 November it becomes publically available shortly after.
- 21 Ahead of the release on Thursday 26 November, the Mayor, Deputy Mayor and Cr. Darby (Chair of the Planning Committee) will receive a briefing from Auckland Council officers.
- 22 Subject to your agreement to release the reports, and your discussion with your Cabinet colleagues, we will provide you:
  - 22.1 a set of questions and answers on the project
  - 22.2 a draft media release (if required)
  - 22.3 speaking notes.
- 23 As Minister of Transport you can expect to be asked to comment.

### **Progressing work on congestion pricing is a key consideration for you this term**

- 24 Further work on congestion pricing will require a cabinet decision as it involves moving into a decision-making process. If decisions are made to progress the work, the next step would be to move to a pre-implementation phase requiring a fully resourced cross-agency project team, including Ministry resource. Scoping and setting up the project team would require Ministry expertise and leadership.
- 25 If the work progresses, you will have a key role in leading public debate on congestion pricing for Auckland.

- 26 The Main Findings Report discusses some next steps. We would like an initial discussion with you as part of our briefing on the technical work.

**Attachment 1: Main Findings Report**

**Attachment 2: Technical Report**

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**Ministry of Transport**

TE MANATŪ WAKA

**BRIEFING**

2 October 2020

OC200793

**Hon Grant Robertson**  
**Minister of Finance****Action required by:**  
Friday, 9 October 2020**Hon Phil Twyford**  
**Minister of Transport****NEW ZEALAND UPGRADE PROGRAMME UPDATE – SEPTEMBER 2020****Purpose**

Provides an update on progress in the New Zealand Upgrade Programme (NZUP or the Programme) to 31 August 2020, as well as key issues of concern and focus.

**Key points**

- The NZUP Oversight Group (OSG) met on 2 September 2020. The OSG includes representatives of the Ministry of Transport (the Ministry), Treasury, the Infrastructure Commission (together, member agencies), and three independent members. The meeting was also attended by Waka Kotahi NZ Transport Agency (Waka Kotahi), KiwiRail, Deloitte and AECOM.
- Waka Kotahi and KiwiRail (together, delivery agencies) are continuing to make progress with the delivery of the programme. At this stage, the priority for both agencies is working to embed their governance and delivery structures for the programme. Work is also progressing on the first seven projects entering the delivery phase (Waka Kotahi: Tauranga Northern Link, Papakura to Drury South, Northern Pathway, SH58 Safety Improvements and Penlink; KiwiRail: Papakura to Pukekohe electrification and the Wiri to Quay Park Corridor Improvements).

- [REDACTED]
- [REDACTED]
- [REDACTED]

IN CONFIDENCE



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- Waka Kotahi does not have access to other sources of funding to supplement the NZUP allocation. Hypothecation of the NLTF means it is not available to Waka Kotahi to cross-subsidise projects that are purchased by the Crown. [REDACTED]

- The OSG has requested that the immediate focus of delivery agencies should be on establishing a robust baseline to better define benefits, scope, schedule and cost estimation. The delivery agencies have indicated they would like to have until March 2021 to provide baselining information. The OSG's advice is that this should happen by December 2020, with an initial focus on the first seven projects that are entering the delivery phase.

- Ministers have asked for speed in delivery of the programme and delegated a greater than usual level of decision-making to the delivery agencies, compared to other programmes where the Crown is directly purchasing. [REDACTED]

- Given this context, you should expect that the delivery agencies will provide full and real time visibility to you and your purchase advisors of current and pending project commitments, risks as they arise and while they are being managed, and development of the project and programme baselines. We suggest you formally communicate this expectation to agencies.

- You may wish to discuss these matters with the Ministry to further understand your options for addressing these issues. We will provide further advice on the status of the programme following the next OSG meeting, which is scheduled for 8 October.

## Recommendations

We recommend you:

- 1 **note** that the NZUP is at an early stage, and the delivery agencies are working at speed to put arrangements in place to manage its delivery. [REDACTED]

- 2 **note** that the Oversight Group's view from its initial meeting is that:

- [REDACTED]
- [REDACTED]
- [REDACTED]

IN CONFIDENCE

IN CONFIDENCE

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3

[REDACTED]

- 4 **note** that clarity is needed on this but, if correct, this agreement needs to be formalised and Treasury will need to advise on how this may impact the Crown accounts

5

[REDACTED]

- 6 **note** that baselining of the programme is needed to enable a better understanding of costs and decisions on how to manage these, and Waka Kotahi has indicated that baselining information may not be available until March 2021 which is later than the Christmas 2020 date preferred by OSG

- 7 **note** officials' advice is that, to help manage NZUP's early delivery and cost risks, you should expect delivery agencies to raise any issues with you and your purchase advisors early and in real time, including advising on risks and issues as they arise and are managed, and development of project and programme baselines

- 8 **agree** that officials prepare a draft letter for your signature, communicating these expectations Yes / No

- 9 **discuss** with officials your expectations of how cost escalations in the NZUP programme were expected to be funded at the time the programme was agreed Yes / No

- 10 **forward** this report to the Minister of Finance. Yes / No

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Bryn Gandy  
Deputy Chief Executive, System  
Strategy and Investment

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

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Hon Phil Twyford  
Minister of Transport

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

IN CONFIDENCE

IN CONFIDENCE

**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

**Comments**

**Contacts**

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Name	Telephone	First contact
Bryn Gandy, Deputy Chief Executive, System Strategy and Investment	[REDACTED]	✓
Robert Anderson, Acting Manager, Governance and Commercial	[REDACTED]	

IN CONFIDENCE

## NEW ZEALAND UPGRADE PROGRAMME UPDATE – SEPTEMBER 2020

*Oversight Group meeting focussed on understanding initial state of NZUP*

1. The NZUP Oversight Group (OSG) met on 2 September 2020. The OSG includes representatives of the Ministry, Treasury, the Infrastructure Commission, and three independent members. Waka Kotahi, KiwiRail, Deloitte and AECOM also attended. The purpose of the OSG is to provide governance and assurance across NZUP on your behalf as purchaser.
2. Subsequent to the first OSG meeting, Waka Kotahi and KiwiRail were advised that their respective Establishment Reports had been accepted as a starting baseline, with delegation of authority for project-level decisions up to materiality thresholds that will be further defined over the coming months.
3. As per advice provided on 26 August 2020 (OC200683 refers), it is still early days with the Programme and further detail needs to be refined over the next few months to migrate governance and assurance into a good position. It is also realistic for change and adaption to be necessary in a programme of the scale and scope of NZUP.

*OSG identified that further work is required to baseline costs, scope, schedule and benefits*

4. The OSG view from the meeting, which is supported by the OSG member agencies, was that further work is needed in critical areas as a priority:

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a)

[REDACTED]

However, these projects are being purchased directly by Ministers, and the OSG is your primary assurance function for NZUP and a key element of its governance.

b)

[REDACTED]

c)

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[REDACTED]

Delivery agencies are indicating March 2021 for completion of baselines even though major decision points will occur prior.

- 5.

[REDACTED]

The OSG will engage further with delivery agencies to ensure these risks are made transparent alongside the steps to address them.

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<sup>1</sup> The Ministry is working to establish the implications of potential tolling for some projects to ensure Waka Kotahi uses this mechanism in an appropriate way.



[REDACTED]

6. [REDACTED]

7. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

8. [REDACTED]

9. Deloitte are working to the guidance contained within the Delegation Letters, in this case the requirement for Joint Ministerial involvement where there are *“any significant changes to cost estimates that are expected to impact the delivery of the Programme within the Crown funding envelope”*.

10. [REDACTED]

11. [REDACTED]

12.

13. Officials' understanding is that the \$6.8 billion is a fixed allocation for all programme costs. Ministers' January 2020 letter to the Waka Kotahi Board Chair reflects that \$6.8 billion is expected to cover the delivery of a listed set of projects, which would typically include adjustments (such as cost escalation) that reflect the timing of delivery. Waka Kotahi's Establishment Reports say that *"The Establishment Report presents costs on an unescalated basis, using estimates from the relevant business case or Waka Kotahi costings for each project. Further work is required to understand the potential impact of input cost increases on final project delivery costs as a result of underlying inflationary pressures in the construction sector. Cost escalation attributed to individual projects or packages within the NZ Upgrade Programme will vary based on the expected construction programme, with projects delivered sooner than expected attracting lower cost escalation."*

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14.

15.

16. Withheld under Sections 9(2)(f)(iv) and 9(2)(g)(i) of the Official Information Act 1982  
Your letter sets out a process for agreeing that the NLTF can meet costs of up to \$200 million per year.

17. Waka Kotahi's view was provided following the OSG's meeting. The OSG has not yet had a chance to engage on these issues or discuss them with Waka Kotahi. Its next meeting is on 8 October 2020. Officials will provide advice on options for addressing the pressures in NZUP as a full picture of the Programme is established.

*Structural changes in the supply chain reducing competition and bringing further risks*

18. Member agencies understand that predating COVID-19, risk allocation had been undergoing a rebalancing in the construction market, more in favour of contractors than historically. The Construction Sector Accord (CSA) recognises some change is

needed to better reflect the relative risks between procurers and contractors, and reduce the incidence and impact of collapses on sub-contractors.

19.

[REDACTED]

20. Anything that reduces competitive pressure or leads to dependency on fewer contractors, creates additional cost escalation and completion risks (the latter in the event a contractor folds, or walks) that could place further pressure on the achievability of the programme. This is something agencies will continue to monitor.

*Delivery agencies recognise a number of challenges which require further work*

21. Waka Kotahi highlighted a number of risks and issues to the OSG:

- a) many projects are still in early development and outcomes, objectives and scope are only defined at a high level
- b) the significant increase in volume of property transactions required and unplanned cost increases are an emerging issue
- c) expectations from local authorities and wider system complexity (e.g. Queenstown) are high
- d) COVID-19 impacts on council revenue, project delivery and costs are significant
- e) longer term costs generally – revocation, maintenance and operations – are a concern.

22. Waka Kotahi is undertaking a number of initiatives in response to the programme challenges they see, including strengthening assurance activity as well as cost and risk management practices, appointment of project directors on larger projects, and establishing a programme management team by December 2020.

23. However, Waka Kotahi has also signalled that it wants to take an incremental approach to baselining over an extended period. [REDACTED] Ministers have delegated a greater than usual level of decision-making to the delivery agencies to accommodate the priority they have given to speed, but the risks associated with this need to be managed. [REDACTED]

24. KiwiRail's Drury Stations and Regional Rail projects are complex and have significant dependencies on projects being delivered by other organisations (e.g. Auckland Transport and private developers) in order to complete projects and support benefit realisation.

25. KiwiRail's Drury Stations project scope is currently uncertain, noting the potential requirement for a third station, conflicting stakeholder views as to station location and potential for change in which organisations deliver which elements. [REDACTED]

26. [REDACTED]
27. The Papakura to Pukekohe and Wiri to Quay Park projects have made significant steps in the procurement process. Both have selected preferred suppliers, with ongoing negotiations to confirm the Target Outturn Cost (TOC) underway.

*The OSG has requested actions to advance certainty around the programme ...*

28. The OSG considers that a focus on some specific actions by each delivery agency is needed to advance confidence and certainty around the status and progress of the programme. In particular, the OSG would like agencies to:
- a) Confirm that key OSG assurance and oversight processes/controls, such as effective reporting, are in place across all NZUP projects, and any deviation to expected processes or planned assurance is advised and explained;
  - b) Provide additional content to better understand the state of projects (e.g. Project Delivery Plans, Project Management Plans, and other relevant source documentation);
  - c) Develop robust project baselines to confirm scope, cost, schedule and benefits. Baselining will need to be an iterative process as more detail becomes known about the projects.
29. Officials are conscious of the priority Ministers have given to the programme proceeding at pace, as well as the NZUP Programme's potential to bring investment to market during a challenging period. [REDACTED]
30. The OSG's preference is for a December 2020 deadline to baseline scope, costs, timing and benefits for all projects. Waka Kotahi advises that the end of March 2021 is achievable.
31. If Ministers wish the programme to proceed at speed and without interruption, we suggest that you set a clear expectation that the delivery agencies provide full and real time visibility to you and your purchase advisors of current and pending project commitments, risks as they arise and while they are being managed, and developing project and programme baselines.

### **Next Steps**

32. The Ministry and Treasury will continue to engage with Waka Kotahi and KiwiRail on the further actions and priorities identified by the OSG.
33. We will engage with you on what expectations you would like to communicate to the delivery agencies.

<sup>2</sup> Tauranga Northern Link, Papakura to Drury South, Northern Pathway, SH58 Safety Improvements and Penlink (Waka Kotahi) and Papakura to Pukekohe electrification and the Wiri to Quay Park Corridor Improvements (KiwiRail). These projects are already entering the delivery phase.



SENSITIVE



Ministry of Transport

TE MANATŪ WAKA

BRIEFING

11 November 2020

OC200892

Hon Michael Wood  
Minister of Transport

## NEW ZEALAND UPGRADE PROGRAMME SEPTEMBER 2020 UPDATE – COVER NOTE

### Purpose

Officials are providing you with the September 2020 update on the New Zealand Upgrade Programme's transport component (the Programme), which was provided to the previous Minister. This cover note summarises for you the context around the oversight, assurance and monitoring arrangements for the Programme, key challenges the Programme is facing, and the Programme-level baselining work underway.

### Key points

- The Ministry of Transport (the Ministry) and the Treasury has recently established an Oversight Group to oversee the delivery of the Programme on behalf of Joint Ministers (Finance and Transport). This Oversight Group was established to provide Ministers with an increased level of oversight of the Programme.
- With Joint Ministers as clients, establishment of an appropriate, client-side monitoring arrangement is expected good practice, and reflects that risks arising from the Programme will be borne by the Crown rather than delivery agencies Waka Kotahi and KiwiRail. Arrangements like this are not used for the Government Policy Statement on land transport (where the Waka Kotahi Board is the client for projects, and must manage risks within the National Land Transport Fund), or KiwiRail's business as usual spending where it operates as a commercial entity.
- Representation on the Oversight Group include senior officials from the Ministry, Treasury, Infrastructure Commission, and three independent external members who bring significant industry and technical skills. The delivery agencies also attend the Oversight Group. You may want to consider meeting officials and the Chair of the New Zealand Upgrade Programme Oversight Group to discuss the current status of the Programme soon. There is also an opportunity for you to attend a part of the next Oversight Group meeting on 9 December 2020 to meet the full Oversight Group.

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- [REDACTED] Officials provided the previous Minister with an update on the Programme in September 2020, which is attached. [REDACTED]

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- Officials recognise the importance of progressing the Programme at pace, but careful consideration is needed to make early decisions, particularly on procurement and contracting, while there remains significant uncertainty over some parts of the Programme, as well as the wider funding challenges.
- Officials have agreed with the delivery agencies to progress the development of a baseline for the transport component of the Programme. This exercise is designed to provide a common and up-to-date view on the overall scope and cost of the Programme as it currently understands. The delivery agencies have committed to having a completed baseline for the Programme by the end of March 2021. At this point, officials will be able to advise you on the total set of choices or trade-offs that may be required to deliver the Programme, though officials can discuss the potential nature of these choices as soon you are ready.
- The Ministry will be providing a further update to you next week on the overall status of the Programme, including emerging risks and issues you may need to consider. This advice will include an update on major decisions that the delivery agencies are progressing through to March 2021. Draft letters to the Chairs of the delivery agencies' boards, conveying your expectations on the baselining work, will also be included for you to consider and sign. This report will be consulted on with the delivery entities, in the same way that the attached September 2020 update also underwent agency consultation.

## Recommendations

We recommend you:

- 1 **note** that a further update will be provided to you next week on the Programme's emerging risks, major decisions that delivery agencies are progressing, and draft letters on the baselining work to the chairs of the delivery agencies' boards
- 2 **agree** to meet with the Chair of the Oversight Group and officials to discuss the current status of the Programme Yes / No
- 3 **indicate** whether you would like to attend a part of the Oversight Group meeting on 9 December 2020 to meet the full Oversight Group

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Bryn Gandy  
Deputy Chief Executive, System  
Strategy & Investment

12 / 11 / 2020

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Hon Michael Wood  
Minister of Transport

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

**SENSITIVE**

**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

**Comments**

**Contacts**

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Robert Anderson, Acting Manager, Governance and Commercial	[REDACTED]	
Weiye Zhang, Adviser, Governance and Commercial	[REDACTED]	

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UNCLASSIFIED

11 November 2020

OC200788

**Hon Michael Wood**  
**Minister of Transport****Tier 2 Briefing to Incoming Minister - Resource Management Act Reforms****Purpose**

Update you on the proposed reforms of the Resource Management Act 1991 (RMA), explain how the RMA impacts on the transport sector, and consider how both you and the Ministry of Transport could engage in any potential reform programme going forward.

**Key points**

1. The existing resource management planning system, which is primarily set out in the Resource Management Act 1991 (RMA), has proven complex and ineffective.
2. The RMA affects all infrastructure planning, and by virtue, all transport planning and development. There are a number of systemic issues with the RMA which have hindered the ability to deliver integrated transport planning and development.
3. The Resource Management Review Panel (the Panel) has proposed a new resource management planning system to replace the RMA. Agencies across the public sector agree that broad reform of the system is needed and that the Government should take this opportunity to initiate reform.
4. We understand the Government is likely to proceed with RMA reform. Reforming the system will be complex and resource-intensive. It will require significant resourcing from across central and local government and iwi, particularly if there is a commitment to deliver within a short timeframe. Proceeding with reform will be the biggest change to the resource management planning system since the introduction of the RMA in 1991.
5. Legislative change will be only one part of reform. Issues of timing, sequencing, transition, implementation, collaboration, engagement, governance, capability and capacity will also need to be addressed in order to deliver a fit-for-purpose system.
6. From a transport perspective, there is a need to ensure that the reform programme considers wider government imperatives, such as the delivery of integrated rail and state highway networks, and the need to recognise the scale, complexity and long-term nature of transport infrastructure projects.
7. Reforms may have significant implications for existing transport processes, including potentially for the Land Transport Management Act 2003. This could ultimately affect your roles and responsibilities as the Minister of Transport and the choices you will be able to make in the future.

UNCLASSIFIED

8. The Ministry of Transport (the Ministry) will lead the transport system's participation in the reform programme. Alongside other transport agencies (including Waka Kotahi NZ Transport Agency and KiwiRail), the Ministry will need to commit substantial resources into any reform programme. This will limit our capacity to deliver on the Government's other priorities. We will need to provide you with further advice on how reform would affect the Ministry's work programme.
9. Given the resource management system's influence on the transport sector, you will need to be closely involved in any cross-portfolio work on the reforms. We will support you to work with your Cabinet colleagues in this respect.

\_\_\_\_\_  
 Gareth Fairweather  
**Manager, Placemaking & Urban  
 Development**

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

\_\_\_\_\_  
 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

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Bryn Gandy - Deputy Chief Executive, System, Strategy & Investment		
Gareth Fairweather - Manager, Placemaking & Urban Development		✓
Dana Danilova - Senior Adviser, Placemaking & Urban Development		

## Tier 2 Briefing - Resource Management Act Reforms

### The current resource management planning system is complex and ineffective

1. The existing resource management planning system, which is primarily set out in the Resource Management Act 1991 (RMA), has proven complex and ineffective. There are major issues the system needs to deal with but is currently failing to do so, including:
  - *Significant pressure on New Zealand's natural environment:* the way we use land and water has proved to be unsustainable. Freshwater, coastal and marine environments are in serious decline and biodiversity is under significant threat.
  - *Urban areas struggling to keep pace with population growth:* poorly managed urban growth has led to increasing difficulty in providing affordable housing, worsening traffic congestion, greater pollution and reduced productivity.
  - *The urgent need to reduce carbon emissions and adapt to climate change:* the impacts of climate change are already affecting where people live and how they use the environment. Land and resource use patterns need to change to mitigate and adapt to the effects of climate change and reduce emissions.
  - *The need to ensure that Māori have an effective role in the system, consistent with the principles of Te Tiriti o Waitangi:* the RMA has not offered Māori genuine opportunities for shared management of the environment. This has resulted in Māori being left out of critical decision-making.
  - *The need to improve system efficiency and effectiveness:* significant criticisms of the RMA have been its increasing complexity, cost and delay caused by its processes, uncertainty, and lack of responsiveness to changing circumstances and demands.

*The current resource management planning system has hindered the ability to deliver integrated transport planning and development*

2. The RMA affects all infrastructure planning, and by virtue, all transport planning and development. The present resource management planning system is based on over 100 forward-looking plans and policy statements<sup>1</sup>, as well as a diverse and growing set of national direction documents. These set out how and where development can occur.
3. While there are numerous transport planning and development issues, the RMA systemically affects the transport sector in four fundamental ways:
  - *Lack of clarity in the purpose of the resource management planning system:* The RMA lacks a clear purpose that distinguishes between the system's ecological protection role and its development enabling role. This lack of clarity has contributed to poor environmental, economic, social and cultural outcomes.
  - *Plans do not adequately integrate public works:* Public works (including roads and rail corridors) are poorly integrated into plan making processes. This makes it difficult for infrastructure providers, such as Waka Kotahi NZ Transport Agency (Waka Kotahi) and KiwiRail, to deliver public works and give effect to spatial strategies.
  - *Hearing processes are complex, adversarial and time consuming:* Multi-stage hearing processes are adding limited value and significant cost in terms of compliance churn, ad-hoc conditions and delays in delivery of transport infrastructure.

<sup>1</sup> There are 78 local authorities which produce a myriad of regional plans, regional policy statements, regional coastal plans and district plans, alongside a range of (mostly non-statutory) strategic and spatial plans.



- *Focus on management of local effects:* The RMA's effects-based approach has in practice primarily focussed on local costs, with insufficient weight given to wider regional or national benefits.
4. Misalignment between the RMA and other legislation, including the Land Transport Management Act 2003 (LTMA) and Local Government Act 2002 (LGA), has also led to poor outcomes. Plans and decision-making under the RMA, LTMA and LGA all affect one another, but there is poor alignment between the land use plans, infrastructure plans and funding provided for by these pieces of legislation.
  5. In the case of land transport:
    - the statutory framework for land use planning is largely contained within the RMA;
    - the legal framework for managing and funding land transport activities lies within the LTMA; and
    - the requirements that local government must meet in planning and carrying out its functions are set out in the LGA.
  6. As the manager of the land transport system, Waka Kotahi is a significant holder of statutory resource approvals (resource consents and designations) with approximately 3,800 statutory approvals for state highways. The majority of these approvals are RMA resource consents for which there are around 80,000 conditions to comply with.
  7. Compliance with the RMA is a significant part of delivering transport infrastructure. During a transport project's development cycle, the resource approval stage (governed by the RMA) creates the greatest risks of project delay and cost escalation. As a result, infrastructure providers put significant funding aside at the project scoping stage to avoid, remedy or mitigate potential adverse environmental effects.
  8. Simultaneously, projects get delayed or even cancelled because the compliance costs at the resource approval stage are anticipated to outweigh the transport benefits that were originally being sought.
  9. These issues are occurring at a systemic level, greatly increasing the amount New Zealand spends on transport infrastructure and affecting the amount of infrastructure that is able to be delivered.

#### **Now is the opportune time to reform the resource management planning system**

10. Since its introduction, the RMA has been subjected to numerous amendments designed to improve its effectiveness. These changes have instead resulted in a doubling of the legislation's original length and created an unwieldy, time-consuming and complex patchwork of provisions. The quantified fiscal and compliance costs of the current system are estimated to be in the order of \$2 billion per annum.
11. These problems have become so pervasive there is now broad consensus across the public sector and parties involved in the system that broad reform is needed.

#### *The Resource Management Review Panel's final report provides a platform for change*

12. The resource management planning system has been the subject of various reviews since 2009. Last year, the Minister for the Environment appointed the Resource Management Review Panel (the Panel) to undertake the most recent review of the system. The Panel was asked to find a way to 'improve environmental outcomes and better enable development within environmental limits'.

13. In its final report<sup>2</sup>, the Panel concluded that the RMA should be repealed and proposed a new resource management planning system that would revolve around three new pieces of legislation, consisting of a:

- Natural and Built Environment Act, to replace the RMA
- Strategic Planning Act, to set long-term strategic goals and integrate legislative functions across the resource management planning system
- Managed Retreat and Climate Change Adaptation Act, to address (and enable responses to) the effects of climate change.

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14. The Panel's recommendations are broad and raise a wide range of complex policy issues, especially around system purpose and public works designations.

15. Nevertheless, agencies across the public sector agree that the Panel's recommendations provide a good platform for change and that the new Government should take the opportunity to initiate a comprehensive reform programme as a priority.

16. Reforming the resource management planning system provides the chance to enhance intergenerational wellbeing by improving development outcomes (including those for housing and urban development), delivering better outcomes for the natural environment, improving Māori-Crown relations, and responding effectively to climate change.

17. It also provides an opportunity to remove unnecessary duplication, inconsistency, complexity and cost from planning processes, and ensure we are not replicating an overly litigious and risk-averse system.

18. Following the release of the final report in July 2020, Cabinet agreed to hold off decisions on how to progress the findings of the Panel review until after the 2020 election.

#### **The task of reform will be complex and resource-intensive**

19. We understand the Government is likely to proceed with RMA reform based broadly on the recommendations of the Panel's final report.

20. Comprehensive reform will be a complex and resource intensive undertaking. Proceeding with reform would be the biggest change to the resource management planning system since the introduction of the RMA in 1991.

21. To be successful, these reforms will need to be well-resourced, timed and phased to enable the capability, direction and culture change required. We will need an integrated system approach and look at the connections and overlaps to manage implementation risks and ensure alignment across policy, legislation and government. A reformed system must be less complex and more efficient than the existing system.

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22.

<sup>2</sup> The final report is available online at [www.mfe.govt.nz/rmreview](http://www.mfe.govt.nz/rmreview). The report is sometimes referred to as the Randerson Report, after the chair of the Resource Management Review Panel, Hon Tony Randerson QC.

23. While the Panel's recommendations provide a direction for reform, there is still a lot of detail to work through. Indeed, at this stage it has not been confirmed which of Panel's recommendations will be progressed and which ones will not be. The Parliamentary Commissioner for the Environment has raised questions about the recommendations and proposed an alternative approach to reforming the system.
24. Despite the anticipated challenges and complexity, officials consider reform to be both achievable and necessary if we are to see the desired shift in system performance and improvement in outcomes.

**Legislative change will be only one part of a comprehensive reform programme**

25. Legislative reform will involve balancing competing interests, objectives and perspectives, and will be technically difficult due to the implications for various legislative frameworks which are administered by different agencies. It will be important that all changes to legislation are interlinked. There also needs to be a coordinated approach to the governance, prioritisation and sequencing of any legislative changes.
26. Changes may need to be made to existing pieces of legislation, including the LTMA. At this stage, it is difficult to predict to what extent the LTMA will need to be amended to accommodate reforms. However, it may become necessary to reconsider certain LTMA functions. For example, transport project decision-making may need to change depending on the degree to which spatial plans are binding at a project level.
27. One of the reasons why the RMA and LTMA are currently misaligned is due to their underlying philosophies. Whilst the RMA is highly prescriptive, the LTMA is generally permissive. Getting the alignment right between the LTMA and the RMA's replacement will be crucial to achieving positive outcomes for transport.
28. While legislative change will be crucial, the resource management planning system needs to be considered as a whole and a comprehensive reform programme will need to go beyond just legislative change.
29. Options for organising the reform programme are still in development, but it is evident that clear transition and implementation arrangements will be essential (including how reforms will be embodied in plans), as will an overall strategy for the reform programme.

### Timing and sequencing of the reforms

30. Timing and sequencing will be challenging and we expect there will need to be a long transition from the current system to the new one. We expect that the new Government will want to move quickly with reforms. Reforming the system will become significantly more challenging the shorter the timeframe.
31. The Ministry for the Environment is currently p[ro]ducting a range of potential timing and sequencing scenarios as a basis for a discussion with Ministers on how to progress the reform programme.

### *Collaboration, partnership and engagement*

32. Comprehensive reform will require a collaborative approach across agencies. In addition to the Ministry, other core agencies involved in the reform work are the Ministry for the Environment, Ministry of Housing and Urban Development, the Department of Internal Affairs and the Treasury. However, a much wider group of government agencies, Crown entities and State Owned Enterprises will need to be involved in the reform programme.



33. Partnering with Māori and local government early in the design of the new system will be critical to the new system's success. Effective partnering takes time, resources and good governance. It needs to start at a very early stage, be shaped by the perspectives of local government and Treaty partners, and be given sufficient time to take place.
34. Clarity for stakeholders and the public will also be essential. The reform programme will need to be clear where things are heading, when different aspects of the new resource management planning system will kick in and what that means for their roles in the system as it changes. Innovative engagement approaches would help ensure a wide range of voices can participate in the reform programme.

*Capacity, capability and funding*

35. Crucially, there will need to be commitment right across the system to ensure there is enough resourcing and capability for central government, local government and Māori to effectively develop and implement a fit-for-purpose resource management planning system.
36. Reform will affect a range of Ministerial portfolios and central government work programmes, as well as work that local government and iwi are involved in (e.g. three waters reform). In the immediate to medium term, COVID-19 will also have an impact on the resourcing and capacity of all parties to engage in reform.
37. The RMA faltered in part due to poor implementation, with limited national direction provided by central government and without the necessary capacity and capability required across the system.

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38. There are growing expectations that a reformed system would deliver new investment by central government and support for local government and iwi.

**Reform will have significant implications for you and the Ministry of Transport's capacity to progress other priorities**

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39. Government agencies will need to commit substantial resources into any reform programme and treat it as a high priority.

40. From a transport perspective, there is a need to ensure that the reform programme considers wider government imperatives, such as the delivery of integrated rail and state highway networks, national delivery of road safety programmes, and the need to recognise the scale, complexity and long-term nature of transport infrastructure projects.
41. These reforms could also have significant implications for existing transport processes, including the Government Policy Statement on land transport and National Land Transport Fund planning and investment frameworks, which will need to be addressed.
42. Reform could affect your roles and responsibilities as the Minister of Transport and the choices you will be able to make in the future. Changes to your roles and responsibilities would also affect Waka Kotahi and other transport infrastructure providers. We do not yet know what changes reform would bring, nor whether those changes would increase or decrease your decision-making powers.

43. Given the resource management planning system's influence on the transport sector, as well as the potential impact reform may have on future transport decision-making, the Ministry will take a prominent role and lead the transport system's participation in the reform programme. This will involve continuing our role in organising input from the wider transport and infrastructure sector. The Ministry will need to allocate significant resources into this work.
44. We will need to provide you with further advice on how reform would affect the Ministry's work programme. As the Minister of Transport, reform will ultimately require a significant commitment from you. Given the scope of the reforms, alongside the Ministry's relatively small size, you will need to prioritise between this work and other projects or programmes you may wish to progress.

**Next steps**

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45. Ministerial and agency governance and working arrangement options are currently being developed and are expected to be put forward to Cabinet shortly.
46. We understand that the Minister of the Environment, Hon David Parker, is intending to establish a Ministerial group to oversee the reform programme. It would be advantageous if you were closely involved in cross-portfolio work on these reforms. It would also be helpful if Ministers from across the environmental, social, economic and infrastructure portfolios were also involved in the upcoming reform programme.
47. [REDACTED]
48. [REDACTED]
49. We will support you in your discussions with your Ministerial colleagues to ensure that governance and working arrangements appropriately reflect the impact that reform will have on the transport portfolio.
50. We are also available to meet with you to provide further advice on any other policy, legislative or process issues that may arise out of Cabinet discussions.
51. Waka Kotahi was consulted on this briefing and we will be working with them (and other infrastructure agencies) to provide you with more detailed follow-up advice on the policy and legislative implications of the Panel's recommendations.



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Ministry of **Transport**  
TE MANATŪ WAKA

**BRIEFING**

11 November 2020

OC200875

Hon Michael Wood  
Minister of Transport

## EMISSIONS WORK PROGRAMME OVERVIEW

### Purpose

To provide an overview of our current emissions work programme through a variety of A3s and briefings, to update you on key areas of interest, and to signal next steps.

### Key points

- The enclosed A3s provide a high-level introduction to the transport emissions work programme and can support upcoming discussions.
- The three A3s summarise:
  - **A3: Tackling New Zealand's Emissions Challenge** – the critical role of transport.
  - **A3: A timeline for work on transport emissions** – how we will get to our net zero 2050 target.

- The two briefings go into more detail on our emissions strategy work and on
  - **Providing an overview of the Transport Emissions Action Plan (TEAP) (OC200806)**: this briefing updates on the progress of our TEAP and explains how it will identify the best opportunities to reduce emissions from the transport system by 2050.

- We understand you have asked specifically about

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[REDACTED]

- As well as the briefing on the content of the TEAP, we will also soon provide you with a briefing on [REDACTED]

- [REDACTED]

- We will keep you updated on our progress on emissions (including our input into cross-government work) through the weekly report.

- [REDACTED]

[REDACTED]

Withheld under Section 9(2)(a) of the Official Information Act 1982

Ewan Delany  
Manager, Environment, Emissions and  
Adaptation

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

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

Withheld under Section 9(2)(a) of the Official Information Act 1982

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Ewan Delany, Manager, Environment, Emissions and Adaptation	[REDACTED]	
Jemima de Lacey, Senior Adviser, Environment, Emissions and Adaptation	[REDACTED]	

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**BRIEFING**

12 November 2020

OC200877

**Hon Michael Wood**  
**Minister of Transport****Action required by:**  
Friday, 20 November 2020**TRANSPORT COVID-19 RESPONSE PROGRAMME BRIEFING****Purpose**

To outline the key work streams related to the transport sector's response to the COVID-19 global pandemic and which make up the Ministry's Transport COVID-19 Response Programme.

**Key points**

- Since March 2020, and the introduction and activation of New Zealand's Alert Level system, the Ministry, transport agencies and the transport sector have worked together to implement COVID-19 public health measures in a coordinated and effective way, and to enable a strong and smart recovery for the sector and New Zealand.
- The scope and scale of the *Transport COVID-19 Response Programme* (the Programme) reflects how important it is for New Zealand that the transport sector responds effectively to COVID-19, as well as the severe impact COVID-19 has already had on the transport system, in particular the aviation sector.
- Our Programme also reflects that COVID-19 is not a discrete event New Zealand can respond to and recover from in phases. COVID-19's fluidity, the risk of resurgence and the dynamic global environment, means we need to be prepared to operate in overlapping response and recovery modes, for some time yet.
- This briefing provides an introduction to the Programme's seven primary work streams:
  - Responding to Resurgence
  - International Connections and the border, including Quarantine-Free Travel
  - Air and Maritime Border Issues (including testing of border workers)
  - Quota and allocation booking system
  - Critical Goods and Supply Chain
  - Maintaining Domestic Regulation
  - Skills and Visa settings
- To support your understanding and representation of the key issues and risks affecting the transport sector, we will provide you with regular situation reports (sit reps) about the Programme overall, as well as advice through the specific work streams listed above.

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- We will also ensure your Office is aware of any Ministerial meetings occurring that relate to COVID-19, so that you may attend to represent the transport sector. Given the role of transport in the COVID 19 work, you may be asked to be part of the COVID Ministerial group.

**Minister's office to complete:**

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

**Comments**

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Shelley Tucker  
**Director COVID-19 Response**

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

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Hon Michael Wood  
**Minister of Transport**

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

**Contacts**

Withheld under Section 9(2)(a) of the Official Information Act 1982

Name	Telephone	First contact
Kirstie Hewlett, Deputy Chief Executive	██████████	
Shelley Tucker, Director COVID-19 Response	██████████	✓

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## TRANSPORT COVID-19 RESPONSE PROGRAMME BRIEFING

**The immense scale and impact of the COVID-19 global pandemic will continue to require a strong and significant response from the transport sector**

1. This briefing provides advice about the significant programme of work being led by the Ministry to ensure the transport system's response to the COVID-19 global pandemic not only remains effective and coordinated, but also positions the sector and New Zealand for a strong recovery.
2. Since March 2020, and the introduction and activation of New Zealand's Alert Level system, the Ministry, transport agencies and the transport sector have worked together to implement public health measures in a coordinated and effective way. The subsequent impacts on the sector have been considerable, and in some parts, devastating. Despite this, transport operators continue to step up as part of the 'frontline' of New Zealand's response. Their efforts to implement travel restrictions and other public health measures across their services and systems have been critical in slowing down and minimising the transmission of COVID-19 across New Zealand, but have also resulted in increased costs.
3. The scope and scale of the *Transport COVID-19 Response Programme* (the Programme) reflects how important it is for New Zealand that the transport sector continue to respond effectively to COVID-19, as well as the severe impact COVID-19 has already had on the transport system, in particular the aviation sector. The Programme is constantly evolving, and will continue to be multi-faceted involving a mix of strategic shaping, complex policy, planning, and urgent innovative or operational responses, requiring significant inter-agency and stakeholder engagement.
4. Our Programme also reflects that COVID-19 is not a discrete event New Zealand can respond to and recover from in phases. COVID-19's fluidity, the risk of resurgence and the dynamic global environment, means we need to be prepared to operate in overlapping response and recovery modes, for some time yet.
5. This briefing provides an introduction to the seven primary workstreams that currently make up the Programme:
  - Responding to Resurgence
  - International Connections and the border, including Quarantine-Free Travel
  - Air and Maritime Border Issues (including testing of border workers)
  - Quota and allocation booking system
  - Critical Goods and Supply Chain
  - Maintaining Domestic Regulation
  - Skills and Visa settings
6. A diagram of the overall Programme structure is attached at Appendix One. Each week you will receive a report about the programme's progress and key issues and risks: the *Transport COVID-19 Response Programme Insights Sit rep* (situation report). These are normally released on a Friday, however we have attached an introductory version to this briefing.
7. You will receive other briefings relating to *Financial Stability of Transport Operators* and *Aviation Sector Recovery*, which are closely inter-related with the Programme.



8. This briefing also provides an introduction to transport sector's emergency response structure which is part of the Programme, as well as highlighting some of the key initiatives that have marked our response to date.

### **The transport sector's emergency response structure for nationally significant events**

9. When the transport sector needs to respond to a national security event or threat, the Ministry leads the Transport Response Team (the TRT). The TRT is a tried and tested response structure for our sector, and includes representatives from the transport agencies. For the COVID-19 response, the TRT is made up of the Ministry, Waka Kotahi the New Zealand Transport Agency (Waka Kotahi), KiwiRail (including the Interislander), Maritime NZ and the Civil Aviation Authority (the CAA).
10. A key objective of the TRT is to ensure the transport system response is coordinated, efficient and effective to support public health objectives. Agencies and the Ministry have clear roles and objectives to connect with different parts of the transport sector and government to receive intelligence, and to provide practical guidance and advice. This guidance includes advice about how transport operators should implement public health measures to help minimise the risk of transmission of COVID-19.
11. The TRT response model is flexible. It can operate remotely, or, if sprint-planning or response work is required (e.g. in the event of a resurgence) we can stand up a coordination centre very quickly (i.e. within an hour). Regular situation reports (sit reps) are prepared for you and your Office.
12. There is also always the chance of a separate but concurrent event occurring that will require a response from the TRT and the transport sector. So we must continue to improve readiness across the transport system and reduce risks in other parts of the network where possible (further advice on this will be provided to you in the *Resilience and Security* briefing).

#### *Our monitoring of the emerging situation in China began in December 2019*

13. The Ministry began monitoring the emerging novel virus situation in Wuhan, China, from December 2019, and initiated high-level planning for a possible pandemic in January 2020. As a result of our monitoring work, the Secretary of Transport formally activated the TRT in February to respond to COVID-19.
14. The TRT response focused on two fronts.
  - A border workstream, working with the aviation sector in particular, and which initially reflected the restrictions imposed on foreign nationals who had been in China, before expanding as New Zealand's border restrictions increased (please see paragraphs 19 to 39)
  - A domestic workstream, working very closely with transport agencies and industry, reflecting the planning and readiness work needed to prepare for an epidemic of COVID-19 in New Zealand, should one be declared. This work expanded with the introduction and activation of New Zealand's Alert Level system.

15. The Ministry has an important role in supporting the transport sector to implement the domestic alert level settings throughout the response. Our responsibilities include:
- providing advice about the impacts of changes to Alert Levels (as well as the specific settings for the Alert Levels);
  - producing information and guidance for transport operators to support their implementation of the relevant Alert Level settings;
  - updating the Ministry's website to provide information and guidance for the public on the transport and travel requirements (for each Alert Level); and
  - responding to queries from businesses and general members of the public regarding the travel restrictions (thousands of queries have been responded to, to date).

### **Workstream: Responding to Resurgence**

16. COVID-19's fluidity and the risk of resurgence means we need to be prepared to operate in overlapping response and recovery modes for some time yet, and to ensure the transport sector avoids complacency and maintains a state of readiness.
17. The scope of this workstream includes work with the:
- Ministry of Health (the MoH) and All-of-Government (AoG) COVID-19 Response Group (Strategic Policy Team), with respect to policy settings for eliminating resurgence of COVID-19.
  - AoG COVID-19 Response Group (Strategic Policy Team), and Parliamentary Counsel Office, on template Alert Level Orders; and the promulgation of Orders (in response to community transmissions being detected).
  - AoG COVID-19 Response Group (Operations Team) in developing the National Resurgence Response Plan, and activating the Plan (in response to community transmission being detected).
  - transport sector agencies (and other key agencies such as MoH, the New Zealand Police (NZ Police), and Ministry of Business, Innovation, and Employment (MBIE)), and industry to prepare for resurgence, and operationalise the response (if community transmission is detected).
18. The AoG COVID-19 Response Group (Operations Team) is in the process of finalising the COVID-19 National Resurgence Response Plan, which incorporates the activities of the transport sector in the event of a resurgence. The plan is expected to be finalised by the National Response Leadership Team (established by Cabinet) in the near future.
19. The Transport sector (in collaboration with MoH and NZ Police) have met to finalise the Transport National COVID-19 Response Plan (this is the more detailed plan for the transport sector that sits under the COVID-19 National Resurgence Response Plan). The transport sector is also undertaking planning work to ensure it is in a position to respond to any resurgence over the Christmas break.

### **Workstream: International connections and Quarantine-Free travel**

20. Acknowledging that public health considerations remain at the centre of our border decisions, international connections are critical for New Zealand's economic, social and

cultural well being and recovery. A large focus of our work is therefore centred on how New Zealand can progressively reconnect smartly and safely.

21. Amongst other things, the Ministry advises on the facilitation of Quarantine-Free Travel (QFT), including Safe Travel Zones (e.g. with Australia, Niue and the Cook Islands), and leads transport participation in QFT discussions with other States. We also work with the New Zealand aviation industry and the International Civil Aviation Organization (ICAO) to support health measures for aviation that are balanced and proportionate to risk. Where possible, we support work at ICAO that aims for mutual recognition of standards and processes.
22. We are exploring analysis other jurisdictions are doing around risk-based approaches, using layers of protection at the border (e.g. testing, contact tracing, proof of data, quarantine).
23. The *International Connectivity and Managing the Border* briefing you will receive, provides more specific advice about this workstream.

**Workstream: Air and Maritime Border Issues (including the testing of border workers)**

24. The Ministry regularly provides advice and support to the MoH and the New Zealand Customs Service in particular, on issues relating to the regulation and management of the aviation and maritime borders, including amendments to Health Orders<sup>1</sup> relating to air and maritime crew and the testing of border workers (please see Appendices Two and Three for a summary of current public health requirements for maritime and air crew).
25. As demonstrated by the recent marine engineer COVID-19 case, New Zealand's border settings need to be monitored regularly to ensure they remain fit-for-purpose and to reflect new knowledge about COVID-19 and how it is transmitted.
26. Overall, the maritime and aviation sectors (where there is the most focus because of the border interface these sectors have) understand and support the need for increased public health requirements for their staff, workplaces and operations - provided measures are risk-based and proportionate.
27. Testing, isolation requirements and obligations on employers (as persons conducting a business or undertaking) help to achieve important public health objectives, but can also create operational and supply chain impacts, and cost and welfare concerns that need to be monitored. Wherever possible the Ministry will work with MoH and operators to understand these impacts, and mitigate them before a Health Order is made.

*Testing*

28. Testing is a critical part of New Zealand's strategy and has been significantly scaled up in the last two months.
29. Under current Health Orders, workers at airports or maritime ports who interact with international passengers or foreign crew, are subject to mandatory asymptomatic testing. The frequency of testing is risk-based, depending on the level of contact workers may have with passengers or overseas crew, and can vary from weekly to fortnightly to monthly. There is also mandated weekly surveillance testing for New Zealand-based aircrew who undertake overseas duties. The Ministry worked closely with MoH on the

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<sup>1</sup> An order issued under the COVID-19 Public Health Response Act 2020 or the Health Act 1956

development of the risk-based testing framework for border workers, and is represented on the Testing Governance Group (along with Maritime NZ).

*Welfare impacts*

30. One of the issues we are maintaining a close watching brief on are welfare concerns for workers and crew resulting from public health measures, such as impacts for mental health from isolation requirements (especially where crew may be subject to it regularly) or health concerns arising from regular COVID-19 testing.
31. COVID-19 restrictions put in place by other countries, for example, have made it difficult for seafarers on international ships to leave their vessels when in port. Confinement to vessels can be for up to six months, but there have been reports of some crew being confined to vessels for longer, increasing mental distress with the potential result of increased fatigue – increasing the risk of maritime accidents.
32. Shipping is an essential service that integrates into the national logistic system and directly contributes to the \$121 billion import-export trade. Nearly \$300,000 has been provided to the Seafarers Welfare Board New Zealand to enable it to provide critical support services to international seafarers adversely impacted by COVID-19 border restrictions. This has been funded out of the Essential Transport Connectivity fund, administered by the Ministry.

**Workstream: Managing the Flow of People: Allocation booking system, and approval of unscheduled flights**

33. The purpose of this workstream is to ensure the flow of people over the aviation border makes efficient use of, but does not exceed the capacity of, the Managed Isolation and Quarantine (MIQ) system. The Ministry has responsibility for:
  - administering and adjusting the airline quota system (ended on 3 November), which set limits on how many passengers each airline could bring into New Zealand to ensure capacity in the MIQ system was not breached;
  - working with MBIE officials on the implementation of the Managed Isolation Allocation System (MIAS), specifically on its interface with airlines.
34. The Ministry in its economic regulatory role also approves unscheduled repatriation and charter flights to New Zealand. We do this with an inter-agency team involving Ministry of Foreign Affairs and Trade (MFAT), the MoH, the MBIE- immigration and MIQ areas, which ensures a range of perspectives are considered before approval, i.e. health, diplomatic relationships and capacity in MIQ.

*MIAS*

35. The MIAS is a web based interface administered by MBIE whereby passengers can book their place in MIQ before travelling to New Zealand. The MIAS will be able to more quickly react to changes in patterns of demand than the quota system could. It will also allow for better forecasting and for more information on passengers (such as special needs, and the room configuration needed by family or other groups) to be collected before the passengers arrive in New Zealand.
36. The MIAS had a soft launch on 4 October where passengers were encouraged, but not legally required, to hold a voucher for their place in MIQ.

37. From 3 November, holding a voucher issued by MIAS became mandatory. Officials are working with airlines to ensure that passengers do not turn up to the airport with an airline ticket without holding a voucher. While there is a process for allocating space at check-in where it is available, at peak times (such as the lead up to Christmas) passengers who do not hold a voucher will be denied boarding and will need to delay their travel. This is not a function of the MIAS per se, but of demand for travel to New Zealand exceeding the capacity of MIQ.

#### *Unscheduled flights*

38. Prior to COVID-19, non-scheduled (charter) flights played a regular, but small, part in the aviation system. They were mostly used for specialist cargo loads, or for touring musicians and sports teams.
39. In the immediate response period, commercial scheduled flights all but dried up. Repatriation charter flights were put on both by the New Zealand government to bring people home, and by foreign governments who had citizens stranded here.
40. As there has been some return of commercial scheduled flights to the market (in particular as hub airlines such as Singapore Airlines, Emirates and Qatar Airways), the number of non-scheduled flights has decreased. The main demand is now from India where, numbers of New Zealand citizens are residents remain and, scheduled international flights are still largely banned (by the government of India).

#### **Workstream: Critical Goods and Supply Chain**

41. This workstream supports a strategic readiness pillar identified by the Public Sector Leadership Team, with Peter Mersi as chair. It builds off the previous Infrastructure and Supply Chain Pillar initiated as part of the first COVID-19 response.
42. Its purpose is to support the sustainability of the critical infrastructure, ICT and supply chain systems so that they are resilient and better positioned in preparation for future shocks that might result from COVID-19. It has the following objectives to:
- understand lessons learned from previous COVID-19 responses and use these to prepare for any future response required;
  - provide ongoing supply chain environment scans as they relate to COVID-19, enabling agencies to identify and respond to issues early at any Alert Level;
  - use intelligence gained from environment scans as an input to the design of the work the Ministry is seeking to do on a National Freight Strategy and other agency strategies; and
  - support Peter Mersi (as pillar Chair) in his engagements with AoG forums and Ministers on critical infrastructure and supply chain issues.
43. The underlying work programme has three work streams:
- Critical Infrastructure (led by MBIE and MoT), ensuring critical infrastructure remains operable and effective through different response levels and address any business continuity issues that emerge.



- Fast Moving Goods (Ministry of Primary Industries (MPI) lead), ensuring the effective distribution of food through COVID Alert Levels;
  - Cargo/Supply Chain (MoT lead), supported by the Supply Chain interagency group (including the MPI, MBIE, the MFAT, New Zealand Trade and Enterprise, and Maritime NZ, among others) to serve as a platform for coordination and information-sharing on both COVID-19 and non-COVID-19 related supply chain issues. This work-stream monitors and provides support for any short-term to medium-term COVID-19 impacts on the domestic and international movements of critical goods in the supply chain, in coordination with other government agencies and key industry contacts, while also driving the government's long-term supply chain recovery and readiness agenda.
44. Workstream frequency and workload fluctuates depending on the Alert Level, but also if any issues are seen in relation to supply chains. For more information on the proposed Ministry Freight Strategy, please see the briefing on the *Upper North Island Supply Chain Strategy*.
45. Overall, New Zealand's supply chains and our freight sector have remained fairly responsive and resilient, although international air freight has been able to remain at close to pre-COVID-19 levels only with significant government support.
46. Sea freight, which made up about 99.7% of trade volume and 80% of trade value in 2019, has been not been as seriously disrupted as air freight. Sea freight is approximately 95% of pre-COVID 19 levels. Nonetheless there are increasing pressures on sea freight arising from congestion issues at the Ports of Auckland (caused by a multitude of factors some beyond COVID-19), competing international demand for container services which has resulted in reduced shipping capacity for New Zealand, and travel restrictions and health measures resulting in crew changeover and health and safety issues. This makes it critical to monitor supply chains and to consider how new health border measures may impact the supply chain.
47. On the international front, we are engaging in International Maritime Organisation meetings on the issue of changeovers of shipping crews, in order to ensure that any guidelines or standards adopted strike a balance between aligning with New Zealand's COVID-19 elimination strategy and facilitating the smooth running of supply chains.

### **Workstream: Maintaining Domestic Regulation**

48. This workstream seeks to ensure domestic transport regulatory settings are fit for purpose and support delivery of the government's COVID-19 elimination strategy. The Ministry works alongside transport agencies and stakeholder groups to identify system issues and provide practical and timely regulatory relief measures, while maintaining safety outcomes across the network.
49. Since March 2020, the Ministry has progressed a number of regulatory relief initiatives, including for driver licensing and vehicle certification because of disruptions caused by COVID-19 which have impacted the normal functioning of these systems.
50. For example, there are a range of documents a driver must have to legally operate a vehicle on the road (including a valid driver licences and vehicle certification documents such as Warrant of Fitness/Certificate of Fitness). These documents must be renewed on a periodic basis by authorised agents (some as frequently as every six months). Due to COVID-19 and the temporary closure of testing agents, the government extended some NZ driver licences and vehicle certification documents to 10 October 2020. With the extension now finished, monitoring is now underway to understand how many

vehicles may still be being used, without current certification, and any associated safety issues.

51. Further Covid-19 resurgence events and a return to higher Alert Levels may require new extensions to be made.
52. A new issue that has more recently been raised and which will exacerbate pressure on driver licensing agents is where people on overseas licences are unable to leave the country and are fast approaching the end of their 12-month eligibility period of being able to drive on their overseas licence. These people will need to convert to a NZ licence, and in some cases undertake driver testing to obtain one. Preliminary data suggests that over 20,000 people could be affected by these requirements over the next six months.
53. The system does not have capacity to process an influx of overseas licence holder applications without considerable delays (estimated to be up to one month for conversions and several months for those requiring testing). Without government intervention, this could lead to significant employment and access issues.
54. Consultation is underway on a minor amendment to section 88 of the Land Transport (Driver Licensing) Rule 1999. This would extend the eligibility period for overseas licence holders (on short-term visas) to drive in New Zealand for up to 24 months.
55. In November 2020, we will seek your agreement to the final Rule amendment<sup>2</sup> (and to submit a Cabinet paper in December 2020 to note your decision). Once in force, the Rule amendment would be in place for a period of one year, at which point the eligibility period would revert back to 12 months.

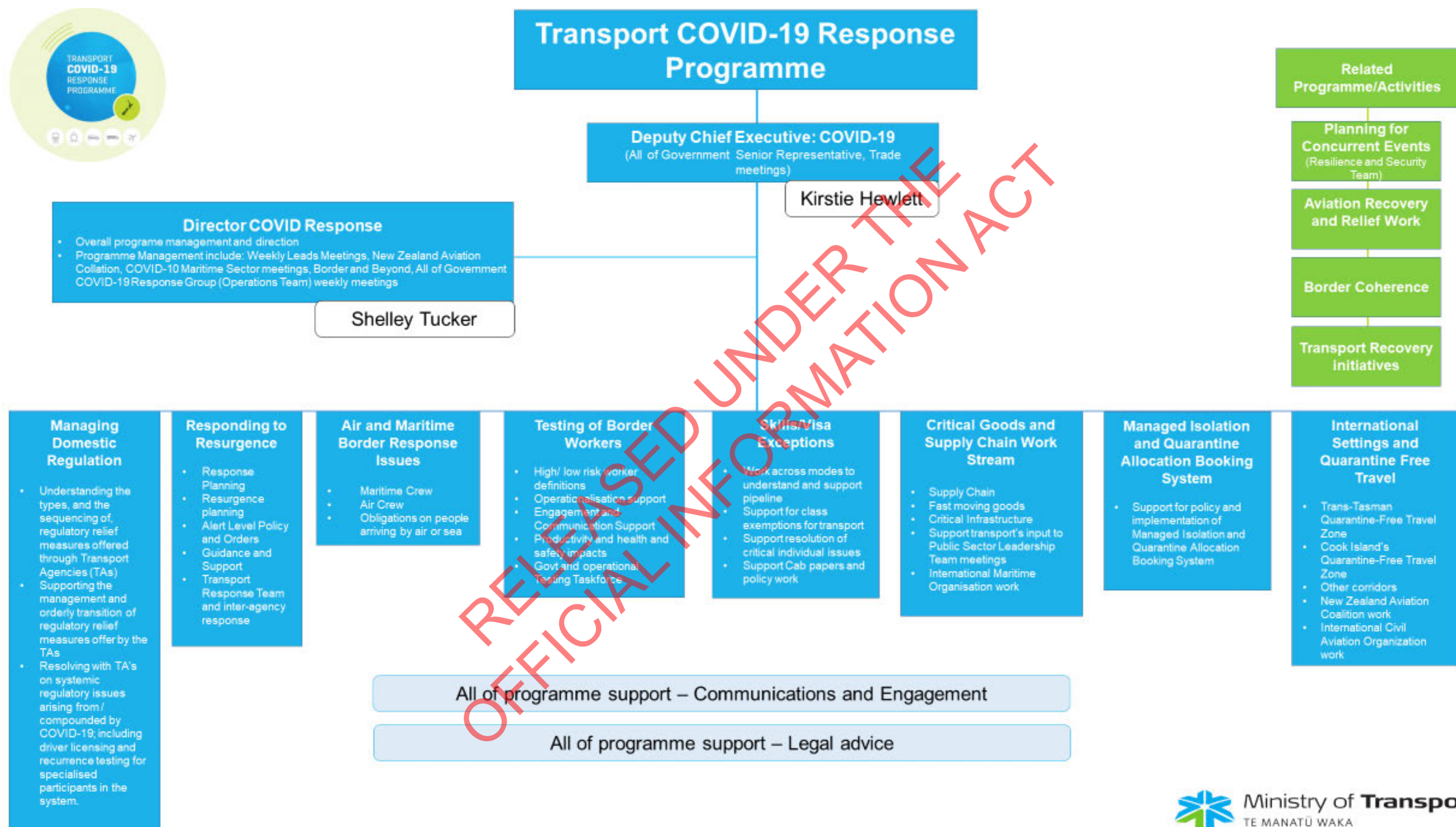
#### **Workstream: Skills and Visa settings**

56. The Ministry provides advice and support to MBIE, MoH, and the Department of Prime Minister and Cabinet on issues and impacts for the transport sector arising from New Zealand's current immigration settings, and other constraints created by the MIQ accommodation system.
57. Current immigration settings are impacting the ability for some specialist workers from overseas to get into New Zealand, including those needed for some significant transport capital projects (across the board, but notably for projects like the City Rail Link).
58. The Ministry is working with transport agencies to develop advice on critical skill gaps being experienced across the transport sector as a result of current border settings. Once information has been collated and assessed and cross-Government consultation has taken place, we will provide you a briefing that incorporates a transport system view of the challenges faced.
59. Prior to the General Election, a Ministerial Oversight Group was in place to consider issues related to immigration settings, and some immigration requests from specific groups. Where issues are being discussed that impact or relate to the transport sector, you may wish to attend these meetings to represent the sector. The Ministry will support your attendance at these and other meetings with written advice.

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<sup>2</sup> Under s152 of the Land Transport Act 1998

## Appendix One: Transport COVID-19 Response Programme structure



## Appendix Two: Requirements for Aviation Crew

Please note: In all cases, arriving air crew will be assessed for COVID-19 symptoms. If arriving air crew have COVID-19 symptoms they will be managed in accordance with quarantine requirements.

Journey	Requirements for New Zealand based air crew	Requirements for overseas based air crew
Arriving in New Zealand (and travelled on a higher risk route in the past 7 days)	<p>Must self-isolate (in accordance with self-isolation standards) for at least 48 hours, and be tested for COVID-19. The self-isolation period ends after they receive a negative test result.</p> <p><i>Please note: The higher risk routes are flights from Los Angeles or San Francisco.</i></p>	N/A
Arriving in New Zealand (but have <u>not</u> travelled on a higher risk route in the past 7 days, and have met the key safety standards)	<p>Exempt from isolation requirements (but still subject to regular weekly surveillance testing in accordance with border testing requirements).</p> <p><i>Note the key safety standards include PPE standards, physical distancing standards, and overseas layover standards.</i></p>	N/A
Arriving in New Zealand (but have <u>not</u> travelled on a higher risk route in the past 7 days, and have <u>not</u> met the key safety standards)	Must stay in a Managed Isolation Facility for 14 days (and be tested in accordance with managed isolation testing requirements).	N/A
Lay over in a foreign country	<p>Must either:</p> <ul style="list-style-type: none"> <li>• remain airside, or</li> <li>• self-isolate (in accordance with self-isolation standards) at their accommodation in the foreign country.</li> </ul>	N/A
Lay over in New Zealand	N/A	<p>Must either:</p> <ul style="list-style-type: none"> <li>• remain airside, or</li> <li>• stay in a Managed Isolation Facility until they are due to leave New Zealand.</li> </ul>



## Appendix Two: Requirements for Maritime Crew

Please note: In all cases, arriving maritime crew will be assessed for COVID-19 symptoms:

- in accordance with standards at the airport (if arriving by air)
- in accordance with maritime pratique requirement (if arriving by sea)

If arriving maritime crew have COVID-19 symptoms they will be managed in accordance with pratique/quarantine requirements.

Journey	Requirements
Arriving in New Zealand, <u>by air</u> , to board a ship departing New Zealand (incoming crew change)	<p>Must either:</p> <ul style="list-style-type: none"> <li>• transfer directly to their ship, or</li> <li>• stay in a Managed Isolation Facility until they can transfer to their ship.</li> </ul> <p><i>Please note: Transfer plans are approved by the Managed Isolation and Quarantine unit (and meet isolation standards)</i></p>
Arriving in New Zealand, <u>by air</u> , to board a ship remaining in New Zealand (e.g. replacement fishing crew for domestic fishing operations)	<p>Must stay in a Managed Isolation Facility for 14 days (and be tested in accordance with managed isolation testing requirements).</p>
Arriving in New Zealand, <u>by sea</u> , to board a flight departing New Zealand (outgoing crew change)	<p>Must either:</p> <ul style="list-style-type: none"> <li>• transfer directly to their flight, or</li> <li>• stay in a Managed Isolation Facility until they can transfer to their flight.</li> </ul> <p><i>Please note: Transfer plans are approved by the Managed Isolation and Quarantine unit (and meet isolation standards)</i></p>
Arriving in New Zealand, <u>by sea</u> , and leaving the vessel to undertake shore leave	<p>Permitted if:</p> <ul style="list-style-type: none"> <li>• the ship has been at sea for 14 days or more (and has had no contact with any vessel/person for at least 14 days)</li> <li>• no person on the vessel has had COVID-19 symptoms in the last 14 days</li> <li>• all persons on the vessel are tested for COVID-19, and return negative tests.</li> </ul>



SENSITIVE

	<p><i>Please note: In practice this means that shore leave can only occur:</i></p> <ul style="list-style-type: none"><li>• <i>at the second or subsequent port of arrival and</i></li><li>• <i>if there has been no change of crew in the last 14 days.</i></li></ul>
<b>Arriving in New Zealand, <u>by sea</u>, and returning to New Zealand</b>	<p>Permitted if:</p> <ul style="list-style-type: none"><li>• the ship has been at sea for 14 days or more (and has had no contact with any vessel/person for at least 14 days)</li><li>• no person on the vessel has had COVID-19 symptoms in the last 14 days</li><li>• all persons on the vessel are tested for COVID-19, and return negative tests.</li></ul> <p>OR,</p> <p>Must stay in a Managed Isolation Facility for 14 days (and be tested in accordance with the managed isolation testing requirements). <i>Note time at sea, without contact with any vessel/person, can be credited towards the 14 days.</i></p> <p><i>Please note: The New Zealand border is closed with limited exceptions (this means that in most cases this option only applies to New Zealand Citizens, or New Zealand Permanent Residents ordinarily resident in New Zealand).</i></p>

SENSITIVE



## TRANSPORT COVID-19 RESPONSE PROGRAMME

### WEEKLY INSIGHTS SIT REP

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<b>Event:</b> COVID-19 Global Pandemic	<b>Insights SitRep No.:</b> 5 Date: 10 November 2020
<b>Authorised by:</b> Shelley Tucker, COVID-19 Programme Director <i>Phone number:</i> [REDACTED]	<b>Last Insights SitRep:</b> 6 November 2020
<b>Location/Site of Insights Sit Rep drafting:</b> Ministry of Transport, 3 Queens Wharf	<b>Insights Sit Rep Prepared by:</b> Nick Wilson. Policy Advisor

#### Notes

- This Insights situation report (sit rep) is circulated to: Office of Hon Michael Wood, Minister of Transport; MoT Senior Leadership Team; MoT Tier 3 Managers group; Programme Leads.
- This sit rep contains some commercially confidential and legally privileged information.
- Updates to this sit rep will be highlighted in red (to be applied from Friday 13 November).

#### Transport COVID-19 Response Programme – Introduction (Responsibility: Shelley Tucker, Director Transport COVID-19 Response Programme)

1. The Ministry of Transport has put in place a refreshed COVID-19 Response Programme (the Programme), reflecting the significant body of ongoing work around transport resurgence readiness and response to COVID-19 and the management of border issues. This work is constantly evolving, and will continue to be multi-faceted, multi-agency, and enduring for the next few months at least.
2. The work involved is a mix of strategic shaping, complex policy, planning, or urgent innovative or operational responses, and requires significant inter-agency and stakeholder engagement.
3. Weekly coordination meetings involve key staff across the Ministry to ensure coordination of the work programme, risk management, and to address any staffing issues.
4. The Programme has a small core support team, including a Programme Director to provide strategic direction and work programme oversight. We are recruiting two fixed-term positions to be part of the support team: a Principal Advisor and a Programme Assistant.
5. The Programme includes the following work streams:
  - Responding to Resurgence
  - Maintaining Domestic Regulation

- Critical Goods and Supply Chain
- Quota and allocation booking system
- Quarantine-Free Travel
- Air and Maritime Border Issues (including testing of border workers)
- Skills and visa settings

#### *Reporting*

6. Weekly 'Insights' sit reps about the Programme are produced for the Minister of Transport and the Ministry's leadership teams. The Insights sit reps include key updates for each work stream.
7. The Insights sit reps also include updates on associated work programmes which are not formally part of the Transport COVID-19 Response Programme. For example, the Transport Connectivity Programme and work to provide relief from aviation passenger-based levies. Future Insights sit reps will also include a summary of media queries, Official Information Act requests and Ministry briefings in development that relate to the response.
8. The Ministry still meets at least weekly with representatives of the transport agencies about the COVID-19 response, and will continue to produce a weekly Transport Response Team (TRT) sitrep summarising what is happening at an operational level for the sector.

#### **KEY PROGRAMME UPDATES**

**Workstream: Responding to Resurgence (Responsibility: Nick Paterson, Senior Advisor, Transport COVID-19 Response Programme)**

#### *Purpose & Scope*

9. To support New Zealand's elimination strategy, by supporting public health objectives to disrupt (as far as practicable) the domestic transmission of COVID-19, while minimising disruption to critical supply chains and overall travel and trade.
10. The scope of this area includes work with the:
  - The Ministry of Health (MoH) and All-of-Government (AoG) COVID-19 Response Group (Strategic Policy Team), with respect to policy settings for eliminating resurgence of COVID-19.
  - AoG COVID-19 Response Group (Strategic Policy Team), and Parliamentary Counsel Office, on template Alert Level Orders; and the promulgation of Orders (in response to community transmissions being detected).
  - AoG COVID-19 Response Group (Operations Team) in developing the National Resurgence Response Plan, and activating the Plan (in response to community transmission being detected).
  - Transport sector agencies (and other key agencies such as the MoH, the New Zealand Police (NZ Police), and Ministry of Business, Innovation, and Employment (MBIE)) to prepare for resurgence, and operationalise the response (if community transmission is detected).

*Resurgence preparedness*

11. The AoG COVID-19 Response Group (Operations Team) is finalising the COVID-19 National Resurgence Response Plan, which incorporates the activities of the transport sector in the event of a resurgence.
12. The transport sector (in collaboration with the MoH and the NZ Police) have met to finalise the Transport National COVID-19 Response Plan (this is the more detailed plan for the transport sector and under the COVID-19 National Resurgence Response Plan). The transport sector is also continuing with planning work to ensure it is in a position to respond to any resurgence over the Christmas break.

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**Workstream: Maintaining Domestic Regulation (Responsibility: Helen White, Policy Manager, Mobility and Safety)**

*Purpose & Scope*

16. To ensure regulatory settings are fit for purpose and support delivery of the Government's COVID-19 elimination strategy. We work alongside transport agencies and stakeholder groups to identify system issues and provide practical and timely regulatory relief measures while maintaining safety outcomes.
17. We collaborate with transport agencies and consult with stakeholders to understand and respond to the system challenges arising from or compounded by COVID-19. We lead advice on potential regulatory changes and sequencing to ensure effective implementation.

*Overseas driver licence holders*

18. Currently, overseas licence holders are able to drive on their overseas licence for 12 months, after which they are required to convert to a New Zealand licence. Under normal circumstances, many of these drivers return home overseas. However, due to COVID-19, a significant number of overseas licence holders have remained in New Zealand. They will therefore be required to convert to a New Zealand driver licence if they wish to continue to drive for the remainder of their time in the country.

19. The driver licensing system does not have capacity to process an influx of overseas licence holder applications without considerable delays (estimated to be up to one month for conversions and several months for those requiring testing). This could lead to significant employment and access issues without government intervention.
20. To address the above issues, the previous Associate Minister of Transport agreed to consult on a draft rule amendment that would temporarily extend the period of eligibility for overseas licence holders to drive in New Zealand from 12 months to up to 24 months.
21. Waka Kotahi the New Zealand Transport Agency released the draft rule for public consultation in October 2020. Public consultation ran for a total of three weeks and closed on 9 November 2020. The Ministry will provide you with final advice and a copy of the draft rule. Subject to any changes from consultation and Ministerial and Cabinet agreement, the rule will be in place from December 2020 for a period of one year, at which point the eligibility period would revert back to 12 months.

*ADSB (Automatic Dependent Surveillance Broadcast) below 24,500 feet*

22. All aircraft flying in controlled airspace are expected to use ADSB from December 2021. ADSB is an aircraft surveillance system. Aircraft receive accurate and precise location data from a satellite constellation and then broadcast this information through a transponder. This data can then be used by air traffic management services to maintain aircraft separation.
23. The government has provided a grant of \$12.5 million to contribute to the costs of fitting aircraft with the necessary transponders, and be ADSB compliant by December 2021.
24. Most of the aircraft affected have seen a reduction of around 50 percent of activity as a result of COVID-19 and the lockdown has also meant that aviation workshops do not have the necessary capacity to complete the work before December 2021.
25. Due to the COVID-19 lockdown, it is unlikely that all the aircraft that need to have transponders fitted will be able to do so before December 2021.
26. We will shortly be requesting you extend the mandate by a year to December 2022, to enable aircraft to be fitted with the transponders to enable them fly in controlled airspace. We will also be providing you with the ADSB rules for signing.

**Workstream: Critical Goods and Supply Chain (Responsibility: Harriet Shelton, Policy Manager, Supply Chain)**

*Purpose & Scope*

27. To monitor and provide support for any short-term COVID-19 impacts on the domestic and international movements of critical goods in the supply chain, in coordination with other government agencies and key industry contacts, while also driving the government's long-term supply chain recovery and readiness agenda.
28. This workstream directly supports the AoG Infrastructure, Supply Chain and ICT readiness pillar, which Peter Mersi chairs.



*Key updates*

29. There are pressures on New Zealand's sea and land freight supply chain system with congestion occurring at the Ports of Auckland (POAL) as a result of international ships arriving off-schedule. Ships are reportedly delayed by 7 to 10 days, but some other ports in New Zealand are reporting 1 to 2 weeks delays in ship arrivals.
30. Our understanding is that these delays are being caused by a confluence of factors, including this being the peak import season/start of the export season, a backlog from COVID-19, bad weather and maritime industrial action causing congestion at Australian ports, as well as congestion issues at some transshipment ports in Asia further up the supply chain.
31. The fatality at POAL in end-August, delays to the automation of POAL's container terminal due to COVID, and labour constraints have also complicated POAL's management of the issue.
32. While freight might normally divert to the Port of Tauranga (POT) in times of delay at POAL, POT has advised that they are operating near capacity with constraints on rail capacity between POT and Auckland.
33. Due to time constraints at berths, the focus at POAL is on the removal of import containers from ships, limiting export and coastal shipping volumes. As a result, a lot of the normal transshipment from POAL (including empty containers) to the rest of New Zealand is not occurring or going by road and rail carriers. This has impacts on our exports which rely on these ships and empty containers to move their goods offshore.
34. There are also reports of shipping lines bypassing ports both in New Zealand (e.g. in Lyttelton and Bluff) and overseas to make up for lost time and keep on schedule. This compounds the challenges for exporters in obtaining empty containers and timely shipping services.
35. Additionally, these developments are occurring in the context of increased global competition for container services, especially from the US and China, which has exacerbated container shortages and led to significant escalation of sea freight rates being reported in both North America and New Zealand.
36. Several shipping lines have also started to impose congestion surcharges on cargo arriving or departing from POAL, further adding to the costs of sea freight.
37. We have received wide ranging reports of various sectors being affected by these congestion issues.

38.

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39. [REDACTED]

40. General feedback from industry stakeholders is that the international supply chain issues, POAL congestion, as well as the resulting delays and backlogs in freight movements and container supply constraints, are likely to continue past Christmas and even up to mid-2021.

41. Other potential pressures on sea freight to watch for include (i) additional health and safety measures at New Zealand ports, if any, resulting from the 17 October port worker COVID case; and (ii) restrictions imposed by governments around the world on the changeover of shipping crews which could reduce global shipping capacity.

*Government efforts*

42. Ministry officials are leading an inter-governmental group of officials (including MFAT, NZTE, and MPI amongst others) to monitor developments and see if and how the market responds to the current congestion issues. We are engaging the ports and other industry contacts regularly to better understand the causes, extent and impacts of the issue. Nonetheless, given the international drivers behind these pressures, general feedback from the wider freight sector is that there is little government can do to effectively intervene at this stage.

43. A more detailed briefing on this issue will be provided to you this week.

**Workstream: Quota and allocation booking system (Responsibility: Sonya van de Geer, Principal Advisor, Economic Regulation)**

*Purpose & Scope*

45. To ensure the flow of people over the aviation border makes efficient use of, but does not exceed the capacity of, the Managed Isolation and Quarantine (MIQ) system. The scope of this workstream includes:

- working with MBIE officials on the implementation of the Managed Isolation Allocation System (MIAS), specifically on its interface with airlines;
- transitioning out of the quota system.

*Key updates*

46. The requirement for people coming to New Zealand to enter MIQ is a key part of our COVID-19 elimination strategy.

47. On Tuesday 3 November it became mandatory for passengers arriving in New Zealand to hold a voucher for their place in MIQ bookable through the MIAS.

48. The MIAS replaced a quota system that had been in place since July, whereby the Ministry allocated each airline a capacity cap limiting passenger numbers so that in total they did not exceed MIQ capacity.

49. Immediately before MIAS became mandatory on 3 November 2020 there was a spike in demand and a changes in behaviour as a result of factor such as (some of which are continuing to impact the system):
- an anticipated increase in demand in the build up to Christmas
  - the worsening global epidemiological outlook and steady rise in COVID-19 case numbers particularly in the Americas, Europe, Africa and the Middle East increasing demand to return to New Zealand
  - more people who have purchased tickets are checking in for these flights and travelling (fewer no-shows)
  - some airlines during the month of October, perhaps in anticipation of the airline quota system being removed following the introduction of MIAS, oversold their quotas thereby contributing to the situation
50. Currently MIQ places are fully allocated until 26 December 2020.
51. While efforts to rebook passengers are ongoing, it is likely that some passengers holding valid airline tickets will continue to be turned away at the check-in desk because they do not hold a voucher and no space is available.

**Workstream: Quarantine-Free Travel (Responsibility: Bev Driscoll, Policy Manager, Regulatory Policy)**

*Purpose & Scope*

52. To support the facilitation of Quarantine-Free Travel (QFT) through all of government engagement; leading transport participation in QFT discussions with other States; and working with the NZ aviation industry and the International Civil Aviation Organization (ICAO) to support health measures for aviation that are balanced and proportionate to risk.

*Quarantine free travel*

53. Inter-agency readiness work is continuing in preparation for quarantine-free travel zone arrangements with Australia, Cook Islands and Niue. Agencies are planning to report to Ministers shortly on the state of play of zone arrangements, and to Cabinet before the end of November, including on domestic preparations for implementation.
54. Over the past week, further officials' level discussions have been held with Niue (30 October and 4 November); and Australia (informal discussions) to better understand its "hotspot" approach and what that means for the Trans-Tasman Safe Travel Zone. A further round of discussions will was held with the Cook Islands on 6 November.
55. Officials from MoH, the NZ Customs Service (Customs) and Immigration NZ are working towards making a visit to Cook Islands on 14 November (delayed from 7 November) to review and confirm technical readiness for implementation.
56. We are continuing to facilitate engagement with the aviation industry on their readiness for implementation. We are working with AoG communications representatives to develop a "one-stop" pack for airlines and airports, setting out the requirements and guidance for participating in zone arrangements, and communications tools to support the public through all steps of travel from booking through to post arrival. Airlines and airports have continued to emphasise

that they will need at least three weeks to implement quarantine-free travel arrangements, following government decisions. Air NZ has more recently advised that it will need five weeks – particularly for Trans-Tasman quarantine-free travel.

*Latest from the International Civil Aviation Organization (ICAO)*

57. We recently attended the ICAO Public Health SubGroup Roundtable for the Asia Pacific region. The meeting was attended by State representatives from civil aviation and health, the World Health Organisation and civil aviation industry bodies.

58. Key messages from that session:

- States should not wait for a vaccine to explore opportunities to re-open air travel. Even with a vaccine, States will need to continue to manage COVID including the application of health measures as appropriate.
- Desire to move away from a uniform 14 quarantine period to re-start air travel safely and rebuild economies
- Risk assessment framework and tools to support the gradual re-opening air travel air travel in a safe way essential. A mixture of testing, isolation and quarantine to manage importation should be considered depending on the risk posed by country of origin.

59. ICAO will shortly release updated guidance to States to further support the safe, secure and sustainable restart and recovery of the aviation sector. We understand the updates will include a framework and set of tools to support States to apply more harmonised and graduated set of measures based on risk.

**Workstream: Air and Maritime Border Issues (including testing of border workers)  
(Responsibility: Shelley Tucker, Programme Director)**

*Purpose & Scope*

60. Provide advice and support to the MoH, Customs and the AoG Policy Group on issues relating to the regulation and management of the aviation and maritime borders, including regulations relating to air and maritime crew and the testing of border workers.

*Aviation*

61. We met with MoH this week to understand a number of operational matters which will need to be addressed as part of the review of the Air Border Order.

62. We will provide you with separate advice on these matters once the timeframe for the promulgation of the new Order is clearer.

*Maritime*

63. The maritime sector has been affected by the detection of a COVID-19 infection associated with a vessel which had visited a number of New Zealand ports.



64. Concerns remain about the impacts for port productivity from the standing-down of marine pilots and stevedores who may have contact with affected vessels, and the risks associated with crew changes.

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[REDACTED]

[REDACTED]

67. We will provide further information about this work when it is clearer which options are likely to be progressed.

*Testing – Obligations on PCBU's being considered*

68. MoH is progressing work to create specified duties on PCBU's (related to testing) that could be included as part of the Phase 3 Order, rather than a general duty to 'facilitate' or 'remove barriers' to worker testing. Alongside Maritime NZ, the Ministry has facilitated engagement with affected stakeholders in the maritime and aviation sectors on some of the proposed duties.

69. We understand that a final Health Report has now been provided to the Minister of Health, and that if he agrees, the Minister will undertake Ministerial consultation on the proposed PCBU and employee duties this week. We will update the Minister of Transport's Office separately on this, this week.

70. We have reiterated to MoH that consideration of any additional measures or changes to current systems, also needs to take account of any impacts for port operations and the ongoing effectiveness of the supply chain.

Withheld under Section 6(a) of the Official Information Act 1982

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**Workstream: Skills and Visa settings (Responsibility: Shelley Tucker, Programme Director)**

*Purpose & Scope*

76. Provide advice and support to MBIE, MoH, and the AoG Policy Group on issues and impacts for the transport sector arising from New Zealand's current immigration settings, or other constraints created by the MIQ accommodation system.

*Key updates*

77. The Ministry is working with transport agencies to develop advice on critical skill gaps being experienced across the transport sector as a result of current border settings. Once information has been collated and assessed (from CRLL, Waka Kotahi, KiwiRail, CAA, and MNZ) and cross-Government consultation has taken place, we will provide a briefing that incorporates a transport system view of the challenges faced.

## ASSOCIATED WORK PROGRAMMES/WORK STREAMS

(Please note: Updates may include commercially confidential or legally privileged information)

### Transport Connectivity Programme (Responsibility: Brent Lewers, Programme Manager)

#### *Purpose & Scope*

78. The Transport Connectivity team's role is the design and delivery of government financial support in the transport sector. Government support is required to ensure key services and capability are retained despite the significant reduction in passenger travel as a result of COVID-19 travel restrictions (including its knock-on effect on international airfreight capacity) and COVID's broader impact on domestic transport. The team is responsible for around \$380m of government funding, primarily under the International Airfreight Capacity Scheme and the Essential Transport Connectivity Scheme (which supports domestic operators across all modes).

#### *Essential Transport Connectivity (ETC)*

79. The current summary of applications in the scheme is:

- Currently under contract: 7 applicants (InterCity, Sounds Air, Seafarers Welfare Board, Air Chathams, Fullers, Golden Bay Air and BARNZ)
- Currently being assessed by the Ministry: [REDACTED], Go Kiwi Shuttles
- Declined: 4 applicants [REDACTED]

[REDACTED] Withheld under Section 9(2)(b)(ii) of the Official Information Act 1982

80. We have requested further supporting information from [REDACTED] regarding its financials and actions taken to survive COVID-19 lockdowns.
81. We have begun assessing a new application, Go Kiwi Shuttles, and have progressed the application to the financial assessment stage.
82. We are currently progressing with a number of mid-point reviews for entities already contracted.

#### *International Airfreight Capacity Scheme (IAFC)*

83. Following Ministerial agreement to extend the IAFC from its previous expiry date of 30 November 2020 to 31 March 2021, we sought applications from airlines with a closing date of 28 October. The cross-agency panel met last week to assess 14 applications and advice is now being prepared for the Secretary for Transport (Ministers have delegated the final decisions on which carriers to contract to him). We expect to advise successful and unsuccessful airlines later this week. We will continue to keep your office informed as this progresses and can provide you with further detail on your request. The Minister of Transport may wish to make a media statement about the IAFC extension in late November once we have finalised contracts with all or the majority of airlines.

**Relief from aviation passenger-based levies (Responsibility: Tom Forster, Policy Manager, Economic Regulation)**

84. The emergence of COVID-19 in March 2020 created significant issues for New Zealand's aviation sector – internationally and domestically, including critical capabilities across the sector – airlines, ground support operations, and government agencies.
85. The Government responded swiftly to this challenge with the March announcement of the \$600m Aviation Relief Package, which included financial support of:
- \$163 million for airlines to pay passenger-based levies (civil aviation passenger safety levies, aviation security levies, customs and biosecurity levies) to encourage them to continue flying or to return to the New Zealand market when conditions improved
  - \$37 million to provide relief from Airways fees and charges – to the benefit of international airlines including Air New Zealand and also other domestic passenger airlines.
86. The aviation relief package was originally intended to encourage airlines to continue operating services to New Zealand and to resume and ramp up services once international travel restrictions eased. The passenger-based fees were to be in place for six months and covered both international and domestic airlines with annual passenger numbers of 20,000.
87. It has become apparent that the recovery from COVID-19 will take much longer. Borders still remain closed and only a handful of airlines are still flying to New Zealand with minimal numbers of passengers on board. As a result, the relief package has now been extended for another four months to 31 December 2020.
88. To date airlines have claimed over \$70 million of passenger-based levies and Airways NZ fees.
89. The relief from fee and charges was intended to be time-limited, but it is likely that COVID may be with us for a while and borders will remain closed for the foreseeable future.

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[REDACTED]

Withheld under Section 9(2)(b)(ii) of the Official Information Act 1982

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Withheld under Sections 9(2)(b)(ii) and 9(2)(f)(iv) of the Official Information Act 1982

[REDACTED]

Withheld under Sections 9(2)(b)(ii) and 9(2)(f)(iv) of the Official Information Act 1982

[REDACTED]

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[REDACTED]

## Appendix A: Current and upcoming Health Order Papers - Transport overview – Updated 10 November 2020

This paper provides an update to the Office on the current Health Orders under development. Like a situation report, previous advice is in black and new advice, based on the most recent iteration of an Order is in red.

	Title	Description	Consultation expected to begin	Consultation intended to conclude	To be signed	MOT comments
1	Required Testing Amendment Order (No. 3) Phase 3	Will include new duties on PCBUS and workers related to testing.  A further update will be provided to the Minister's Office next week.	Monday, 28 September 2020	To be confirmed	Post election	Further advice will be provided to the Minister of Transport's office this week.
2	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982 [REDACTED] [REDACTED]
		[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED]		
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**Ministry of Transport**

TE MANATŪ WAKA

11 November 2020

OC200825

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

## INTERNATIONAL CONNECTIONS AND THE BORDER

### Purpose

Set out your role, and the role of the Ministry, in cross-Government work on managing our international border and maintaining international connectivity.

### Key points

- As Minister of Transport, you have a key role in supporting management of our border settings through transport policy and regulatory settings. Managing our border settings to enable the resumption of our international connections, while managing the public health risk from COVID-19, is expected to remain a key focus for the transport sector.
- Reducing, and removing, the need for arrivals to enter Managed Isolation and Quarantine (MIQ) will be critical to the recovery of the aviation sector and maintaining our strategic international connections – and the wider economic recovery.
- The longer our borders remain closed the greater the social, economic and cultural impact is expected to be. A widely-available vaccine is expected to be late 2021 or 2022, so active, ongoing, consideration should be given to potential measures to incrementally enable the safe reopening our borders, taking account of:
  - the domestic and international public health context; and
  - the range of Government interests, including health, social and economic (including trade, tourism, immigration, international relations).

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- [REDACTED]

- [REDACTED]

Withheld under Sections 9(2)(f)(iv) and 9(2)(g)(i) of the Official Information Act 1982



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- The other role we play is in relation to influence, and understanding, of international approaches and standards. [REDACTED]
- We also need to maintain compliance with the existing international framework for civil aviation and use it for the maximum benefit for New Zealand. This includes meeting agreements New Zealand has with other countries that will be important for response and recovery, such as Air Services Agreements.
- [REDACTED]
- [REDACTED]

Bev Driscoll  
Manager Regulatory Policy

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

Hon Minister Wood  
Minister of Transport

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

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

IN CONFIDENCE

**Contacts**

Withheld under Section 9(2)(a) of the Official Information Act 1982

Name	Telephone	First contact
Kirstie Hewlett, Deputy Chief Executive, Regulatory and Data	[REDACTED]	✓
Bev Driscoll, Manager Regulatory Policy	[REDACTED]	
Melanee Beatson, Principal Adviser Regulatory Policy	[REDACTED]	

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## INTERNATIONAL CONNECTIONS AND THE BORDER

### Our border settings are expected to continue to be a key focus for the transport portfolio

- 1 New Zealand's international aviation and maritime links are a key enabler of our economic, social and wellbeing. Our international connections underpin our international trade in goods and services and connect our people to the world.
- 2 Border restrictions ("going hard and going early") have been a cornerstone of the government's strategy to eliminate COVID-19. At the same time, our border restrictions are having significant social and economic impacts. How we safely reconnect to the world is therefore expected to continue to be a key focus for the Government and you as Minister of Transport.
- 3 The **attached A3** summarises the key considerations in safely restoring our international connections.

### The international transport sector has been particularly hard hit by border restrictions

- 4 New Zealand's border settings have had a significant impact on our transport system and the transport industry:
  - 4.1 Border restrictions saw a drop in international air passenger arrivals from a typical 20,000 people per day to around zero to 200 people – with consequential impacts on air freight capacity. This had an immediate and significant impact on airlines and the wider aviation sector (e.g. ground support operations, air navigation services and government agencies funded by levies) – and the wider economy. See also the briefings on *Aviation Sector Recovery Strategy* and *Financial Stability of Transport Operators*.
  - 4.2 The impact on international maritime links, which account for approximately 99 per cent of our trade in goods by volume, has been less profound for both our maritime sector and the wider economy. However, the industry also under considerable pressure and grappling with significant issues arising from border restrictions, including crew changes, intermittent congestion and ship resupply – as well as the impact of COVID-19 outbreaks on ships. These issues need to be carefully managed so our supply chains remain open. Support for international maritime is included in the separate briefing on the financial sustainability of transport operators during COVID-19 and positioning for recovery. You will also receive a briefing on the ongoing congestion at Ports of Auckland and pressures on the supply chain.

### Government support is underpinning our strategic air links...

- 5 The Government's \$600 million Aviation Relief Package, announced in March 2020, is underpinning our strategic air links. This includes the International Air Freight Capacity (IAFC) scheme, which provides funding support so our high value exports can reach their markets and key imports reach us.

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- 6 Many international airlines, and much of Air New Zealand's international network, are still operating to and from New Zealand because of the IAFC (up for review early 2021, with the current round finishing 31 March ); and/or relief from payment of Airways and CAA fees and levies (due to finish on 31 December 2020). Other airlines are subsidised by their own Government to fly here for a range of economic and other strategic reasons (e.g. Chinese airlines).

**...but the longer borders are closed the harder the recovery will be**

- 7 [REDACTED]
- 8 Across the globe, the airline industry is consolidating resources, reducing fleets and removing routes. Airports are dealing with the downstream effects of these changes, and much of the responsibility, and cost, for implementing stringent health measures is falling to airlines and airports.
- 9 According to the International Air Transport Association, international travel is 92 per cent down on 2019 levels. New Zealand currently has around 120-130 international flights per week, down from 550 flights pre-COVID. New Zealand is a small, distant and expensive market at the best of times. [REDACTED]
- 10 Our future aviation connections are not expected to be as wide or as far as pre-COVID-19, but we need to at least retain our minimum international network to ports which are important for trade, and social and business connection, and the longer the border remains closed the more difficult it will be to sustain these connections which are critical for New Zealand's economic recovery. *Please see Aviation Recovery briefing.*

- 11 The Ministry of Transport is contributing to a comprehensive cross-Government work programme on our border settings, including through the Border and Beyond Governance Group<sup>1</sup>. As a Minister with a role in managing the border, you will receive a separate briefing through the Group on its work and key issues for the border sector.
- 12 The Ministry plays an important role in cross-Government work in engaging with operators to make sure the public health response measures are workable in practice and do not unnecessarily impede freight and people movement. Given the fast-moving nature of COVID-19 developments globally and domestically, this work has consumed a large amount of Ministry resource.

<sup>1</sup> Chief Executives of the New Zealand Customs Service, Immigration New Zealand, Ministry for Primary Industries, Ministry of Transport, Ministry of Foreign Affairs and Trade, and Ministry of Health.

- 13 In addition, the Ministry has a policy role in maritime and aviation security. The Aviation Security Service (Avsec) and Maritime New Zealand (MNZ) continue to play a significant role in the response to COVID-19 at the border, including working with operators to manage response measures. Avsec is also assisting with the management and operation of MIQ facilities. We will continue to keep you updated on immediate transport-related impacts and issues; and ensure you are well-briefed on opportunities to:
- 13.1 support implementation of updated health border settings, while managing risks around settings that could be impracticable, e.g. for aviation and maritime crew, and that could stop the movement of freight and people; and
  - 13.2 support the movement of freight, people and craft to the greatest extent possible – including through funding and other means.
- 14 Beyond the immediate response, the aim of cross-Government work is to reopen our borders and reconnect markets as safely and quickly as possible, to mitigate against severe longer-term social and economic consequences. In June 2020, Cabinet agreed the principles that our border strategy must:
- 14.1 protect New Zealanders from COVID-19, and minimise the risk that COVID-19 is reintroduced through the border;
  - 14.2 mitigate the risk of COVID-19 transmission to the Pacific;
  - 14.3 facilitate international re-engagement through our border settings, within safe parameters, recognising that international connectivity remains fundamental to the economic and social wellbeing of New Zealanders;
  - 14.4 respect and protect international rules and obligations;
  - 14.5 ensure goods move readily into and out of New Zealand at all Alert Levels to maintain connections with global markets;
  - 14.6 facilitate safe people movement in and out of New Zealand at all Alert Levels, that allows New Zealanders to return and supports priority response and recovery activity;
  - 14.7 facilitate increased people movement in and out of New Zealand more widely, as public health considerations allow;
  - 14.8 recognise the inter-relationship between our domestic and international markets, and seek to maintain a competitive and sustainable aviation and maritime sector in New Zealand; and
  - 14.9 ensure that any adjustments to border measures are reasonable and proportionate to the risk, able to be effectively implemented, with adequate risk management, a supporting compliance model, and cost recovery or Crown funding in place.



## Enabling safe quarantine-free travel will be critical for our future aviation connections

- 15 Our primary way of managing the public health risk of COVID-19 at the border is to require all arrivals to go into managed isolation and quarantine (MIQ). It is also the primary constraint on our international connections – the capacity of the Managed Isolation and Quarantine system means arrivals remain capped at around 500 people per day, and the cost and time is prohibitive for most travellers.
- 16 Public health considerations remain at the centre of our border decisions. But a risk-based approach to progressively reducing and removing MIQ requirements will be critical. From an aviation sector perspective, the longer travel remains restricted the more difficult it is to sustain key strategic links and assets – with flow-on effects for our tourism sector and wider economic recovery.

## Quarantine-free travel zones are a first step

- 17 The Ministry has been closely engaged in MFAT-led negotiations of bilateral arrangements to enable quarantine-free (“bubble”) travel: **Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982**

17.1 Discussions with Australia are well-advanced on a **Trans-Tasman COVID-Safe Travel Zone (TTSTZ)**. [REDACTED]

Australia opened one-way quarantine-free entry from New Zealand to some Australian states (initially New South Wales, Northern Territory and ACT) on 16 October. After an initial surge in bookings, passenger numbers are expected to be limited until two-way quarantine-free travel is possible. [REDACTED]

Withheld under Section 6(b)(i) of the Official Information Act 1982

- 17.2 [REDACTED] The Cook Islands also lifted quarantine requirements for arrivals from New Zealand – although only Cook Islanders, permanent residents and permit holders are allowed to enter the country and a negative COVID-19 test is required within four days of departure.

Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

- 17.3 [REDACTED]

Withheld under Section 6(b)(i) of the Official Information Act 1982

- 18 The arrangements specify additional border controls to manage the risk of importing and exporting COVID-19 and provide public assurance. These include requirements airlines, airports, ships and ports must meet to participate. Quarantine-free travel would only occur when the jointly determined health criteria and border preconditions have been met.

Withheld under Section 9(2)(g)(i) of the Official Information Act 1982

- 19 [REDACTED]

**IN CONFIDENCE**

Withheld under Sections 9(2)(g)(i) and 9(2)(f)(iv) of the Official Information Act 1982

Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

All information withheld on this page is under Section 9(2)(f)(iv) of the Official Information Act 1982

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**The International Civil Aviation Organisation will play an important role in enabling safe, efficient travel to resume...**

26

[REDACTED]

[REDACTED] The Ministry of Transport is leading engagement with the International Civil Aviation Organisation (ICAO) on issues relating to our COVID-19 recovery. ICAO administers the international regulatory framework for civil aviation. It sets safety, security and facilitation-related standards and recommended practices (SARPs).

27 The ICAO Council has established the Aviation Recovery Task Force, responsible for providing practical, aligned guidance to governments and industry operators to restart the international air transport sector and recover from the impacts of COVID-19 on a coordinated global basis. New Zealand is not an ICAO Council member, but we are engaged through Asia-Pacific sub-groups.

28 In May, the Task Force published practical guidance for air travel through the COVID-19 Public Health Crisis. It is currently working on updated guidance, which is expected to include a risk assessment framework and tool to inform States' decisions on the potential to safely reduce and remove quarantine requirements. The Task Force is working closely with the World Health Organisation (WHO) as it develops the updated guidance.

Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

29 The International Air Transport Association (IATA), the association of international airlines, has called for the development and deployment of "rapid, accurate, affordable, easy-to-operate, scalable and systematic" COVID-19 pre-departure testing for all passengers as an alternative to quarantine measures in order to re-establish global air connectivity. [REDACTED]

Withheld under Section 6(a) of the Official Information Act 1982

30 For New Zealand, ICAO provides an important forum to understand global developments and challenges, access up-to-date information and advice, and influence relevant standards. We are also engaging directly with our transport agency counterparts in other countries, [REDACTED]. In the medium-term, robust, consistent international health and aviation standards, will offer the best chance of enabling efficient and safe international travel to resume.

**... while ensuring the existing international framework for civil aviation is maintained**

31 The existing international civil aviation framework provides the basis for:

- air service agreements
- airline licensing arrangements for scheduled services
- non-scheduled services; and
- airline alliances.

32 The Civil Aviation Act 1990 gives effect to our international obligations. During the COVID-19 recovery we need to maintain compliance with this framework and use it for the maximum benefit for New Zealand.

*Air Services Agreements*

33 Under the global system for air services, airlines are only able to operate international services where the right to do so has been permitted in an air services agreement (ASA). These agreements set out, among other things, the routes that airlines may operate, the capacity they are entitled to provide and the ownership requirements for airlines.

34 New Zealand's position in negotiating ASAs has been to remove as many restrictions on services as possible. These types of arrangements are colloquially known as

'open skies'. The flexible arrangements that open skies agreements offer airlines are an important tool in improving our international connectivity, and facilitate trade in goods and services, including tourism.

- 35 New Zealand now has more than 80 ASAs, including with all of our traditional tourist and export markets – although only about half of all our agreements can be classed as open skies.
- 36 During the COVID recovery it will be important to maintain and continue our progress on liberalisation. Airlines are going to require maximum flexibility as to how they re-enter markets in the face of a reduction in passenger numbers over a number of years. This will likely require focussed effort. There is a risk that some governments, having provided failing airlines with substantial support, will attempt to protect these airlines from competition, rather than seeking a return to broader connectivity as soon as it is safe.
- 37 We will also continue to monitor the situation with regard to slots (landing and take-off times at airports). Normally, congested airports (such as Shanghai or Haneda in Tokyo) are fully allocated and operate a "use it or lose it" system. That requirement has been waived, but if the recovery is slow, effort may be needed to ensure that Air New Zealand retains slots for future use. On the other hand if some overseas airlines fail altogether, additional slots might become available.

#### *Airline Licensing*

- 38 The Civil Aviation Act 1990 requires all airlines providing scheduled international air services to or from New Zealand to hold a licence. As Minister of Transport, you are the licensing authority for New Zealand international airlines (such as Air New Zealand), while the Secretary for Transport is the licensing authority for foreign airlines.
- 39 During the COVID response, airline licences have also been the mechanism by which a passenger quota has been imposed on airlines. The purpose of the quota has been to ensure that the number of passengers entering New Zealand does not exceed the capacity of the Managed Isolation and Quarantine system. The Managed Isolation Allocation System replaced quotas completely from 3 November 2020.

#### *Alliance Agreements*

- 40 No airline in the world, no matter its size, can serve every city where its customers wish to travel. In addition, the ownership restrictions in many ASAs mean that cross-border mergers and takeovers are far less common in aviation than in other global industries.
- 41 To work within this system, airlines engage in a range of co-operative activities including global alliances and bilateral joint business arrangements. The agreements can provide benefits for airlines in terms of a greater market presence and cost savings. For consumers, the agreements can provide better connections, increased flight frequency and greater frequent flyer benefits.
- 42 Over the next few years as airlines rebuild their networks following the collapse in international travel during the COVID-19 outbreak, alliances are likely to be of even more importance. However, where these agreements involve the two parties jointly



setting the amount of capacity they will offer on a route, or agreeing on fares, they can potentially run counter to the Commerce Act.

- 43 The Civil Aviation Act 1990 allows the Minister of Transport to authorise these agreements (in practice on advice from the Ministry of Transport). Air New Zealand and Air China have applied for reauthorisation of their alliance which expires on March 2021. You will be asked to authorise this in due course.

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