Ministry of Transport
TE MANATŪ WAKA

BRIEFING

12 November 2020

OC200806

Hon Michael Wood
Minister of Transport

Briefing for Incoming Minister- The Transport Emissions Action Plan

Purpose

To provide an overview of the Transport Emissions Action Plan (TEAP) and how it contributes towards obligations under the Climate Change Response (Zero Carbon) Amendment Act 2019 (Zero Carbon Act). The TEAP will identify the best opportunities to reduce emissions from the transport system by 2050.

Key points

- Under the Zero Carbon Act, New Zealand has set a domestic greenhouse gas (GHG) emissions reduction target to reduce net emissions of all GHGs (except biogenic methane) to zero by 2050. New Zealand also has international obligations under the Paris Agreement to reduce its GHG emissions.

- Transport is responsible for 47 percent of total domestic CO_2 emissions, and therefore major emissions reductions in this area are critical to achieving the net zero target. In addition, the transport sector may face pressure to reduce its emissions more quickly than other sectors. This is because other sectors may be more difficult or costly to decarbonise than transport.

- The Climate Change Commission (the Commission) will release final advice and recommendations to the Government on the first three five-yearly emissions budgets on 31 May 2021.

- Under the Zero Carbon Act, the Government response to the first emissions budget must be published by December 2021 through an Emissions Reduction Plan.

- Actions taken will contribute to reaching New Zealand's emissions reduction targets and our obligations under the Paris Agreement.

- The TEAP will set out a strategic approach to how New Zealand should reduce emissions in the transport system. This includes identifying the best opportunities to reduce emissions, taking into account the level of investment required by Government. It will also highlight opportunities that support wider social, economic and environmental benefits, including supporting a Just Transition.

- The TEAP will assist the Ministry to identify policies that the Government could implement to reduce transport emissions to move New Zealand towards being net zero by 2050.

Recommendations

We recommend you:

1 **note** Under the Zero Carbon Act, New Zealand must develop and implement policies for climate change adaptation and mitigation, transport will be a key contributor to reduce emissions, and action is required urgently to begin long-term changes

2 **note** the Climate Change Commission (the Commission) will provide its initial advice and recommendations to the Government in February 2021

3 **note** the Government must respond by publishing three emissions budgets covering the period 2022-2035 together with its first Emissions Reduction Plan setting out how the first of these budgets will be achieved by December 2021

4 **note** the Ministry of Transport (the Ministry) is developing a strategic Transport Emissions Action Plan (TEAP) to set out an approach to how New Zealand should reduce emissions in the transport system

5 **note** that the TEAP will assist government to identify transport policies to include in the all-of-government Emissions Reduction Plan, which is the primary tool to respond to the Commission's recommendations

6 **note** that the Ministry intends to provide you with the TEAP by the end of 2020. We would like to discuss the TEAP with you and consider your views on it prior to it being finalised. Further advice on specific transport policies for potential inclusion in the Emissions Reduction Plan will be provided to you in early 2021.

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

[redacted]

Ewan Delany
Manager, Environment, Emissions & 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

Name	Telephone	First contact

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

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Briefing for Incoming Minister- The Transport Emissions Action Plan

New Zealand has committed to address climate change globally and domestically

1 In 2016, New Zealand committed to take action against climate change when we signed and ratified the international Paris Agreement. New Zealand's Nationally Determined Contribution is to reduce emissions to 30 percent below 2005 levels for the period 2021-2030 under this agreement.

2 Additionally, in November 2019 New Zealand passed the Climate Change Response (Zero Carbon) Amendment Act. The Zero Carbon Act provides a framework for how New Zealand can develop and implement climate change policies that contribute to the global effort under the Paris Agreement; and allow New Zealand to prepare for and adapt to the effects of climate change.

3 The Zero Carbon Act sets a new domestic greenhouse gas emissions reduction target for New Zealand to reduce net emissions of all GHGs (except biogenic methane) to zero by 2050.

Emissions budgets will guide New Zealand towards being net zero by 2050

4 The Zero Carbon Act requires the Commission to provide advice and recommendations to the Government on five-yearly emissions budgets[1] for New Zealand. Their initial advice on the first three emissions budgets, i.e. emissions budgets for 2022-2025, 2026-2030 and 2031-2035, is due in February 2021. Final advice and recommendations by the Commission will be made on 31 May 2021 for these emissions budgets.

5 The Government will have less than 11 months to decide if it agrees with all, some, or none of the recommendations for the first emissions budget (2022-2025). The Government must also make decisions about what actions and policies it will implement to meet this emissions budget (or part thereof).

6 By November 2021, an all-of-government Emissions Reduction Plan (lead by the Ministry for the Environment) must be agreed by Cabinet. Public consultation on the Emissions Reduction Plan will also need to be held prior to Cabinet's consideration.

7 An Emissions Reduction Plan will be required to respond to each of the emissions budgets recommended by the Commission as New Zealand moves towards being net zero by 2050.

8 Given our international and domestic commitments, the emissions budgets will be the key opportunity for Government to make strong decisions on what level of abatement will come from the transport sector and the policies required to move towards net zero by 2050.

9 To be able to respond to the Commission's recommendations, contribute to the Emissions Reduction Plan and consider medium to long term plans for transport emissions the Ministry is developing the strategic Transport Emissions Action Plan (TEAP).

[1] The Zero Carbon Act requires five yearly emissions budgets to be issued up to 2050.

Existing policies will not be sufficient to reduce transport emissions to meet the net zero 2050 goal

10 New Zealand has a range of existing policies that contribute to decreasing emissions from transport.

11 The Emissions Trading Scheme (ETS) is an important starting point for the abatement of GHG emissions. However, the ETS will not deliver emission abatement for New Zealand transport in the timeframe needed, so we must employ a broader range of complementary measures.

12 In addition to the ETS, the following policies have been implemented to contribute to reducing emissions from transport:

- road user charge exemptions for EVs, to encourage uptake
- the Low Emissions Vehicle Contestable Fund to support low-emission vehicle uptake through encouraging innovation
- investment in walking and cycling and public transport investment to provide transport choice and increase access, with GHG being a co-benefit of these initiatives
- rail freight investment to improve the availability and range of freight options as well as improving the resilience of the network. GHG emissions reduction is a co-benefit
- electric vehicle information campaigns to encourage uptake
- vehicle fuel economy labels to encourage low emission vehicle uptake.

13 The Government Policy Statement on land transport 2021/22 – 2030/31 (GPS 2021) also makes 'climate change' a strategic priority. It recognises the need for investment in the land transport system to align with the targets for GHG emissions. It means investments that reduce emissions and transition the transport system to be low emission will be prioritised for funding. While these investments are important, other measures will be required to ensure larger reductions in transport emissions. This is because emissions reductions from public transport and walking and cycling are low compared to other opportunities in the transport system.

14 Mitigating transport emissions is not easy, but it can be achieved through bold decisions being taken as soon as possible. This will need to include decisions to implement a range of policies that reduce the need to travel, decarbonise our vehicles and fuels and lower the carbon footprint of freight.

15 The biggest risk is if transport does not make a meaningful contribution to the first emissions budget, and subsequent emissions budgets. The consequence of not doing so will be that greater pressure and expectation will be placed on the transport system in later years. Delaying action will require greater effort in the future and for this effort to be achieved over a shorter time frame.

The TEAP is a system wide strategic approach to how New Zealand should reduce emissions in the transport system

16 Transport is one sector that must take action to implement policies to meet the emissions budgets. Transport emissions are continuing to increase, while in the other major sectors they are plateauing. Further, it is likely that transport will be expected to

make significant reductions to address emissions for New Zealand, given challenges in other sectors.

17 A strategic approach will help us plan for the medium to longer term mitigation of transport emissions. Using a planned approach assists us to prioritise the potential interventions that could be used, the timing of their use and their potential investment costs. It also helps with considering what trade-offs might occur if one intervention is chosen over another. It will also minimise the risk of implementing policies without full consideration of its impact on reducing emissions across the whole transport system.

18 GHG from transport are nearly all CO_2, and transport is responsible for 47 percent of total domestic CO_2 emissions[2]. This substantial share means New Zealand cannot achieve its 2050 target without largely decarbonising transport.

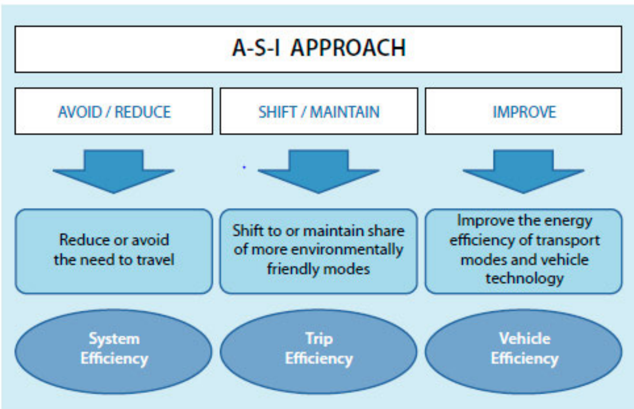
19 The TEAP is a strategic plan setting out the opportunities across the transport system to address transport emissions. Taking a systems approach requires consideration of all modes of transport, as well as opportunities to reduce transport emissions through reshaping urban form.

20 More detail on the three themes that will run through the TEAP are in the Annex. The themes are: changing the way we travel, improving our passenger vehicles and supporting a more efficient freight system. This content is indicative, and additional policies may be included as we finalise the TEAP.

21 While the TEAP focuses on domestic transport emissions, it also gives consideration to international maritime and aviation where there are actions that will benefit both domestic and international transport, e.g. low carbon fuels. International aviation and maritime emissions are outside of the Paris Agreement (and subsequent domestic obligations) as they are to be addressed by their respective sector bodies[3].

We have used well-established frameworks to assess mitigation opportunities for the transport system

22 The Avoid, Shift and Improve Framework[4] (ASI Framework) has been used to consider the actions we might take to address transport emissions.



23 Under this framework actions are assessed as falling into three themes:

23.1 **Avoid/reduce:** Actions aim to avoid or reduce the need to travel e.g. through better integration of land use and transport planning. These

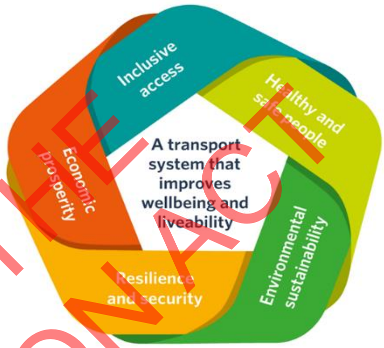
[2] For all greenhouse gases transport accounts for 21 percent of total domestic emissions. The other major emitting sectors are agriculture (47.8 percent), energy (19.6 percent), industrial processes (6.5 percent) and waste (5.1 percent).
[3] These bodies are the International Civil Aviation Organization and International Maritime Organization.
[4] The ASI framework was developed in the early 1990s in Germany to serve as a way to structure policy measures to reduce the environmental impact on transport. It is widely used internationally and in New Zealand.

actions are often ‘system’ changes that are critical for long-term emission reductions and provide significant co-benefits.

23.2 **Shift/maintain:** Actions aim to improve trip efficiency by promoting mode-shift from most energy consuming transport mode (i.e. cars) towards low-carbon modes (i.e. walking, cycling and public transport).

23.3 **Improve:** Actions aim to improve vehicle efficiency and support the uptake of low carbon fuels and energy.

24 While GHG reduction is the primary outcome that we focus on in the TEAP, we are also taking into account all of the broader outcomes outlined in the Transport Outcomes Framework. The Transport Outcomes Framework will help us to assess the potential co-benefits and dis-benefits that could come from actions chosen to reduce transport emissions.



25 The TEAP will use scenarios to show how a range of actions across the transport system can contribute to achieving net zero emissions. The scenarios will also indicate how taking action more quickly can bring forward emission reductions. The scenarios will illustrate the challenge and significant task New Zealand has ahead to meet its obligations under the Zero Carbon Act.

26 The ASI Framework will help us identify gaps in the current approach taken to address transport emissions, reinforce that existing policies are insufficient to reduce emissions at the scale and pace required to meet our obligations, and demonstrate that reducing transport emissions requires more than transforming the vehicle fleet.

27 The Ministry will make recommendations in the TEAP on the combination of policies that should be progressed to decarbonise the transport system.

The TEAP will assist us to identify transport policies for the Emissions Reduction Plan

28 The Emissions Reduction Plan requires specific policies to reduce emissions to be agreed by the Government for all sectors. Transport’s chapter in the Emissions Reduction Plan will set out the agreed policies that will be taken forward to reduce transport emissions for the first emissions budget.

29 The TEAP will help us to identify the actions and policies that Ministers could consider to reduce transport emissions for the first and subsequent emissions budgets.

30 We have provided you with a briefing on proposed Clean Car policies for your consideration. The Clean Car policies will be important to decarbonising New Zealand’s light vehicle fleet. The TEAP will help us provide advice on a broader transport systems approach to reducing emissions, including policies that reduce the need to travel and encourage people to shift to low-emission modes, such as public transport, walking and cycling.

31 We will provide you with advice on these additional polices once the TEAP is finalised. Decisions on the agreed transport policies will need to be made by Ministers in the first half of 2021.

32 The policy decisions to respond to the first emissions budget will only be the starting point for change. There will need to be an ongoing strategic approach to keep building on and introducing policies to further reduce emissions from the transport system.

Central and local government support the TEAP

33 In developing the TEAP the Ministry has consulted with representatives from local and central government and key stakeholders.

34 We have engaged on the scope and potential content for the TEAP with Waka Kotahi New Zealand Transport Agency, the Ministry for the Environment, the Ministry for Business, Innovation and Employment, the Ministry for Housing and Urban Development, Maritime New Zealand, the Energy Efficiency and Conservation Authority, Local Government New Zealand, Auckland Council, Auckland Transport, Greater Wellington Regional Council, Wellington City Council, Environment Canterbury, Ports of Auckland, KiwiRail, Air New Zealand and the Shipping Federation of New Zealand.

35 There has been strong support for the TEAP, primarily because it takes an environmental lens across the whole transport system.

36 Wider consultation on the TEAP and potential transport policies for the Emissions Reduction Plan will need to be completed in the first half of 2021, including consultation with Iwi/Māori.

Next steps

37 The Ministry intends to provide you with the TEAP by the end of 2020. We would like to discuss the TEAP with you and consider your views on it prior to it being finalised.

38 We have provided a briefing on Clean Car policies to you at the same time as this briefing on the TEAP. That briefing looks to progress specific transport policies in advance of the TEAP being finalised. These policies if agreed will form part of the advice included in the first Emissions Reduction Plan.

39 Further advice will also be prepared for you on other potential transport policies we would like you to consider for the Emissions Reduction Plan. This advice will be provided in the first quarter of 2021.

Annex

TEAP Themes

This annex summarises the TEAP themes for your information.

Theme 1: Changing the way we travel

How we shape our towns and cities is key to the overall efficiency of the transport system

1 Approximately 87 percent of New Zealand's population lives in urban areas, with most people living in cities. As a result, much of our transport-related GHG emissions come from cities and towns, where private vehicles are the dominant mode of passenger transport.

2 We need to integrate land-use, urban development and transport planning to reduce emissions from the transport system (especially over the medium to long term), and achieve a wide range of co-benefits for our towns and cities.

3 Quality compact, mixed-use urban development can play a pivotal role in reducing transport GHG emissions by reducing trip distances and car dependence in urban areas, and encouraging the uptake of low emission modes. The way we shape our towns and cities, including how we create places and design our streets, will also affect how much people walk, wheel, cycle and take public transport.

We need to develop a transport system that provides better travel options

4 It is clear that New Zealanders are currently very reliant on private vehicles to meet their travel needs. Private vehicles are useful for many transport tasks due to their flexibility and speed. However, they are also responsible for the majority of transport emissions, and contribute to a number of other issues like congestion, poor quality urban environments, poor public health and high travel costs.

5 Increasing the share of travel by public transport, walking, cycling, and shared mobility is important for reducing emissions and achieving a wide range of co-benefits. We can influence how people travel by offering better travel options, including providing quality public transport services, safe and accessible walking and cycling networks in urban areas, and shared mobility options, such as car sharing and shared micromobility.

We should support interventions to shape where we live and how we travel with transport pricing mechanisms

6 We can further support mode-shift to public transport, walking and cycling by introducing transport pricing and other measures that manage private car travel. This can help to address any rebound effects that come from investment in public transport (e.g. induced car travel from reducing congestion).

7 Transport pricing generally refers to the strategic pricing mechanisms imposed on transport users for use of the system. The price of transport can reflect the direct costs of using the network, the externalities/indirect costs (such as emissions), or it can be set relative to other modes to influence the use of one mode over another.

8 With the right economic incentives transport pricing can deliver meaningful behavioural changes. This includes helping people make better choices that minimise the negative external impacts of their travel, while delivering cost savings and improving health and safety.

Theme 2: Improving our passenger vehicles

Shifting the way we travel to low emission modes will have significant benefits for the transport system but some trips will still be made by vehicle

9 Decarbonising the light vehicle fleet is an important part of reaching net zero emissions.[5] Given the large proportion of emissions that light vehicle travel contributes, the vehicle fleet needs to shift from internal combustion engine (ICE) vehicles to low emission options (such as electric, biofuels and hydrogen).

10 Regulatory interventions could have a strong impact on emissions reduction – if the schemes are well funded, well designed and well implemented within wider transport system changes. One such initiative is introducing and implementing a fuel efficiency standard, which could be set to a progressively more stringent 'average' target for vehicles and fleets of vehicles over time.

11 Introducing a clean car discount (or feebate) alongside a clean car standard would help to make buying a cleaner car cheaper. This type of scheme imposes fees on the purchase of higher-emissions vehicles and uses those to fund rebates on lower-emissions vehicles so it can be fiscally neutral. Over time these initiatives could form part of a package working to phase out fossil fuel use by a certain target date.

As we encourage a mode shift to public transport, we also want to ensure our public transport modes are low emission

12 Public transport emissions are around 2 percent of total emissions in New Zealand. Of the estimated 2,250-2,350 public transport buses currently operating in New Zealand, nearly 100 are electric. Key councils already have commitments to buy only zero or low emission vehicles going forward. A current limitation to decarbonising public transport is capital funding because zero emission buses (as well as low emission ferries and commuter trains) are relatively expensive.

We can reduce emissions from domestic aviation through a variety of interventions but some of the options are not ready yet

13 There are also opportunities to reduce domestic aviation emissions, including through better air traffic flow management and improving navigation to reduce fuel burn. However, the key opportunity is increasing the use of sustainable aviation fuel. At this stage, sustainable aviation fuel can replace up to 50 percent of current jet fuel (with higher percentages possible in the future).

[5] The light vehicle fleet includes passenger vehicles and light (under 3.5 tonnes gross mass) commercial vehicles such as vans and utes.

14 In the future, electric powered planes could potentially service shorter routes in New Zealand. Electric aircraft are currently being designed and tested in New Zealand and overseas but it is not clear when this technology will become commercially available[6].

Theme 3: Supporting a more efficient freight system

We are working to understand if the efficiency of New Zealand's supply chain can be improved

15 Theme 3 of the TEAP focuses on supporting a more efficient freight system. Supply chains are complex networks of infrastructure, services, information and operators through which freight is transported from producers to end users. Further work is required to gain a comprehensive understanding of New Zealand's freight system to identify if there are opportunities to improve the efficiency of the freight system and reduce GHG emissions.

16 The movement of freight within New Zealand plays a vital role in the economy. It supports the flow of exports for world markets and imports into New Zealand. In 2017/18 freight transported within New Zealand encompassed 278 million tonnes of freight, or 30 billion tonne-kilometres. It is expected that our freight task will increase over the next 20 years to 366 million tonnes in 2042/43.[7]

Shifting freight movements by road to less carbon intensive transport modes could reduce emissions

17 Shifting freight movements from road to more efficient and less carbon intensive transport modes could lead to lower emissions. Road freight emits on average 136g of CO_2 equivalent per tonne-kilometre, compared to 28g by rail (21 percent of road) and 16 to 45g by coastal shipping (12 to 33 percent of road).[8] Increasing the uptake of our rail and coastal shipping modes would also result in co-benefits, such as reducing road congestion, air and noise pollution and maintenance costs, as well as improving road safety outcomes.[9]

18 However, while data is limited, it is thought that the amount of freight that could be shifted to rail and coastal shipping is limited. For many freight tasks trucks are the best or only option. This is due to market expectations around timeliness and cost, limited access to rail and coastal shipping for rural freight users, the characteristics of the cargo, as well as the distance travelled.

Decarbonising trucks provides the best opportunity for New Zealand to reduce emissions from freight

19 Heavy vehicles, the majority of which are freight vehicles, are responsible for almost a quarter of New Zealand's transport GHG emissions. This means road freight has an

[6] Sounds Air has signed a letter of intent to purchase electric planes with the Swedish company Heart Aerospace, which is aiming to manufacture 19-seat, ES-19 aircraft for commercial flights in 2026.
[7] Ministry of Transport. 2017. *Transport Outlook: Future State*.
[8] Ministry for the Environment. 2019. *Measuring Emissions: A Guide for Organisations. 2019 Detailed Guide*.
[9] Ministry of Transport. 2020. *The Externality Value of Rail in New Zealand;* Ministry of Transport. 2020. *The Externality Value of Coastal Shipping.*

important role to play in decarbonising the transport sector. However, there may also be opportunities to improve our domestic shipping and electrify our rail networks.

20 Green fuels (such as biofuels, hydrogen and electrification) provide an excellent opportunity for New Zealand to reduce its freight emissions. We already have a high level of renewable electricity (about 82 percent) and biofuels could have an immediate impact on emissions, particularly when advanced 'drop-in' biofuels can be used to directly replace fossil fuels.

21 A combination of low emission fuels for use in the transport system would provide a range of fuels for varying modes. For example, for the light fleet it is envisaged that most of our future fleet will be electric. For decarbonising trucks, it may be more economic to invest in biofuels or hydrogen.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

12 November 2020 OC200888

Hon Michael Wood
Minister of Transport

PRESSURES ON NEW ZEALAND'S SEA AND LAND FREIGHT SUPPLY CHAINS

Purpose

Provide background on the ongoing pressures on New Zealand's container-based sea freight supply chain. These pressures are causing congestion at the Ports of Auckland (POAL) and Ports of Tauranga (POTL), as well as flow-on impacts on the wider land-side supply chain system.

Key points

- Significant congestion at POAL is causing flow-on impacts elsewhere in New Zealand's container-based supply chain due to a "perfect storm" of international and domestic factors including:
  - significant and unforeseen surges in local and international demand amidst COVID-19, amplifying the usual peak season import/export volumes
  - disruption to international shipping schedules, particularly in Australia which is largely due to industrial action
  - restricted capacity at POAL due to their delayed automation project and a recent worker fatality
  - limited capacity of the rail and road freight systems in New Zealand to switch container flows to other ports.
- These issues are affecting a range of New Zealand importers and exporters, with varying impacts. There are risks to supplies of imports during the peak pre-Christmas import season and limitations on exports due to a shortage of timely shipping services and container availability.
- These problems are expected to continue for some time, and it is unclear if they will worsen as we enter peak import season.
- We are monitoring the situation with intelligence and data-gathering with other Agencies, to see how the market responds. A communications plan is being developed with other Agencies for deployment if necessary.
- While there are some calls for Government-led intervention, the general feedback from the freight industry is that the Government can do little in this complex and

market-led sector. We are aware that key players are working hard to find a solution commercially. As Minister of Transport, you have limited levers to intervene to resolve this issue.

- [redacted]

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

Recommendations

We recommend you:

1 **agree** to forward this briefing to the Minister of Finance and the Minister for State-Owned Enterprises as KiwiRail's shareholding Ministers. Agree / Disagree

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Harriet Shelton **Manager, Supply Chain**	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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PRESSURES ON NEW ZEALAND'S SEA AND LAND FREIGHT SUPPLY CHAINS

There is significant congestion occurring at the Ports of Auckland (POAL) and elsewhere in the New Zealand supply chain due to a "perfect storm" of international and domestic factors

1 There has been significant congestion at POAL since September 2020, as a result of international container ships arriving off-schedule from Australia. Ships are estimated to be about 5 days late to POAL, and the average waiting time for a berth is between 7 and 10 days as of early November. The port has suspended its berth window booking system, leading to further uncertainty across the supply chain.

2 This congestion is occurring as New Zealand heads into peak import season (ahead of Black Friday, Christmas, and Boxing Day sales). While some level of seasonal congestion at this time of year is not unusual, the unexpected speed and scale of the resurgence in import activity deferred by COVID-19 have further amplified demand pressures.

3 In addition, there is severe congestion at Australian ports caused by unseasonably bad weather and significant industrial action in October 2020 (which has now been suspended temporarily). This has implications for New Zealand given that a significant proportion of ships calling in New Zealand stop in Australia first. There are reports of vessel waiting times of 19 days and 70,000 containers waiting to be transported in Sydney.

4 There are also congestion issues at key ports in Asia further up the supply chain, such as in Singapore and Hong Kong, which are adding to the uncertainty of ship arrivals in New Zealand.

5 POAL's response to the surge in peak demand and disrupted shipping schedules has also been hampered. The port is not operating at full capacity due to delays and intermittent hitches in the ongoing automation of its container terminal, labour shortages, as well as the unfortunate death of a port worker at the end of August 2020. POAL has started employing more labour, but will require some time to contract and train them for specialist roles.

6 While freight would normally divert to the Port of Tauranga (POTL) in times of delay at POAL and travel back to Auckland, POTL is also operating near capacity. There are delays of 10 to 12 days in shifting import containers from POTL to Auckland.

Sea freight makes up over 99 percent of New Zealand's trade volumes, with POAL receiving most of our imports

7 New Zealand is highly reliant on international shipping. Sea freight makes up over 99 percent of New Zealand's trade volumes (in tonnes) and 80 percent of trade value.

8 Containerised cargo makes up 83 percent of export cargo values and 63 percent of import cargo values. POAL and POTL are the main container handling ports.

9 Given the relatively large size of Auckland's market, POAL is the country's primary import port accounting for 48.5 percent of sea freight import values and 7.7 percent of

export values. POTL is our largest export port, making up 47.9 percent of sea freight export values and 21.9 percent of import values. (A map of New Zealand's main ports is attached in **Annex 1**.)

10 New Zealand relies on international ships coming to New Zealand to ship freight around its coast (referred to as transhipment). As New Zealand exports slightly more than it imports, international ships are also required to bring empty containers from overseas, or redistribute them from POAL after import cargo is removed, to exporters around New Zealand's coast.

11 Approximately 70 percent of international ships which make POAL their first port of call go on to visit other ports in New Zealand, meaning that the effects of delays at POAL are compounded further down the supply chain.

The congestion, as well as attempts to mitigate the problem, has impacts on the wider freight system

12 Due to time constraints at berths, the focus at POAL has been on the removal of import containers from ships, limiting the export and transhipment volumes (including empty containers) that can be loaded.

13 This has in turn caused overwhelming demand on the rail network to move freight, specifically between POTL and MetroPort in Auckland (an inland port operated by KiwiRail for POTL, located 16 km from POAL). This demand is a result of having to move imports which had been diverted to POTL back to Auckland, as well as exports from Auckland which would have been shipped out of POAL.

14 To manage demand, the MetroPort site stopped accepting export containers for about 48 hours in mid-October. Volume caps for exporters have been put in place and customers have been urged to deliver and pick up containers at appropriate times for more efficient throughput.

15 KiwiRail's existing train services are at capacity and its freight trains between Auckland and Tauranga are at the maximum allowable length. With other locomotives allocated to carry freight in other parts of New Zealand, its ability to add additional services is limited. [redacted] Withheld under Sections 9(2)(b)(ii) and 9(2)(ba)(i) of the Official Information Act 1982

16 While some importers and exporters have resorted to road freight to move goods to and from Tauranga, road freight rates are often prohibitive. There is also insufficient trucking capacity that can be made available quickly enough. Congestion at POTL has further hindered road carriers from collecting imports. Similar concerns about landside costs and distances also limit the feasibility of moving import/exports to alternative ports apart from POAL and POTL.

17 Several shipping lines have imposed congestion surcharges on cargo arriving or departing from POAL, further adding to the sea freight costs faced by our importers and exporters.

18 There are now reports of shipping lines bypassing ports both overseas and in New Zealand (e.g. Lyttelton and Southport) to keep on schedule. While shipping lines

sometimes change the order of port calls to avoid congestion, industry feedback is that it would be uneconomic to do so for New Zealand ports.

Broader international shipping trends are compounding the impacts of these sea freight pressures

19 Beyond the congestion issues in New Zealand and Australia, there are reports of importers and exporters being affected by a lack of international shipping capacity and empty containers.

20 There has been an unexpected worldwide surge in consumer demand amidst COVID-19, possibly driven by a lockdown-led shift in spending away from services to goods. This has outstripped available shipping capacity as shipping lines had initially removed capacity in anticipation of demand plunging with COVID-19. Lines are unable to ramp up supply at short notice.

21 Correspondingly, there has been an increase in global competition for container services, especially from the United States and China. Sea freight rates have escalated and there are reports of shipping lines being unwilling to add capacity in order to continue benefitting from higher prices.

22 New Zealand is at a relative disadvantage as a result of our small size and significant distance from large international markets, and we have very little influence over the decisions of international shipping lines.

These issues have reportedly affected a range of New Zealand importers and exporters, although the extent of impacts vary

23 We have received wide-ranging reports of various sectors affected by these congestion issues, with variability in the level of impact.

24 It appears that those who are coping relatively better with the situation had placed import orders early and had left more of a buffer in their inventory. Larger importers and exporters are seeing better outcomes as they have stronger relationships with shipping lines or freight forwarders.

25 The table below summarises the impacts reported by various sectors:

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[redacted]

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

[redacted]

These congestion problems are expected to continue for some time, and it is unclear how much they may escalate

26 Industry stakeholders generally agree that disruptions in the international supply chain, the congestion in Auckland, as well as the resulting delays, backlogs, and container shortages around New Zealand, are likely to continue past Christmas 2020 or even as far as mid-2021.

27 It remains to be seen how both New Zealand and global consumer demand will play out as various government assistance packages come to an end. How this might further influence sea freight patterns and container supply is also unclear.

28 There may also be continued pressures on the sea freight system arising from public health responses to COVID-19. The October 2020 case of a New Zealand ship technician testing positive for COVID-19 may create further pressures on the sea freight system, if any additional health and safety measures introduced reduce operational efficiency and capacity.

29 Restrictions on the movement of people across national borders have also hindered the ability of shipping lines to replace crews on ships, which could place more strain on global supply chains.

Officials are monitoring to assess if the congestion issue is short term or reflective of more structural problems

30 It is not clear whether the congestion issue is a temporary, seasonal occurrence which has been exacerbated by a one-off "perfect storm" of events that includes COVID-19, or if it reflects deeper structural problems such as a lack of port and supporting infrastructure capacity and labour supply constraints. While the past few years have also seen delays at POAL during the peak import season, the magnitude of this year's congestion appears to be unprecedented.

31 The general feedback from the freight industry is that there is little government can currently do. Freight operators are already in close communication and coordinating amongst themselves. Any increase of structural capacity at POAL/POTL would have to be commercial decisions and cannot be achieved at short notice. Investment in spare capacity to service irregular demand spikes is also not likely to be economic.

32 Ministry of Transport officials are monitoring developments to see if and how the market responds to the current congestion issues. We are engaging regularly with key contacts at New Zealand's ports, rail and road carriers, freight forwarders and shipping lines.

33 We are also getting feedback from importers and exporters across a range of sectors (as per the table above) via officials' *Supply Chain Interagency Group*. This group comprises Government agencies with responsibilities in supply chain matters (including the Ministry of Foreign Affairs and Trade, New Zealand Trade Enterprise, Maritime NZ, the Ministry for Primary Industries, and the Ministry of Business, Innovation, and Employment, amongst others). The group meets fortnightly to share information and coordinate approaches.

34 We are preparing a communications plan with the *Supply Chain Interagency Group* to respond to possible public queries should the situation deteriorate further or the risk and severity of actual impacts be overstated in the media. This plan will include key messages as well as a coordinated approach across agencies.

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

35 [redacted]

36 We are also assisting to expedite the immigration processes for one of POAL's specialist hires, which would help reduce their labour constraints.

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

37 [redacted]

The Government's role in rail capacity

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

38 [redacted]

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

39 The Ministry is in regular contact with KiwiRail. [redacted]

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

40 KiwiRail is also working to provide as much additional capacity as it can to respond to commercial demands in the short-term. However, significantly increasing the capacity on the rail network cannot be achieved quickly. [redacted]

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

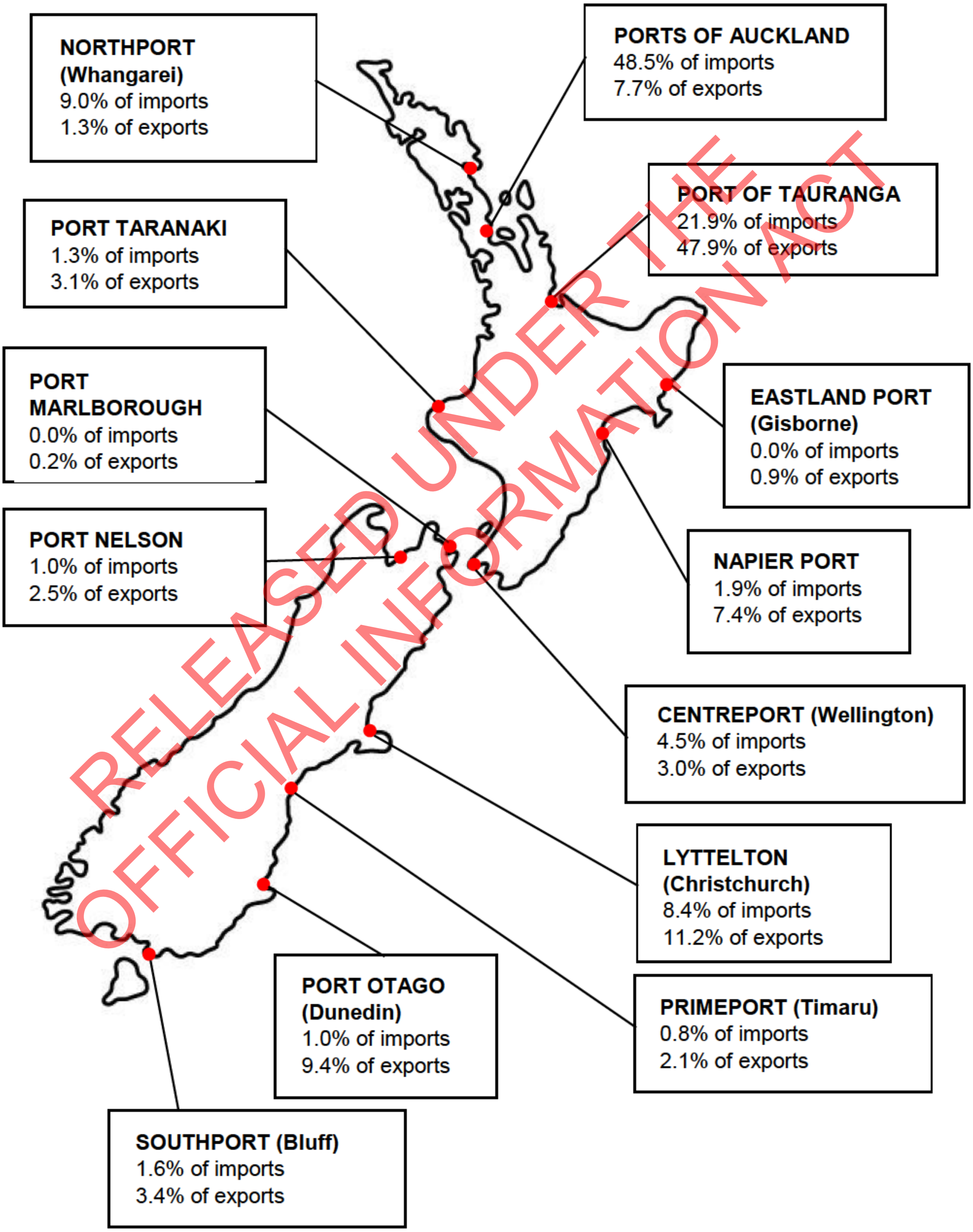
41 [redacted]

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

42 [redacted]

Annex 1

Map of New Zealand's main ports with percentage of imports and exports in 2019 (by value). ***Source: Statistics New Zealand data***



Ministry of Transport
TE MANATŪ WAKA

BRIEFING

12 November 2020 | OC200895

Hon Michael Wood
Minister of Transport

Action required by:
Friday, 13 November 2020

MINISTERIAL CONSULTATION - COVID-19 TESTING OF BORDER WORKERS: PHASE 3 OF THE REQUIRED TESTING ORDER

Purpose

To support Ministerial consultation on the draft Health Order, *COVID-19 Public Health Response (Required Testing) Amendment Order (No 3) 2020*, which has been sent to you for Ministerial consultation by the Minister of COVID-19 Response, Hon Chris Hipkins.

Key points

- Testing is a critical part of New Zealand's strategy and has been significantly scaled up in recent months.
- 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 development of the risk-based testing framework for border workers, and is represented on the Testing Governance Group (along with Maritime New Zealand).
- Phases 1 and 2 of mandatory routine testing of border workers through the *COVID-19 Public Health Response (Required Testing) Order 2020* (the draft Order) have been rolled out.
- Phase 3 has been delayed pending decisions on some of the elements that will be included in the draft Order. Phase 3 extends testing requirements to three new groups of workers, increases testing frequency for some higher-risk workers, and introduces new duties on workers and Persons Conducting a Business or Undertaking (PCBUs).
- Based on engagement across the aviation and maritime sector (including the Civil Aviation Authority and Maritime New Zealand), the Ministry is largely comfortable with the proposals in the Order. The MoH has agreed with the Ministry's feedback to-date and that feedback will be reflected in the next version of the draft Order.
- At this time, MoH intends for the Minister of COVID-19 Response to sign the Order on Wednesday 18 November 2020, and for it come into force from Monday 23 November 2020. This gives the transport sector five days to implement the Order's new requirements.

Background – the Ministry's COVID-19 Response Programme

- The Ministry provides regular advice and support to MoH and the New Zealand Customs Service (Customs) in particular, on issues relating to the regulation and management of the aviation and maritime borders, including amendments to Health Orders[1] relating to air and maritime crew and the testing of border workers.

- Testing, isolation requirements and obligations on employers (as PCBUs) help to achieve important public health objectives, but can also create operational and supply chain impacts, and cost and welfare concerns that need to monitored. Wherever possible the Ministry works with MoH and operators to understand these impacts, and mitigate them before a Health Order is made.

- As highlighted 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.

- 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 - provided measures are risk-based and proportionate.

Testing is critical to New Zealand's elimination strategy and has been significantly scaled up in the last two months

- Under current Health Orders, persons at airports or maritime ports who interact with international passengers or foreign crew, are subject to mandatory asymptomatic testing. Testing frequency is risk-based, depending on the level of contact a worker 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 development of the risk-based testing framework for border workers, and is represented on the Testing Governance Group along with Maritime New Zealand (MNZ).

- Related to this, the Ministry is also monitoring welfare concerns or impacts for workers and crew resulting from public health measures, including concerns about regular testing.

Summary of proposals in the Phase 3 Order

- The draft Order extends testing requirements to three new groups of workers, increases testing frequency of some higher-risk workers, and introduces new duties on workers and PCBUs.

- MoH has engaged relevant agencies on the proposals in the draft Order. Agencies were generally supportive of proposed duties to be progressed in the draft Order, and noted many PCBUs were already fulfilling these roles.

[1] An order issued under the COVID-19 Public Health Response Act 2020 or the Health Act 1956.

Extending testing requirements to new groups of workers

- The draft Order extends testing requirements to three new groups on a fortnightly basis, other than excluded airport or port persons:
  - **All other airside workers at airports** to capture any workers that may not be captured by the occupational groups currently listed in the Order's Schedule;
  - **All landside workers at airports** who routinely interact with international arrivals and whose actual exposure risk may be equivalent to their airside colleagues.
  - **All other port workers** who interact with persons required to be in isolation or quarantine under a COVID-19 Order. This is a catch-all category following advice Custom Officers were doing this when processing arriving ships and crews.

Increasing testing frequency of high-risk workers to seven days

- The Minister of COVID-19 Response requested that high-risk port workers have their routine testing frequency requirements increased to weekly [HR20201904 refers]. Officials identified maritime pilots and any airport or port workers that are in an enclosed space on board an aircraft or boat for more than 15 minutes at a time with arriving crew/passengers (where physical distancing is not practicable) as higher-risk groups where testing frequency could be increased to once every seven days.

New duties on workers and PCBUs

- The draft Order includes the new duties on workers and PCBUs.
- New duties on PCBUs will involve keeping records of compliance, notifications of the requirements, and a prohibition on PCBUs from preventing or prohibiting workers they employ or engage from undergoing testing during working hours, when testing is available during working hours. Workers will be required to provide their PCBU with the information that will enable PCBUs to meet their obligations.
- A 'Border Worker Testing Register' will support PCBUs to fulfil the proposed Phase 3 duties. These duties include a requirement for the relevant PCBU to keep and maintain a record of the affected person's full name and date of birth, a telephone number, the testing period that applies to the affected person, the dates on which the affected person has undergone testing and medical examination e. details of any exemption, if applicable.

Enforcement to respond to non-compliance and guidance to support compliance

- The Minister of COVID-19 Response also requested advice on the creation of additional enforcement functions, such as authorising an enforcement officer, to support the routine mandatory testing requirements. WorkSafe inspectors are currently authorised under the *COVID-19 Public Health Response Act 2020* to carry out the functions and powers of an enforcement officer, and could act in this capacity to respond to non-compliance with the Order on an interim basis.
- There will also be a specific review of WorkSafe's role in regulating COVID-19 measures in workplaces due in February 2021. This offers an opportunity to consider the scope of the enforcement function and who holds responsibility for it.

Communication and guidance for affected stakeholders

- Officials will communicate with impacted stakeholders by the proposed changes to testing frequencies, such as the Maritime Pilots Association, as soon as possible following final decisions on the Phase 3 Order. Officials will also create guidance for impacted PCBUs and workers to understand their obligations in the Phase 3 Order.

Transport sector feedback on Phase 3 proposals

- Engagement has been undertaken at a high-level with representatives from the maritime and aviation sectors on the proposed changes. A summary of transport sector feedback on Phase 3 proposals, specifically testing frequencies and duties on PCBUs, is set out at Appendix One.

- We do not consider there is any feedback you need to provide to the Minister of COVID-19 Response about the draft Order.

Shelley Tucker
Director COVID-19 Response Programme

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

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
Shelley Tucker, Director COVID-19 Response Programme	[redacted]	✓

APPENDIX ONE: SUMARY OF STAKEHOLDER FEEDBACK

Proposed duty/change	Aviation sector feedback	Maritime sector feedback
Extend testing requirements to the following groups of workers on a fortnightly basis: a) all other airside workers (other than excluded airport persons) b) all landside workers at international airports (other than excluded airport persons) who routinely interact with international arrivals c) all other port workers (other than excluded port workers) who interact with persons required to be in isolation or quarantine under COVID-19 order	Sector participants we have spoken to are largely comfortable with these proposed changes.	Maritime NZ is comfortable with these proposed changes.
Increase testing frequency to weekly for all maritime pilots	Not applicable.	Maritime NZ understands the maritime ector has requested weekly testing of maritime pilots.
Increase testing frequency to weekly for all airport and port workers who spend more than 15 minutes in an enclosed space on board an aircraft or affected ship with a member of crew or passenger who has arrived from overseas and where physical distancing is not practicable	Sector participants we have spoken to are largely comfortable with these proposed changes.	Maritime pilots are comfortable with this. However, there has been a negative reaction from stevedoring companies and unions.
Include a duty on affected workers to provide information to the PCBU that employs or engages them	Sector participants we have spoken to are largely comfortable with these proposed changes.	There is general agreement, but there are questions about how well this can be enforced.
Include a duty on PCBUs to keep records of the affected workers they employ or engage, and make these available to an enforcement officer	Sector participants we have spoken to are largely comfortable with these proposed changes.	Sector is largely comfortable with this.
Include a duty on PCBUs to notify the affected workers they employ or engage of the applicable testing requirements	Sector participants we have spoken to are largely comfortable with these proposed changes.	There is broad agreement on this proposed change. Many PCBUs are already doing this.
Include a prohibition on PCBUs from preventing or prohibiting the workers they employ or engage from undergoing testing during working hours, when testing is available during working hours	Sector participants we have spoken to are largely comfortable with these proposed changes.	Sector participants we have spoken to are largely comfortable with these proposed changes, but there is concern where testing is not conducted at the port.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

12 November 2020

OC200827

Hon Michael Wood
Minister of Transport

CURRENT STATE OF THE NATIONAL LAND TRANSPORT FUND

Purpose

Provide an overview of the National Land Transport Fund, and the opportunities and [redacted] as it is used to implement the Government's transport objectives.

Key points

- The Land Transport Management Act 2003 (LTMA) establishes the Government Policy Statement on Land Transport (GPS), which is the Government's main lever for delivering its transport priorities. Waka Kotahi NZ Transport Agency (Waka Kotahi) gives effect to the GPS through the three-year National Land Transport Programme (NLTP), which allocates the funding collected from the National Land Transport Fund (NLTF).

- There will always be trade-offs within the NLTP, given demands for new spending always exceed available funding in the NLTF. Waka Kotahi's role is to make these trade-offs while giving effect to the GPS as best as it is able.

[redacted]

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

- [redacted]

Tim Herbert
Manager, Investment

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

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
Bryn Gandy, Deputy Chief Executive, System Strategy and Investment	[redacted]	
Tim Herbert, Manager, Investment		✓
Kiana Iva, Graduate Advisor, Investment		

CURRENT STATE OF THE NATIONAL LAND TRANSPORT FUND

The Land Transport Management Act 2003 (LTMA) establishes the transport funding framework

1 The LTMA defines the National Land Transport Fund (NLTF) revenue sources, which total around $4 billion per year, derived from:

1.1 fuel excise duty (FED) — 70.024 cents per litre on petrol, generating around $2 billion revenue per year;

1.2 road user charges (RUC) — a per kilometre charge for non-petrol (mostly diesel) and heavy vehicles that varies by vehicle type and weight, generating around $1.8 billion per year;

1.3 motor vehicle registration and licensing fees (MVR) — a $43.50 charge applied when a vehicle's registered owner renews their 'rego', generating around $220 million per year; and

1.4 track user charges (TUC), which are still being developed and are intended for introduction in July 2021.

2 The NLTF is 'hypothecated', meaning that all revenue collected is reinvested in the transport system.

3 The LTMA provides the framework for managing and funding land transport activities through the NLTF. This includes broad objectives of transport investment (i.e. contributing to an effective, efficient, and safe land transport system), and an allocation mechanism through the Government Policy Statement on Land Transport (GPS). It also outlines the role of regional land transport planning and the decision making roles of Waka Kotahi NZ Transport Agency (Waka Kotahi).

The GPS sets priorities for the next 10 years and is reviewed every 3 years

4 The GPS sets the Government's transport priorities, and must include:

4.1 the results that the Crown wishes to achieve from the NLTF over a period of at least 10 financial years,

4.2 the Crown's land transport investment strategy, and

4.3 the Crown's policy on borrowing for the purpose of managing the National Land Transport Programme (NLTP).

5 Waka Kotahi is responsible for developing a 3-year NLTP that invests the NLTF in a way that gives effect to the GPS, and taking account of the Regional Land Transport Plans (RLTPs) developed by local government. The Waka Kotahi Board has statutory independence for its decision-making in relation to giving effect to the GPS. The LTMA explicitly prohibits the GPS from imposing an obligation on Waka Kotahi to approve or decline funding for a particular activity or any combination of activities.

6 The LTMA requires a new GPS to be published every six years, with a review of the Crown's land transport investment strategy once every three years. In practice, the three-year review has always resulted in a new GPS being published, but there would be circumstances in which a light-touch approach would be recommended. Frequent amendments limit Waka Kotahi's ability to provide certainty, and major changes can delay and disrupt delivery on the ground.

7 The following diagram shows the links between the documents and the funding sources.

Funding through GPS 2021 is committed mainly to maintenance of the transport system

8 The modelling behind GPS 2021 identified that around 70 percent of the NLTF over the 10 years of GPS 2021 will be required to maintain existing levels of service (such as public transport services, road maintenance and road policing) and meet existing debt and Public Private Partnership (PPP) repayments.

9 This spend is important, as delaying it for a long period of time, will lead to asset deterioration. This in turn will affect journey times and costs, as well as the safety and resilience of the transport system, and may increase repair costs.

10 The remaining 30 percent can be used to improve and further develop the network ("discretionary expenditure").

11 Previous GPSs had a greater level of discretionary expenditure due to:

11.1 a smaller asset to maintain (e.g. the investment of over $13 billion in new state highway infrastructure over the past 10 years has generated ongoing maintenance and operations costs);

11.2 lower past service levels required less ongoing funding, particularly for public transport (e.g. recent GPSs have invested in improving public transport services, and it will now cost more to maintain those services);

11.3 revenue (FED and RUC) increases being built in for future years, and

11.4 decisions to spend less than the level needed to maintain the level of service (e.g. spending less than optimal levels on maintenance).

12 Discretionary expenditure is also limited in the short-term by existing commitments that carry forward into the next 1–3 years (i.e. projects that have started but need further funding to complete). In the 2021–24 NLTP, Waka Kotahi estimates that around 92 percent of the NLTF will be required to complete already approved/commenced projects, and to maintain system service levels.

Without revenue increases, the balance of NLTF spending will be prominently focussed on maintenance

13 Over the long-term, the total costs of running the system will increase due to general inflation of input costs, and new costs for maintaining improved service levels and new infrastructure. This means the 30 percent 'discretionary' funding will decrease over time if revenue does not keep pace with costs.

14 The value of FED is set in the Customs and Excise Act 2018 and RUC is set in regulations that can be changed by Order in Council. However, both are nominal rates (per litre and per kilometre respectively) that do not increase automatically over time or with inflation. The Government has agreed that it will not increase the rates in the next 3 years, and there are no increases programmed beyond then for GPS 2021. As a result, NLTF revenue is expected to be relatively steady in nominal terms (FED and RUC volume increases of around one percent per year do not provide significant new revenue) in the foreseeable future. As costs will increase with inflation, it is likely the real value of the NLTF will reduce.

15 If there was no increase in revenue over the next 10 years, we expect the NLTF would only be able to afford managing debt and maintenance costs of the existing network. Any further improvements to the network would require new funding or financing (i.e. packages like the New Zealand Upgrade Programme).

Greater commitments to transport programmes are putting pressure on the NLTF

16 In the last two-to-three years (and earlier), substantial new policy and programme decisions have been taken that require funding from the NLTF. This limits availability of discretionary expenditure from the NLTF and reduces flexibility across the fund as it effectively locks the Waka Kotahi Board into decisions. In particular, commitments to the Auckland Transport Alignment Project (ATAP), Let's Get Wellington Moving (LGWM), Road to Zero, and the Rail Plan combined will use up most of the 30 percent discretion available in the GPS 2021 ten-year period based on current revenue projections.

17 The NLTF has been used to fund a range of priorities over the years, but these decisions reflect an intention to apply it to a broad range of purposes, consistently, and over time. They reflect increased expectations for the NLTF in terms of scope and scale of what it will deliver and support in the system.

These pressures influence Waka Kotahi in creating the NLTP

18 As well as containing commitments that would require all discretionary funding, GPS 2021 increased some upper ranges compared to GPS 2018, signalling high ambition for investment in areas such as Public Transport Infrastructure. However, forecast revenue, and therefore possible investment, is near the sum of the lower funding

ranges. [redacted]

19 For GPS 2018, Waka Kotahi had discretion to, on average, spend at the mid-point of each activity class funding range (i.e. across all activity classes there was a total of $1.7 billion available to spend above the lower funding ranges). [redacted]

20 The GPS is affordable as long as Waka Kotahi can at least meet all lower funding ranges. There will always be greater demand for projects (including those aligned with priorities) than there is funding available. [redacted]

21 When agreeing to GPS 2021, Ministers considered whether to reduce some funding ranges to increase flexibility, but ultimately agreed that it is important to signal ambition in priority areas such as Public Transport Infrastructure, and Road to Zero. Instead, Ministers agreed to keep the funding ranges, noting that Waka Kotahi may need to make more difficult trade-off decisions as a result.

22 [redacted]

[redacted]

[redacted]

23 [redacted]

24 [redacted]

25 [redacted]

[redacted]

26 [redacted]

[redacted]

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

26.2 [redacted]

27 [redacted]

28 [redacted]

29 [redacted]

30 [redacted]

31 [redacted]

32 [redacted]

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

[redacted]

33 [redacted]

[redacted]

34 [redacted]

35 [redacted]

36 [redacted]

[redacted]

37 [redacted]

[redacted]

38 [redacted]

39 [redacted]

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

12 November 2020 OC200838

Hon Michael Wood
Minister of Transport

COVID-19 – FINANCIAL SUSTAINABILITY OF TRANSPORT OPERATORS DURING COVID-19 AND POSITIONING FOR THEIR RECOVERY

Purpose

Set out the financial impact COVID-19 has had on transport operators, and identify upcoming decisions you will need to make in the short to medium term.

Key points

- COVID-19 has had a significant impact on many transport operators. Those that operate internationally have seen a dramatic and continued fall in passenger numbers, while domestic operators experienced a short term shock, with ongoing implications for some operators.
- International airlines were the most adversely affected by COVID-19 and have received support through the fees and charges support packages and the International Airfreight Capacity Scheme (IAFC). Decisions will be required in late 2020 and early 2021 on the future of those schemes.
- Air New Zealand is a core part of New Zealand's international connectivity. It is in a challenging financial position and its international operations are being financially supported by the IAFC. [redacted]
  Withheld under Section 9(2)(g)(i) of the Official Information Act 1982
- While the international shipping sector broadly coped well with COVID-19, crew welfare issues have arisen. We propose to address some of the funding support issues in this area in a Supplementary Order Paper to the Regulatory Systems (Transport) Amendment Bill.
- Public transport operators (some train, bus and ferry operators) were funded to operate through lockdown. Should New Zealand go up Alert Levels in the future, and there be on-going reductions in public transport patronage it may not be possible to fund operators out of the National Land Transport Fund, without further injections from Government or changes in activity classes. We will provide further advice if this occurs.
- Some regional domestic transport operators (which are not funded public transport operators) have been supported to continue to deliver key services under the

Essential Transport Connectivity scheme. You will need to make a decision late this year or early next about the potential continuation of this scheme.

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

[redacted]

Brent Lewers [redacted]
Programme Manager,
Transport Connectivity

12/ 11 / 20

Hon Michael Wood
Minister of Transport

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

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
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Brent Lewers, Programme Manager Transport Connectivity	[redacted]	

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

COVID-19 - FINANCIAL SUSTAINABILITY OF TRANSPORT OPERATORS DURING COVID-19 AND POSITIONING FOR RECOVERY

COVID-19 border restrictions have a significant impact on international passengers and international airfreight

1 On 14 March 2020, everyone entering into New Zealand was required to self-isolate for 14 days. From 9 April 2020, those entering New Zealand were required to isolate in a managed isolated quarantine facility. From 17 March 2020, entry to New Zealand was restricted to New Zealand citizens and permanent residents. These restrictions remain in place but certain categories of critical workers can apply for an exception.

2 COVID-19 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 only around 130 per week now. Airlines have either significantly scaled-back their services (Air New Zealand has put more than half its international fleet into long-term storage) or left the New Zealand market entirely.

The Government responded swiftly to the decline in international arrivals …

3 Passengers entering New Zealand by air fell from around 20,000 per day to less than 500 per day. International tourist visits, which were forecast to reach around 4.3m in 2020 (with visitor expenditure contributing around $12b to the New Zealand economy,[1] and 6% to GDP) have almost entirely stopped.

4 The Government responded swiftly to the decline in international arrivals March announcement of the $600m Aviation Relief Package. The Relief Package has the following spend forecast against it:

- Levy and fee relief to encourage international airlines to continue flying to New Zealand and to provide some support to domestic passenger services to address service reductions and retain domestic connectivity made up of:
  (a) $58 million for airlines to pay civil aviation passenger safety and security levies (finishing 31 December 2020) and Customs and biosecurity levies (finished 31 August 2020); and
  (b) $72 million to provide relief from Airways fees and charges – to the benefit of international airlines including Air New Zealand and other domestic passenger airlines.
- One-off $70m payment which supported Airways to remain solvent
- $373m to support the International Air Freight Capacity Scheme (finishes 31 March 2020);
- $6.5m to support the Urgent Air Freight Scheme (which was put in place prior to the IAFC going live)
- $3m for Essential Transport Connectivity - Aviation

5 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

[1] MBIE New Zealand Tourism Forecasts 2018-2024, May 2018.

for six months – covering both international and domestic airlines to annual passenger numbers of 20,000.

6 It has become apparent that the recovery from COVID-19 will take much longer than originally expected. 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 government has agreed to extend the payment of passenger-based (aviation safety and security) levies and Airways fees for another four months to 31 December 2020.

You will be required to make a decision about extending fees relief past 31 December 2020

7 Given that the current scenarios involving vaccines and their distribution do not have borders re-opening in any significant way before the end of 2021, we would like the Government to extend the aviation and airways fee and levy relief beyond 31 December into 2020 with review points. While we appreciate that aviation participants will need to adjust to a new normal at some point, and recovery will take some years, we believe the aviation and airways fees and levy relief is an important contributor to New Zealand maintaining the minimum international and domestic aviation networks critical for economic recovery until borders incrementally, or fully, re-open.

8 We note also for many of the international airlines that are not part of the IAFC, this is an important contributor to them still flying to New Zealand, particular given there are constraints on passenger numbers through the Government quota and booking systems. Many other jurisdictions have similar aviation fee and relief measures (e.g. Australia, Singapore, Hong Kong) to support aviation with many of them having even broader relief measures (for example relief from airport landing fees).

… and responded swiftly to the fall in air freight capacity

9 Pre-COVID the majority of international aircraft flying to and from New Zealand were passenger aircraft, but carrying 80% of New Zealand's airfreight in extra space not needed for passenger bags in the holds of these aircraft. A significant reduction in airfreight capacity was therefore a serious secondary consequence of the reduction in passenger aircraft flying to New Zealand. Airfreight is important to the New Zealand economy. While less than 1% of our trade by volume is airfreighted, that represents about 16% of our exports and 22% of our imports by dollar value[1]. 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. High value and critical imports are also airfreighted, including important machinery parts, mail and medical supplies.

10 In March 2021 Cabinet set aside $320m (since increased to $370m) to establish a temporary mechanism to support international airfreight capacity in these exceptional circumstances. Agreements were entered into with seven international carriers under which they are funded to support flights carrying freight to, and from, key destinations.

11 Since its inception the International Airfreight Capacity scheme (IAFC) has funded around 3,100 flights, and supports the majority of the international passenger flights which stop in New Zealand, including all of Air NZ's international passenger services. It carries between a half and a quarter of our export tonnage (with the remaining flights being operated by mainly cargo-only operators on a commercial basis). [redacted]

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

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

[redacted] Combined export and import volumes are around 90% of their pre-COVID levels with some export sectors appearing to have adapted particularly well - thriving where overseas demand remains strong.

12 Freight prices are higher than they were pre-COVID – usually at least 1.5 times pre-COVID prices, and in some instances considerably higher. Some exporters who have the ability to do so have chosen alternative freight methods, sell into different markets (including domestically), and some have significantly reduced production - or even ceased it entirely. The range of export destinations, and the frequency with which they can be accessed, has also reduced. However, for exporters or importers for which shipping is not adequate to get time sensitive goods to international market there is limited alternatives other than to pay the increased costs or exit the market.

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13 [redacted]

You will be required to decide whether to extend the IAFC past 31 March 2021

14 Contracts with airlines under the IAFC will expire at the end of March 2021. The scheme has been designed to finish when passenger volumes start to return. It does this as it funds the cost of a flight, minus the amount of revenue made from exporters and importers and any passengers. Passenger volumes returning seems unlikely to occur by March 2021, particularly if border opening is incremental and passenger numbers are limited by Government quota and booking systems. However, some reduction in our level of support will occur as flights supported under the IAFC begin to carry passengers again – such as under Australia's unilateral border opening.

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

15 The scheme costs around [redacted]. It has been designed to distort the market as little as possible by not completely cushioning importers and exporters from COVID price increases, so that other cargo operations can occur outside of the scheme, and to remove Government support as passenger volumes increase. However, it does ensure sufficient air freight capacity is still provided for [redacted] and stops price gouging given New Zealand's reliance on air freight. [redacted]

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

16 The uncertainty, and potential duration, of a significant reduction in international passenger numbers means the duration of this scheme needs to be considered carefully, and the need [redacted] are appropriately adjusting to the COVID situation, balanced with the potential economic costs of removing the

Withheld under Section 6(a) of the Official Information Act 1982 support. Given the IAFC is also largely supporting New Zealand's minimum strategic international network, the impact on passenger connection and future economic recovery also needs to be considered.

17 The Ministry is leading a project with a number of key agencies which will provide you with advice in February 2021 on your options for supporting international airfreight and passenger connections to and from New Zealand. This could include other forms of support, or ceasing, phasing out, or continuing the IAFC. This will be informed by the *Aviation Recovery Strategy*, the subject of a separate briefing you will have received alongside this one.

Air New Zealand in particular will be impacted by IAFC decisions

18 Prior to the impact of Covid19, Air New Zealand was a successful international and domestic carrier. Air New Zealand was one of New Zealand's largest employers, with a total staff base more than 12,000 people, employed in New Zealand and around the world. Air New Zealand operated to 32 international destinations and 20 domestic destinations, and carried around 6m international passengers per year. At the close of FY19 Earnings before taxation was $382 million, and shareholders, including the government – were paid dividends of around $250m per year for the last four years.[2] It earnt around two-thirds of its revenue from international passengers, who also fed into the domestic network. Air New Zealand has received the following support from government:

- the standby loan facility of $900m (at commercial interest rates, and not fully drawn down)
- approximately $90m under the IAFC, funding flights to a break-even level
- approximately $45m under the scheme providing relief from passenger-based fees and levies and Airways charges.

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

19 [redacted] Air New Zealand has been clear that at present, its international network is only sustainable with the support of the IAFC. [redacted] Even with IAFC support, Air New Zealand operates around 55 international flights per week, compared with around 470 flights per week pre-COVID.

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

20 Ministers under the previous government agreed that the IAFC remain in place until 31 March 2021, and Air New Zealand's ability to operate flights on a purely commercial basis will increase as borders start to open with Australia and the Pacific. However, these passenger numbers are likely to be able to be largely accommodated on existing IAFC flights (which use passenger planes to carry cargo) so may not contribute to a material increase in overall flight numbers.

21 Critical decisions will need to be made about Air New Zealand prior to the currently-scheduled expiry of the IAFC scheme on 31 March 2021. If there has not been a significant relaxation in border restrictions by then, the end or a dramatic scaling-back of the IAFC would see it facing a material financial shock and loss of capacity as

[2] The Government owns 51.9% of Air New Zealand, so would have received around $130m of dividends during this period.

[redacted]

Withheld under Section 9(2)(b)(ii) of the Official Information Act 1982 aircraft and international aircrew are stood down. Air NZ has said it would need to stop its international passenger network to countries where travel zones/arrangements did not exist, without the IAFC.

International shipping has also been adversely affected by COVID-19

22 The New Zealand economy is heavily dependent on international trade, and greater achievement in global markets is critical to increasing economic growth and lifting our living standard. 99% of New Zealand's imports and exports (by volume) travel by sea, so being able to have ships visit during COVID-19 has been critical in maintaining the movement of essential freight.

23 However, COVID-19 border restrictions put in place by other countries 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 – worsening the risk of maritime accidents.

We recommend a long-term approach to meeting Maritime Labour Convention obligations to support seafarers' welfare

24 Shipping is an essential service that integrates into the national logistic system and directly contributes to the $121 billion import-export trade. The economy relies heavily on the work of seafarers, and it is critical that they are supported so that accidents do not occur and shipping continues to New Zealand. To this end the government, through the Essential Transport Connectivity fund, has provided [redacted] to the Seafarers Welfare Board New Zealand [redacted]

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

25 COVID-19 has highlighted a problem with the Maritime Transport Act (MTA) that means maritime levies are unable to for the provision of seafarer welfare services that are required by New Zealand's obligations under the Maritime Labour Convention. The gap between what the maritime levy can fund and what it should be able to fund for the purposes of the MLC can be remedied by amending section 191 of the MTA to bring the facilitation or support of seafarer welfare services within the scope of the purposes to which maritime levies made under the section may be applied. These amendments will enable Maritime New Zealand to enter into arrangements with the Seafarers' Welfare Board that provide funding for agreed services without assuming or compromising the Board's established role.

26 Because the proposal is remedial, in that it addresses the ineffectiveness of section 191 of the MTA in enabling New Zealand to meet its obligations under the MLC, a Supplementary Order paper has been drafted to address this issue, as part of the Regulatory Systems (Transport) Amendment Bill, which is currently before the House.

Different parts of the domestic transport market were also negatively impacted by COVID-19 restrictions

27 Alert levels 2, 3 and 4 had a range of impacts on various operators. For those not funded under the public transport mechanisms, travel restrictions on the general

public meant that some chose not to operate at all, because services would no longer be viable. Others operated at significantly reduced frequencies; but often still below break-even level. The imposition of physical distancing requirements meant that many services were operating at significantly reduced capacity, reducing revenue from fares considerably.

28 Regardless of how operators responded to the different alert levels, almost all faced significant losses in revenue. While a reduction in services provided some opportunity to reduce costs (such as vehicle running costs) other costs such as business overheads remained largely unchanged. COVID has therefore had a significant negative financial impact on domestic transport operators – a number of which are small and have limited financial capacity to absorb this kind of shock.

The continued operation of public transport was supported through lockdown

29 Public transport is critical to the operation of our major cities, providing efficient movement of people. It also supports more equitable access to goods, services, education and employment. As an essential service, public transport operated throughout all alert levels. However, alert level restrictions on movement and physical distancing requirements impacted the number of people using public transport services and capacity of public transport vehicles and vessels.

30 Most public transport services are planned and procured under the Public Transport Operating Model (PTOM). These services are provided under contract to regional councils, which are funded from a combination of fares, local share (predominantly rates), and the National Land Transport Fund (NLTF).

31 Regional councils have long term contracts with private operators to provide public transport services. There have been additional service costs associated with COVID and, with reduced public transport use, there has been an associated reduction in fare revenue. To ensure public transport continued to be provided, Waka Kotahi agreed to fund additional costs and forgone fare revenue, however the NLTF came under pressure with the reduction in revenue from road users. Additional Crown funding was provided to support the NLTF, which allowed Waka Kotahi to set aside $111m for 2020/2021 to continue to meet additional public transport cost and revenue pressures associated with COVID-19. This has allowed regional councils to maintain service levels despite reduced patronage.

Further support may be needed if public transport patronage declines or in the event of a further COVID-19 resurgence

32 We anticipate there may be ongoing cost and revenue pressures for contracted public transport service delivery. If there are ongoing reductions to public transport patronage and/or a further COVID-19 resurgence the ability to continue to meet cost and revenue pressures from the NLTF could be restricted. We will provide advice around these issues in future if necessary.

Government support was also provided to some transport operators outside the traditional funding model

33 This category includes regional airlines and bus operators, and some ferry operators, which ordinarily operate services on an entirely commercial basis, without government support.

34 These operators provide critical transport connections to remote parts of New Zealand in particular. They provide the only sea and air connections to offshore islands such as the Chatham Islands, Great Barrier Island, and Stewart Island, and they also provide connections between regional New Zealand and main centres. These connections are necessary to provide essential supplies and access to services only provided on mainland New Zealand for residents of offshore islands, and provide important business and social connections for residents of regional New Zealand.

35 Government's initial response to the impacts of COVID-19 border restrictions on the viability of these businesses was to provide funding under the urgent and immediate scheme. This supported a number of regional airlines and aviation-related businesses. Those operators were facing immediate cashflow issues and government support enabled them to continue to provide transport connectivity to those who depended on it.

36 Cabinet subsequently agreed on criteria for the Essential Transport Connectivity Scheme (ETC), which is focussed on services essential to maintain New Zealand domestic aviation connectivity. In relation to airlines the focus has been on passenger airlines important for connectivity given they provide a broad range of broader social and economic benefits. While it was appreciated that there are a number of aviation tourism businesses significantly impacted by COVID-19, a decision was made that support for these businesses should be excluded from the relief package, and be considered alongside any other tourism businesses as part of any Government support for the tourism sector.

37 Around seven regional operators have received support to continue to deliver key routes, at a total cost of approximately $5.4m. Of the funding originally allocated to aviation, around $9.2m has not yet been spent. The scheme currently remains open for applications, and new applications are periodically received.

You will need to make a decision about how long the ETC is to continue

38 Funding agreements with regional transport operators are entered into on a short-term basis, with regular and careful monitoring by the Ministry. [redacted]

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39 However, there could be reasons for maintaining or providing funding to operators, where they provide essential services to areas, and where there are pressures arising from things like increases in Alert Levels, or where operators relied on a mix of international and domestic travellers. We note removal of aviation passenger and airways levy and fee relief may result in some of these services becoming uneconomic in the short term until international passengers return. We will provide further advice on options to conclude, restrict, or continue the ETC scheme in late 2020 or early 2021, informed by the *Aviation Recovery Strategy*.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

13 November 2020 | OC200826

Hon Michael Wood
Minister of Transport

Action required by:
Friday, 20 November 2020

Direct Crown funded land transport projects and programmes

Purpose

Provide an overview of direct Crown funded land transport projects and programmes and the measures in place to provide assurance on their delivery.

Key points

- Investments for land transport projects and programmes are made through the National Land Transport Fund (NLTF), Budget bids, or direct Crown funds. This briefing focuses on direct Crown funded land transport investment.

- Crown funding enables a Minister or Cabinet to specify broader outcomes, specific features, timing and/or means of delivery in a way that can't be achieved through NLTF investments. However, project risks and costs revert more directly to the Crown.

- Investment limits for each Crown fund are agreed by Cabinet but are otherwise uncapped as the funds are not dependent on revenue from external sources. You are the purchaser of three Crown funded programmes (NZUP, RIO and the PGF), and responsible for the governance and oversight of these programmes' funding.

- The mix of Ministerial delegations is unique for each Crown fund. The Ministers of Finance and Infrastructure apply to almost all, with other Ministers required where appropriate. Appendix A further details your delegations.

- Some projects approved through direct Crown funding have incorporated risk that would normally be measured through separate pre-implementation steps. As a result, these projects may face a likelihood of increased cost and time pressures, causing possible delays and cost overruns. Further details on the risks and issues for Crown fund investments are detailed in the table at p.8.

- The background and objectives for each Crown-funded programme are further detailed at Appendix A.

Recommendations

We recommend you:

a) **agree** that the Ministry provide you with further advice on the alignment between the Crown-funded project portfolio and your priorities — Yes/No

b) **agree** to a conversation about your reporting preferences for Crown-funded programmes — Yes/No

Tim Herbert
Manager, Investment

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

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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Bryn Gandy, Deputy Chief Executive, System Strategy and Investment	021 247 7988	
Tim Herbert, Manager, Investment	[redacted]	✓
Alex Beedell, Senior Advisor, Investment	[redacted]	

Direct Crown funded land transport projects and programmes

Background

1. Investments for land transport projects and programmes are made through the National Land Transport Fund (NLTF), Budget bids, or direct Crown funds. Budget bids and direct Crown funding can take various forms, including funding for specific activities, or funding for programmes with different objectives.

2. The following Crown funds were set up during the term of the last Government to deliver a combination of specific projects and general transport outcomes:

   - COVID-19 Response and Recovery Fund (CRRF);
   - Infrastructure Reference Group (IRG)/Crown Infrastructure Partners (CIP);
   - the New Zealand Upgrade Programme (NZUP);
   - Regional Investment Opportunities (RIO); and
   - Provincial Growth Fund (PGF).

3. In addition to the funds listed above, the South Island Transport Corridors (SITC) reinstatement project continued to receive investment from the Crown during the term of the last Government. The project was set up in 2016 to reinstate and repair SH1 (road) and the Main North Line (rail) following the Kaikōura earthquake.

Pressures facing the land transport system

4. In 2020/21, the Crown funded component of Vote Transport is more than $8 billion, comprising $4 billion for the NLTF, and the remainder for previous Budget initiatives including programmes like RIO, PGF and the IRG/CIP projects.

5. The difference between the level of investment and funding criteria for Crown funds and the NLTF has created a unique set of challenges for the Ministry and Crown funding recipients Waka Kotahi and KiwiRail. Notably:

   - some Crown-funded projects have limited or no contingency available to resolve issues discovered during the construction stage of projects;
   - spending the entirety of Vote Transport will be challenging. The programme is double the value it's been in recent years and there will be limited capability for the sector to bring in additional resources from overseas; and
   - completed Crown-funded projects unlock benefits, but also create cost pressures for the NLTF and local government by increasing ongoing operating/maintenance/renewal costs.

6. Further detail on the pressures facing the transport system can be found in the Current state of the National Land Transport Fund paper (OC200827 refers).

7. At your request, the Ministry can provide you with advice on the alignment between the Crown-funded project portfolio and your priorities, and the format of the portfolio's reporting.

Crown funding overview

8. The Government can contribute additional Crown funding directly to transport projects or programmes to advance or achieve certain outcomes, priorities, or objectives outside of the Land Transport Management Act 2003 (LTMA) process.

9. Crown funding enables a Minister or Cabinet to specify broader outcomes, specific features, timing and/or means of delivery in a way that can't be achieved through NLTF investments, which are guided by the priorities set out in the Government Policy Statement on land transport 2021 (GPS). However, project risks and costs revert more directly to the Crown.

10. To receive investment from a Crown fund, a project must:

    - meet the requirements of the appropriation for the respective fund; and
    - delegated Ministers must agree on the project's scope, budget, schedule, quality and contingency.

Your role as purchaser and the Ministry's role as purchase advisor

11. You (and other delegated Ministers), are responsible for:

    - selecting and purchasing projects; and
    - providing governance and oversight of the programmes' funding.

12. The Ministry is your purchase advisor. In this capacity we provide you with advice on transport investments from the Crown funds you are responsible for (including NZUP, RIO and PGF) including the projects that would best fit with the Government's priorities. We also support you in your governance and oversight role (as detailed in the monitoring, oversight and assurance section on p.6).

13. The Ministry can brief you separately on the frameworks it has in place to advise you on how potential investments, or existing investments that need to be re-shaped due to changed circumstances, can best meet the Government's objectives and priorities.

14. When a Crown fund is active (receiving Government investment), the Ministry provides portfolio Ministers with an evaluation of project proposals. Advice for:

    - IRG/CIP investments is drafted in conjunction with CIP[1] as fund manager, and the Provincial Development Unit (PDU) at MBIE;
    - PGF and RIO project investments are drafted in conjunction with the PDU as fund manager;

[1] CIP, formerly Crown Fibre Holdings Limited, was established in 2009 to manage the Government's $1.7 billion investment in ultra-fast broadband infrastructure. In 2020, CIP was assigned responsibility for the identification, funding, and monitoring of shovel-ready projects across New Zealand following the onset of COVID-19.

- NZUP project investments are informed by independent advice from the NZUP Oversight Group[2], and is drafted in conjunction with the Treasury.

15. Not all Crown-funded project proposals are ready for the construction stage. Some proposals require completion of a business case process to analyse the benefits of the project for the region. If the business case is in favour of the project then funding for construction may be sought through a Budget bid or further Crown funding.

16. The financial delegations for each Crown fund differ and in some instance require Cabinet approval to progress. The table below details financial delegations for IRG/CIP, PGF and RIO:

Crown Fund	**IRG/CIP**	**PGF**	**RIO**
Senior Regional officials	Under $20 million	Up to $1 million	N/A
Delegated Ministers	N/A	$1 to $20 million	All projects
Cabinet	N/A	Over $20 million	N/A

NLTF funding overview

17. NLTF funds are limited by the revenue the fund collects from Road User Charges, Fuel Excise Duty, and Rail Track User Charges during the financial year. Typically, the NLTF invests around $4 billion per annum (and local government also invests more than $1 billion per year) in land transport activities.

18. While the Government does not choose projects directly, the NLTF must be invested in a way that progresses the Government's priorities as set out in the GPS.

19. NLTF funding does not expose the Crown to the same risks and costs as Crown funding, as there is a degree of separation between investments made by the fund and the Crown.

20. Through the LTMA the Waka Kotahi Board has statutory responsibility for the NLTF's cost and risk management. In this capacity, the Board will provide you with assurance that NLTF-funded projects:

    - will progress the priorities as set out in the GPS; and
    - offer value for money from the spend.

[2] The independent NZUP Oversight Group provides assurance and monitoring across the programme's transport component.

21. To receive NLTF funding, road and rail projects must meet NLTF funding criteria i.e. the project must be able to demonstrate that it can progress the strategic priorities within the GPS.

22. Projects outside of NLTF funding criteria may attract funding through the Budget process or from other Crown funds. In addition, projects eligible for NLTF funding may also receive full or partial investment from Crown funds (e.g. funding split between PGF and NLTF) to bring forward projects that are not affordable under the NLTF.

23. The NLTF is targeted towards achieving certain transport priorities as set out by the GPS, and the purpose of Crown funding for programmes is usually to progress transport activities that address different priorities. Therefore, the NLTF cannot usually be used to resolve cost overruns from Crown programmes, unless the Waka Kotahi Board agrees that the investment is the next highest available priority based on the GPS.

Monitoring, oversight and assurance of Crown funded land transport programmes

24. Currently, the Ministry monitors the delivery of 49 Crown-funded projects:

PGF	CIP	RIO	NZUP	SITC reinstatement project	Total
7	1	13	26*	2	49

**The number of NZUP projects is officially 22. The Ministry has divided the Wellington Railway Programme into four separate projects making the total number of NZUP projects monitored by the Ministry 26.*

25. The NLTF has processes set in place by the LTMA that give the Waka Kotahi Board responsibility for the delivery of projects. However, for projects directly funded by the Crown that responsibility is held by delegated Ministers. This means we need different processes in place to ensure Crown-funded projects are delivered by transport agencies in line with the relevant appropriations.

26. Typically, there is an additional level of accountability for Crown-funded projects which provides assurance to Ministers that their funds are being well managed.

27. To provide oversight of Crown-funded transport projects, the Ministry brings in external parties with deep delivery expertise. For instance we appointed external members to the NZUP Oversight Group who have significant experience in the delivery of large and complex infrastructure projects, governance, engineering, portfolio/programme management, finance and procurement in a transport context.

28. We will brief you separately on the assurance framework for NZUP. The Ministry's approach for the programme is to ensure that its oversight of each project has the governance and delivery expertise that is needed.

29. To ensure IRG/CIP, PGF and RIO projects deliver within the scope, schedule and budget agreed by Ministers, (as set out in Funding Agreements for each project) the Ministry monitors and evaluates a project's progress through the reporting cycle, regular meetings with funding recipients and PGF partners (such as the PDU) as well as

frequent communication with funding recipients. This approach enables the Ministry to detect emerging/potential risks and issues and mitigate the risk and cost to the Crown.

30. The Ministry escalates issues with the potential to result in significant project cost overruns, re-scoping, and delays to delegated Ministers on a 'no surprises' basis through the project reporting cycle.

31. Issues that require Ministerial approval to resolve, such as re-scoping a project to meet a cost overrun, are advised through briefings to the delegated Ministers of each fund.

Project reporting

32. You will receive reports for the Crown-funded transport programmes you are responsible for (NZUP, RIO and the PGF) on a monthly and quarterly basis. These reports are also provided to other delegated Ministers.

33. The SITC reinstatement project provides reports to you and the Minister of Finance on a quarterly basis, with monthly reporting provided to the NZUP Oversight Group.

Overview of Crown investment programmes and packages

34. There is very limited or no contingency available within the Crown investment programmes to fund new projects or cost overruns

35. Thirty-nine Crown-funded projects across IRG/CIP, NZUP, RIO and the PGF are due for completion between 2021 and 2029. We will continue to monitor these projects until completion, and regularly report on these to you. We would value a conversation about your preferences so we can make sure the timing and substance of this meets your needs.

36. As the Crown funds set up under the term of the last Government have limited (or no contingency) available it is likely that Ministerial decisions will be required to resolve cost pressures and/or re-scope projects across the Crown portfolio.

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37. [redacted] We will brief you separately on NZUP.

38. An overview of transport Crown investment programmes and packages is outlined in the table at Appendix A.

Risks and issues

39. Some projects approved through direct Crown funding have incorporated risk that would normally be measured through separate pre-implementation steps. These projects therefore may face a likelihood of increased cost and time pressures, resulting in possible delays and cost overruns.

40. The table on p.8 details the issues/risks from Crown fund investments made during the last Government's term. The Ministry is working with funding recipients to mitigate these issues/risks.

Fund	Issue/Risk
PGF,RIO	**PGF and RIO contingency** In their current form, PGF and RIO funds do not have a contingency for project cost overruns. Waka Kotahi has advised the Ministry that construction work for the SH6 Franz Josef RIO project is more complex than originally estimated and requires additional seismic support. This may result in a funding shortfall. In addition, KiwiRail has identified several cost pressures for the Northland Rail PGF project that could arise in FY20/21 including: • worker fatigue issues relating to a reduced resource pool combined with COVID-19 travel restrictions; and • the expanded Auckland rolling contact fatigue (RCF) programme which is putting pressure on the project through diversion of labour and material resourcing to the Auckland Metro area. KiwiRail is proposing a 17-month change to the project's completion (from July 2021 to December 2022) to address the RCF issue. The Ministry is working with KiwiRail on potential project re-scoping options for your consideration.
PGF,RIO, CIP, NZUP	**NLTF funding pressures** As Crown-funded projects are completed, they become part of the national network and are therefore maintained through the NLTF. This entail repairs and replacement as necessary. Waka Kotahi has already identified increased pressure for the National Land Transport Programme 2021–24, as a result of COVID-19 impacts on revenue and expenditure, and increasing commitments in land transport priorities. Further advice on this is provided in the Current state of the National Land Transport Fund paper (OC200827 refers). Crown investments will materialise as pressures on the NLTF as Crown-funded projects are completed and start to wear and be impacted by use and their environment. This will be considered as part of work on GPS 2024.
	Resourcing pressures due to Alert Level 3/4 lockdown FY19/20 construction projects paused by COVID-19 restrictions have been carried over into FY20/21. This is likely to create resourcing and cost pressures in regions with a smaller pool of contractors who are in demand for multiple projects. For example the capacity of contractors is already affecting the delivery of roading projects in Northland, resulting in premium costs for their services.
	Schedule delays due to Alert Level 3/4 lockdown Seven active PGF Vote Transport projects have reported delays relating to the COVID-19 lockdown period when physical works were impacted by postponed public consultation and resourcing issues.
SITC reinstatement project	Withheld under Section 9(2)(i) of the Official Information Act 1982 [redacted]

Appendix A: Overviews of transport crown investment programmes and packages

Fund	Total fund allocation	Funding approved for MoT monitored land transport initiatives	Contingency	Fund objective / investment focus	Number of projects to be delivered	Risks	Ministerial delegation
COVID-19 Response and Recovery Fund (CRRF)	$50 billion funding envelope	$1 billion[3] ($600m Crown funding, $425m loan)	$12.1 billion unallocated portion	To provide additional support to those most affected by COVID-19. CRRF initiatives and packages are assessed through a wellbeing lens and framework with the aim of boosting job creation and supporting vulnerable populations, industries, and sectors across New Zealand that have lost their funding base as a result of COVID-19. The transport elements were to enable the National Land Transport Fund (NLTF) to continue despite COVID-19 resulting in less revenue and higher expenditure.	n/a	The total funding is expected to be sufficient to manage the NLTF pressures caused by COVID-19 in the short-term within current revenue forecasts. However future Alert Level increases could increase costs and further reduce revenue, which could require further funding requests.	Minister of Infrastructure Minister of Finance
Infrastructure Reference Group (IRG) / Crown Infrastructure Partners Ltd (CIP)	$3 billion tagged contingency from CCRF	$13 million (local government projects will be monitored by x rather than MoT)	$450 million for project cost overruns that could emerge from further due diligence on projects	To invest in infrastructure that could support New Zealand's economic recovery after the country exited Alert Level 3/4.	1	Withheld under Section 9(2)(g)(i) of the Official Information Act 1982	Minister of Infrastructure Minister of Finance Associate Ministers of Finance
New Zealand Upgrade Programme (NZUP)	$12 billion	$6.8 billion	Nil	To provide economic stimulus to firms and households across New Zealand, through building and upgrading works. NZUP's $6.8 billion transport programme aims to better public transport links, improve safety, and build new walking and cycling paths in six areas: Auckland, Waikato, Bay of Plenty, Wellington, Canterbury and Queenstown.	26[4]	[redacted] A baselining exercise is being undertaken to develop a sense of the risks across the programme.	Minister of Transport Minister of Finance
Regional Investment Opportunities (RIO)	$300m allocated from NZUP funds	$88.25 million	Nil	To boost employment; allow projects to get started as soon as possible; and enable social and economic recovery. Objectives for transport projects are to address regional economic development and safety risks, better resilience and congestion problems, and improve accessibility and travel time reliability of regional state highway networks.	13	The PGF and RIO funds do not have a contingency for project cost overruns. FY19/20 construction projects paused by COVID-19 restrictions have been carried over into FY20/21. This is likely to create resourcing and cost pressures in regions with a smaller pool of contractors who are in demand for multiple projects. Project delivery has been delayed as a result of the lockdown period when physical works were impacted by postponed public consultation and resourcing issues. Withheld under Section 9(2)(i) of the Official Information Act 1982	Minister of Transport Minister for Economic Development Minister for Regional Economic Development Minister of Infrastructure Minister of Finance Minister for Trade and Export Growth
Provincial Growth Fund (PGF)	$3 billion over a three-year term (2018 – 2021)	$634.4 million	Nil	Prior to the COVID-19 pandemic, the PGF focused on initiatives in priority sectors and six surge regions: Northland, Bay of Plenty, East Coast, Hawke's Bay, Whanganui and the West Coast. At this time the PGF aimed to: • create sustainable jobs; • enable Māori to reach their full potential; • boost social inclusion and participation; • build resilient communities; and • help meet New Zealand's climate change targets. During the COVID-19 lockdown, the Government reset the PGF to enable it to help the country recover from the economic impact of the virus. As a result projects had to: • be under construction within 12 months (nominally May 2021); • have high public visibility; and • create employment.	7		
South Island Transport Corridors (SITC) reinstatement project	$1.23 billion	$715 million – State Highway reinstatement $515 million – Rail reinstatement	Nil	To recover and improve/provide resilience works for the State Highway 1 (SH1) and the Main North Line (MNL) which were severely damaged during the 7.8 magnitude earthquake that hit the Kaikōura area on 14 November 2016.	2	[redacted]	Minister of Transport Minister of Finance

[3] Further support from Vote Transport for the aviation and maritime sectors is not included in this figure.
[4] The number of NZUP projects is officially 22. The Ministry has divided the Wellington Railway Programme into four separate projects making the total number of NZUP projects monitored by the Ministry 26.

COVID-19 Response and Recovery Fund (CRRF) for the National Land Transport Fund (NLTF)

41. As part of Budget 2020 the Government established the CRRF, a $50 billion funding envelope that provides additional support to those most affected by COVID-19.

42. CRRF initiatives and packages are assessed through a wellbeing lens and framework. The fund aims to boost job creation and support vulnerable populations, industries, and sectors across New Zealand that have lost their funding base as a result of COVID-19.

43. Over the lockdown period, the NLTF incurred additional costs such as free public transport and collected lower revenue because people were driving less. As at 13 November 2020, $1 billion had been committed to four transport sector initiatives including two initiatives that mitigate the impacts on the NLTF as a result of the COVID-19 pandemic:

    - $425 million loan to enable Waka Kotahi to manage the cash flow impacts on the NLTF as a result of COVID-19;

    - $600 million grant to support the delivery of the National Land Transport Programme and to meet COVID-19 related costs.

44. Cabinet also noted that that Ministers are considering allowing Waka Kotahi to borrow up to an additional $300 million (potentially off its own balance sheet), subject to further advice. The Ministry and the Treasury are currently working with Waka Kotahi to understand if this remains necessary given recent NLTF revenue has exceeded initial post-COVID expectations.

45. There remains $12.1 billion in the CRRF which can be utilised by the Government at any time. The Stimulating Recovery paper (OC200771 refers) provides further information on this amount and its potential to support initiatives that can contribute to a more productive, sustainable and inclusive economy.

Infrastructure Reference Group (IRG) / Crown Infrastructure Partners Ltd (CIP) from CRRF funds

46. In May 2020, Cabinet agreed to a $3 billion tagged contingency to provide investment in infrastructure that would support New Zealand's economic recovery after the country exited Alert Level 3/4. This resulted in the IRG/ CIP fund.

47. The IRG worked with CIP[5] to identify infrastructure projects that were ready (or near ready) for construction, for inclusion in the economic stimulus package.

48. At the time of drafting, there was no expectation that the fund would be used for future investment. IRG/CIP funds have been entirely allocated apart from a 15% unallocated contingency ($450 million).

49. The contingency may be used to address project cost overruns that could emerge from further due diligence on projects. IRG Ministers (Ministers of Finance and Infrastructure) are able to make decisions on the allocation of this contingency including the timing and announcement of investment decisions.

50. The Ministry is monitoring one IRG/CIP funded project, the Omoto Slip (rail). Other IRG/CIP transport projects are administered by CIP with PDU contracting local road projects on CIP's behalf. The Ministry will continue to monitor the Omoto Slip project to its completion in October 2021.

IRG/CIP project overview: Omoto slip project, West Coast

KiwiRail's tourism passenger service, the TranzAlpine, makes a significant contribution to the West Coast economy. Prior to COVD-19 the service was bringing in around 82,000 passengers into Greymouth each year and supporting around 400 local jobs.

In October 2019, a slip at Omoto (near Greymouth) stopped TranzAlpine train services to and from the town for more than a month, and disrupted freight train services as well as the local highway.

The $13 million IRG/CIP investment will extend stabilisation measures on a hillside that is traversed by SH7 and KiwiRail's Midland Line which remains susceptible to further subsidence. The project will create stronger and reliable transport connections in the region, which have the potential to boost the West Coast economy.

[5] CIP, formerly Crown Fibre Holdings Limited, was established in 2009 to manage the Government's $1.7 billion investment in ultra-fast broadband infrastructure. In 2020, CIP was assigned responsibility for the identification, funding, and monitoring of shovel-ready projects across New Zealand following the onset of COVID-19.

New Zealand Upgrade Programme (NZUP)

51. In January 2020, the Government announced the $12 billion NZUP to provide economic stimulus to firms and households across New Zealand, through building and upgrading works. The works aim to future proof and grow our economy, and modernise the country's infrastructure (including road and rail).

52. NZUP's $6.8 billion transport programme is the largest transport investment directly funded by the Crown. The programme will better public transport links, improve safety, and build new walking and cycling paths in six areas: Auckland, Waikato, Bay of Plenty, Wellington, Canterbury and Queenstown.

53. Twenty-six[6] NZUP projects are due for completion after FY20/21, the Ministry will continue to monitor these projects until completion. We will brief you separately on NZUP.

NZUP project overview: Penlink, Auckland

Over the next 30 years the North of Auckland population will grow three-fold to 106,000, creating 21,000 new jobs. It is essential that infrastructure investments are made in advance of forecast population growth to better the region's access to transport and make journeys more reliable.

NZUP will provide $411 million for the Penlink project which will:

- link Whangaparāoa to the Northern Motorway (SH1) at Redvale, creating a new interchange overbridge with south-facing ramps to access Auckland;
- provide a separate cycling and pedestrian shared path between East Coast Road and Whangaparaoa Road, including over the Weiti Bridge
- make improvements to SH1 between Papakura and Drury.

Once complete, the Penlink programme will provide residents with choice on how they move about communities in the North of Auckland and access employment opportunities, as well as building safety and resilience into Auckland's transport system.

[6] The number of NZUP projects is officially 22. The Ministry has divided the Wellington Railway Programme into four separate projects making the total number of NZUP projects monitored by the Ministry 26.

Regional Investment Opportunities (RIO), from allocated NZUP funds

54. In February 2020, the Government allocated $300 million for RIO from the $12 billion NZUP fund. The fund aims to:
    - boost employment;
    - allow projects to get started as soon as possible; and
    - enable social and economic recovery.
55. As at 13 November 2020, $88.25 million had been spent on 13 State Highway RIO projects. The projects are managed by funding recipient Waka Kotahi and monitored by the Ministry.
56. Objectives for these projects are to address:
    - regional economic development and safety risks;
    - better resilience and congestion problems;
    - and improve accessibility and travel time reliability of regional state highway networks.
57. At the time of drafting, investments into RIO projects had been completed and there was no expectation that the future Government would use the fund for investment. The Ministry has been granted funding from the PGF to administer these projects until June 2021.
58. We will work with the PDU to seek any further funding necessary to continue to monitor the six RIO transport projects due for completion between June 2021 and December 2023. There is no contingency for project cost overruns (should they arise).

RIO project overview: Granity Seawall, West Coast

The RIO programme invested $3.6 million in SH67 Granity seawall Project for Waka Kotahi to construct of a rock-lined bank (seawall) along the 950m section of SH67.

In its project proposal, Waka Kotahi costed the seawall using estimates from a 2017 business case that did not meet new design standards. This oversight combined with unforeseen ground conditions, depleted rock supplies and the cost of further design work, project management, and consenting resulted in a $5.41 million funding shortfall.

On 29 September 2020, RED Ministers agreed to re-scope the project within its existing $3.6 million RIO funding allocation to undertake protection works at Ngakawau River bridge and complete the design and consenting stages for the Granity seawall.

This approach will reduce disruption on SH67 and protect the main electricity connection servicing northern West Coast communities while enabling Waka Kotahi to progress construction at a later stage should funding become available through a Budget bid or another Crown fund.

Provincial Growth Fund (PGF)

59. In 2018, the Government allocated $3 billion to the PGF over a three-year term (2018 – 2021) to invest in regional economic development in six surge regions: Northland, Bay of Plenty, East Coast, Hawke's Bay, Whanganui and the West Coast. The fund aims to:

- create sustainable jobs;
- enable Māori to reach their full potential;
- boost social inclusion and participation;
- build resilient communities; and
- help meet New Zealand's climate change targets.

60. Prior to the COVID-19 pandemic, the PGF focused on initiatives in priority sectors and regions. During the COVID-19 lockdown, the Government reset the PGF to enable the fund to help the country recover from the economic impact of the virus. As a result projects had to:

- be under construction within 12 months (nominally May 2021);
- have high public visibility; and
- create employment.

61. $634.4 million has been spent on 63 PGF Vote Transport projects since the fund's inception. As at 13 November 2020, there were 45 active PGF transport projects managed by funding recipients KiwiRail and Waka Kotahi. These active projects are monitored by either the Ministry, the Treasury or the PDU:

	Funding Recipient:	**Waka Kotahi**	**KiwiRail**	**Total per agency**
Contract Manager / Monitoring Agency	The Ministry	5 State Highway	2	7
	The Treasury	0	3	3
	PDU	34 Local Roads	1	35
	Total per recipient:	**39**	**6**	**45**

62. The Ministry will continue to monitor six transport PGF projects due for completion between June 2021 and December 2022, after the PGF programme's three-year term ends. The PGF does not have a contingency for potential project cost (should they arise).

PGF project overview: Northland Rail project, Northland

Around 30,000 containers leave Northland each year but are unable to travel by rail, impacting the region's public safety record and increasing carbon emissions and road congestion. Significant obstacles in switching the transportation of Northland freight from road to rail are the difference in capacity, reliability and freight journey time to Auckland.

To address these obstacles, the Government has approved $178.5 million of PGF investments in the Northland Rail project, the largest PGF investment in rail. Funding has been made in three parts:

1. $94.8 million for rail essential works to provide repairs and maintenance on the Northland Rail Line (the Line) between Auckland and Whāngārei.

2. $69.7 million to increase the Line's capacity by enlarging tunnels and lowering tunnel tracks to enable carriage of IMEX (import-export) containers at 18 tonne axle weight capacity along the Swanson and Whāngārei section of the Line. This funding includes work to reopen the Line between Kauri and Otiria, and open a road-rail container exchange at Otiria.

3. $14 million in additional funding to address a cost overrun that emerged in May 2020. The cost overrun relates to geotechnical issues at tunnel and bridge sites which resulted in higher-than-budgeted contracts. This funding also includes additional bridge strengthening work to enable the project to meet its capacity scope.

South Island Transport Corridors (SITC) reinstatement project

63. On 14 November 2016, a 7.8 magnitude earthquake hit the Kaikōura area, causing severe damage to the State highway network and the rail network. State Highway 1 (SH1) and the Main North Line (MNL) were severed, including severe damage to bridges, embankments, and road and rail surfaces.

64. The North Canterbury Transport Infrastructure Reinstatement (NCTIR) alliance, led by Waka Kotahi and KiwiRail, has delivered a multi-year programme of recovery and improvement/resilience works.

65. The MNL reopened on 15 September 2017, and State Highway 1 reopened on 15 December 2017. The final stages of work to make transport networks around Kaikōura safer and more resilient is due to be completed in December 2020.

66. The table below provides a breakdown of the project's total $1.3 billion spend, across SH1 and MNL reinstatements, and the funding sources:

	Funding source:	**Crown-funded**	**Insurance**	**Totals per project**
Project	**SH1 reinstatement and improvement allocation**	$715 million	n/a	$715 million
	MNL reinstatement and improvement allocation	$415 million*	$225 million	$640 million
	Combined total			**$1.3 billion**

67. The life to date spend on SITC reinstatement project is $684.7 million for road (SH1) and $479.8 million for rail (MNL), a total of $1.164.5 billion.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

18 November 2020

OC200858

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

Action required by:
Wednesday, 25 November 2020

REGULATORY LOAN DRAWDOWNS FOR WAKA KOTAHI NZ TRANSPORT AGENCY

Purpose

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

To seek agreement from the Minister of Transport and the Minister of Finance (Joint Ministers) for a $12.6 million payment from the Waka Kotahi NZ Transport Agency's repayable capital injection. [redacted]

Key points

- In September 2019, Cabinet [CAB-19-MIN-0500 refers] agreed to provide $45 million as repayable capital injections to meet Waka Kotahi NZ Transport Agency's (Waka Kotahi's) regulatory cost pressures through establishing tagged capital contingencies in Vote Transport (see **paragraph one**).
- In March 2020, Joint Ministers approved an initial drawdown of $35.50 million to fund; direct rectification costs ($5.50 million); the 2019/20 regulatory deficit ($8.50 million); urgent additional regulatory costs in 2019/20 ($13.29 million); and funds retained for spending beyond 2019/20 ($8.21 million) (see **paragraph five**).
- Waka Kotahi has provided the Ministry of Transport (the Ministry) with a request to use the remainder of the March 2020 drawdown relating to urgent additional regulatory costs, totalling $12.6 million. This request will fund the existing 90 Full Time Equivalent (FTE) staff agreed to in March 2020; an additional 24 staff for 2020/21 – these staff are primarily frontline and direct capability; and the remaining 2019/20 expenditure that has not been paid yet (see **paragraph eight**).
- A total of $12.6 million is available to meet the urgent regulatory costs sought by Waka Kotahi. The Ministry supports this request and considers that it aligns with the scope of the appropriation. In meeting the request sought, Waka Kotahi has advised that a funding shortfall of $200,000 exists, which it would look to absorb through its baseline.
- The Ministry notes that Waka Kotahi's regulatory funding review has been delayed until mid-2022. The Ministry is engaging with Waka Kotahi on the new timeline for this

programme of work. Further delays will have ongoing implications for the level of additional support Waka Kotahi will require to fund its core regulatory costs.

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

- [redacted]

- Additional funding from Cabinet will be required to maintain Waka Kotahi's core regulatory costs due to delays in the Agency's regulatory funding review. There is a risk that without additional funding, Waka Kotahi will not be able to maintain the core regulatory capability it is building. Officials will provide the Minister of Transport with further advice on extending Waka Kotahi's repayable regulatory capital injection before the end of 2020 (see **paragraph 21**).

Recommendations

We recommend you:

1 **note** that in September 2019, Cabinet [CAB-19-MIN-0500 refers]:

- agreed to provide repayable capital injections of up to $45 million to meet Waka Kotahi's regulatory cost pressures, subject to the agency confirming details on the rationale for the additional amount of regulatory costs and rectification costs it will incur

- agreed to establish tagged capital contingencies as follows in Vote Transport, to provide for the repayable capital injections

	$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24
Regulatory Costs – Tagged Capital Contingency	25.000	5.000	-	-	-
Rectification Costs – Tagged Capital Contingency	12.500	2.500	-	-	-

- authorised the Minister of Transport and the Minister of Finance, acting jointly, to draw down the tagged capital contingencies above (establishing any new appropriations as necessary), subject to Waka Kotahi confirming details on the rationale for the additional amount of regulatory costs and rectification costs it will incur

2 **note** that in March 2020 (200230 refers), Joint Ministers agreed to an initial drawdown of $35.5 million, of which:

- $5.50 million was to meet direct rectification costs associated with the backlog of regulatory non-compliance cases identified in October 2018

- $8.50 million was to meet the agency's regulatory deficit

- $13.29 million was to meet urgent additional regulatory costs through to 30 June 2020
- $8.21 million was retained in appropriation to service Waka Kotahi's urgent regulatory costs, including its planned deficit following the end of the 2019/20 financial year.

3 **note** that not all of the $35.5 million drawn down was utilised in 2019/20, and the Ministry is seeking approval to use the remaining urgent regulatory funds in 2020/21 as noted in the March paper (OC200230 refers)

4 **agree** to pay Waka Kotahi $12.6 million, which was unspent from the $35.5 million drawn down in March 2020, which includes:

- $1.15 million for expenditure relating to urgent regulatory funding for the 2019/20 year
- $10.31 million for urgent regulatory staff capability (continuing to fund the 90 FTE recommended in March 2020, and funding a further 24 FTE for 2020/21)
- $1.14 million to fund core project costs for supporting Waka Kotahi's back-to-basics regulatory programme in 2020/21

Minister of Transport	**Minister of Finance**
Agree / Disagree	Agree / Disagree

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

5 [redacted]

6 [redacted]

Minister of Transport	**Minister of Finance**
Agree / Disagree	Agree / Disagree

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

7 [redacted]

[redacted] [redacted]

All information withheld on this page is under Sections 9(2)(b)(ii) and 9(2)(j) of the Official Information Act 1982

8 [redacted]

10 agree that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from imprest Supply.

Minister of Transport
Agree / Disagree

Minister of Finance
Agree / Disagree

11 [redacted]

12 **note** that the capacity of the existing regulatory capital injection set up to meet urgent costs will not be sufficient to sustain the Waka Kotahi's regulatory costs until the agency's funding review comes into effect, and that officials will provide further advice on this matter by the end of 2020.

[redacted]

Robert Anderson
Manager, Governance and Commercial (Acting), Ministry of Transport
18 / 11 / 20

[redacted]

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

Hon Grant Robertson
Minister of Finance
..... / ...... / ......

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

Contacts

Name	Telephone	First contact
Robert Anderson, Acting Manager, Governance and Commercial, Ministry of Transport	[redacted]	✓
Warner Peel, Graduate Adviser, Governance and Commercial, Ministry of Transport	[redacted]	

REGULATORY LOAN DRAWDOWNS FOR WAKA KOTAHI NZ TRANSPORT AGENCY

Cabinet approved $45 million to meet urgent regulatory costs following the review into the regulatory failure at Waka Kotahi

1 In September 2019, Cabinet considered the findings of the Ministry's review into the regulatory capability and performance of the Transport Agency [CAB-19-MIN-0500 refers]. In response to the review, Cabinet agreed to the establishment of two tagged contingencies in the form of repayable capital injections to:

- enable Waka Kotahi to meet urgent additional costs associated with its core regulatory functions in advance of the forthcoming regulatory funding review;
- meet direct rectification costs associated with the backlog of regulatory non-compliance cases identified in October 2018.

2 These tagged capital contingencies will expire on 1 June 2021. Cabinet also delegated authority to the Minister of Transport and Minister of Finance to agree the drawdown of the tagged contingencies.

3 The first of the repayable capital injections was for $15 million to meet the direct costs of re-inspecting and re-certifying vehicles that had been assessed by non-compliant inspecting organisations and certifiers.

4 The second repayable capital injection was for $30 million to meet urgent additional costs associated with the delivery of the agency's core regulatory functions, including the projected operating deficit held against its regulatory memorandum accounts for 2019/20 (estimated to be approximately $18 million when Cabinet agreed to provide this capital injection).

Joint Ministers approved a drawdown of $35.5 million in March 2020 to meet urgent regulatory costs in 2019/20

5 In March 2020, the Minister of Finance and the Minister of Transport agreed to drawdown (OC200230):

- $5.50 million to meet direct rectification costs associated with the backlog of regulatory non-compliance cases identified in October 2018
- $8.50 million to meet the agency's regulatory deficit
- $13.29 million to meet urgent additional regulatory costs through to 30 June 2020
- $8.21 million would be retained in appropriation to service the Waka Kotahi's urgent regulatory costs, including its planned deficit following the end of the 2019/20 financial year.

Waka Kotahi has not used all of the funding that was approved to be drawn down by Joint Ministers in March 2020…

6 Of the $13.29 million drawn down for meeting urgent regulatory costs in 2019/20, Waka Kotahi has been provided $8.9 million in 2019/20 and requires a further $1.15 million to cover 2019/20 expenditure. Officials are seeking approval from Joint Ministers to utilise the remaining unspent $3.24 million in 2020/21. **Table One** outlines how the urgent regulatory tagged contingency has been used, and what is retained in 2020/21.

Table One: Breakdown of Waka Kotahi's regulatory tagged contingency

	Total drawdown ($m)	Amount provided in 2019/20 ($m)	Remaining for payment 2020/21 ($m)
To meet the Agency's regulatory account deficit	8.50	8.50	0
To meet urgent additional regulatory costs through to 30 June 2020	13.29	8.90	4.39[1]
To be retained to meet urgent additional regulatory costs following the end of 2019/20	8.21	0.00	8.21
Total Regulatory costs – Tagged capital contingency	30	17.4	12.60

7 The Ministry noted in March 2020 that it would seek Joint Ministers' approval before utilising the $8.21 million contingency that was drawn down. The Ministry expected to seek this approval in May 2020, however, this was delayed due to COVID-19. The Ministry is now seeking your approval to support Waka Kotahi's urgent regulatory costs for the 2020/21 financial year, using the $8.21 million set aside and the $3.24 million unspent in 2019/20.

Waka Kotahi is seeking to spend the remaining urgent regulatory funding to meet the Agency's core regulatory costs for 2020/21

8 Waka Kotahi has provided the Ministry with a request to drawdown the remainder of the appropriation relating to urgent additional regulatory costs, which totals $12.6 million. This request seeks the following:

- $1.15 million for expenditure relating to urgent regulatory funding for the 2019/20 year
- $10.31 million for urgent regulatory staff capability (continuing the 90 FTE recommended in March 2020, and funding a further 24 FTE for 2020/21)
- $1.14 million to fund core project costs for supporting Waka Kotahi's back-to-basics regulatory programme in 2020/21.

[1] Includes the $1.15 million for expenditure already allocated in 2019/20 and the $3.24 million not needed in 2019/20.

9 Waka Kotahi's request for $12.6 million would cover a majority of the expenditure relating to urgent regulatory funding in 2019/20 as well as an additional 24 FTE on top of the 90 FTE approved by Joint Ministers in March 2020.

10 The Ministry did not recommend these 24 roles in the March 2020 paper, as the roles would not come into effect until 2020/21, which was outside of the scope of the March briefing.

11 The Ministry has since reviewed this request and concluded those roles fall within the scope of meeting Waka Kotahi's urgent regulatory costs for 2020/21. The majority of these roles will provide further increases in regulatory compliance staff, along with a small number of core roles and external support to facilitate the ongoing rebuild of Waka Kotahi's regulatory function.

12 The Ministry notes that in funding the 24 additional FTE there would be a shortfall of approximately $200,000 in 2020/21, which Waka Kotahi will look to absorb from its baseline.

13 The Ministry has reviewed Waka Kotahi's request and recommends maintaining funding for the original 90 FTE approved in March 2020, funding for the additional 24 FTE, and the majority of the project costs to support the delivery of its regulatory strategy.

14 The only component of the request that the Ministry does not support is the 'revenue assessment' within the project costs. The Ministry does not support funding these costs in both 2019/20 and 2020/21, as the Ministry does not see these as within the remit of urgent regulatory funding with the view to minimise risk within the regulatory system.

15 The drawdown sought by Waka Kotahi would be met by:

- the unused $3.24 million from 2019/20 to meet urgent costs
- the remaining actual spend for 2019/20 of $1.15 million
- $8.21 million that was drawdown but retained to support the regulatory function in 2020/21.

[redacted]

16 [redacted]

17 [redacted]

18 [redacted]

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

[redacted]

Funding sustainability for Waka Kotahi's regulatory function remains uncertain until the agency's regulatory funding review is complete

19 In March 2020, the Ministry noted that Waka Kotahi's regulatory funding review would be completed in late 2021. The review is now delayed until mid-2022, and it is anticipated that any visible changes as a result of this review could be 2022/23. This acknowledges that while changes would be implemented earlier, it would take some time for revenue streams to pick up.

20 As a result, this delay means Waka Kotahi will require a further capital extension to maintain its core regulatory costs until changes through the funding review come into effect. This would also mean that further funding, above the original $45 million, would need to be re-collected from the sector if the support is provided on a re-payable basis. Recovery of these costs will be consulted on through Waka Kotahi's regulatory funding review consultation document.

21 Officials are preparing a Cabinet paper to cover the funding shortfall between the end of 2020/21 and the end of 2022/23, allowing time for any new funding to come into full effect. The funding will be sought in the form of a repayable capital injection, similar to the original capital injection agreed by Cabinet.

22 Officials are seeking Cabinet approval, outside of the budget process, as the final budget outcomes will not be released in time for Waka Kotahi to confirm its 2021/22 budget. A large proportion of Waka Kotahi's new regulatory workforce would be unfunded without further extending the Agency's capital injection.

23 Officials expect to provide the Minister of Transport with advice on the Agency's regulatory funding review consultation document in the New Year. It is anticipated the consultation document will go to Cabinet for approval in mid 2021.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

20 November 2020

OC200807

Hon Grant Robertson
Minister of Finance

Action required by:
Monday, 23 November 2020

Hon Michael Wood
Minister of Transport

NEW ZEALAND UPGRADE PROGRAMME – TRANSPORT UPDATE NOVEMBER 2020

Purpose

Provides an overview of the governance and assurance arrangements in place for the New Zealand Upgrade Programme (the Programme), and an update on progress of the Programme to 31 October 2020. The briefing includes an overview of the Programme's Oversight Group (OSG), and the issues and challenges that the Programme is facing.

Key points

- The Minister of Finance and the previous Minister of Transport (Joint Ministers) agreed on a programme-level governance, assurance and oversight arrangement for the transport aspects of the Programme. An Oversight Group (OSG) was established in July 2020, and comprises three external members and five cross-agency senior officials.
- Based on the delegation letters of August 2020, Joint Ministers originally delegated individual project level decisions to the Waka Kotahi and KiwiRail Boards to maintain delivery momentum of the Programme. However, changes to project or programme baselines require Joint Ministers' approval.
- State Highway One Papakura to Drury South, Northern Pathway, State Highway 58 Safety Improvements, Takitimu North Link Stage 1, and Penlink are the "first five" Waka Kotahi projects closest to delivery.

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

- [redacted]

Withheld under Section 9(2)(g)(i) of the Official Information Act 1982 [redacted] The OSG meeting in September 2020 identified that the immediate focus should be on establishing a robust baseline for the Programme.

- [redacted]

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

- In relation to the Auckland Transport Alignment Project programme of investment, there are complex inter-dependencies for projects in South Auckland as well. [redacted]

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

- [redacted] Withheld under Section 9(2)(g)(i) of the Official Information Act 1982

- Officials have prepared letters for you to send to the Chairs of Waka Kotahi and KiwiRail to formally convey your expectations on baselining the Programme.

Recommendations

We recommend you:

1 **note** the Ministry of Transport has established an Oversight Group, consisting of cross-agency officials and external experts to provide assurance and oversight over the $6.8 billion transport component of the New Zealand Upgrade Programme (the Programme)

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

3 **note** that changes to project or programme baselines require approval from the Ministers of Finance and Transport (Joint Ministers)

4 [redacted] Yes / No

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

5 [redacted]

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

6 **note** that should you prefer to make earlier decisions on certain projects, officials will be able to assist and advise as well

7 **sign** the attached letters to the Chairs of Waka Kotahi and KiwiRail conveying your expectations for the baselining work, to be completed by end of March 2021. Yes / No

Bryn Gandy
Deputy Chief Executive, System Strategy and Investment

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

Hon Grant Robertson
Minister of Finance

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

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
Bryn Gandy, Deputy Chief Executive, System Strategy and Investment	[redacted]	✓
Robert Anderson, Acting Manager, Governance and Commercial	[redacted]	

New Zealand Upgrade Programme Update - November 2020

A programme-level governance, assurance and oversight arrangement has been established for the transport component of the New Zealand Upgrade Programme

1. On 29 January 2020, the Prime Minister announced the New Zealand Upgrade Programme (the Programme), a $12 billion infrastructure investment package. Around $6.8 billion will be invested in transport (rail, roads, walking and cycling) over the next ten years. The Programme's funding arrangements differ to those of other transport projects, in that the Crown plays the role of "funder" and "programme owner" by directly funding the projects and taking on risk.

2. The Minister of Finance and the previous Minister of Transport (Joint Ministers) agreed to implement a governance, oversight and assurance framework for delivery of the transport component of the Programme (OC200119 refers).

3. This included the establishment of an Oversight Group (OSG) with responsibility for providing independent assurance and oversight for the transport component of the Programme, the appointment of independent assurance and technical advisers, and dedicated programme management capability within the Ministry of Transport.

4. These arrangements seek to provide independent, programme-level oversight and assurance for the delivery of the Programme. Waka Kotahi NZ Transport Agency and KiwiRail Holdings Limited (Waka Kotahi and KiwiRail, together the Delivery Agencies) will be accountable for decision making, governance and assurance activities to deliver specific projects they have responsibility for within the Programme.

The Oversight Group comprises three external members and four cross-agency senior officials

5. The NZUP Oversight Group comprises of:
    - Brian Wood, external OSG member, Chair of OSG
    - Mike Howat, external OSG member, formerly of Fulton Hogan
    - Michael O'Halloran, external OSG member, currently of Mott MacDonald
    - Bryn Gandy, Deputy Chief Executive, System Strategy and Investment, Ministry of Transport
    - Brent Johnston, Acting Deputy Chief Executive, System Performance and Governance, Ministry of Transport
    - Andrew Hagan, Acting Deputy Chief Executive Financial and Commercial, Treasury
    - Paul Laplanche, Chief Financial Officer, Ministry of Transport
    - Dan Cameron, Principal Advisor, Infrastructure Commission

6. The success of the OSG is reliant on having independent and external experts who bring technical experience in the successful oversight and delivery of large and complex infrastructure projects. The Ministry has appointed Brian Wood, Mike Howat and Michael

O'Halloran who collectively bring significant engineering, construction and infrastructure delivery experience to the Oversight Group.

7. Independent advisers from Deloitte and AECOM were also engaged to build the assurance, governance and oversight framework around the OSG. This has included the creation of a Programme dashboard, showing key Programme, Delivery Agency and project-level indicators, data, and commentary. The dashboard will be shared with your respective offices in due course, and will form the basis of future reporting.

8. The OSG met for the first time on 23 July 2020 to consider the establishment of the core oversight and assurance arrangements for the transport component of NZUP. Since September 2020, the OSG has met on a monthly basis, with Delivery Agencies attending parts of the meeting for the OSG to inquire on key areas of interest.

Based on the delegation letters of August 2020, changes to project or programme baselines require Joint Ministers' approval

9. In July 2020, Joint Ministers approved the Establishment Reports as a starting baseline for the Programme. Joint Ministers delegated individual project level decisions to the Waka Kotahi and KiwiRail Boards to maintain delivery momentum of the Programme (OC200503 refers).

10. The intent of the delegations to Delivery Agencies in the letters of August 2020 was to support the delivery momentum of the Programme, but was subject to Joint Ministers being involved in decisions where there are any significant changes to:

    - scope, and where outcomes and outputs are significantly impacted, reduced, or changed from those identified in the Establishment Report
    - cost estimates that are expected to impact the delivery of the Programme within the Crown funding envelope
    - timing where there is a forecast delay to the construction start or construction completion dates.

11. [redacted] Copies of the letter are attached in Appendix One. Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

12. [redacted]

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

13. The decision-making approach recognises the Crown's objectives for the Programme, its role as Programme funder and owner, and the fixed funding envelope and timeframe commitments of the Programme.

14. As the operating environment is fiscally constrained, particularly as a result of the impacts from COVID-19, it is critically important that the Programme is sufficiently well scoped and defined so Joint Ministers are clear on both what the Crown is purchasing through each of the projects, the associated costs and benefits, and the [redacted] that may be required. Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

The OSG meeting in September 2020 identified that the immediate focus should be on establishing a robust baseline for the Programme

15. [redacted] A robust baseline is critical so that Ministers, as purchaser, have a clear view on the achievability of the programme and any deviations from Ministerial expectations.

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

16. [redacted]

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

17. The OSG has requested that the immediate focus of Delivery Agencies should be establishing a robust baseline to better define benefits, scope, schedule and cost estimation. The OSG's independent advisers are working closely with Delivery Agencies to support development of the baseline. Waka Kotahi and KiwiRail have committed to treat the baseline development as a project in its own right.

18. [redacted]

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

19. [redacted] Withheld under Section 9(2)(g)(i) and 9(2)(f)(iv) of the Official Information Act 1982

[redacted]

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

20. State Highway One Papakura to Drury South, Northern Pathway, State Highway 58 Safety Improvements, Takitimu North Link Stage 1, and Penlink together form the "first five" projects, representing the five projects closest to delivery (OC200793, the Programme update for September, refers).

21. [redacted]

- [redacted]
- [redacted]
- [redacted]

22. [redacted]

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

[redacted]

23. [redacted]

24. [redacted]

25. [redacted]

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

26. [redacted]

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

27. [redacted]

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

28. [redacted]

[redacted]

29. [redacted]

30. [redacted]

31. [redacted]

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

[redacted]

32. [redacted]

All information withheld on this page is under Section 9(2)(g)(i) of the Official Information Act 1982, in addition to grounds further stated below

33. [redacted]

34. [redacted]

[redacted]

35. [redacted]

36. [redacted]

37. [redacted]

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

- [redacted]
- [redacted]
- [redacted]

38. [redacted]

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

[redacted]

[redacted] [redacted]

[redacted]

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

There are complex inter-dependencies for projects in South Auckland as they relate to the Auckland Transport Alignment Project programme of investment

40. [redacted]

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

41. During 2020, work has been underway on developing potential options for the 2021-31 Auckland Transport Alignment Project (ATAP) programme of investment. This has consisted of cross-agency work with ATAP partners Auckland Transport, Waka Kotahi, KiwiRail, Auckland Council and the Ministry.

42. The previous Minister of Transport requested this work also consider and present options for local investment in Drury for transport infrastructure to support the NZUP investments in Auckland. The package options focus on growth, increased mode shift across Auckland, and the role transport can play in addressing climate change.

43. These options will be presented to political sponsors for consideration in late November 2020. You will be receiving advice on the Drury projects, and information about its inter-dependencies with other Auckland projects, through this work.

[redacted]

Officials have prepared letters for you to send to the Delivery Agencies' Board Chairs to formally convey your expectations on baselining

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

49. The outcome of the baselining work will be important in providing you with an understanding of the overall shape of the Programme. With this information, you will be better placed to direct officials on managing any risks or issues that may arise around the overall scope and cost of the Programme.

50. You should also expect that Delivery Agencies will provide full and real time visibility to you, the Ministry, and Treasury of current and pending project commitments, risks as they arise with associated management activities, and development of project and programme baselines.

51. Officials have prepared letters (attached in Appendix Two) for you to send to the Chairs of the Delivery Agencies that formally convey your expectations. Along with expectations of the baseline being completed by March 2021, the letter also notes that Delivery Agencies must keep you, the Ministry, and Treasury informed of significant decisions. [redacted]

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

Next steps

52. You will be meeting with Brian Wood, Chair of the Oversight Group, and officials between 5pm and 6pm in your office, on 25 November 2020.

53. The next Oversight Group meeting, and the last for 2020, will be held on 9 December 2020. You can consider attending this meeting to meet with the remainder of the Oversight Group.

54. The first Oversight Group meeting for 2021 will be held on 3 February 2021. Officials will continue to update you after each Oversight Group with a briefing, based on data analytics and discussions from that month's Oversight Group meeting. Officials will also update you regularly via the Weekly Report on briefings and any project-specific advice you may be receiving.

55. Leading up to the end of March 2021 deadline for the baselining, officials will be updating you on progress and where possible, share and test with you baselines for individual projects before a programme-level baseline is fully completed. A completed baseline will form the basis for subsequent discussions on [redacted] and decisions you will need to make across the Programme. Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

Appendix 1: letters to the Board Chairs of Waka Kotahi and KiwiRail on delegations

Appendix 2: letters to the Board Chairs of Waka Kotahi and KiwiRail on baselining expectations

Appendix 1

Brian Corban
Chair
KiwiRail
PO Box 593
WELLINGTON 6140

Dear Brian

Thank you for providing me with your final Establishment Report.

We want to extend our appreciation to KiwiRail for the substantive role it is playing in delivering the New Zealand Upgrade Programme (the Programme). As you are aware, the Programme is a significant investment in New Zealand's infrastructure which will save lives, get our cities moving and boost the level of productivity in our country's seven main growth areas. Delivery of the Programme will also provide a much needed economic stimulus to respond to the impacts of COVID-19.

We want to enable efficient decision-making for Programme delivery to provide a much needed pipeline of work for the industry. This means ensuring the KiwiRail Board has the flexibility to utilise its existing capabilities to deliver its projects while recognising the Crown's role as funder and over-arching owner of the Programme, and the reporting requirements that apply.

This letter sets out that the Minister of Finance and Minister of Transport (Joint Ministers) agree to delegate individual project level decisions to the KiwiRail Board for the projects outlined in KiwiRail's final Establishment Report, and in doing so, the expectations that we have of the Board. Joint Ministers may review, amend or revoke the delegations and conditions at any time.

Joint Ministers acceptance of the Establishment Report as a starting baseline

We have reviewed KiwiRail's Establishment Report and accept this as the starting point for advancing your aspects of the Programme. This baseline signals the direction of travel for many of the projects and, as we requested, includes the proposed cost, scope, timeframes and milestones, and potential risks and challenges to each of the projects.

In accepting the Establishment Report as a starting point for the baseline, we have considered the Crown's role as the Programme funder and owner, and consider that an appropriate decision-making and oversight framework is required that reflects the Crown's objectives for the Programme, which are:

- **Delivery** – projects are successfully delivered in a way that contributes to the overarching goals of the Programme, such as modernising infrastructure, and future proofing and growing the New Zealand economy;
- **Timeliness/momentum** – projects are delivered within expected timeframes;

- **Cost** – projects are delivered within the fixed funding envelope for the Programme and risks are appropriately managed and mitigated.

As the Crown's single largest infrastructure investment, the governance, monitoring, assurance, and decision-making framework needs to be tailored to ensure Joint Ministers have sufficient oversight and confidence in the delivery of the Programme.

On this basis, we have agreed governance, monitoring, reporting and assurance arrangements to support the delivery of the Programme. As part of these arrangements, the New Zealand Upgrade Programme Oversight Group (the Oversight Group) will be established with responsibility for providing assurance (for the Crown as funder) in respect of the transport aspects of the Programme.

Delegating project level decisions to the KiwiRail Board

It is recognised that to support momentum, KiwiRail should be sufficiently empowered to deliver its projects in a way that enables project momentum and cost effectiveness. To achieve this in a manner that is consistent with the Crown's objectives above, we agree to delegate the individual project level decisions to the KiwiRail Board. This is to provide us with confidence that project level decisions will support the delivery momentum of the Programme.

Given the Crown's objectives and its role as Programme funder and owner, this delegation is subject to certain parameters. The need for parameters reflects the fixed funding envelope and timeframe commitments for the Programme. Therefore, Joint Ministers must be involved in decisions where there are:

1. any significant changes to scope, where outcomes and outputs are significantly impacted, reduced, or changed from those identified in the Establishment Report
2. any significant changes to cost estimates that are expected to impact the delivery of the Programme within the Crown funding envelope
3. any significant changes to timing where there is a forecast delay to the construction start or construction completion dates

We have instructed Ministry of Transport (the Ministry) and Treasury officials to work with Waka Kotahi and KiwiRail to develop and agree thresholds for determining when the above decision-making points are triggered. We expect these thresholds to be agreed by Joint Ministers by September 2020.

The purpose of these thresholds is not for Joint Ministers to intervene in project level decisions that KiwiRail is best placed to make, but rather to ensure that Joint Ministers have a role when project level decisions impact the Crown objectives for the Programme.

[redacted]

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

Process for escalating to Joint Ministers for decision-making

Reporting to the Oversight Group will occur on a monthly basis, which will form part of the monthly reporting to Joint Ministers. This reporting will include identification of variances or potential variances that may trigger the thresholds for escalating decisions to Joint Ministers. Where a threshold is expected to be triggered, Ministry and Treasury officials will advise on the issues, impacts, options and decisions required by Joint Ministers.

Oversight and assurance arrangements for the Programme

Any large Crown-funded projects should expect a high level of scrutiny, both from Ministers and the public. KiwiRail is expected to comply with its existing frameworks, as well as completing Risk Profile Assessments (RPA) and providing these to the Treasury. All proposals that are determined high risk by the RPA will have an appropriate level of assurance applied, including Gateway reviews. We see this assurance regime as a standard Government requirement, which has been right-sized for the Programme.

Joint Ministers expect to be kept well briefed on progress, and the Oversight Group will provide the Ministry and the Treasury with rigorous independent advice on delivery performance and key risks across the transport aspects of the Programme. This does not change the Board's responsibilities for delivery governance of its own projects and reporting to Shareholding Ministers in accordance with Owners Expectations, and we appreciate that the Board will apply the highest levels of scrutiny of delivery performance and report to the Oversight Group regularly.

We ask that KiwiRail is transparent on any concerns or risks in the delivery of its projects with Ministry and Treasury officials and the Oversight Group. Any variations to the final Establishment Report will need to be reported to the Oversight Group. If KiwiRail operates (or expects that it may operate) outside of its responsibilities in this letter, we expect KiwiRail to inform the Oversight Group as soon as practicable to resolve any matters or concerns in a timely manner.

We encourage KiwiRail to work closely with the Oversight Group to find pragmatic solutions on any matters that arise. The Oversight Group will look to leverage your existing systems and processes as much as possible. Ministry and Treasury officials will contact KiwiRail in the coming weeks to discuss the specific reporting requirements of the Programme.

Release of Crown funding

The arrangements for drawdown of Crown funding for KiwiRail projects is dependent on the provision of forecast monthly cashflows and agreed supporting information from the KiwiRail Board. The drawdown of Crown funding for this Programme will follow existing arrangements for share subscription and release of equity funding between KiwiRail and Treasury.

Next steps

We believe the matters outlined in this letter appropriately balance the interests of the Crown while providing support to KiwiRail in its role in the Programme.

We ask that KiwiRail works with Ministry and Treasury officials to provide us with advice on the details of thresholds for escalating significant decisions to Joint Minsters by September 2020.

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

[redacted]

- [redacted]
- [redacted]

There is scope for Government to add further projects to the governance of the Programme and we will provide you with further advice should we choose to do this. We would appreciate confirmation in writing that the delegated authority and the reporting requirements set out in this letter are acceptable to the KiwiRail Board.

Thank you again for your involvement in this infrastructure investment programme. We are confident that KiwiRail will be able to deliver its projects, consistent with the expectations set out above, and we look forward to your favourable response.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister of Transport

Copy: Rt Hon Winston Peters
Minister for State Owned Enterprises

Greg Miller
Group Chief Executive Officer, KiwiRail

Peter Mersi
Chief Executive, Ministry of Transport

Sir Brian Roche
Chair
Waka Kotahi NZ Transport Agency Board
Private Bag 6995
WELLINGTON

Dear Sir Brian

Thank you for providing me with your final Establishment Report.

I want to extend our appreciation to Waka Kotahi NZ Transport Agency (Waka Kotahi) for the substantive role it is playing in delivering the New Zealand Upgrade Programme (the Programme). As you are aware, the Programme is a significant investment in New Zealand's infrastructure which will save lives, get our cities moving and boost the level of productivity in our country's seven main growth areas. Delivery of the Programme will also provide a much needed economic stimulus to respond to the impacts of COVID-19.

I want to enable efficient decision-making for Programme delivery to provide a much needed pipeline of work for the industry. This means ensuring the Waka Kotahi Board has the flexibility to utilise its existing capabilities to deliver its projects while recognising the Crown's role as funder and over-arching owner of the Programme, and the Cabinet Circular CO(19)(6) requirements that apply.

This letter sets out that the Minister of Finance and I (as Joint Ministers) agree to delegate individual project level decisions to the Waka Kotahi Board for the projects outlined in Waka Kotahi's final Establishment Report, and in doing so, the expectations that we have of the Board. Joint Ministers may review, amend or revoke the delegations and conditions at any time.

Joint Ministers acceptance of the Establishment Report as a starting baseline

The Minister of Finance and I (as Joint Ministers) have reviewed Waka Kotahi's Establishment Report and accept this as the starting point for advancing your aspects of the Programme. This baseline signals the direction of travel for many of the projects and, as we requested, includes the proposed cost, scope, timeframes and milestones, and potential risks and challenges to each of the projects.

In accepting the Establishment Report as a starting point for the baseline, we have considered the Crown's role as the Programme funder and owner, and consider that an appropriate decision-making and oversight framework is required that reflects the Crown's objectives for the Programme, which are:

- **Delivery** – projects are successfully delivered in a way that contributes to the overarching goals of the Programme, such as modernising infrastructure, and future proofing and growing the New Zealand economy;

- **Timeliness/momentum –** projects are delivered within expected timeframes;
- **Cost –** projects are delivered within the fixed funding envelope for the Programme and risks are appropriately managed and mitigated.

As the Crown's single largest infrastructure investment, the governance, monitoring, assurance, and decision-making framework needs to be tailored to ensure Joint Ministers have sufficient oversight and confidence in the delivery of the Programme.

On this basis, we have agreed governance, monitoring, reporting and assurance arrangements to support the delivery of the Programme. As part of these arrangements, the New Zealand Upgrade Programme Oversight Group (the Oversight Group) will be established with responsibility for providing assurance (for the Crown as funder) in respect of the transport aspects of the Programme.

Delegating project level decisions to the Waka Kotahi Board

It is recognised that to support momentum, Waka Kotahi should be sufficiently empowered to deliver its projects in a way that enables project momentum and cost effectiveness. To achieve this in a manner that is consistent with the Crown's objectives above, we agree to delegate the individual project level decisions to the Waka Kotahi Board. This is to provide us with confidence that project level decisions will support the delivery momentum of the Programme.

Given the Crown's objectives and its role as Programme funder and owner, this delegation is subject to certain parameters. The need for parameters reflects the fixed funding envelope and timeframe commitments for the Programme. Therefore, Joint Ministers must be involved in decisions where there are:

4. any significant changes to scope, where outcomes and outputs are significantly impacted, reduced, or changed from those identified in the Establishment Report

5. any significant changes to cost estimates that are expected to impact the delivery of the Programme within the Crown funding envelope

6. any significant changes to timing where there is a forecast delay to the construction start or construction completion dates.

We have instructed Ministry of Transport (the Ministry) and Treasury officials to work with Waka Kotahi and KiwiRail to develop and agree thresholds for determining when the above decision-making points are triggered. We expect these thresholds to be agreed by Joint Ministers by September 2020.

The purpose of these thresholds is not for Joint Ministers to intervene in project level decisions that Waka Kotahi is best placed to make, but rather to ensure that Joint Ministers have a role when project level decisions impact the Crown objectives for the Programme.

[redacted]

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

Process for escalating to Joint Ministers for decision-making

Reporting to the Oversight Group will occur on a monthly basis, which will form part of the monthly reporting to Joint Ministers. This reporting will include identification of variances or potential variances that may trigger the thresholds for escalating decisions to Joint Ministers. Where a threshold is expected to be triggered, Ministry and Treasury officials will advise on the issues, impacts, options and decisions required by Joint Ministers.

Oversight and assurance arrangements for the Programme

Any large Crown-funded projects should expect a high level of scrutiny, both from Ministers and the public. To give effect to this, Waka Kotahi will deliver its projects in accordance with Cabinet Circular CO(19)(6). This includes completing Risk Profile Assessments (RPA) and providing these to the Treasury. All proposals that are determined high risk by the RPA will need to have an appropriate level of assurance applied, including Gateway reviews. We see this assurance regime as a standard Government requirement, which has been right-sized for the Programme.

Joint Ministers expect to be kept well briefed on progress, and the Oversight Group will provide the Ministry and the Treasury with rigorous independent advice on delivery performance and key risks across the transport aspects of the Programme. This does not change the Board's responsibilities for delivery governance of its own projects, and we appreciate that the Board will apply the highest levels of scrutiny of delivery performance and report to the Oversight Group regularly.

We ask that Waka Kotahi is transparent on any concerns or risks in the delivery of its projects with Ministry and Treasury officials and the Oversight Group. Any variations to the final Establishment Report will need to be reported to the Oversight Group. If Waka Kotahi operates (or expects that it may operate) outside of its responsibilities in this letter, we expect Waka Kotahi to inform the Oversight Group as soon as practicable to resolve any matters or concerns in a timely manner.

We encourage Waka Kotahi to work closely with the Oversight Group to find pragmatic solutions on any matters that arise. The Oversight Group will look to leverage your existing systems and processes as much as possible. Ministry and Treasury officials will contact Waka Kotahi in the coming weeks to discuss the specific reporting requirements of the Programme.

Release of Crown funding

The arrangements for drawdown of Crown funding for Waka Kotahi projects is dependent on the provision of actual expenditure incurred, forecast financial information, and an appropriately completed funding request, including agreed supporting information.

Next steps

We believe the matters outlined in this letter appropriately balance the interests of the Crown while providing support to Waka Kotahi in its role in the Programme.

We ask that Waka Kotahi works with Ministry and Treasury officials to provide us with advice on the details of thresholds for escalating significant decisions to Joint Ministers by September 2020.

[redacted]

- [redacted]
- [redacted]

We are aware decisions are required by the Waka Kotahi Board to transfer the properties from Auckland Transport for Penlink and Mill Road. The Minister of Finance and I approve this decision, provided the payment amount is within the funding allocation for the property transfer for these projects.

There is scope for Government to add further projects to the governance of the Programme and we will provide you with further advice should we choose to do this. We would appreciate confirmation in writing that the delegated authority and the requirements set out in this letter are acceptable to the Waka Kotahi Board.

Thank you again for your involvement in this infrastructure investment programme. We are confident that Waka Kotahi will be able to deliver its projects, consistent with the expectations set out above, and we look forward to your favourable response.

Yours sincerely

Hon Phil Twyford
Minister of Transport

Copy: Hon Grant Robertson
Minister of Finance

Nicole Rosie
Chief Executive, Waka Kotahi NZ Transport Agency

Peter Mersi
Chief Executive, Ministry of Transport

Brian Corban
Chair
KiwiRail
PO Box 593
WELLINGTON 6140

Dear Brian

New Zealand Upgrade Programme – Transport baselining

We (Joint Ministers) would like to acknowledge KiwiRail's ongoing work on the delivery of the transport component of the New Zealand Upgrade Programme (NZUP). The NZUP will deliver a number of critical projects that will help future proof the economy, get our cities moving, and make our roads safer.

As with a programme of this nature and scale, it is important that we have a sufficient understanding of how the NZUP, and the supporting projects, are being scoped and developed, and how this aggregates to the programme level. This will enable us to make timely and critical decisions on programme-level trade offs, and avoid project-level risks.

It is therefore a priority for us to see a full and robust baseline established for NZUP by March 2021. This is required to establish a clearer and better defined view of the scope, benefits, costs, outcomes, and delivery schedules for each of the projects, and the overall programme.

The Ministry of Transport (the Ministry) and the Treasury, advised by the Oversight Group, will work with you to develop the baseline for the NZUP. As the baseline is being established, we expect Waka Kotahi and KiwiRail (the delivery agencies) to keep us, the Ministry and Treasury informed of risks as they arise and how they are being managed; any significant variations from the Establishment Reports; and of the progress and content of the baselining process.

The Ministry and Treasury, supported by the NZUP Oversight Group, will provide more specific guidance on the level of information that will be required to form a robust baseline for the NZUP.

Delivery agencies must also keep us, the Ministry and Treasury informed of any significant decisions or actions that could impact the overall delivery of the NZUP within the funding envelope. This is important for ensuring that we have confidence that the delivery agencies are not making decisions outside of their delegation, or that will potentially trigger a threshold breach at a future point in time.

[redacted]

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

[redacted] We are operating in a fiscally constrained environment, particularly as a result of the impacts from COVID-19. This means that it is critically important that the NZUP is sufficiently well scoped and defined so we are clear on both what we are purchasing through each of the projects, and the associated costs and benefits.

[redacted] Delivery agencies, with the NZUP Oversight Group, will need to discuss these matters with Joint Ministers. Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

Strong engagement with the NZUP Oversight Group will be important to ensure officials can support Waka Kotahi and KiwiRail to successfully deliver the programme. Joint Ministers would welcome the Chairs of Waka Kotahi and KiwiRail engaging with the NZUP Oversight Group, particularly as the baseline for the programme is established.

Thank you again for your continued commitment and support in progressing this nationally significant programme of investment.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

Copy: Hon Dr David Clark
Minister for State Owned Enterprises

Greg Miller
Group Chief Executive Officer, KiwiRail

Peter Mersi
Chief Executive and Secretary for Transport

Dr Caralee McLiesh
Chief Executive and Secretary to the Treasury

Sir Brian Roche
Chair
Waka Kotahi NZ Transport Agency Board
Private Bag 6995
WELLINGTON

Dear Sir Brian

New Zealand Upgrade Programme – Transport baselining and delegation

We (Joint Ministers) would like to acknowledge Waka Kotahi NZ Transport Agency's (Waka Kotahi) ongoing work on the delivery of the transport component of the New Zealand Upgrade Programme (NZUP). The NZUP will deliver a number of critical projects that will help future proof the economy, get our cities moving, and make our roads safer.

Baselining the NZUP

As with a programme of this nature and scale, it is important that we have a sufficient understanding of how the NZUP, and the supporting projects are being scoped and developed, and how this aggregates to the programme level. This will enable us to make timely and critical decisions on programme-level trade offs, and avoid project-level risks.

It is therefore a priority for us to see a full and robust baseline established for NZUP by March 2021. This is required to establish a clearer and better defined view of the scope, benefits, costs, outcomes, and delivery schedules for each of the projects, and the overall programme.

The Ministry of Transport (the Ministry) and the Treasury, advised by the Oversight Group, will work with you to develop the baseline for the NZUP. As the baseline is being established, we expect Waka Kotahi and KiwiRail (the delivery agencies) to keep us, the Ministry and Treasury informed of risks as they arise and how they are being managed; any significant variations from the Establishment Reports; and of the progress and content of the baselining process.

The Ministry and Treasury, supported by the NZUP Oversight Group, will provide more specific guidance on the level of information that will be required to form a robust baseline for the NZUP.

Delivery agencies must also keep us, the Ministry and Treasury informed of any significant decisions or actions that could impact the overall delivery of the NZUP within the funding envelope. This is important for ensuring that we have confidence that the delivery agencies are not making decisions outside of their delegation, or that will potentially trigger a threshold breach at a future point in time.

[redacted] We are operating in a fiscally constrained environment, particularly as a result of the impacts from COVID-19. This means that it is critically important that the NZUP is sufficiently well scoped and defined so we are clear on both what we are purchasing through each of the projects, and the associated costs and benefits.
Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

[redacted] Delivery agencies, with the NZUP Oversight Group, will need to discuss these matters with Joint Ministers.
Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982

Strong engagement with the NZUP Oversight Group will be important to ensure officials can support Waka Kotahi and KiwiRail to successfully deliver the programme. Joint Ministers would welcome the Chairs of Waka Kotahi and KiwiRail engaging with the NZUP Oversight Group, particularly as the baseline for the programme is established.

Delegations and sub-delegations

This letter reconfirms, as stated in Joint Ministers' letter of 6 August 2020, that we agree to delegate the individual project level decisions in the Programme to the Waka Kotahi Board. For clarity, noting s98(3) of the Land Transport Management Act 2003, the Minister of Transport consents to the Waka Kotahi Board sub-delegating these decisions in accordance with an appropriate delegation framework being in place to manage these decisions.

Thank you again for your continued commitment and support in progressing this nationally significant programme of investment.

Yours sincerely

Hon Grant Robertson
Minister of Finance

Hon Michael Wood
Minister of Transport

Copy: Nicole Rosie
Chief Executive, Waka Kotahi NZ Transport Agency

Peter Mersi
Chief Executive and Secretary for Transport

Dr Caralee McLiesh
Chief Executive and Secretary to the Treasury

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

24 November 2020

OC200893

Hon Michael Wood
Minister of Transport

COVER NOTE ON REGIONAL FUEL TAX QUARTERLY REPORT

Purpose

Waka Kotahi the NZ Transport Agency (Waka Kotahi) is required to provide the Minister of Transport a quarterly Regional Fuel Tax Report. Waka Kotahi's most recent report covers the period 1 July to 30 September 2020. This cover note provides you with key information and advice on the report's content, prior to Waka Kotahi publishing it online.

Key points

Waka Kotahi is required to report quarterly on regional fuel tax

- Before the regional fuel tax was implemented in Auckland, concerns were expressed in the media and to the Select Committee that considered the draft legislation, about:
    - potential boundary issues – road users would avoid the regional fuel tax by refilling outside the Auckland region (most notably, in the Waikato)
    - cost/price spreading – fuel companies would recover the cost of the regional fuel tax outside the Auckland region
    - risk of evasion – road users or fuel companies would bring fuel into Auckland without paying the regional fuel tax or fuel users would fraudulently claim refunds.
- Consequently, a requirement was included in the Land Transport Management Act 2003 (which enabled the regional fuel tax in Auckland) that Waka Kotahi should monitor the matters above and provide the Minister of Transport with a report each quarter, and make the report publicly available. To date, the reports have not provided any evidence that suggests the concerns mentioned above have emerged in Auckland.

There have been changes in fuel supply and price, mostly due to COVID-19 during the last quarter

- During the 1 July to 30 September 2020 quarter (Q1):
    - The volume of fuel distributed both inside[1] and outside Auckland[2] reduced, but is increasing again following the lifting of heightened COVID-19 Alert Level

[1] Table 1 in the report.
[2] Table 2 in the report.

restrictions. There does not appear to be any increase in the amount of fuel distributed outside Auckland (compared to inside Auckland), which suggests that there are not significant boundary issues occurring.

- Fuel prices in Auckland[3] have risen and fuel now costs more in Auckland than in 2018 both in absolute terms and relative to other regions. Although prices inside Auckland have risen, fuel prices nationally are down compared when the regional fuel tax began in 2018. This indicates price spreading is not occurring. The average price of petrol in Auckland was $1.99[4] versus $1.88 in the Waikato and $1.84 in Northland during the reported quarter. The average price of fuel in Wellington, despite not having a regional fuel tax, at $1.99 was similar to Auckland. The highest average petrol price[5] over this period was on the West Coast ($2.43 a litre) and lowest in the Hawkes Bay ($1.47 a litre).

- No substantial compliance concerns are reported by Waka Kotahi[6]. Waka Kotahi is engaging with a regional fuel tax taxpayer relating to specific obligations and dealing with a nominal over payment issue relating to a paid regional fuel tax rebate.

- Waka Kotahi intends to make the report available on its website in February 2021. We see no risks in making this report available. We can provide support if queries are received about the report once it is made available, but previous reports have not attracted any queries.

Withheld under Section 9(2)(a) of the Official Information Act 1983

[redacted]

Marian Willberg
Manager, Demand Management and Revenue

24 / 10 / 2020

Hon Michael Wood
Minister of Transport

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

Minister's office to complete:

☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

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[3] Table 3 in the report.
[4] Unless specified, prices refer to 91 octane petrol. All prices include GST and in the case of Auckland data, regional fuel tax.
[5] Table 4 in the report.
[6] Table 5 in the report.

BRIEFING

25 November 2020

OC200794

Hon Michael Wood
Minister of Transport

LAND TRANSPORT REVENUE WORK PROGRAMME

Purpose

Inform you of the Ministry's work relating to the land transport revenue system. This briefing details key areas you can expect to receive further advice on in the next few months, risks to be aware of, and next steps.

Key points

- Land transport revenue is crucial for delivering your agenda as Minister of Transport. You decide how much revenue to raise. As the land transport revenue system steward, the Ministry supports you by providing advice on revenue policy, monitoring revenue levels, and investigating opportunities to improve the revenue system for the future.

- We will advise you in December 2020 of current and forecast land transport revenue as part of reporting requirements for the Treasury's October Baseline Update and the Half-Year Economic and Fiscal Update.

- We will advise you on any proposals you may receive relating to revenue from land transport. These include a tolling proposal expected in the next few months from Waka Kotahi for the new Pūhoi to Warkworth motorway, and an application from Auckland Council to amend the projects funded from the regional fuel tax.

- We will also advise you on the exemption from road user charges for electric vehicles by March 2021, including options to extend the exemptions for longer periods and to vehicles that use other low emission fuel types. Should you wish to extend the exemption for light electric vehicles past the end of 2021, Cabinet will need to make decisions on this by April 2021.

- We will also advise you on options for integrating electric and other low emission vehicles into the road user charges framework. This would require fundamental changes to the existing road user charges framework. You will receive advice on this by March 2021.

- We are also investigating opportunities to improve the revenue system, particularly projects on the Future of the Revenue System and exploring congestion charging for Auckland. These are significant pieces of work and should you want us to progress both, we will need to discuss your priorities for revenue policy work to ensure adequate resourcing.

Recommendations

This briefing has no recommendations and is just for noting.

Marian Willberg **Manager, Demand Management and Revenue** ..... / ...... /	Hon Michael Wood **Minister of Transport** ..... / ...... / ......

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

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Marian Willberg, Manager, Demand Management and Revenue	[redacted]	✓
Olivia Kitson, Senior Adviser, Demand Management and Revenue	[redacted]	

LAND TRANSPORT REVENUE WORK PROGRAMME

As the Minister of Transport, you have a key role in the land transport revenue system

1 As Minister, you set the agenda for the land transport system through the Government Policy Statement for land transport (GPS). Delivering your agenda requires revenue. The key sources of land transport revenue are fuel excise duty (FED), road user charges (RUC) and motor vehicle registration and licensing fees. Track user charges as a newly introduced source of revenue from rail users will be in place from 1 July 2021.

2 Decisions about how much revenue to raise, from whom and in what way rest with you. The Ministry can provide you with advice to assist you as part of our regulatory stewardship responsibilities for the revenue system. Waka Kotahi has responsibility for collecting revenue,[1] but you and Cabinet make decisions about the amount of revenue to be collected. You also have a role in regards to some local government funding sources as the decision maker (with the Minister of Finance) on regional fuel tax issues.

3 This briefing sets out our key areas of work in relation to revenue policy that you can expect to see further advice on in the next few months. It covers the key decisions you will need to make in the next three months, risks to be aware of, and next steps.

4 Throughout your time as Minister we will report to you on how actual revenue is tracking against the levels required to deliver the GPS, with a formal update before the end of the 2020 calendar year.

5 Over the next three months, we anticipate you will have the opportunity to consider or make decisions on:

5.1 the tolling of new roads

5.2 regional fuel tax issues

5.3 RUC exemptions for vehicles that use low carbon fuels.

6 You will also have the opportunity to steer and influence work looking at whether any long term changes are needed for the land transport revenue system. We have a significant programme of work on this, the Future of the Revenue System, which we will outline in a separate briefing.

We work with partner agencies to undertake long term revenue forecasts

7 The Ministry, in partnership with Waka Kotahi and the Treasury, has the responsibility for providing you with regular forecasts of National Land Transport Fund (NLTF) revenue. Forecasts are updated quarterly, and inform the Treasury's Baseline and Fiscal Updates.

[1] FED is collected by the NZ Customs Service, in accordance with the Customs and Excise Act 2018.

8 COVID-19 and associated travel restrictions has had a material impact on NLTF revenue. Travel restrictions under Alert Levels 3 and 4 resulted in a significant drop in FED and RUC, and vehicle licensing activity; the latest indications are that FED and RUC revenue are increasing after the COVID-19 related dip, although FED remains down on levels forecasted for the Pre-Election Fiscal Update (PREFU).

Risks

9 There is a risk of greater revenue uncertainty due to the ambiguity around the economic recovery from COVID-19. There could also be further reductions in revenue if there are more travel restrictions put in place in response to resurgences of the virus. Such reductions would have implications for investment, and delivery against the National Land Transport Programme[2], and potentially the GPS.

Next steps

10 We continue to monitor revenue levels and will keep you updated of any significant developments through your Weekly Report. If necessary, we will provide you with advice on any actions that may be required. We will provide a formal update on NLTF revenue to you and the Minister of Finance ahead of the Treasury's Half-Year Economic and Fiscal Update in December 2020.

Waka Kotahi may soon approach you about tolling the new Pūhoi to Warkworth motorway and new roads in the NZ Upgrade Programme

11 You, as the Minister of Transport, are the decision maker on tolling new roads.[3] Tolling of new roads is provided for in the Land Transport Management Act 2003 (the Act). To toll a road you must be satisfied on a range of criteria set out in the Act, including satisfaction with the level of community support for the tolling scheme. Tolling is a discretionary decision, and there is no requirement for a road to be tolled, even if all the statutory criteria are satisfied.

12 Waka Kotahi has an existing policy, as the road controlling authority for State highways, to assess all new State highways for tolling. Other road controlling authorities (for example, territorial authorities) may propose tolling schemes for local roads.

13 The Ministry's role, as your advisor, is to support your decision making on the tolling proposals you receive from road controlling authorities including Waka Kotahi. As tolling schemes have a relatively long life-span, and the decision to toll a new road can be contentious, it is important that both the decision making process and your ultimate decision can withstand public scrutiny.

14 Waka Kotahi anticipates providing you with a tolling scheme proposal for the new Pūhoi to Warkworth motorway north of Auckland next year. Pūhoi to Warkworth is a continuation of the existing Northern Gateway toll road. Once you receive the tolling proposal from Waka Kotahi the statutory ministerial consideration process will commence.

[2] Waka Kotahi must develop a National Land Transport Programme to give effect to the GPS. The Programme sets out the specific activities that will be funded to meet the objectives set out in the GPS.
[3] The Land Transport Management Act 2003 only enables the tolling of new roads.

15 Tolling has previously been explicitly coupled with bringing forward projects that have not qualified for full funding from the NLTF or from the Crown. This rationale has been necessary to make the case to the public to pay more to use the road, over and above existing FED or RUC. The Pūhoi to Warkworth motorway is already fully funded and does not need to be tolled in order to proceed.

16 Waka Kotahi is currently assessing a number of other new roads for their potential for tolling, including various projects in the Crown-funded New Zealand Upgrade Programme. There is no legislative requirement that every new road is considered for tolling and you may wish to consider if there is merit in signalling to road controlling authorities a general approach to tolling, and your priorities for tolling. If you wish to do this, we can provide you with advice and assistance.

Risks

17 Waka Kotahi may approach you and seek an initial indication of support for aspects of the tolling proposal for Puhoi to Warkworth.[4] We think it is important that you **do not express** any view on satisfaction with any of the statutory criteria (including the level of community support for the proposal), prior to receiving and considering a **full** tolling proposal for the Pūhoi to Warkworth motorway. This is because the legislation does not envisage a staged approval process. An initial, or partial, approval may provide grounds for a subsequent challenge (if one was made). Not expressing a view is therefore advised until you receive a full tolling scheme proposal from Waka Kotahi and advice from the Ministry.

Next steps

18 The Ministry will support you through the statutory process to decide whether to toll the Pūhoi to Warkworth motorway, or any other new roads.

19 In its Briefing to the Incoming Minister, Waka Kotahi suggests a programme of work to review the existing policy and legislative settings relating to tolling. If a comprehensive review of tolling is a ministerial priority for you, we can provide advice on existing tolling policy and potential changes. To date, tolling of individual roads has not been identified as a key priority in the GPS.

Councils outside Auckland may approach you about having a regional fuel tax in their regions

20 In 2018, a 10 cent per litre regional fuel tax was applied to petrol and diesel distributed in Auckland. Unless repealed, this will remain in place until 2028. When the regional fuel tax was established in Auckland, other councils expressed interest in a regional fuel tax – for example, Greater Wellington Regional Council, Christchurch City Council and Hamilton City Council.[5] The enabling legislation prevented regional fuel taxes being put in place in regions other than Auckland before 1 January 2021.

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[4] Waka Kotahi provided a briefing to the previous Minister for Transport during the pre-election period.
[5] Only a regional council can propose a regional fuel tax. A territorial authority (as distinct from a regional council) cannot propose a regional fuel tax. Some of the councils that expressed an interest in a regional fuel tax are territorial authorities, not regional councils.

21 It is possible you will be approached by local government representatives about additional regional fuel taxes once the legislative prohibition lapses. You have complete discretion over approving a request for a regional fuel tax.

Risks

22 The establishment of a regional fuel tax in Auckland was contentious and we anticipate implementation in additional regions would be equally contentious. Although allowed by the legislation, previous public comments by both the Prime Minister and the previous Minister of Transport ruled out implementing a regional fuel tax outside of Auckland.

Next Steps

23 We can provide you with further advice should you be approached by local government representatives about additional regional fuel taxes. Alternatively, you could signal to local government your view on further regional fuel taxes prior to 1 January 2021 when they can make formal proposals for a regional fuel tax.

Auckland Council may approach you about amending the projects funded by its regional fuel tax

24 The Auckland regional fuel tax is used to fund specific transport projects in the Auckland Transport Alignment Project (ATAP) over ten years, which are specified in an Order in Council (the Order) [6], made in 2018.

25 Through the development of the ATAP 2021-2031 package, ATAP partners have identified that some of the projects specified in the Order will need to be updated. There are some projects (Penlink and Mill Road) that are now fully Crown-funded through the NZ Upgrade Programme, and there are some lower cost projects (such as the Dairy Flat Highway improvements) that may not be part of the eventual ATAP 2021-2031 package.

26 These changes to the projects to be funded by the regional fuel tax will require changes to the Order. Auckland Council will provide you with a formal proposal for amending the Order, following public consultation on the proposed changes.

Risks

27 Auckland Council anticipates undertaking public consultation required for amending the list of projects in February-March 2021. It is possible this consultation may result in some focus on the overall merits of the regional fuel tax and what has, or has not, been delivered since 2018.

Next Steps

28 Auckland Council may approach you about applying to amend the projects to be funded by the regional fuel tax in the coming months, following public consultation. This will require an amendment to the existing Order. We will provide you with advice on Auckland Council's application once you receive it and support you in the Order amendment process, including Cabinet approval.

[6] Land Transport Management (Regional Fuel Tax Scheme—Auckland) Order 2018.

You may wish to review the exemption from paying RUC for Electric Vehicles

29 Both light (cars, utes, SUVs and vans) and heavy (buses and trucks) electric vehicles (EVs) are exempt from paying RUC to incentivise EV uptake in light of our emissions reduction commitments. The light EV RUC exemption ends 31 December 2021. Cabinet needs to decide whether to extend the light EV RUC exemption by April 2021, so we can amend the relevant regulations (for example, to extend the exemption) before the end of the calendar year.

30 Other decisions may also be needed in relation to the exemption from paying RUC for both light and heavy vehicles using low carbon fuels. We are scoping options on a range of matters, including whether vehicles powered by hydrogen should also be exempt from paying RUC. These changes would require amendments to the Road User Charges Act 2012 (the RUC Act) and so will take longer to develop and implement than the changes to the light EV exemption. We expect to provide you with advice on a package of possible improvements to the RUC system by March 2021.

Risks

31 A key risk is the tension between the long-standing principle that RUC is charged to recover the costs of damage caused by vehicles to the roads, which is not affected by the fuel type, and the need to support emissions reduction targets.

32 Advocates of hydrogen-powered vehicles have lobbied for RUC exemptions to be extended to these vehicles. There are indications that there could be hydrogen trucks operating here as early as mid-2021. Unless legislative changes to extend the EV RUC exemption to hydrogen-powered vehicles are deemed high priority by the Government, it is unlikely that an exemption could be in place by mid-2021.

33 The Ministry and Waka Kotahi expect the NLTF will be under pressure if it is to deliver all of the priorities signalled in GPS 2021 (OC200827 refers). Any revenue lost from an extended RUC exemption will increase this pressure so should be balanced against the GPS 2021 investment priorities that may be deferred or delayed as a result.

Next steps

34 A decision on whether to extend the light EV RUC exemption should be made before April 2021 to complete the necessary process for the legislative changes.

35 We will provide detailed advice on policy options for the scope of our review of the light and heavy vehicle RUC exemptions, including revenue implications, by March 2021. In doing so, we will seek your agreement to a package of changes to the RUC Act. This package will include opportunities to improve the revenue system and resolve issues with low carbon vehicles.

We are also investigating opportunities to improve the revenue system, but these are significant programmes of work

36 As part of our stewardship role, the Ministry is exploring how to make longer term or strategic changes to the land transport revenue system. As Minister, you have the opportunity to steer and influence this work.

37 We have a significant programme of work known as the Future of the Revenue System, which we will outline in a separate briefing (OC200816 refers).

38 As you know, we are also involved in work investigating congestion pricing as a demand management option for Auckland, known as The Congestion Question (OC200811 refers). There has been a lot of interest in congestion pricing from some councils outside Auckland, as a potential source of revenue. We note that while congestion pricing will generate some revenue, its main purpose is to sustainably reduce congestion.

39 These two projects outlined above are significant, requiring considerable expertise from across the Ministry. Should you wish to progress all of it, we will need to discuss work programme priorities with you.

Ministry of Transport
TE MANATŪ WAKA

BRIEFING

25 November 2020

OC200816

Hon Michael Wood
Minister of Transport

FUTURE OF THE REVENUE SYSTEM - PROGRAMME OF WORK

Purpose

Inform you of the Future of the Revenue System, the Ministry's programme of work reviewing the current revenue system.

Key points

- New Zealand's land transport revenue system is progressive compared to other countries, but it is increasingly under pressure to meet the growing demands of the transport investment system.
- To ensure the revenue system is fit for purpose and can meet future requirements, we have started a programme of work to review the system, known as Future of the Revenue System. This is a medium-to-long term project that considers a range of fundamental questions, such as what the purpose and principles of the revenue system should be.
- While land transport revenue has been impacted by COVID-19, it remains relatively stable and is expected to continue to increase through this decade. However, the current system does have some issues. For example, it:
  - relies heavily on road users as its source of revenue
  - was not designed to fund large-scale investments that seek to achieve broader outcomes.
- Although there is no immediate pressure to change the system, policy work needs to continue now as any new system may require a decade to develop and implement.

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- [redacted] We need to progress work on the fundamental questions such as the system's purpose and principles, as a replacement system that continues to rely on road users may not be a good replacement for what we have now. A revenue system that is right for our future investment needs may look different.
- We welcome any feedback you have on the work outlined in this briefing, particularly any aspects you are interested in or would like us to pursue further. If you wish to discuss this further, we can work with your office to organise a meeting with you in the New Year.

Recommendations

This briefing has no recommendations and is just for noting.

Marian Willberg
Manager, Demand Management and Revenue

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

Hon Michael Wood
Minister of Transport

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

Minister's office to complete: ☐ Approved ☐ Declined

☐ Seen by Minister ☐ Not seen by Minister

☐ Overtaken by events

Comments

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Olivia Kitson, Senior Adviser, Demand Management and Revenue	[redacted]	

FUTURE OF THE REVENUE SYSTEM - PROGRAMME OF WORK

Our revenue system has strengths, but was created to support an investment system that now has different ambitions

1 New Zealand faces some unique challenges compared to other countries. We are a long, narrow country with a relatively small population base, which means we rely on a cost-effective revenue system to help connect a dispersed population across challenging geography.

2 Our revenue system is focused on land transport. The main sources of revenue come from fuel excise duty (FED) on petrol vehicles and road user charges (RUC) on diesel and heavy vehicles. Recently, track user charges were introduced to contribute to the cost of maintaining a reliable and resilient rail network. These three sources, along with motor vehicle licensing and registration fees, go into the National Land Transport Fund (NLTF), which funds improvements to and maintenance of the land transport network.

3 There are some good things about our current revenue system. Our RUC system is world-leading in the way it recovers the costs of road damage caused by heavy vehicles and - along with FED - it has provided a stable source of revenue with low collection costs. Revenue from these two sources in particular is not declining, and will not decline in the foreseeable future, even with greater uptake of electric vehicles (EVs).[1]

4 However, demands on the revenue system have changed since its beginnings in the 1920s.[2] There are much greater demands on revenue from larger scale investment priorities that seek to achieve broader outcomes such as net zero carbon emissions. Consequently, the investment system has become misaligned with the core principles of the revenue system.

5 There is increasing pressure on the revenue system (as well as on our planning and funding frameworks) to fund large, complex projects over multiple years. Multi-year and significant investments such as Auckland Light Rail and Let's Get Wellington Moving are putting pressure on the 'pay as you go' (PAYGO) principle of the revenue system. The current system has some flexibility, but it was not designed with large-scale investments like these in mind, and there are public policy questions to answer on how inter-generational equity is best addressed.

6 Our hypothecated user-pays approach to revenue means that, while revenue collected from land transport goes back into the land transport system, it is only being collected from a specific set of users. Around 95 percent of revenue is collected from people who drive vehicles. If we are successful in moving people from driving to using more active and public transport modes, that will impact the amount of revenue collected. A replacement system may look different from the road vehicle based approach we have today.

[1] EVs and other vehicles powered by low carbon fuels are not subject to FED, but are subject to RUC. EVs are currently exempt from RUC (OC200794 refers).

[2] The earliest indication of hypothecated funding for transport we are aware of is in the Motor Spirits Taxation Act 1927. The Land Transport Management Act 2003 brought in the more recent evolution of the revenue system, including full hypothecation and established the National Land Transport Fund to replace the National Roads Fund.

There are other issues with the current revenue system that also need to be investigated

7 There are inequities between the rates of FED and RUC between different fuels and vehicle types. While most vehicles in New Zealand use petrol or diesel, and therefore pay FED or RUC, there are a range of other fuels. Some of these fuels pay excise, some have no excise but the vehicle is liable to pay RUC, and some are exempted completely from FED and RUC. There is no clear rationale for the rates that different fuels and vehicle types attract, particularly given the increasing importance of addressing the environmental impact of transport.

8 The revenue system is centred on land transport[3], particularly road transport, although non-road use is sometimes captured by FED. For some but not all non-road uses of petrol, a FED refund is available, creating an administrative burden for Waka Kotahi. For those unable to claim a refund, the situation is a source of frustration as they are charged for non-existent road use.

Therefore, we need to review the revenue system

9 We have an opportunity now to future-proof the revenue system, to ensure better alignment with our objectives for investment (such as the type of transport system we would like to have in the future). While COVID-19 and the response to it have had an impact on revenue that may continue for several years, we expect revenue to continue to increase through the current decade. This provides us with some time to review our current revenue system and improve it for our future requirements.

10 We have scoped a significant programme of work that will take a first principles review of the existing revenue system to inform recommendations for what a future revenue system should look like. This will involve investigating questions such as:

10.1 **What is the purpose and principles of the revenue system?** Currently, the purpose is to collect revenue to fund improvements to, and maintenance of, the land transport network. Should a future revenue system be aiming to help achieve broader transport outcomes like reducing emissions or congestion? What is the potential shape of the future transport system it will help to pay for?

10.2 **Who should pay, and why?** A central premise of our current system is the concept of user pays, particularly road users (and more recently, rail users). But, if we are successful in achieving mode shift away from road vehicles, this could lead to a significant reduction in revenue collected from FED and RUC. COVID-19 has demonstrated the challenges of the revenue system's reliance on road users, with travel restrictions reducing revenue from road users while also increasing the investment needed for public transport.

10.3 **How can local government pay its share?** The existing revenue system relies on local government meeting its share of the cost of transport projects. However, in many regions local government revenue is under increasing pressure and councils are struggling to meet their share. There are particular concerns with debt constraints, other infrastructure commitments, and co-

[3] While the GPS has signalled some revenue will fund coastal shipping, the vast majority of funding will be focused on land transport.

funding air and maritime transport infrastructure. We need to explore what alternative funding options are available to help these sectors meet various funding demands.

10.4 **What is the role of financing tools in the revenue system?** While there is some ability to leverage debt against the NLTF, this has implications for the NLTF's ability to fund projects in the future. Tolling is another option for repaying debt, but is ineffective due to the substantial cost of operating a toll scheme and New Zealand's low population base. We need to explore the role of financing tools in the revenue system, both for central and local government.

10.5 **What is the role of new and emerging technologies?** With the growing availability of Global Navigation Satellite System (GNSS)[4] technology, there is an opportunity to improve the administrative efficiency of the revenue system and make it more user friendly. However, there are policy and implementation challenges, particularly the need to ensure privacy protections are in place.

11 These are significant and complex questions that will take time to answer and will require considerable engagement with our government partners and stakeholders. Implementation of a new revenue collection scheme will need to be managed carefully to ensure we do not put any significant investment priorities at risk. We must use the time we have now to do it once and get it right.

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

[redacted]

12 [redacted]

13 [redacted]

14 [redacted]

[redacted]

[redacted]

[4] Although, the American Global Positioning System (GPS) is the most common, there are now many satellite navigation systems including Chinese, Russian and European systems.

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

[redacted]

15 [redacted]

16 [redacted]

There are other pieces of work underway that will inform this project

17 Some of the bigger questions we have around the future of the revenue system are being explored in other pieces of work. There are a range of different funding tools being considered for specific projects, such as value capture[5]. This is being explored for Auckland Light Rail; you recently received a briefing about this (OC200890 refers). We have also been working on a funding toolkit as a source of information for central and local government on potential funding options, as signalled in the Government Policy Statement on Land Transport 2021.

18 However, the use of different funding tools such as value capture raises questions about how that revenue should be used in the transport system. This is an issue we will be considering as part of our work on the purpose and principles of the revenue system, particularly who should pay, and why.

19 We will also need to consider how tolling fits in the revenue system. As we get your agreement on the purpose and principles of a future revenue system, we may need to revisit whether tolling is an appropriate revenue source.

We welcome your feedback on our programme of work

20 While our work on future revenue systems is a key piece of work for the Ministry in our capacity as the steward of the revenue system, you can steer and influence this work. We welcome your feedback on any aspects of this programme that you are particularly interested in or would like us to pursue further. If you would like to discuss this further, we can work with your office to set up a discussion with you in the New Year.

[5] Value capture is a funding tool used by government to capture some of the increase in land values that usually follow the deployment of transport infrastructure. There are no existing tools under legislation for central government to charge a tax or fee for value capture.