

8 October 2021

[REDACTED] Withheld to protect personal privacy

Dear [REDACTED] Withheld to protect personal privacy

I refer to your request dated 3 September 2021, pursuant to the Official Information Act 1982 (the Act), seeking:

*"Hello, could I please OIA these documents,  
Thank you very much.*

*Reply 34661 (2021) has been answered  
Portfolio: Transport (Hon Michael Wood)*

*Question: What reports, briefings, memos, aides-memoire, notes or other written advice, if any, has the Minister received relating to level crossings on the Auckland Rail Network, 1 October 2020 and 9 August 2021, by title and date?*

*Reply: I received the following advice on this topic during this time: • OC200771 - Stimulating Recovery, 12 November 2020 • OC200834 - Future of Rail and the New Zealand Rail System, 24 November 2020 • OC210065 - Auckland Transport Alignment Project 2021-31 Investment Package, 4 February 2021 • Auckland Transport Alignment Project 2021-31 (ATAP) Areas to Resolve, 19 July 2021."*

The table below details the documents that fall within scope of your request and the Ministry's response.

Doc No.	Title	Date	Approach
1	Stimulating Recovery	12 November 2020	Released, with information withheld under s9(2)(a) and s9(2)(f)(iv)
2	Future of Rail and the New Zealand Rail System	24 November 2020	Released, with information withheld under s9(2)(a) and s9(2)(f)(iv)
3	Auckland Transport Alignment Project 2021-31 Investment Package	4 February 2021	Refused under s18(d) – document publicly available on Ministry of Transport website via the following link: <a href="https://www.transport.govt.nz/assets/Uploads/OIA-response/RequestFor23BriefingsFromMay2021.pdf">https://www.transport.govt.nz/assets/Uploads/OIA-response/RequestFor23BriefingsFromMay2021.pdf</a>
4	Auckland Transport Alignment Project 2021-31 (ATAP) Areas to Resolve	19 July 2021	Released, with information withheld under s9(2)(f)(iv), s9(2)(g)(i) and s9(2)(a)

Documents 1 and 2 are released, with personal information withheld under Section 9(2)(a) and advice which is still under active consideration withheld under Section 9(2)(f)(iv) of the Act.

Your request for document 3 is refused under Section 18(d) – the information is or is soon to be publicly available. This document is available on the Ministry of Transport's website via the following link: <https://www.transport.govt.nz/assets/Uploads/OIA-response/RequestFor23BriefingsFromMay2021.pdf>.

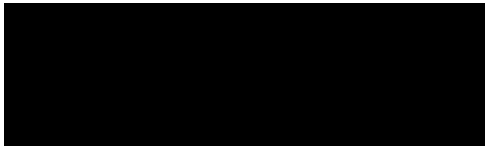
Document 4 is released, with personal information withheld under Section 9(2)(a), advice which is still under active consideration withheld under Section 9(2)(f)(iv) and free and frank advice withheld under Section 9(2)(g)(i) of the Act.

In regard to the information that has been withheld under section 9 of the Act, I am of the opinion that there are no countervailing considerations that make it desirable, in the public interest, to make the information available.

You have the right under section 28(3) of the Official Information Act to make a complaint about the withholding of information to the Ombudsman, whose address for contact purposes is:

The Ombudsman  
Office of the Ombudsmen  
P O Box 10-152  
**WELLINGTON**

Yours sincerely



Withheld to protect personal privacy

Harriet Shelton  
**Manager, Supply Chain**

**Ministry of Transport**

TE MANATŪ WAKA

**BRIEFING**

12 November 2020

OC200771

**Hon Michael Wood**  
**Minister of Transport****Action required by:**  
Friday, 20 November 2020**STIMULATING RECOVERY****Purpose**

To give advice on transport investments and initiatives that you can pursue to achieve a more productive, sustainable and inclusive economy.

**Key points**

- Transport plays a vital role in creating a more productive, sustainable and inclusive New Zealand. As one of New Zealand's economic 'backbones', the transport system supports economic activity by connecting people to their jobs; and by connecting businesses and freight to local, regional and international markets.
- It promotes social inclusion by enabling access to jobs, education, healthcare, food, goods and social services. It connects family/whānau, friends and communities. The transport sector also accounts for about 47 percent of domestic greenhouse gas emissions other than biogenic methane, and has been the fastest growing source of emissions over the last 30 years.
- Creating a network that delivers effective regional and international passenger and freight connectivity, and addresses our climate change commitments is vital for New Zealand's social and economic wellbeing, and critical for the COVID-19 recovery.
- The Ministry of Transport (the Ministry) has undertaken some initial work to identify initiatives that are already well developed and offer quick wins contributing to a more productive, sustainable and inclusive economy. Further investigation is needed to understand the trade-offs and social wellbeing outcomes that these interventions will provide.
- Budget 2021 preparations have now begun which provides an opportunity for you to meet cost pressures and progress your priorities for the sector. We are providing you with separate advice on the Budget process next week. This will include advice on the known cost pressures, and the most critical funding needs for the Government's transport priorities.
- This paper provides some initiatives as examples of how transport can contribute to the Government's desired objectives. If you indicate your priorities, we can work through and refine a list of proposals.

## Recommendations

We recommend you:

1 **indicate** whether you would like to discuss this further with officials.

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

Name	Telephone	First contact
Bryn Gandy, Deputy Chief Executive, System Strategy and Investment	██████████	
Tim Herbert, Manager, Investment	██████████	✓
Marcus Sin, Senior Advisor, Investment	██████████	

## STIMULATING RECOVERY

### Transport plays a vital role in creating a productive, sustainable and inclusive New Zealand

- 1 The transport sector contributes to around five percent of the nation's gross domestic product and is a major employer of New Zealanders in its own right. Transport is critical for enabling and delivering on the Government's economic recovery strategy
- 2 New Zealand's cities, towns, and regions have very different needs, and could all benefit from transport improvements to varying degrees. As the Government's economic strategy adapts to respond to COVID-19 and the impacts of the global recession, the transport system will also need to adapt.
- 3 Fast-growing cities require substantial transport investments to shape future urban development, enable growth to occur in a sustainable manner, and to improve productivity. In addition, regions can require investments beyond their population share, to maintain and strengthen transport networks that support exports and New Zealand's international competitiveness.
- 4 \$8 billion of Government investment was allocated to transport in 2020/21. This total amount of funding is substantially greater than what has been invested in transport in previous years.
- 5 As we progress into recovery, the sector will need to commit to the efficient and effective delivery of projects that it has already committed to, while also addressing the key challenges and opportunities in recovery.
- 6 A constrained funding environment, and the already significant amount of funding going towards the sector, makes it more vital to ensure that any opportunity for Crown investment in capital projects, technologies, and maintenance support productivity, trade, sustainability and social wellbeing. As we transition from response to recovery, we have an opportunity to consider initiatives that accelerate us towards the Government's desired future state.
- 7 The following sections outline the key transport challenges and opportunities that we have identified for the sector, and some examples of initiatives in recovery that are already well progressed that can help to create a more productive, sustainable and inclusive New Zealand. Further detail on these initiatives is included in the appendix.

### Maintaining regional and international connectivity is critical for the recovery of the sector

#### *Air connectivity*

- 8 International aviation is crucial to our high value, time sensitive export firms. Imports coming to New Zealand by air freight include medicines, medical devices, and COVID-19 supplies from a range of different markets. Some of our key people export services such as tourism and international education also rely on the aviation sector to operate. Aviation also helps New Zealanders come home and connect with others globally, and brings in skilled workers.



- 9 Aviation also plays an important role in regional connectivity and development. Strong regional air connectivity facilitates the movement of people and freight across the aviation system, and provides connections with our other transport modes.
- 10 COVID-19 has caused significant disruption to our aviation sector. Currently much of our minimum international aviation network only operates as it is supported by the Government's Aviation Relief Package.
- 11 The aviation sector is key to New Zealand's economic recovery. Current Government COVID-19 scenarios model a vaccine coming online and being distributed by late 2021 and into 2022. If borders do not open in any significant way, there will be significant impacts for aviation operators including Air New Zealand.
- 12 International aviation connectivity will not be able to deliver through response and into recovery without continued Government support in the short to medium term. There are some parts of the essential domestic aviation network which will also need support. The Government has responded quickly but a more strategic approach is needed. See briefing on *Aviation Sector Recovery Strategy*.

#### *International maritime connectivity*

- 13 International maritime links account for approximately 98 percent of New Zealand's trade in goods by volume. They are crucial to our high-volume exporters, particularly producers of primary sector goods, such as forestry and dairy products.
- 14 While the impact of COVID-19 on international shipping has been less severe than on aviation, maritime border restrictions around the world have created challenges in areas such as crew changes and seafarer welfare.
- 15 COVID-19 has also exacerbated existing pressures on New Zealand's sea freight, contributing to congestion at the Ports of Auckland and, through flow-on impacts, to supply chain issues across New Zealand. These issues, including constrained services and supply of containers for freight, have created bottlenecks for importers and exporters.
- 16 These pressures need to be carefully managed so that our maritime supply chains remain open and are able to support an export-led recovery.

#### *Supporting the border*

- 17 The Civil Aviation Authority (CAA), through the Aviation Security Service (Avsec), and Maritime New Zealand (MNZ) continue to play a significant role in response to COVID-19 at the border, including working with operators to manage response measures.
- 18 However, COVID-19 has had a major impact on the revenues of both the CAA and MNZ. As the CAA and MNZ cover many of their regulatory costs from levies, fees and charges, sharp drops in passenger revenue (particularly due to border restrictions) are proving difficult to manage.
- 19 It is critical that our transport agencies operating at the border are adequately supported to maintain capacity and capability to be able to operate domestically and

at the border as passengers return, but also that the agencies achieve efficiencies over the short term and are right-sized for the future.

#### *Regional road and rail connections*

- 20 New Zealand's primary sector export industries are dispersed throughout the regions, and producers require resilient road and rail connections to the air and sea ports that move their goods to the international market.
- 21 Bringing forward maintenance and renewals of both road and rail networks in the regions would improve the resilience and efficiency of freight connections. Investment in well-designed transport corridors will support the productive activity that will be required for economic recovery.

#### **The COVID-19 lockdown has illustrated the importance of maintaining a balanced network**

- 22 Transport promotes social inclusion by enabling access to jobs, education, healthcare, food, goods and social services. It connects family/whānau, friends and communities. The main challenges for inclusiveness will involve addressing the different regional economic impacts caused by COVID-19.
- 23 Transport plays a critical role in managing safe and reliable connections between regions and key urban and tourism centres for passenger travel and freight movements. For example, Christchurch is the South Island's main manufacturing and freight distribution centre and Christchurch airport is a major gateway into the South Island for international visitors.
- 24 The COVID-19 lockdown has illustrated the importance of maintaining a balanced network, including for people living rurally and in outer urban areas.
- 25 The New Zealand rural community is exposed to changes in industry and transport accessibility (as they are primarily car/truck dependent). Maintaining a network that delivers effective regional connectivity is vital to support New Zealand's social and economic wellbeing, and is critical for recovery.
- 26 The last government made regional transport investments through the Provincial Growth Fund and Regional Investment Opportunities during their term. Further information on these funds and their objectives are detailed in OC200826 (Direct Crown Funded Land Transport Projects and Programmes).
- 27 State highway investment and infrastructure investments on the rail network could help alleviate some of these issues. An example of this is the substantial amount of investment made through the \$6.8 billion New Zealand Upgrade Programme, with \$5.3 billion in state highway/roading projects and \$1.1 billion in rail projects. Further investigation would be needed to understand the impacts additional investment will have on outcomes. If you choose to focus on road and rail network infrastructure investments in recovery, we can provide you with further advice on investment options to help you achieve this.

## **New spending is required to meet New Zealand's emission targets**

- 28 The transport sector accounts for about 47 percent of the domestic CO2 emissions captured by the '2050 net zero carbon' target and has been the fastest growing source of emissions over the last 30 years. Transport plays a leading role in meeting domestic and international climate commitments.
- 29 This makes it even more important to progress at pace with key climate policies and investments, and not to delay work due to COVID-19 or the recession as this will make it even harder for New Zealand to decarbonise and meet its climate change targets. Without substantial investment in decarbonisation, the cost of transitioning to a low-emissions economy will be pushed even more onto future generations.
- 30 These initiatives will have implications across most policy areas for transport. The equity impacts of these policies will need to be addressed, to avoid disadvantaging low income households (who may experience increasing financial stress and hardship due to the impacts of COVID-19). You will receive separate detailed advice on this in the briefing on the Transport Emissions Action Plan.

## **A suite of policy interventions, using both investment and regulatory levers, is required to reduce CO2 emissions to meet our targets**

- 31 There are many opportunities to reduce transport emissions in recovery and deliver co-benefits for health and wellbeing, such as investment in public transport, and walking and cycling. Many investments in reducing transport emissions will take some time to start delivering reductions so early investment will be critical to locking in emissions reduction in the period to 2050. It is also essential that a systematic approach is taken to reduce New Zealand's transport emissions.
- 32 The main challenges caused by COVID-19 will be in accelerating the transition to electric vehicles and promoting the use of alternative fuels.
- 33 The challenge will be in continuing to shift the vehicle fleet to low emissions vehicles as overall fleet turnover may slow given reduced demand, for example, from the rental vehicle industry, and low emissions vehicles become less available and/or affordable for many households facing possible changing circumstances in terms of employment or household income.
- 34 The Clean Car Standard, a Clean Car Discount or 'feebate', and complementary measures and financial incentives to convert the light and heavy vehicle fleets would be one package to help New Zealand meet its ambitious targets by 2035 and 2050. Please see briefing on emissions and the light vehicle fleet.
- 35 The Government's manifesto commitments for increased investment in the Low Emissions Vehicles Contestable Fund provides an opportunity to promote uptake of alternative fuels and capital funding for electric charging and other infrastructure.
- 36 We are scheduled to deliver the first iteration of our Transport Emissions Action Plan in November 2020 as part of the All-of-Government (AOG) emissions budgeting process. This will also consider what shifts have happened in the system due to the COVID-19 crisis that should be retained or leveraged. Briefings are being provided on this to you, and phasing of the emissions work programmes.



## **We can utilise new spending opportunities to improve access to jobs, education and services**

- 37 Unlike other economic shocks, a pandemic makes it less desirable for people to travel and be in close proximity to one another during periods of social contagion (e.g. using public transport, ride sharing and working in an office). As a result, COVID-19 has impacted the availability of transport options for many people.
- 38 In addition, the economic uncertainty and associated impacts on household income (i.e. unemployment) will exacerbate access issues for population groups who already had reduced transport access before the pandemic. There are also particular challenges faced by women (and in particular Māori and Pasifika women), who were employed in large numbers in tourism, retail and hospitality, which were the most affected sectors.
- 39 You could choose to prioritise and fund initiatives that provide better transport equity and access. This includes improvements in transport options (including better public transport services), reductions in private transport costs for some groups and safer transport infrastructure and services.
- 40 As discussed with the Ministerial group that has looked at driver licensing, additional funding is needed for 2021/22 to progress a regulatory review of the graduated driver licensing regime. This was signalled as a key action under the first *Road to Zero* action plan, and forms part of a broader multi-agency programme of work which aims to reduce a key barrier to access to employment, training and education.<sup>1</sup>
- 41 We are also aware that some councils may look to reprioritise investment in public transport assets as they look to make savings or avoid local rate increases. This could present an opportunity for central government to invest in public transport assets, and operating costs for service improvements and fleet decarbonisation.

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## **Accelerating maintenance and renewals will help create jobs for the economy and improve on freight and passenger connections with limited impacts on CO2 emissions**

- 43 With expected high unemployment rates, transport infrastructure investment, across a range of modes and delivering a range of outcomes, is seen as an important part of the mix of stimulus measures. They are low-risk investments that offer prompt procurement and rapid benefit realisation. However, careful decisions are required to ensure short-term stimulus choices are aligned with longer-term outcomes.

<sup>1</sup> Outcomes of the first phase will also feed into the regulatory review of the driver licensing system (led by the Ministry and Waka Kotahi). This review will examine whether minor changes to the driver licensing system would improve safety, accessibility and equity to the system, or if more fundamental changes are required. We expect that the initial review will take place from January 2021 to May 2021, once funding is made available. We will then provide advice to Ministers on any proposed regulatory improvements to the driver licensing system in mid-2021.

- 44 Accelerating maintenance and renewals for both road and rail could be an option to help stimulate economic productivity quickly, with limited trade-offs against environmental and other outcomes. This would help to improve the efficiency of existing assets, and maintaining assets early can help to reduce repair costs and extend asset lives.
- 45 As these investments would have occurred anyway, and is needed to support the existing capacity of our transport network, there is a clear strategic justification to accelerate this spending, especially in times of economic uncertainty, in order to create jobs for the sector.

### **There are opportunities to progress safety outcomes while creating jobs for the sector**

- 46 Given the high number of deaths and serious injuries, and adverse trends in these numbers over recent years, improving road and rail safety remains important. Sustained investment in safety-related transport infrastructure is vital across all modes.
- 47 Investment in safer infrastructure (e.g. road safety treatments or maintenance of the rail network) has fallen behind, and there are gaps in New Zealand's approach to safety, especially where modes like rail and road intersect. There will be opportunities to consider how to continue to improve road and rail safety, and to align New Zealand's approach to safety with international best practices.
- 48 As a resilient and reliable rail network continues to be the first priority for rail, you could choose to advance rail and safety outcomes by supporting KiwiRail's level crossings programme if funding is available. These three level crossing projects support the Government priority of safety, and are largely a part of resilient and reliable rail.
- 49 Further investigation would be needed to understand the costs and benefits of the programme against the other priorities in the Rail Plan. Please see briefing on the Future of Rail and the New Zealand Rail System for more information.

### **We can help you prepare for new spending opportunities by December 2020**

- 50 Investment in New Zealand's land transport system is funded through the NLTF under the framework set out in the Land Transport Management Act (LTMA) 2003. In addition, the Government can contribute additional Crown funding directly to transport projects or programmes (through Budget or other funding sources) to advance or achieve certain outcomes, priorities or objectives outside of the LTMA process.<sup>2</sup>

<sup>2</sup> Examples of this include Budget rounds, the COVID-19 Response and Recovery Fund, the New Zealand Upgrade Programme, and the Provincial Growth Fund. Further information on Crown Funds can be found in OC200826.

- 51 We can utilise these spending opportunities to deliver outcomes for the economy through one or more of the initiatives below:

Objective	Indicative initiatives	Expected outcomes
Meeting New Zealand's emissions reduction targets	<ul style="list-style-type: none"> <li>Increased investment in the Low Emissions Vehicle Acceleration Fund</li> </ul>	<ul style="list-style-type: none"> <li>Environmental sustainability</li> <li>Healthy and safe people</li> </ul>
Improving access to jobs, education and services	<ul style="list-style-type: none"> <li>[REDACTED]</li> <li>[REDACTED]</li> </ul>	<ul style="list-style-type: none"> <li>Inclusive access</li> <li>Environmental sustainability</li> <li>Healthy and safe people</li> </ul>
Maintaining international and regional connectivity	<ul style="list-style-type: none"> <li>Extension of Aviation relief package</li> </ul>	<ul style="list-style-type: none"> <li>Resilience and security</li> <li>Environmental sustainability</li> <li>Economic prosperity</li> <li>Healthy and safe people</li> </ul>
Creating jobs and improving resilience for the passenger and freight sector	<ul style="list-style-type: none"> <li>Prioritising maintenance and renewals</li> <li>The level crossings programme</li> </ul>	<ul style="list-style-type: none"> <li>Economic prosperity</li> <li>Resilience and security</li> <li>Healthy and safe people</li> </ul>

- 52 It will also be important to support budget bids which role of the CAA and Maritime NZ liquidity funds, so they can continue to provide critical regulatory services to support response and recovery.
- 53 There are other initiatives that are not captured in this list that would also help achieve transport outcomes, and broader outcomes for the economy. This list is intended to provide you with some indicative initiatives that are already well developed, and could be progressed if funding was available.
- 54 As we move from response to recovery, it will be important to consider different types of infrastructure and non-infrastructure investments the sector requires in order to create a more productive, sustainable and inclusive New Zealand. Separate briefings have been provided to you with information on the different policy decisions that are discussed above.
- 55 Budget 2021 preparations have begun which provides an opportunity for you to meet cost pressures and progress your priorities for the sector. This paper provides some initiatives as examples of how transport can contribute to the Government's desired objectives. If you indicate your priorities, we can work through and refine a list of proposals to help you prepare for new spending opportunities that arise.

**Annex 1: Indicative initiatives that support New Zealand's COVID-19 recovery**

Title	Brief description of project or initiative	Indicative cost (\$m)
Increased investment in the Low Emissions Vehicle Acceleration Fund	This initiative accelerates the transition towards a clean and low carbon transport sector. It addresses the need to reduce greenhouse gas emissions from the transport sector by providing funding for a contestable fund to accelerate the shift to cleaner vehicles, beyond the light vehicle fleet.	\$40m over 3 years
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
Aviation Relief package	Financial support to extend the aviation relief package which includes relief from passenger based fees (CAA safety and security levies) and Airways fees, extension of the International Air Freight Capacity scheme, the Essential Transport Connectivity scheme, and for Regional Air Connectivity.	\$500m
Accelerating maintenance and renewals	Bringing forward maintenance and renewal projects that would have occurred anyway, which would help stimulate job creation (either nationally or in the regions), with limited trade-offs against other outcomes. This includes: <ul style="list-style-type: none"> <li>• KiwiRail Rail Accelerated Network Maintenance and Vegetation Management (\$220m)</li> <li>• KiwiRail Accelerated Resilient and Reliable Network Renewals Programme (\$397m).</li> </ul>	\$617m
[REDACTED]	[REDACTED]	[REDACTED]



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

	<div>[REDACTED]</div>	
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RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

24 November 2020

OC200834

**Hon Michael Wood**  
**Minister of Transport****Future of Rail and the New Zealand Rail System****Purpose**

To update you on the implementation of the Future of Rail review and the significant changes that are occurring in the New Zealand rail system. It advises you on key upcoming policy, funding, and implementation decisions.

We have also attached to this briefing a terms of reference for a review into the system factors that contributed to rolling contact fatigue on the Auckland metropolitan rail network (**Appendix One**).

**Key points**

- The rail system is undergoing significant changes. These changes are the result of implementing a new planning and funding framework for the rail network following Cabinet decisions on the Future of Rail review [DEV-19-MIN-0225 refers].
- A new planning and funding framework for rail is due to be implemented by mid-2021, alongside the next National Land Transport Programme (NLTP). The rail system changes are the most significant reforms since implementing the Land Transport Management Act 2003.
- Alongside implementing this framework, KiwiRail is delivering on significant capital investments in the rail system, with more than \$5 billion worth of projects due to be delivered over the next decade. KiwiRail is building delivery capability to meet these capital investments while continuing to deliver its commercial business.
- Delivering these system changes and supporting KiwiRail to deliver its investment programme will require focus from you as the Minister of Transport, working with other "Rail Ministers". Over the last three years, the Minister of Transport worked with the Minister of Finance, the Minister for State Owned Enterprises and the Minister of Regional Economic Development, who represented the greatest interest in the rail portfolio.
- The Ministry will continue to lead the implementation of the rail system changes in close collaboration with KiwiRail, Waka Kotahi, the Treasury, Auckland Transport, Auckland Council and Greater Wellington Regional Council. For these agencies in particular, implementing the new planning and funding framework for rail creates new roles and ways of working.

- The implementation of the new framework for rail is well underway. Legislative changes have already passed to enable KiwiRail to access the National Land Transport Fund (NLTF) for rail network funding, and Cabinet has previously agreed to release the final New Zealand Rail Plan. National rail network funding has been incorporated into the Government Policy Statement on Land Transport (GPS) for the first time, allocating a funding range between \$120-170 million to the rail network from the NLTF.
- While the rail system has had significant funding allocated, the priority investments required to achieve a resilient and reliable rail system, as outlined in the New Zealand Rail Plan, are not yet fully funded.
- There are a number of key decisions that you will need to take between now and June 2021, including:
  - *Issuing the final Rail Plan* – the draft of the New Zealand Rail Plan (the Rail Plan) has already undergone public engagement and the final Rail Plan was approved by the previous Cabinet for public release [DEV-20-MIN-0160 refers]. The Rail Plan outlines the Government's long-term investment priorities to enable a resilient and reliable rail system. As you have requested, we will work towards preparing the Rail Plan for release once the Value of Rail study is finalised. We anticipate this will be early in 2021.
  - *Budget 2021 funding decisions* – the Rail Plan investment priorities are not currently fully funded. In order to achieve the Government priorities for a resilient and reliable rail system, further funding will be required through Budget 2021, as had been signalled by Ministers through Budget 2020. While we have not yet received formal bids from KiwiRail, the Ministry expects its Budget 2021 capital bids will be around [REDACTED]. This will likely include bids to complete replacement and investment in above rail assets including rolling stock and maintenance depots, the interisland ferries as well as a bid to support investment on the wider track network. KiwiRail's bids will require your support to achieve the Government's rail investment priorities. In addition, further Crown operating funding will be sought, through Budget 2021, to ensure the NLTF can fully fund network investment. This is expected to be between \$200-300 million per year (a total of \$2.7bn over 10 years has been previously signalled through the Future of Rail).
  - *Policy decisions on the level of track user charges (TUC) that should contribute to the NLTF* – Cabinet agreement to policy decisions on track user charges will need to be sought in January/February 2021. Budget 2021 decisions are likely to have implications for the TUC.
  - *Revised rail monitoring framework* – we will engage with you on a revised rail monitoring framework that recognises the new planning and funding framework and the increased scale of rail investment.
  - *Approval of the Rail Network Investment Programme (RNIP)* – under the amendments to the LTMA you (in consultation with shareholding Ministers) are required to approve the RNIP for funding and inclusion in the NLTP. Your decision on the RNIP will be sought between April and July 2020.
  - *Timing of a further review of KiwiRail's State Owned Enterprise status* – this is due to commence in December 2020, with recommendations to be provided in

## BUDGET SENSITIVE

October 2021. We recommend that the commencement of the review be moved out until the second half of 2021, to allow time for the first RNIP to be completed.

- These decisions are inter-related and will need to be considered as a coordinated package, in particular decisions on TUC and Budget 2021 decisions.
- Alongside this implementation work, we are also progressing a system level review of the Auckland network rolling contact fatigue issues. **Appendix One** provides you with the terms of reference for a review of system level issues that may have contributed to the current rolling contact fatigue issues on the Auckland metropolitan rail network. We are working closely with KiwiRail and Auckland Transport on this work, and will report back to Ministers next year on its outcomes.
- There are a range of other rail system matters that will require your input, upon which we will brief you separately. This includes the interisland ferry replacement programme led by KiwiRail and concerns over the location of the Wellington ferry terminal (which you have already received a briefing on), and regional passenger rail. Waka Kotahi will also advise you on rail system safety.

### Recommendations

We recommend you:

1. **forward** a copy of this briefing and the appendices to the Minister of Finance, Minister of Economic and Regional Development and Minister of State Owned Enterprises ("Rail Ministers").

Yes/No

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Erin Wynne  
Director, Rail Transformation

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Hon Michael Wood  
Minister of Transport

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



**BUDGET SENSITIVE**

○ 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, DCE Strategy & Investment	[REDACTED]	✓
Erin Wynne, Director Rail Transformation	[REDACTED]	
Joanna Heard, Principal Advisor Supply Chain	[REDACTED]	

## FUTURE OF RAIL AND THE NEW ZEALAND RAIL SYSTEM

### Agencies have been working together on significant system changes for rail

1. The Ministry of Transport, KiwiRail, Treasury, and Waka Kotahi have been working on the Future of Rail review (the Review) since December 2017. We have also had input from Auckland Transport, Auckland Council and Greater Wellington Regional Council. The Review involves the most significant reforms to the land transport system since implementing the Land Transport Management Act 2003.
2. The Review was established to determine the purpose of rail within New Zealand's overall transport mix, the structure and mix of assets that KiwiRail needs to best fulfil that purpose, and the funding mechanisms rail (including KiwiRail) would need to fulfil that purpose.
3. The Review acknowledged that rail provides both commercial benefits and wider public benefits to New Zealand. The review outlined rail's public benefits through a purpose statement for rail, which noted that rail:
  - Enables access and mobility
  - Transports people and goods to where they need to go
  - Supports productivity and business growth
  - Reduces emissions, congestion and road deaths
  - Strengthens social and cultural connections between communities.

### *The review found that historic system settings hampered rail's benefits*

4. The Review concluded that the previous funding approach was not well set up to support rail for a number of reasons:
  - The short term approach to funding through annual Budget rounds was inadequate for the long-lived rail infrastructure and assets. This had resulted in rail assets being retained past their useful economic life, inefficient and ad-hoc investment to keep assets running and diminished levels of service.
  - Rail investment decisions were taken on a commercial basis, rather than a national benefits basis like the road network. This inhibited the delivery of the wider benefits of rail and KiwiRail's ability to grow its commercial activities.
  - The planning framework isolated road and rail infrastructure decisions from one another. This made it difficult to deliver a coordinated investment programme across the land transport system.
5. To address these challenges and enable rail to deliver the wider public benefits the Government was seeking for the rail system, the Review recommended:
  - Remedial investment to restore a resilient and reliable rail network

- Partial integration of rail network investment decisions with the planning and funding regime set out in the Land Transport Management Act 2003 (the LTMA).
6. The Review also recommended the following key funding principles for rail investment:
- NLTF will support, maintenance and renewals of the below rail network, as well as improvements to the network where there are national transport benefits.
  - Crown funding will continue to be required into the NLTF to support it to fund maintenance and renewal of the rail network at a reliable and resilient level, given historic under-investment in the network.
  - Track users will pay track user charges (TUC) into the NLTF, so that the users of land transport system contribute to the NLTF in a fair and transparent way.
  - Crown funding through Shareholder equity injections into KiwiRail will be used for other commercial assets (for example in rolling stock or the interisland ferries).
  - Crown funding should be used to fund projects for wider non transport public benefits (for example the PGF has been used for regional development purposes).
7. These principles are designed to support more deliberate and transparent rail investment decisions.

### **Future of Rail – key milestones so far**

8. A range of changes have already been implemented across the rail system.

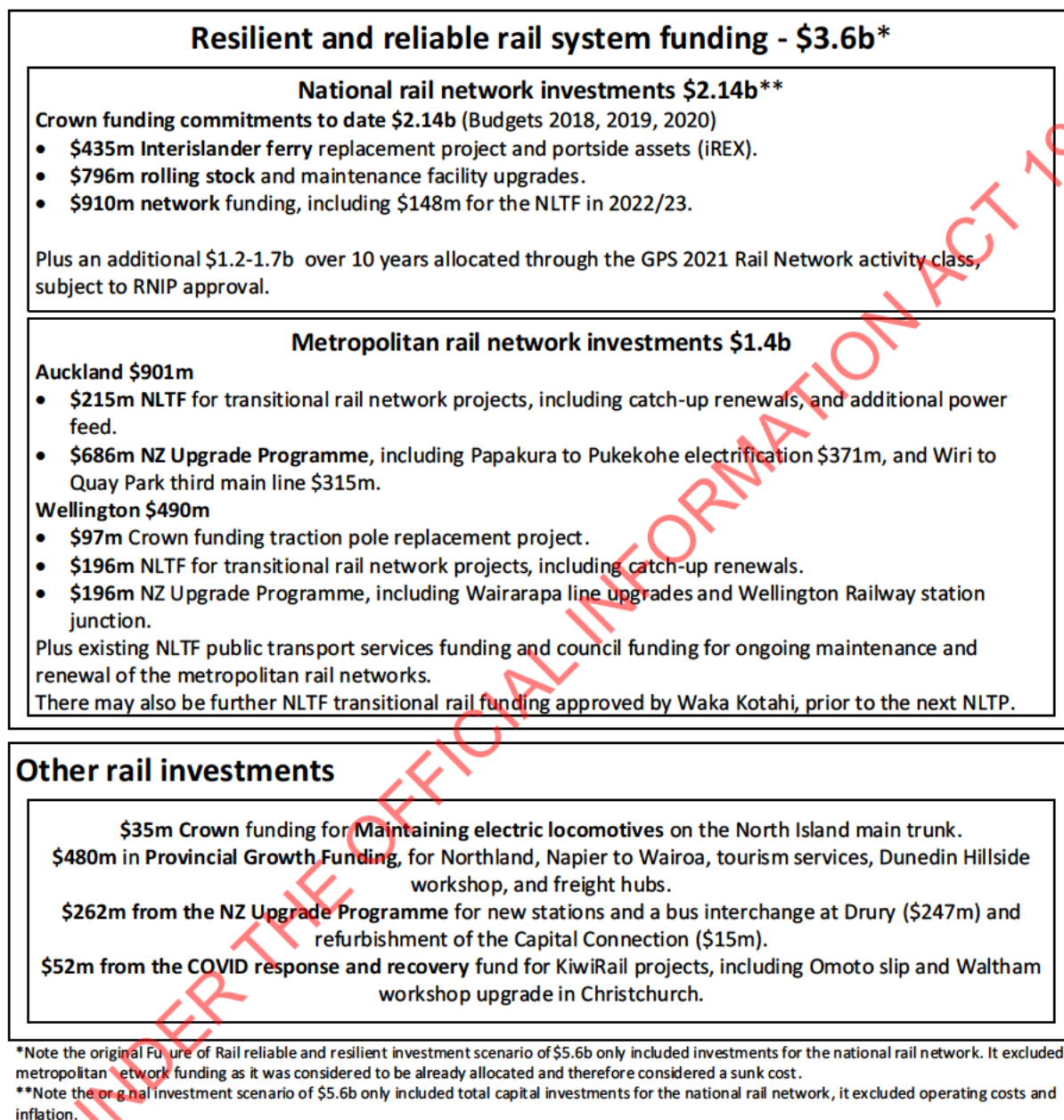
#### *A step change in total rail investment*

9. Rail Ministers were given four investment scenarios for the rail system in September 2018: “managed decline” (status quo), “resilient and reliable”, “capacity and growth”, and “additional opportunities”.
10. Ministers selected Scenario 2: Resilient and Reliable in November 2018, and Cabinet gave agreement in principle in May 2019 [DEV-19-MIN-0123 refers].
11. During the previous Parliamentary term, over \$5 billion was allocated to various rail projects and activities<sup>1</sup>. However, only part of this funding supports the Government’s investment priority to achieve a core rail network that is resilient and reliable, as some Crown funding targeted other priorities linked to investment in the rail network, including regional development and the COVID-19 response programme.

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<sup>1</sup> This is in addition to the \$4.4 billion being jointly invested by the Crown and Auckland Council in the City Rail Link (CRL). We will provide you with a separate briefing on CRL.

12. The funding for the core resilient and reliable network is summarised in the diagram below:



13. We expect further budget bids to achieve resilient and reliable investment priorities through Budget 2021, as had been signalled by Ministers through Budget 2020. Budget 2021 bids are discussed further in paragraph 33.

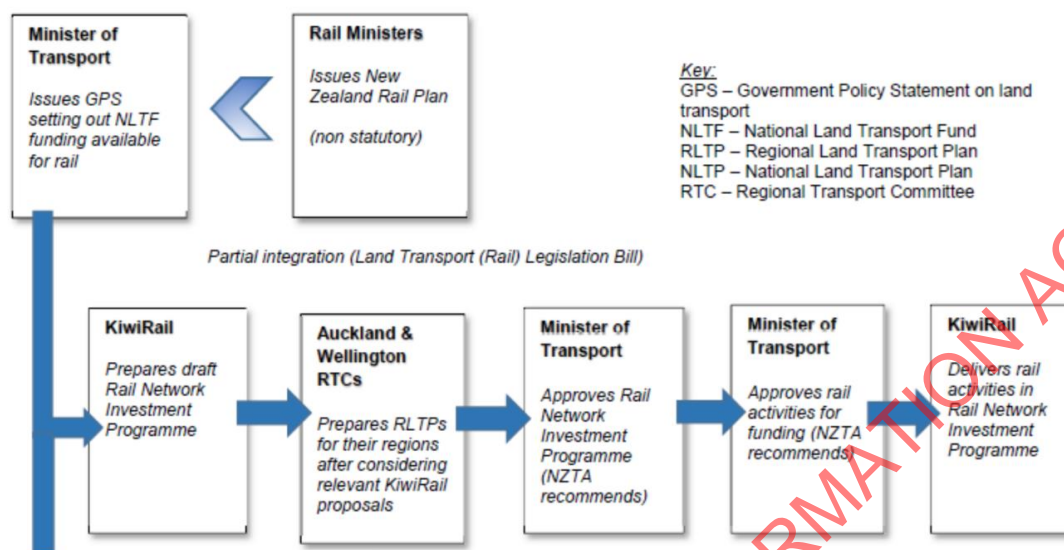
14. Restoring the asset base, and moving KiwiRail to a more sustainable commercial footing, will provide a strong foundation upon which Government may choose to make future investments to pursue growth.

*The Land Transport (Rail) Legislation Act 2020 has been passed amending the LTMA*

15. Cabinet agreed to a legislative planning and funding framework of 'partial integration' of rail into the LTMA. The framework was given effect to through the new Land Transport (Rail) Legislation Act 2020 (the Rail Act).



16. The new planning and funding framework includes the following key roles and responsibilities:



17. As Minister of Transport, you retain control over the funding decisions into the rail network, unlike most other funding decisions in the NLTP which are made by the Waka Kotahi Board. Ministerial decision-making ensures that Ministers can understand and take decisions on the overall level of investment into the rail network. This is important while Crown funding is still providing remedial investment to KiwiRail.
18. KiwiRail will be responsible for preparing a statutory Rail Network Investment Programme (RNIP). Waka Kotahi will provide you advice to support your decisions on the RNIP.
19. In Auckland and Wellington, where there are metropolitan rail networks, the respective components of the RNIP are being consulted through the RLTP processes for coordinated planning purposes. KiwiRail has also joined the Regional Transport Committees in Auckland and Wellington as a non-voting member.
20. Further information on the RNIP and its approval process is discussed in paragraph 43 below.

*Rail network funding has been incorporated into GPS 2021*

21. Following the passage of the Rail Act, KiwiRail can now directly receive funding from the NLTF, through an activity class set out in the GPS.
22. GPS 2021 allocates between \$120m-\$170 million per year of NLTF for the rail network over a 10 year period. It also provides for further funding to complete metropolitan rail network projects from the public transport infrastructure activity class.

### Key decisions on the Future of Rail are still required over the next year

23. Implementation of the new planning and funding framework is well underway, but significant work is required over the next year to fully implement it. This is major priority for agencies with responsibilities under the new framework.
24. It will require all agencies to change the way they are working, and build new systems and capability. The Ministry is leading this system change working in close collaboration with KiwiRail and Waka Kotahi, the Treasury, Auckland Transport, Auckland Council and Greater Wellington Regional Council.
25. Implementing this programme of work will require significant focus from you and other Rail Ministers. We expect to discuss with you the following key decisions to support implementation.

Key decision	Timing	Your role
Public release of the Rail Plan	Early 2021	Rail Ministers were previously accountable for issuing the Rail Plan. You are responsible for leading that process with other Ministers and approving any final changes to the plan.
Rail Budget 2021 bids	Estimated January 2021 – awaiting formal advice from Treasury on Budget 2021 timing	Your support for submitting Rail Budget bids as the Minister responsible for Vote Transport will be sought. You will need to seek support from KiwiRail Shareholding Ministers on commercial bids.
Cabinet policy decisions on Track user charges regulations	January/February 2021	Your agreement to progress policy decisions to Cabinet on TUC will be sought. Rail Ministers have previously jointly taken rail Cabinet papers to Cabinet committees.
Approval of KiwiRail's RNIP	Between April-July 2021	You are responsible for approving KiwiRail's RNIP. You will need to receive advice from Waka Kotahi and consult with Shareholding Ministers before approving the RNIP.
Rail monitoring framework	Mid 2021	Your agreement will be sought on an outcomes monitoring framework that tracks rail investment through to transport outcomes. Support will also be required from Shareholding Ministers.
Further review of KiwiRail's SOE status	Currently due to commence October 2021, we recommend deferring until the second half 2021	Your support is sought to defer a further review of KiwiRail's status. You will need to seek support from Rail Ministers to defer this review.

26. Each of these decisions are discussed further below.

*The Rail Plan is due to be released early in 2021*

27. The Rail Plan is a key output of the Future of Rail review and is ready to be released. A draft of the Rail Plan was consulted on through December 2019 to May 2020 alongside the GPS 2021. The consultation process was largely supportive with many submitters expressing a desire for an even more ambitious investment programme.

28. The Rail Plan sets out the Government's investment priorities for the rail system over the next 10 years and beyond, reflecting Cabinet's in principle agreement to restoring a resilient and reliable rail network as a platform for future investment. It sits alongside the GPS and provides more detail on rail investment priorities. The Rail Plan also supports implementation of the Auckland Transport Alignment Project.
29. As requested, we are working to finalise the 2020 Value of Rail study before the final Rail Plan is issued. We expect this is likely to mean releasing the plan early in 2021.
30. Issuing the final Rail Plan will provide certainty about the Government's investment priorities in the heavy rail system and the need to bring the core network up to a reliable and resilient state. It will provide certainty to market participants in the freight sector about what they can expect from the rail system. It will also help inform Budget 2021 decisions and funding through the NLTF under GPS 2021.
31. The previous Cabinet had approved the Rail Plan for release [DEV-20-MIN-0160 refers]. The quantum of funding required to support the draft Rail Plan's investment priorities is discussed in the next section. It is important that Rail Ministers note the Rail Plan priorities are not fully funded and we expect Budget 2021 bids from KiwiRail to reflect this gap.

*Budget 2021 decisions to support a resilient and reliable rail network*

32. The previous Government indicated it was committed to providing funding through future budgets to support the Rail Plan investment priorities. In March 2020, the Minister of Finance reiterated the then Government's commitment to investment to deliver a resilient and reliable rail system and requested Treasury provide a letter of comfort to KiwiRail regarding long term rail network funding.  
*Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982*
33. For Budget 2021, we expect that capital rail bids will total around [REDACTED] with a further bid to top up the NLTF of around [REDACTED] over 10 years. You are likely to receive bids for:
  - the remaining Crown share of national rail network costs into the NLTF
  - further funding to replace the interisland ferries and landside infrastructure
  - the remaining investment in rolling stock and mechanical depots
  - support for KiwiRail's above rail core capital renewals during the transition period before the arrival of the new assets described above
34. This tranche of funding will be critical to achieving the Rail Plan priorities of restoring a resilient and reliable rail system and avoiding further decline.
35. We also anticipate other bids to support funding for projects started under the previous Government. We note the Labour Party manifesto priority for continuing to invest in the development of domestic rail workshops such as Hillside and Woburn. KiwiRail intends to provide Ministers with an option to assemble wagons in New Zealand.
36. You are receiving a separate briefing on the Budget 2021 process. You will receive an initial view of Budget 2021 advice in January 2021.

*Track User Charge regulations require policy decisions*

37. As part of KiwiRail receiving network funding from the NLTF, Cabinet has previously agreed in principle that TUC should be established on KiwiRail's freight and tourism businesses to ensure that rail users contribute to the NLTF in a fair and transparent way [DEV-20-MIN-0082 refers]. We have work underway to establish track users charges and regulations need to be put in place before the next NLTP commences (August 2021).
38. At this stage our focus is on what KiwiRail's freight and tourism business will pay in track user charges, as Cabinet previously agreed to maintain the metropolitan rail access arrangements already in place. Cabinet has previously been advised track user charges could be \$25-\$50 million per annum. However, this has been significantly impacted by COVID-19 and any final figure would be subject to an affordability analysis [DEV-20-MIN-0082 refers].
39. The decisions on Budget bids and the level of the TUC are likely to be interdependent, particularly in the next few years where the network is still being remediated to a reliable and resilient level. Without investment in core commercial assets KiwiRail is unlikely to be able to fund a TUC. We are also working through the extent to which COVID-19 has affected KiwiRail's (and its customers') ability to fund a TUC.
40. In order to have regulations in place by mid-2021, we will need to have policy decisions on TUC at the start of 2021. We will provide you with further advice to go to Cabinet in January/February 2021. This will seek final policy decisions, and approval to draft regulations later this year.
41. We also note the rolling contact fatigue issues discussed in paragraph 59 below may have implications for track user charges in the metropolitan rail networks in future.

*KiwiRail's Rail Network Investment Programme (RNIP) needs your approval next year*

42. As Minister of Transport, you are responsible for approving the RNIP and the associated NLTF investment into the rail network. The RNIP outlines the rail network activities or combinations of activities to be partially or fully funded by the NLTF and delivered by KiwiRail over three years.
43. We expect the final RNIP to be provided to you by June 2021. Waka Kotahi's accompanying advice to the RNIP, including a recommendation as to whether to approve, will be provided at the same time. Before approving, you will need to consult with KiwiRail's shareholding Ministers.
44. Waka Kotahi will provide you with advice on the mix of rail activities included in the RNIP, as well as advice and recommendations on whether you should agree to fund the activities. As part of preparing this advice, Waka Kotahi will assess the RNIP to determine the degree to which it is aligned with the strategic priorities set out in the GPS and the Rail Plan. Waka Kotahi will also advise you on whether the RNIP represents an efficient and effective programme.
45. The RNIP is currently under development, with the Ministry, KiwiRail and Waka Kotahi focused on agreeing the proposed structure and coverage of the document, and KiwiRail developing the first investment programme. The RNIP is focused on a programme of maintenance and renewal activities to deliver a resilient and reliable



core network, as well as completion of the metropolitan area projects approved through the Transitional Rail activity class in GPS 2018.

46. Waka Kotahi intends to use a combination of its existing investment assessment tools (which have been reviewed and updated to enable better consideration across different transport modes) and external expertise to assess the RNIP and prepare advice. Waka Kotahi is building its rail expertise to ensure an effective assessment of the RNIP, delivery of robust advice and provide a higher level of confidence around KiwiRail's ability to deliver the programme.
47. Under GPS 2021, funding for RNIP activities will come from two activity classes:
- the Rail Network activity class will fund the maintenance and renewals programme, and is accessible only by KiwiRail
  - the Public Transport Infrastructure activity class will fund the remaining costs associated with activities already approved through the Transitional Rail activity class in GPS 2018. The Public Transport Infrastructure activity class also covers non-rail public transport infrastructure and is accessible by all eligible parties to receive NLTF funding (Approved Organisations).
48. The key focus for Waka Kotahi is managing a funding bucket with multiple decision-makers. As set out through GPS 2021 through the Public Transport Infrastructure activity class, the Waka Kotahi Board has to manage competing rail and non-rail public transport infrastructure activities where there are differing final-decision makers on the funding. The activity class includes both rail activities (included in the RNIP, approved by you) and non-rail activities (approved by the Board). Waka Kotahi is building the systems and capabilities to meet this new role.
49. Once released, the Rail Plan will provide a clear guideline to help Waka Kotahi manage its new role. By establishing investment priorities for the rail network, the Rail Plan supports Waka Kotahi's ability to advise on whether the RNIP meets these priorities, and where any potential trade-offs would need to be made within the public transport infrastructure funding bucket (i.e., whether other non-rail public transport investments could be made to achieve the same outcomes).
50. Waka Kotahi will also provide you with advice on whether they believe KiwiRail have the right systems in place to deliver the RNIP within the forecast budget and on time. Waka Kotahi will also outline any potential trade-offs they will be required to make in the Public Transport activity class if cost overruns occur.
51. To fully fund the RNIP to a reliable and resilient level of service, further Crown investment will be required.

*Supporting KiwiRail's delivery capability and monitoring rail system investment*

52. Delivering on the significant investment programme is also a substantial undertaking for KiwiRail, particularly while it is also moving to a new planning and funding framework. KiwiRail is aware that it needs to build its capability to deliver this programme and has substantive work underway.



53. It will take several years to commission critical rolling stock and ferry assets, during which time KiwiRail will be reliant on its existing aged assets. It will be important to support KiwiRail during this delivery and transformation period.
54. The Ministry is working with Treasury, KiwiRail, and Waka Kotahi to review and establish a new framework for rail investment and outcomes monitoring. We will report to you and KiwiRail Shareholding Ministers in the near future on the development of this work.

*A further review of KiwiRail's ownership form needs to be scoped and timing confirmed*

55. The organisational structure of KiwiRail was also considered as part of the Future of Rail Review.
56. In May 2020 Rail Ministers advised Cabinet that KiwiRail should remain a vertically integrated rail operator, and should implement separate reporting of its above and below rail financial statements [DEV-20-MIN-0082 refers]. Rail Ministers also concluded that changing KiwiRail's SOE status was not appropriate at that time, as KiwiRail needed to focus on delivering its significant programme of change and infrastructure delivery.
57. However, Rail Ministers noted that a further review of KiwiRail's SOE status should commence in December 2020 with a report back to Cabinet in October 2021. We would like to discuss with you the timing of this further review. At this stage we suggest that it is too early to commence another review and suggest that it begins after the first RNIP is approved mid next year. This would allow time to implement the new framework.

**We are also commencing a review of the metropolitan rail system settings that may have contributed to RCF issues on the Auckland network**

58. The Future of Rail review left the rail planning and funding system for metropolitan rail in Auckland and Wellington alone for now, as there are extensive contractual arrangements between local authorities and KiwiRail for network access, and track access charges. Nonetheless, metropolitan rail system settings have an important role to play in ensuring the desired outcomes are reached on the national network, and for the Auckland and Wellington transport networks.
59. Auckland's rail network is undergoing urgent remediation work to fix a maintenance issue on the tracks known as rolling contact fatigue (RCF). If left unrepaired, RCF has the potential to cause derailment of trains that pass over the affected sections of track.
60. The remediation work on the track has meant speed restrictions and partial closures of the Auckland network, which is likely to continue to cause operational disruptions for the next 12 months. The amount of work required is significant, and has had flow on implications for other capital projects that KiwiRail has underway (including delays to completing Crown funded projects such as the Northland Rail upgrades funded through the Provincial Growth Fund).
61. The urgent remediation on the Auckland network is likely to have funding implications for the rail network in Auckland. KiwiRail and Auckland Transport will need to work with Waka Kotahi, the Ministry and the Treasury around how the immediate work is

funded (for example from the NLTF or Crown) and any future funding implications, including in relation to the RNIP.

62. KiwiRail and Auckland Transport have set up a project control group to identify the:

- root cause of the issues (including an independent review)
- required maintenance and renewal practices to ensure this doesn't happen again
- future funding required for maintenance and renewal practices

63. The Ministry has recently joined the project control group as an observer.

64. The previous Minister of Transport also asked the Ministry to work with KiwiRail and Auckland Transport to provide an independent view of the factors that contributed to the extent of RCF on the network. The Ministry has prepared the attached Terms of Reference for this review.

65. The Terms of Reference sets out the objectives, governance and reporting streams for review into the network issues. The Ministry proposes to procure an external expert to undertake the work. It sets out March 2021 as a report back date, with an interim initial report to be provided in January 2021.

66. This work may have implications for the future funding requirements to ensure that the metropolitan rail networks in Auckland and Wellington are resilient and reliable, including the preparation of the RNIP. It may also have implications for future policy work on the metropolitan rail operating model and track access arrangements in Auckland and Wellington.

67. The Future of Rail Steering Group, which has guided Future of Rail policy development and outcomes, will provide oversight of the work. It will inform final recommendations to Ministers. Membership is detailed in the attached terms of reference.

68. We will report to Ministers on the outcomes of the work.

## **We will also provide you with advice on other key rail policy issues**

### *Ferry procurement*

69. Cabinet agreed to partially fund, through Budget 2019 and Budget 2020, two large rail-enabled ferries to replace KiwiRail's current fleet of three ageing vessels (KiwiRail's iReX project).

70. New terminal infrastructure is required in Wellington and Picton to allow KiwiRail's new vessels to berth, with delivery expected in 2024/25. Terminal infrastructure is a critical and major component of the overall cost of the project.

71. There are different views from KiwiRail, Greater Wellington Regional Council, Centre Port and Strait Shipping (the owner of Bluebridge) regarding the location and configuration of the Wellington terminal infrastructure.

72. You have been provided with a separate briefing (OC200862 refers) on this issue.

73. KiwiRail may seek a view from you on the location of the Wellington ferry terminal. We suggest that you encourage KiwiRail to reach a commercial decision with parties, and bring the fully costed options to the Ministry and Treasury as part of the Budget 2021 process.

*Regional passenger rail*

74. Currently, there is one regional passenger rail service in operation in New Zealand (Capital Connection), with the new Hamilton to Auckland Te Huia start up service due to start in early 2021.
75. The Ministry is supporting work on the Hamilton to Auckland corridor development and potential opportunities for expansion of the Te Huia start up service. Cabinet has agreed that the Ministry initiate a process to develop the next stages of the project, including aligning the rapid rail proposal with other transport and land use planning work happening in the Corridor.
76. We will provide a separate briefing on the issues and opportunities for interregional passenger rail in New Zealand, including key upcoming milestones for the investigation into rapid rail between Auckland and Hamilton

*Rail safety and level crossings*

77. Waka Kotahi has primary regulatory responsibility for rail safety in New Zealand, but work closely with KiwiRail who allow access for participants on the network. The Ministry's primary role is as system steward and leader, which we exercise through industry initiative such as the National Rail Industry Advisory Forum.
78. Waka Kotahi has a significant programme of work underway to improve the capability and capacity of Waka Kotahi as the rail safety regulator. New regulations have also been put in place to provide increased funding and fee collection mechanism for the regulator. Waka Kotahi has significant work underway to improve regulation and oversight of rail safety in line with international best practice.
79. Improving the safety of level crossings is one of the priorities nationally in the draft Rail Plan. However, the scale and nature of that programme needs to be considered further against its costs and benefits, and other priorities in the NLTP.
80. KiwiRail raised concerns in its 2017 briefings to Ministers around the number of level crossings in Auckland and their impact on road network travel times following the opening of CRL, as barriers will be down for long periods during peak times. Both Auckland Transport and KiwiRail consider that this issue needs to be addressed holistically, considering impacts for road and rail. KiwiRail and Auckland Transport have proposed a potential programme of crossing removal in Auckland to the ATAP group. You will receive a separate briefing on the ATAP programme.
81. Waka Kotahi will continue to update you on relevant rail safety regulation matters and rail safety as it relates to key strategic and investment decisions.

**Future of Rail agencies supported the preparation of this briefing**

82. The briefing was prepared by the Ministry of Transport, with support from KiwiRail, Waka Kotahi, and the Treasury.

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## APPENDIX 1 :

# Draft Terms of Reference: Auckland metro rail and rolling contact fatigue - system issues

### Purpose

1. This terms of reference outlines the scope of work for a Ministry-led review of the system level issues that may have contributed to the Auckland metropolitan rail network rolling contract fatigue issues. The terms of reference outlines a governance framework for the work through the Future of Rail review, which will support recommendations to the Minister of Transport and Minister of Finance.
2. The intention is not to duplicate work being undertaken through the existing joint KiwiRail and Auckland Transport project control group. However, it may use technical or other work being undertaken as an input to identify any system issues or gaps that may need to be addressed by the system. The Ministry of Transport is an observer on the project control group.

### Context: Auckland rail network

#### *Background*

3. Auckland's rail network is a key strategic transport asset. It plays a key role in both the city's public transport system and the national freight network. There were 22.5 million commuter trips in the year to December 2019, up from 10.2 million in FY13, and from 2.5 million in mid-2003 when Britomart opened. On a typical weekday more than 600 commuter services run on the Auckland network.
4. The rail network also plays a key role in the movement of freight, especially to and from the Ports of Auckland and Port of Tauranga, and as an origin point for domestic cargo.
5. The track through Auckland carries a third of all rail freight in New Zealand. An estimated six million tonnes moves on the Auckland network each year. On a typical weekday about 40 freight trains travel through the Auckland network.
6. The Auckland metro network spans 100 km from Pukekohe to Swanson, has 200 km of track due to double tracking and therefore 400 km of rail, with approximately 200 switches and crossings. The maximum train speed on the network for EMUs is up to 110km/h, with standard operating top speed of approximately 80km/h.
7. Ensuring the Auckland metropolitan rail network is resilient and reliable is a key priority in the draft New Zealand Rail Plan, and the Government Policy Statement on Land Transport 2021.



*Rolling Contact Fatigue*

8. KiwiRail and Auckland Transport began investigations into the state of the Auckland metro rail network in 2018 to support the Rail Network Growth Integrated Management (RNGIM) business case development. The initial investigation identified rolling contact fatigue (RCF), a type of wear and tear, was present on parts of the track. If RCF is not identified and fixed, it can result in breaks in the track and potential derailment from passing rolling stock.
9. Waka Kotahi was first made aware of potential issues in June 2019, and after an initial investigation, requested KiwiRail perform a detailed network analysis. The subsequent review revealed the extent of RCF was larger than initially surveyed.
10. In August 2020, after the risks on the network were better understood, KiwiRail placed a Temporary Speed Restriction of 40km/h on 100km of track on the Auckland network. These speed restrictions will remain while urgent remediation work occurs, expected to take 12 months.

*Funding*

11. Waka Kotahi's investment team were made aware of the RCF issues over a year ago as part of considering a funding request for catch-up renewals on the Auckland rail network (the Rail Network Growth Impact Programme).
12. Funding catch-up renewals on the Auckland network was previously identified as a priority for funding from the Transitional Rail activity class under the Government Policy Statement on Land Transport 2018. To date Auckland Transport has had \$183 million approved by Waka Kotahi for this programme.

*KiwiRail and Auckland Transport already have work underway*

13. KiwiRail provided an initial report to the previous Minister of Transport on the issues facing the Auckland metro network. It concludes that while technical analysis is being conducted to establish what the technical root cause of RCF is (and that there is likely to be several contributing technical factors), there are several potential system issues that may have also contributed.
14. KiwiRail and Auckland Transport has already stood up a Programme Control Group overseeing the RCF remediation project. This group covers technical issues including root cause and how the remediation work will programme with other Auckland rail network maintenance. The Ministry of Transport has been brought in as an observer on the project control group.
15. KiwiRail and Auckland Transport have commissioned independent engineers to provide advice on root cause diagnosis, and are expected to report back shortly.

*A system view has been requested*

16. A range of parties have an interest in the system factors that contributed to the issues on the network.
17. In September 2020, the Minister of Finance and the Minister of Transport expressed an interest in understanding any potential or real risks to the Crown going forward. A system view of the factors will complement the independent technical analysis being undertaken by KiwiRail and Auckland Transport. It will also provide assurance to Ministers that a full understanding of all issues are being addressed, to ensure they are not repeated.

18. The purpose of the independent review is not to identify any wrongdoing or compliance issues from the parties involved.

### Objectives

19. The objectives of this work are to identify what system level issues may have contributed to the current issues on the Auckland metropolitan rail network and make recommendations to the steering committee on future changes. This will include considering:
- 19.1. whether the metropolitan rail operating model is fit for purpose, including the respective roles, responsibilities, funding sources and track access arrangements
  - 19.2. whether the maintenance and renewal practices being put in place will be sufficient to ensure that the network is resilient and reliable over the next decade
  - 19.3. the level of funding required to ensure a resilient and reliable rail network in Auckland over the next decade
  - 19.4. the implications for the Track User Charge policy work led by the Ministry in relation to existing Network Access Agreements
  - 19.5. the implications for the Wellington metropolitan rail network, particularly as to whether there is a need for changes in Wellington similar to any recommendations for Auckland.

### Scope of the review

20. To achieve these objectives, the scope of work has been split into 2 phases.

#### *Phase 1: Identify systemic issues that may have contributed*

21. Phase one will look to identify ongoing system factors that have contributed to the severity of the RCF issue.
- 21.1. This phase should produce an independent report that addresses:
    - 21.1.1. Whether the roles, responsibilities and implementation of the metropolitan rail operating model may have contributed to the RCF issue
    - 21.1.2. To what extent the model may have incentivised the right levels and types of funding for the network
    - 21.1.3. Whether, in practice, the existing network agreements place appropriate incentives on the parties involved
    - 21.1.4. Whether the user charge framework in the network access agreements is appropriate to achieve desired network outcomes
    - 21.1.5. Whether the system had the right capacity and capability to ensure the network was maintained and safe
    - 21.1.6. Any other system-level factors that were key contributors to the extent of the RCF on Auckland's metro network.

22. This phase should be used to gain an understanding from all involved parties as to the key contributing system factors behind RCF in Auckland. Where possible it will seek to provide consensus, or where that cannot be reached identify different parties views.

*Phase 2: Provide recommendations on how to mitigate future risk*

23. Phase two of the work will take into account the findings in the first phase and the findings in the technical reports from the project control group (in particular the root cause analysis and revised maintenance and renewal practices). This second phase of the work will provide a series of system recommendations back to the programme control group, who will report back to the steering group.
24. The recommendations are expected to consider any changes required to the metropolitan rail operating model to achieve a resilient and reliable rail network, including in relation to:
- 24.1.1. Current track access arrangement and charges
  - 24.1.2. Negotiation practices for those access arrangements and charges
  - 24.1.3. Funding level and sources for the network
  - 24.1.4. Capability and capacity of the system to implement the proposed changes.

*Out of scope*

25. While producing a technical report is out of scope for this review, technical reports already being produced through the Programme Control Group should be used as inputs into the system view.
26. To the extent that the system view relies on the existing technical work, we would expect a level of assurance from the reviewer that the technical analysis covers all the necessary issues.

**Critical links to other work**

*Rail Network Growth Impact Programme*

27. KiwiRail and Auckland transport will need to consider whether existing funding for the RNGIP is sufficient for the immediate works. The Ministry, Waka Kotahi and the Treasury will need to be kept updated about any potential funding requests for additional funding, through either NLTF or the Crown.

*Future of Rail*

28. Decisions taken by Cabinet on the level of spend to achieve a "reliable and resilient" level of service will need to be reviewed if issues are found to be widespread and require a step change in investment.
29. Existing metro access arrangements were noted by Cabinet as being maintained within the new planning and funding framework outlined in the NZ Rail Plan, but this work could be used as an input to a future review of the Metro Rail Operating Model.

*Auckland Transport Alignment Project (ATAP)*

30. The benefits of future rail investment in the network, as signalled in ATAP, will not be fully realised if restrictions continue to be placed on the network as a result of RCF and other maintenance issues. Additional costs for the Auckland network may need to be factored into future ATAP considerations.

*Government Policy Statement on Land Transport (GPS)*

31. The GPS allocates funding ranges for public transport infrastructure and services, as well as the national rail network. If issues are found that will affect the quantum or the efficacy of investment signalled through the GPS, the level of funding required for the rail network or public transport services may need to be reconsidered.

**Participants, resources and reporting**

32. The Ministry will lead this work and will outsource the work to an appropriately skilled expert. We expect that the expert will review the terms of reference, objectives and scope of the review before beginning the work.
33. The Ministry will be responsible for ensuring progress reporting for the work into the Programme Control Group. The Programme Control Group has a responsibility to report through identified steering forums. The Programme Control Group will also keep Waka Kotahi and Treasury updated.

<i>Participant</i>	<i>Reason for involvement</i>
KiwiRail	Network owner + freight service operator
Auckland Transport	Public transport funder + train owner
Ministry of Transport	Significant national and Ministerial interest + Vote Transport responsibilities
Waka Kotahi	Rail safety regulator + co-investor of the metro rail network and services
Treasury	Shareholder representative of KiwiRail and responsibility for Crown funding

34. The Ministry intends to enable collective understanding of the issues that have led to the RCF issues. Where possible consensus will be sought on issues, but there is also recognition that there may be different views and different parties will reserve their rights to put those forward.

**Governance**

35. The work will be overseen by the Future of Rail Steering Group, which consists of all the named agencies above, Greater Wellington Regional Council, and two independent industry experts.
36. The Programme Control Group is responsible for reporting progress on the work into the Steering group at appropriate intervals.
37. The Steering Group will inform the Ministry's recommendations to the Minister of Transport and Minister of Finance.

UNCLASSIFIED

**Ministry of Transport**

TE MANATŪ WAKA

19 July 2021

OC210540

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

## **AUCKLAND TRANSPORT ALIGNMENT PROJECT 2021-31 (ATAP) AREAS TO RESOLVE**

### **Purpose**



There are a number of outstanding items to resolve from the ATAP 2021-31 Investment Programme approval by Cabinet in March 2021. This paper outlines these and provides guidance as to suggested next steps and decisions.

### **Key points**

- The endorsement of the 2021-31 Auckland Transport Alignment Project (ATAP) by Cabinet earlier this year supported further work on funding settings for Auckland to enable the programme to be fully funded.
- Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982
- In addition to work on the funding settings for Auckland, there are a range of other areas which require political discussion and/or direction. These include:
  - ATAP funding for the Auckland Housing Programme and delivery of the AHP within the 2021-31 decade
  - A reset of local project delivery in Drury resulting from the New Zealand Upgrade Programme re-basing decisions taken
  - A shortfall in Auckland Transport's operational funding to enable the delivery of the 2021-31 programme due to Auckland Council decisions
  - The recently announced NLTF funding for Auckland Transport's continuous programmes for the 2021-24 period that is less than what Auckland Transport believe they require

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- Consideration of increasing the allocation to the Local Road Maintenance Activity Class in the 2024 Government Policy Statement on Land Transport (GPS) to accommodate increased Auckland renewals requests
- Recent decisions by the Auckland Transport Board and Auckland Council to defer large scale public transport projects into the later years of the ATAP 2021-31 programme (e.g. the Eastern Busway)
- Correspondence from Mayor Goff seeking reconfirmation of the ATAP partnership and expectation of funding for ATAP of \$16.3 billion from the NLTF for 2021-31
- These issues require some attention as the Auckland Regional Land Transport Plan (RLTP) has now been approved by Auckland Council and the Auckland Transport Board and there is growing expectation that funding will flow to support delivery of the ATAP/RLTP.
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 Early indication is that due to pressures nationally on the NLTF, there will be significant challenges in co-funding the 2021-24 years of ATAP from the NLTF.

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## Recommendations

We recommend you:

- |   |  |          |
|---|--|----------|
| 1 | <b>note</b> the content of this report   | Yes / No |
| 2 | <b>agree</b> to discuss recommended actions with Ministry officials  | Yes / No |
| 3 | <b>refer</b> this briefing to Hon Grant Robertson Minister of Finance in his role as joint sponsor for ATAP. | Yes / No |



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Karen Lyons  
**Director Auckland**

....19. / ....7.. / ...21...

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
Lou Lennane, Auckland Strategic Programme Lead	[REDACTED]	✓
Karen Lyons, Director Auckland	[REDACTED]	

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## AUCKLAND TRANSPORT ALIGNMENT PROJECT 2021-31 (ATAP) AREAS TO RESOLVE

### Context

- 1 The ATAP 2021-31 Programme of Investment was approved by Cabinet in March 2021. As a result of the Cabinet approval and decisions made since Cabinet, there are several outstanding areas where actions are required and/or direction is sought
- 2 Since the approval of ATAP 2021-31, decisions have been made and communicated which interact with the ATAP programme. At a national level, these include Cabinet approval of a reprioritised New Zealand Upgrade Programme and announcement of funding from the 2021-24 NLTF by Waka Kotahi for continuous programme funding for Auckland Transport.

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- 3 At a local level, the 2021-31 Long Term Plan and the 2021-24 Auckland Regional Land Transport Plan (RLTP) have recently been approved by Auckland Council. Within the RLTP, Auckland Council have agreed to re-phasing of some large-scale public transport projects in particular deferment of the Eastern Busway.

### ATAP funding for the Auckland Housing Programme

- 4 The Auckland Housing programme was allocated \$401 million through ATAP 2021-31 which Cabinet approved in March 2021.

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- 5 The \$401m is comprised of \$200m from Auckland Council and \$200m as expected co-funding from the National Land Transport Fund (NLTF). The \$401m spend for the AHP has been scheduled in the last three years of the decade in the Auckland RLTP.
- 6 In the Auckland RLTP, the allocations for the three spatial priority areas (Drury, the Northwest and the AHP) have not been prioritised and will only be funded if funding settings change.
- 7 In working up the detail for ATAP, The Ministry of Housing and Urban Development and Kāinga Ora provided a list of AHP transport related projects for funding. The \$401m is a subset of the amount of funding required proposed by Kāinga Ora which was approximately

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In addition, Minister Woods has asked that the \$401m allocated through ATAP to the AHP be kept allowing for a greater number of AHP transport projects to be funded within the decade (2021-31).

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### **Rebasing of the New Zealand Upgrade Programme (NZUP) Impact on ATAP**

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The recently announced NZUP rebasing decisions have impacted on the ATAP and RLTP programme. Through the 2021-31 ATAP Programme of Investment, the NZUP funding was treated as 'committed' and therefore not available for ATAP re-prioritisation. The ATAP programme was structured to some extent on the assumption that the NZUP projects were funded and supporting projects would be needed.

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Decisions on the NZUP programme have an impact on the ATAP programme in Drury in terms of two roading projects – Mill Road and State Highway One Papakura to Drury South (P2DS) and the delivery of three rail stations rather than two.

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It is noted that as described in paragraph six above, funding is not available from the ATAP programme for Drury until funding settings are changed to allow access to the full \$16.3 billion from the NLTF for Auckland.

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Further work is required with Waka Kotahi and Auckland Transport to determine the best mix of local projects to support the rebased NZUP programme. The Cabinet agreed that the Minister of Housing would also be consulted during development of projects (CAB-21-MIN-0192).

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- 19 **Suggested action:** direct Ministry officials to work with Waka Kotahi, Auckland Transport and Ministry of Housing and Urban Development officials to determine the best possible programme for local transport projects for Drury based on three rail stations and re-costed Mill Road and P2DS projects.

#### Auckland Transport Operational Funding (OPEX)

- 20 The final 2021-31 Auckland Council Long Term Plan (LTP) budget provides for \$3.6 billion of operational (OPEX) funding from Auckland Council to Auckland Transport for the ten-year period. This is a reduction from the initial request Auckland Transport made to Auckland Council for \$3.8 billion.
- 21 The final OPEX budget includes \$100 million of funding for new public transport services, lower than the \$239 million proposed in the initial Auckland Transport submission.
- 22 The OPEX allocated (\$3.6 billion) provides for additional public transport services to support growth areas, mode shift, congestion, and climate change outcomes although not at the level originally proposed.
- 23 The other consequence of a lower operational funding allocation is that the maintenance budgets for new and existing assets will mean a slower pace of maintenance, not the level initially proposed which would have allowed for a 'ramp up' in the maintenance programme.

#### Insufficient Continuous Programme Funding

- 24 Auckland Transport have recently been advised by Waka Kotahi, the New Zealand Transport Agency that funding for the AT continuous programmes for the 2021-24 NLTF period is less than what AT requested. This funding sits across two sub-categories for Auckland Transport – Public Transport Operations (for existing services) and Maintenance, Operations and Renewals (MOR).

- 25 [REDACTED]
- Withheld under Section 9(2)(g)(i) of the Official Information Act 1982
- 26 The ATAP 2021-31 programme which informed the RLTP assumed 51 percent co-funding from the NLTF for the 2021-31 period of approximately \$1.1 billion.

- [REDACTED]
- Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982
- 27 The bid into the NLTF from Auckland Transport for the continuous programmes funding was based on Asset Management Plans (AMPs) which Waka Kotahi had approved in principle. On this basis, Auckland Transport formed the MOR component of their RLTP.

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- 28 [REDACTED]
- 29 [REDACTED]

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#### Local Road Maintenance Activity Class

- 30 In approving the ATAP 2021-31 programme of investment, Cabinet noted that the allocation to the Local Road Maintenance Activity Class of GPS 2024 would need to be increased in the context of broader trade-offs and affordability, in order to absorb the likely request ahead from Auckland Transport for renewals co-funding (CAB-21-MIN-0035).
- 31 GPS 2024 is now in discussion, with Ministry officials beginning to work on the new GPS. Given the reduction of funding for renewals for 2021-24 (as described above), the Auckland Transport renewals programme will be in deficit prior to any 2024 GPS allocation. Wider pressures on the NLTF are understood by Auckland Transport, however the funding affordability of the ATAP 2021-31 programme relies on Auckland Transport receiving 51 percent co-funding for all renewals over the full 2021-31 period.

32 [REDACTED]

33 [REDACTED]

- 34 **Suggested action:** Request advice from the Ministry, as GPS 2024 develops, on the ability of the Local Road Maintenance Activity Class to fully fund the Auckland renewals programme at 51 percent co-funding from the NLTF.

#### Deferral of Eastern Busway

- 35 The recent approval by Auckland Council of the 2021-31 Long-Term Plan and the 2021-24 Regional Land Transport Plan has seen the deferral of some large-scale transport projects into outer years of the 2021-31 decade. Examples of these are the Eastern Busway, northwest bus improvements, mid-town bus improvements, Airport to Botany stage two bus improvements, the cycling programme and the connected communities programme.

- 36 The reason these projects have been deferred is a new 2021-31 budget profile approved by Auckland Council. Previously, the Eastern Busway and other large-scale transport projects were scheduled for delivery in 2024/25/26 period based on an expectation by Auckland Transport of additional capital funding over these years. This funding has not been made available by Auckland Council until later years, which has resulted in deferral of the Eastern Busway. Other projects (e.g. the Northwest bus improvements) have been deferred more because of deliverability, not due to funding allocation.

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39 Auckland Transport developed their RLTP with built in funding assumptions. One of these was a 70 percent FAR for the Eastern Busway for years four onwards and the other is a 80 percent FAR rate for the purchase of the additional rolling stock required (EMUs) to support the City Rail Link operation integrate with the wider rail network.

40 Both of these assumptions now underpin the Auckland Council 2021-31 Long-Term Plan. This was not discussed or agreed either by the Ministry or through the ATAP development process. Higher funding assistance rates are part of the funding settings work agreed through ATAP.

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[REDACTED]

42 As a result of Auckland Council adjusting the Regional Fuel Tax programme, an additional \$79 million has been allocated to the Eastern Busway to enable acceleration of the project. This is at odds with the re-phasing of the RLTP discussed above which has resulted in delaying the later phases of the Eastern Busway project.

#### **Reconfirmation of the ATAP partnership and commitment of funding**

43 The Auckland Transport Alignment Project is included in GPS 2021-31 with an expected funding allocation of \$16.3 billion from the NLTF to co-fund the ATAP programme. The expectation in the GPS has been a cornerstone of the ATAP Partnership between Government and Auckland Council over recent years.

44 Auckland Council remains committed to its share of the co-funding for ATAP and transport remains the highest spend within the Auckland Council group budget.

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**Implications of potential wider reduction in NLTF funding for ATAP**

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The recent ATAP programme identified the need for work to be done on the funding settings that apply to Auckland.

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As previously advised, approximately \$800 million of the programme cannot be funded until funding settings change and the Mayor was made aware of this at the end of 2020 over a series of ATAP funding meetings with yourself.

[REDACTED]

The funding settings work is underway, jointly led by the Ministry and Waka Kotahi.

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