

4 February 2022

OC210997



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

NATIONAL ADAPTATION PLAN ACTIONS FOR CONSIDERATION

Purpose

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

Key points

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

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

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

Recommendations

We recommend you:

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



 Ewan Delany
Manager, Environment, Emissions & Adaptation
 1 / 2 / 22

 Hon Michael Wood
Minister of Transport
 / /

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

Comments

Contacts

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions & Adaptation	s 9(2)(a)	✓
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NATIONAL ADAPTATION PLAN ACTIONS FOR CONSIDERATION

Climate change poses risks to the transport system

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

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

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

An effective adaptation response requires a coordinated effort

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

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

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s 18(d)

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

9

s 18(d)

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

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

s 18(d)

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s 18(d)



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

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

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



28

Next steps for the NAP

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

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

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

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

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

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

**Urgency ratings*

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

***Consequence ratings*

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

s 18(d)

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Office of the Minister of Transport
Cabinet Economic Development Committee

Maintaining International Air Connectivity (MIAC) Exit Strategy

Proposal

- 1 The purpose of this paper is to seek agreement on the exit strategy for the Maintaining International Air Connectivity (MIAC) Scheme.

Relation to government priorities

- 2 This proposal supports the Government's economic response to COVID-19 through its efforts to cushion the financial blow to whānau and families, workers, businesses, and communities from the impacts of COVID-19, position New Zealand for recovery, and reset and rebuild our economy.

Executive Summary

- 3 Air connectivity is vital for trade and economic growth. The Government, through the MIAC scheme and the previous IAFC scheme, has successfully ensured that a minimum level of air connectivity has remained in place for New Zealand throughout the disruption caused by COVID-19. The MIAC has been an important and necessary intervention to enable imports and exports and general air connectivity to continue.
- 4 As we move towards the reopening of our border, Cabinet asked me to prepare an exit strategy for the MIAC to align to the passenger traveller scenarios prepared for the Border Executive Board (BEB) and the Reconnecting New Zealanders strategy [DEV-21-MIN-0186 refers]
- 5 For air connectivity to return on a solely market-provided basis, we need airlines operating to New Zealand and sufficient passenger travel demand. This demand is made possible by border openings and then driven by passenger willingness to travel to New Zealand. As passengers return, the need for the MIAC is expected to progressively reduce
- 6 The Reconnecting New Zealanders strategy has set out a timeframe for re-opening the border, but uncertainty about passenger demand remains due to self-isolation requirements. Overseas examples show these requirements can dampen travel demand by up to 95% while in place. Even once self-isolation has been removed, tourist recovery will take some time as tourists typically book 9 – 12 months ahead of travel. Additionally, passenger travel recovery is expected to differ significantly between key markets, based on passenger demand profiles and border decisions in other jurisdictions ^{s 6(a)}
- 7 The MIAC needs an exit strategy that secures the minimum level of air connectivity as passenger demand develops and changes in the coming months. A minimum level of connectivity is critical to ensure New Zealand businesses can get their goods to market, and the importing of medicines / health supplies and critical business parts can continue.

- 8 I recommend a conditions-based approach as the best way for exiting the MIAC scheme. This approach will enable MIAC support to be progressively withdrawn from airlines as passengers return under the Reconnecting New Zealanders strategy. It minimises the risk of airfreight capacity shortages, while being able to exit MIAC support early as passenger travel conditions improve.
- 9 This paper also provides an alternative option that withdraws support on a predetermined basis when current forecasts of passenger numbers indicate that it should be possible to do so. While this option has less fiscal risk and has less risk relating to market distortions and ^{s 6(a)} it creates a significant risk of airfreight capacity shortages.

Background

The MIAC is a key response to airfreight capacity shortages caused by COVID-19

- 10 In March 2021, Cabinet agreed to establish the Maintaining International Air Connectivity (MIAC) [DEV-21-MIN-0028 refers]. This scheme replaced the International Airfreight Capacity (IAFC) scheme established in March 2020 [CAB-20-MIN-0131 refers].
- 11 The key objectives of the MIAC scheme are, in order of priority:
- 11.1 Retain air connectivity with New Zealand's principal trading partners to ensure that we can access the imports we need, and that our exports can access overseas markets;
 - 11.2 Enable continued essential passenger movements;
 - 11.3 Retain important air connections to the Pacific;
 - 11.4 Retain air connections to key routes and hubs important for tourism recovery; and
 - 11.5 Maintain core capability, capacity and competitiveness within the New Zealand aviation sector to provide a platform for an efficient and competitive market when international air travel recovers.
- 12 Initial MIAC contracts with carriers started on 1 May 2021 following an open-market, competitive procurement process. In October 2021, these contracts were extended to 31 March 2022 [DEV-21-MIN-0186 refers]. At present, nine carriers are supported under MIAC flying to 23 international destinations. This equates to about 50% of New Zealand's international services.
- 13 The total cost of providing MIAC support was \$198m to 27 December 2021, with an estimated additional \$90m spent through to 31 March 2022 when the current MIAC contracts expire.
- 14 The MIAC scheme has delivered significant benefits for New Zealanders during its operation, including:

- 14.1 Support for ~3,500 total flights to and from key markets, carrying 84,000 tonnes of freight, worth an estimated total value of \$6.7b¹². Importing critical supplies for the New Zealand economy and health response, such as vaccines and more recently Rapid Antigen Tests.
- 14.2 ~105,000 people returned to New Zealand on IAFC / MIAC supported flights. This equates to about 48% of the total number of people to pass through MIQ.
- 14.3 The Ministry of Foreign Affairs and Trade (MFAT) notes there has been significant benefit received by our Pacific partners from the support of flights into Pacific destinations, including the ability to maintain key supply chain links and connection with New Zealand.

The MIAC scheme has successfully contributed to a minimum level of connectivity, which is considered an appropriate level to maintain throughout an exit process

- 15 Ministry of Transport (the Ministry) analysis shows that the current level of international flight services available for New Zealand is around 10-20% of pre-COVID-19 levels. This includes both flights supported by the MIAC scheme, which are approximately half of all international flight capacity, as well as commercial flights operated outside the scheme³.
- 16 New Zealand industries have been effective at adapting to the new air connectivity levels supported by MIAC. While operating with just 10-20% of pre-COVID flight volumes, New Zealand has still been able to achieve ~90% of pre-COVID airfreight volumes⁴ (albeit at significantly higher prices). This is largely attributed to significantly more effective use of space on aircraft, as well as the flights focusing on freight demand rather than passenger demand.
- 17 While the MIAC scheme has ensured a good minimum level of connectivity, this level is still significantly below the desired level of connectivity from a range of New Zealand sectors (including importers, exporters, and tourism).
- 18 I recommend that the current total level of capacity provided by the market and under the MIAC scheme (i.e. 10-20% of pre-COVID flight volumes) is used as the minimum level of connectivity for considering exit decisions. This level has enabled key imports to keep arriving, and has kept many of our exporters in business. Any reduction below this current level would result in further losses of air services and connectivity, threatening our export and import sectors significantly.

¹ Including the IAFC as well, support has enabled ~11,500 flights, carrying 221,000 tonnes of goods worth \$17.7b

² New Zealand exported 93,300 tonnes of airfreight in calendar year 2021 worth NZ\$4.972 billion. The primary sector accounts for 80% of the trade by volume and 40% by value. Airfreight export volumes were on par or higher than 2020 and pre-COVID levels – in part supported by MIAC.

³It is difficult to gauge how much capacity outside the MIAC scheme is being provided on a commercial basis and how much is being supported by connectivity or other airline support schemes operating in other jurisdictions.

⁴ s 6(a)

Connectivity is critically important for New Zealand, but must be balanced against other obligations

19 Providing a minimum level of connectivity is important for New Zealanders for a wide range of reasons, including:

19.1 Reduction in freight capacity shortages – this has a critical impact on many different parts of the New Zealand economy (and especially Māori business due to high investment in primary sector operations reliant on airfreight).

19.2 Positive impact on freight rates – without a sustainable minimum level of capacity the market would likely see a surge in freight rates.

19.3 Maintaining links for aviation and tourism sectors to recover – having maintained air connectivity, airlines are better positioned to quickly restart services as passenger travel recovers⁵.

19.4 Supporting New Zealand's interests and obligations in the Pacific by ensuring connectivity with our neighbours.

19.5 Supporting New Zealander's expectations that reasonably priced air travel is available for family reunifications and critical business purposes, as well as readily available later for the return of movement for wellbeing.

20 However, providing this minimum capacity through MIAC must be balanced against public sector obligations, including:

20.1 Fiscal cost and risk – there is a direct material financial cost to operating the MIAC scheme, which must be weighed against other public sector priorities.

20.2 s 6(a)

20.3 Market adaptation delays – by providing MIAC support and continuing with the minimum level of air connectivity, there is a risk of delaying New Zealand businesses' adjustment to what could be long-term or permanent change for some markets.

21 s 6(a), s 9(2)(h)

⁵ Tourism New Zealand notes that carriers lost from the New Zealand market can take at least five years to return, lowering the potential recovery speed significantly.

- 22 In September 2021, Cabinet requested the development of an exit strategy. Cabinet [DEV-21-MIN-0186 refers]:
- 22.1 **Noted** that the Border Executive Board has endorsed using the traveller scenarios for planning and funding purposes, and that these scenarios will be updated every six months, with the next update due before the end of 2021;
- 22.2 **Noted** that the Department of Prime Minister and Cabinet (DPMC) and the Treasury have begun work to outline a central projection and scenarios for the COVID-19 response and reconnection over the forecast period, in order to feed into relevant work across agencies related to traveller movements across New Zealand's border; and
- 22.3 **Invited** the Minister of Transport to report back to Cabinet in February 2022 with a strategy for exiting the MIAC scheme, incorporating the Reconnecting New Zealanders approach and forecast traveller scenarios (outlined above).

Key considerations

The airfreight market for New Zealand is at risk

- 23 It is unlikely the New Zealand airfreight market can sustain itself at a level that meets New Zealand's minimum air connectivity needs without government support.
- 24 The airfreight market is particularly challenging for New Zealand. There is a high demand for aircrafts to fly to other countries with opened borders, as well as a lack of staff due to self-isolation requirements.
- 25 United Airlines, American Airways, and Air Canada have exited New Zealand routes entirely, with Cathay Pacific recently suspending New Zealand operations for three months, and Emirates operating reduced services. ^{s 9(2)(b)(ii)}
- 26 While the Reconnecting New Zealanders strategy provides clarity around the reopening of the border, the international flight service market in New Zealand remains at risk. Airlines have noted difficulty undertaking long term planning, particularly when self-isolation requirements for arriving passengers are in place.

Passenger recovery is critical for maintaining and improving airfreight connectivity

- 27 The exit strategy for MIAC needs to take into account the recovery of passenger travel to New Zealand. There are a very low number of non-passenger freighters used to carry airfreight commercially to the New Zealand market. These types of aircrafts are in short supply globally and are costly to convert. Most routes would not be able to sustainably operate on a freight-only basis and some passenger revenue is required.

Scenarios for passenger recovery are being prepared but there are none reflecting the most recent Reconnecting New Zealanders announcements

- 28 Cabinet directed the MIAC exit strategy to align with the passenger traveller scenarios prepared for the BEB. The intent of these scenarios is to provide a cross-government agreed set of scenarios for use in planning by agencies.

- 29 The current scenarios were approved by the BEB in December 2021, which was prior to the delay in step 1 and 2 of the Reconnecting New Zealanders strategy due to the impacts of the Omicron variant. A new set of scenarios is being prepared to take into account the new reopening dates announced on 3 February 2022. This new set of scenarios is expected to be completed in mid-March 2022, and could not be considered when developing the MIAC exit strategy at this point in time.
- 30 Estimating passenger numbers is further hampered by uncertainty resulting from the unknown impact that ongoing self-isolation requirements will have on passenger demand. Some airlines estimate self-isolation requirements could cut demand by as much as 90-95%. The initial view from the scenario development team is that the new scenarios are expected to have passenger travel returning significantly later than the current scenarios suggest.

Passenger recovery will differ across markets

- 31 An additional complexity is that passenger recovery will differ significantly across markets, based on a range of factors:
- 31.1 Passenger reasons for travel / domestic isolation requirements – both Tourism New Zealand and airlines have indicated the requirement to self-isolate on arrival in New Zealand will be a significant determinant on overseas consumers' decisions to travel to New Zealand. This will differ by markets.
 - 31.2 Foreign and domestic border settings – while forecast scenarios can account for the New Zealand domestic border setting options, foreign governments may change their own settings independently to New Zealand. This can be seen in the different approaches taken by countries such as Australia, Japan, and China to reopening their borders.
 - 31.3 Seasonality – passenger travel from some markets to New Zealand often has a seasonal lull through the New Zealand winter (particularly Asian and European markets), though seasonality is not as strong in other markets such as Australia and the Pacific.
 - 31.4 Public health response – there may need to be changes in border settings and / or stricter requirements on travellers from time to time as part of the response to Omicron or new variants.
- 32 As a result of the likely market-by-market differences in passenger recovery, decision-making regarding the MIAC is best done at the individual market level – rather than making a single decision about all markets.

MIAC arrangements already have exit controls in place

- 33 s 9(2)(b)(ii) [Redacted]
- 33.1 s 9(2)(b)(ii) [Redacted]
- 33.2 s 9(2)(b)(ii) [Redacted]

s 9(2)(b)(ii)

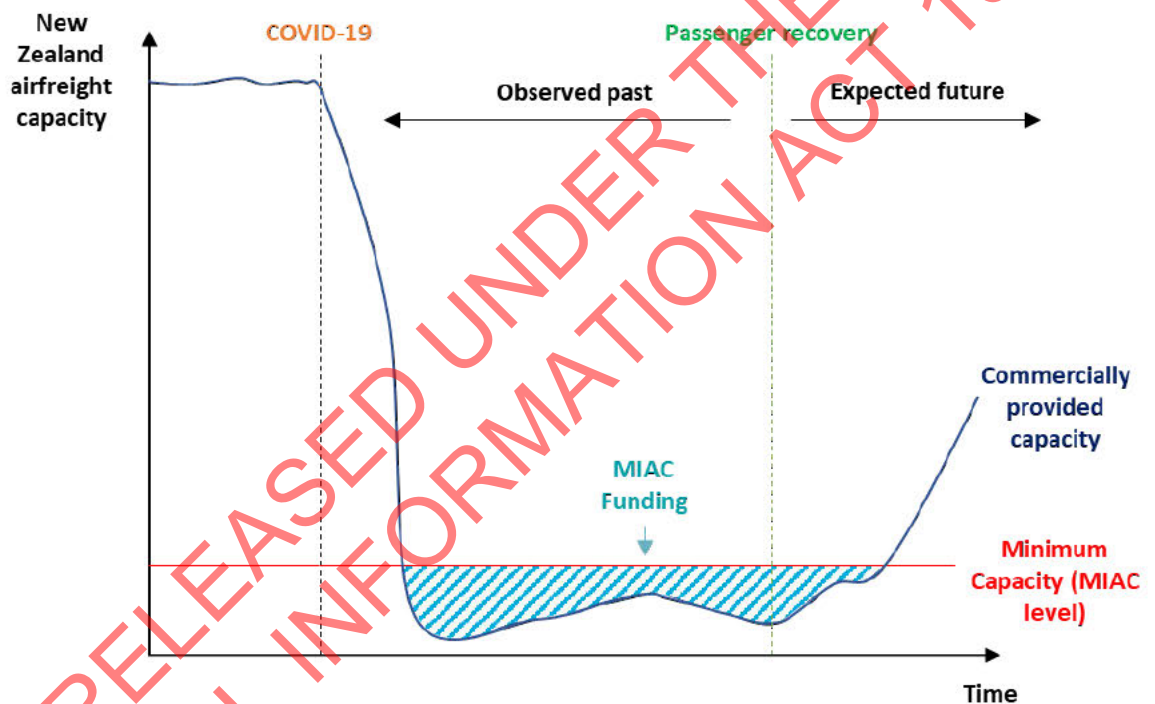
34

s 9(2)(b)(ii)

Fundamentally, the MIAC provides protection against the negative impacts of a lack in air connectivity

35 The below diagram⁶ illustrates at a conceptual level how the MIAC functions within the New Zealand airfreight market.

Passenger recovery concept



36 The MIAC supports a critical minimum capacity for the airfreight market, in the absence of commercially provided capacity available. As commercial capacity is provided, the amount of support required under the MIAC is decreased. At a certain point in time, the commercial capacity will be sufficient to provide the minimum level of connectivity, at which point the MIAC support is reduced to zero and no longer required.

37 The key consideration for the exit strategy of the MIAC is the uncertainty as to exactly when commercially provided capacity will exceed the minimum capacity on each route. Withdrawing support prior to that point risks a capacity shortfall for that route, however the on-going provision of support must be balanced against the downsides of the MIAC as noted in paragraph 20.

⁶ The diagram outlined uses a conceptual trend line rather than actual passenger numbers or forecasts.

A conditions-focused exit will best support the rebuild of air connectivity

38 I am proposing a conditions-focussed exit from the MIAC scheme. This is the best way to support the rebuild of air connectivity until sufficient passengers return and airlines can operate on a purely commercial basis.

39 The combination of using the scheme's existing mechanisms and putting in place a 'back-stop' date will mean MIAC support is not ended until sufficient flights are operating on a commercial basis. This will ensure there is no risk of an airfreight capacity gap arising prior to the 'back-stop' date.

Mechanisms in the scheme can be used to reduce or remove support on a route-by-route basis

40 This approach involves using the current mechanisms in the MIAC contracts to reduce support and then exit on a route-by-route basis when the growth in passenger numbers on a route means support is no longer needed to maintain airfreight capacity.

41 These mechanisms are:

41.1 s 9(2)(b)(ii) [Redacted]

41.2 s 9(2)(b)(ii) [Redacted]

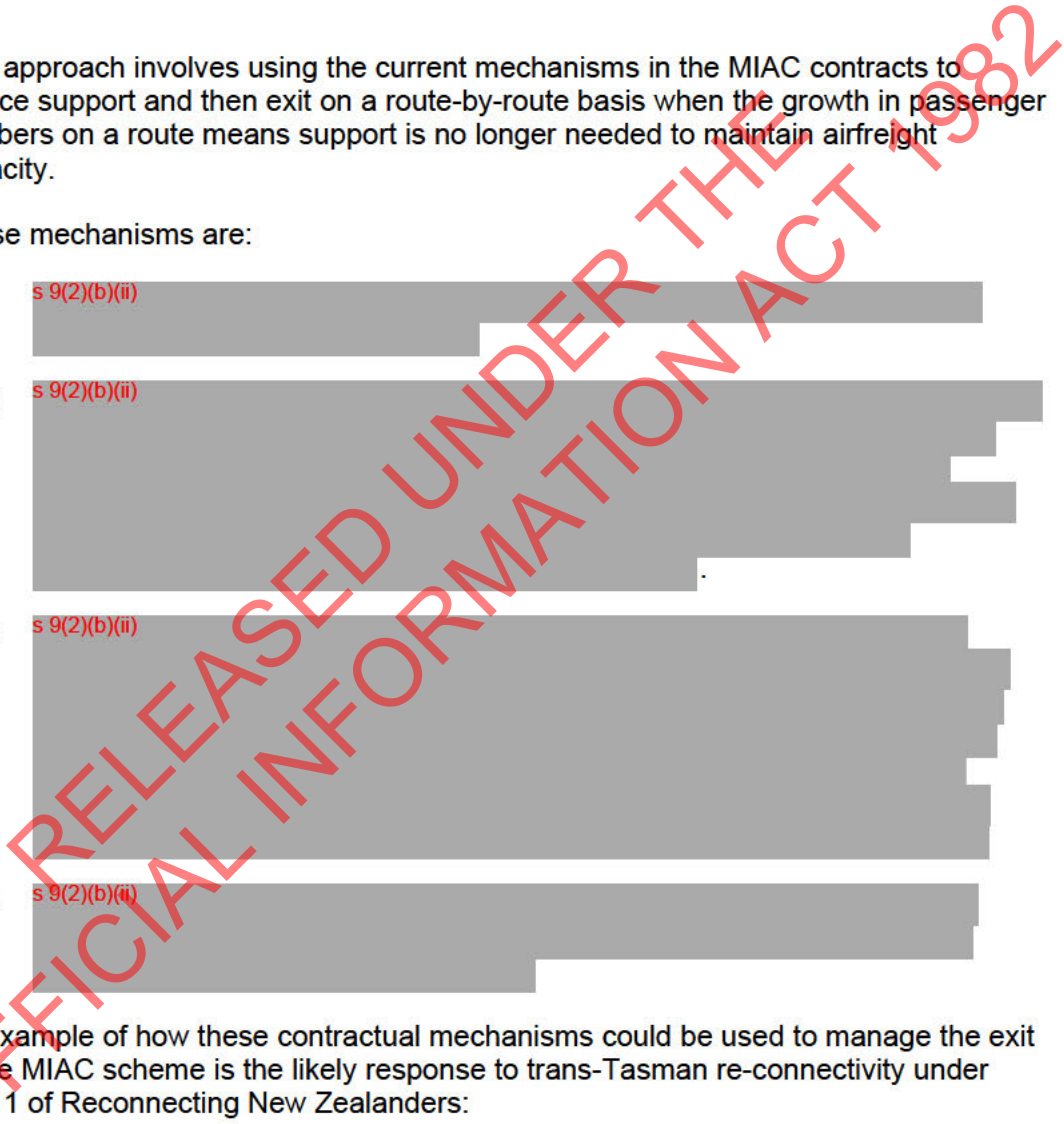
41.3 s 9(2)(b)(ii) [Redacted]

41.4 s 9(2)(b)(ii) [Redacted]

42 An example of how these contractual mechanisms could be used to manage the exit of the MIAC scheme is the likely response to trans-Tasman re-connectivity under step 1 of Reconnecting New Zealanders:

42.1 s 9(2)(b)(ii) [Redacted] Existing contractual mechanisms means no support will be provided for those flights.

7 s 9(2)(b)(ii) [Redacted]



42.2 If reasonable passenger numbers are sustained, the Ministry will consider activating its rights to suspend or terminate these contracts.

A 'back-stop' date will ensure support is not extended indefinitely

- 43 I recognise that support for the MIAC can not be extended indefinitely while passenger travel conditions recover. Therefore, a 'back-stop' date is required. I propose 12 months from the expiry of the current MIAC contracts – i.e. 31 March 2023.
- 44 The Ministry has calculated end dates for each market based on passenger volumes reaching 20% of pre-COVID-19 levels. In general, each market reaches a 12-month cap before the 20% level in the pessimistic scenario.
- 45 There is some residual risk passenger recovery has not been sufficient at the contractual end date, resulting in a capacity gap. However, under the pessimistic scenario, markets that have been constrained by the 'back-stop' dates are each expected to be above 10% of pre-COVID passenger levels at March 2023.
- 46 The combination of using the existing mechanisms and a 'back-stop' date will mean MIAC support is not ended until sufficient flights are operating on a commercial basis or, in the case the 'back-stop' date is reached, clear structural factors remain which mean on-going support for that market is no longer warranted. This will ensure there is limited risk of an airfreight capacity gap arising prior to the 'back-stop' date.

The benefit of a conditions-focussed approach is improved security of airfreight connections over the next year

- 47 A conditions-focussed exit:
- 47.1 Presents a stronger link to the return of passenger numbers, by waiting to remove support until such time as the market delivers passenger movements that enable sector participants to consistently break-even.
- 47.2 Mitigates the risk of capacity shortfalls or further shocks that might occur under the alternative option if the moderate scenario does not occur and comes at the potential cost of up to an additional \$165.4m over the alternative option.
- 48 However, a conditions-focussed approach does increase the risk of market distortions. This is because market participants may not adapt business models (e.g. by adjusting freight rates) to reflect the revised economic conditions (the "new normal"), knowing that support is in the background. It could also adversely affect confidence of market participants, as it may indicate a lack of confidence in New Zealand's border opening approach. ^{s 9(2)(g)(i)}

- 49 ^{s 6(a)}

50 The Ministry for Primary Industries (MPI), Ministry for Business, Innovation and Employment Tourism branch (MBIE), and New Zealand Trade and Enterprise (NZTE) support a conditions-focused exit.

51 s 9(2)(g)(i)

A date-based exit is not recommended

52 I also considered an alternative approach of a date-based exit that involves pre-determined exit dates for each route based on the moderate scenario prepared for the BEB in December 2021. Under this approach, each market has their MIAC contract extended until the date that market is expected to reach approximately 20% of the pre-COVID baseline of passenger numbers according to the moderate passenger travel scenario.

A date-based exit relies heavily on the accuracy of scenarios

53 s 9(2)(g)(i)

54 The Ministry has calculated end dates for each market based on passenger volumes reaching 20% of pre-COVID-19 levels. These dates are provided in **Appendix 1**.

55 There is a high risk to connectivity as this approach relies on the scenarios being accurate across each individual market. This risk is increased by reliance on the mid-December scenario, because the revised scenario is expected to indicate slower passenger return. It is possible, but complex, to build this scenario off the future, updated forecast instead. Where the scenarios are not accurate and passenger returns are below expectations, there would be expected to be a capacity gap at the end date if the shortfall is below the minimum necessary range of 10 - 20% of pre-COVID passenger numbers.

56 The extent of a potential capacity gap could be quite significant. For example, if the actual passenger returns follow the pessimistic track as opposed to the moderate, there is an expected shortage of ~12% of pre-COVID baseline (i.e. passenger numbers are at 8% of baseline instead of 20%, which equates to over 50% less than expected) at the end date for the trans-Tasman routes. For other markets, the capacity gap is even greater – at the exit date, the pessimistic scenario predicts only around 6% of pre-COVID levels.

57 s 6(a)

58 The Treasury considers that the date-based option provides a reasonable balance by mitigating the risk of capacity shortfalls while New Zealand progressively opens up its borders, while at the same time reinforcing the Reconnecting New Zealanders approach. Subject to certainty around future self-isolation requirements, this option

would also support greater confidence for market participants to plan longer-term. This mitigates the risk of entrenching market distortions by providing a clear exit strategy and reduces fiscal risk to the Crown.

59 However, the Treasury acknowledges this option carries a risk of capacity shortfalls if the moderate passenger scenario does not play out. This risk is somewhat mitigated as the date-based exit is based on anticipated 20 per cent of baseline passengers, and minimum viable capacity has been articulated as around 10 to 20 per cent, suggesting there is some room for capacity movements even under this option. Finally, the Treasury is unclear that the marginal benefit of extending the MIAC to March 2023 outweighs the potential marginal cost over this option of up to \$165.4m.

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

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s 9(2)(b)(ii)

Immediate exit

65 I also considered an immediate exit to the MIAC scheme, but ruled it out as a viable option as the impacts on airfreight connectivity would be too severe to justify the fiscal savings.

66 No agency supported an immediate exit.

Financial Implications

67 Additional funding is required to be approved by Cabinet to give effect to the implementation of the conditions-focussed exit.

68 The expected spend under the conditions-focussed exit is \$83.8m. A key factor is the progressive drop-off in support payable as passenger travel returns and has been calculated by reference to the moderate scenario prepared for the BEB in December 2021. The actual cost of support may be higher or lower if passenger travel returns faster or slower than contemplated in the scenario; the timing of removal of self-isolation will have a significant influence.

69

s 9(2)(b)(ii)

70 The funding requirement (non-departmental) is as follows:

70.1 FY21/22: \$95.6m

70.2 FY22/23: \$287.9m Refer to note in recommendation 13.1

70.3 Total: \$383.5m

Legislative Implications

71 There are no legislative implications.

Regulatory Impact Statement

72 No Regulatory Impact Statement is required as this proposal does not introduce or change any legislation.

Climate Implications of Policy Assessment

73 A Climate Implications of Policy Assessment (CIPA) has not been prepared for this paper. The proposal recommends providing financial support for fossil fuel intensive international air transport, which creates greenhouse gas emissions. Even with this support it should be recognised that the total number of flights per week operating to and from New Zealand would still be less than a quarter of the number of flights operating prior to COVID-19. This represents a sizable reduction in the emissions attributable to New Zealand's international air services.

74 It is also worth noting that air freight is being carried significantly more efficiently now than it was pre-COVID. Around 90% of pre-COVID export volumes are being carried on around 25% of the flights. Flights supported by government charge freight rates which are higher than pre-COVID rates, which will encourage those traders who are able to do so consider other, less emission-intensive models for transporting their products to market. Additionally, over the last 18 months, airlines have largely retired their older, less efficient aircraft meaning that emissions from flights to and from New Zealand should be, on average, lower than pre-COVID.

Population Implications

75 Changes to New Zealand's international air connectivity could affect Māori, and rural and coastal communities in particular. 80% of New Zealand's air freight exports (by volume) are primary sector products. A number of iwi have their largest investments in primary industries and tourism, so have been particularly exposed to the collapse in air services caused by COVID-19. The purpose driven business model of many Māori enterprises that includes financial performance and whanau wellbeing means that air service disruption could have wide ranging knock-on effects for the Māori community.

76 Rural and coastal communities, and some regions, could be affected because the local economies in those areas are concentrated on the production of goods and services for export by air e.g. fishing communities, or horticulture in the Auckland region, and international tourism in parts of Otago and the West Coast. Constraints

on the ability to export products in the immediate-term, or for recovery in the medium-term could reduce incomes and lead to job losses in those areas.

Human Rights

77 There are no implications for human rights.

Consultation

78 The following agencies were consulted in the process leading up to the development of this paper: Treasury, Ministry of Foreign Affairs and Trade, Ministry for Primary Industries, Ministry for Business, Innovation and Employment, New Zealand Trade and Enterprise. Department of Prime Minister and Cabinet was consulted.

Communications

79 I will make a public announcement on the exit strategy of the MIAC scheme following Cabinet's decision. I recommend this announcement be made as soon as possible following Cabinet's decision.

80 The Ministry will communicate the details of implementation to the affected airlines, and work with other agencies including MFAT, MPI and NZTE to ensure that affected industry groups are aware that support for air services will continue to be available. I recommend the Ministry can communicate these details to airlines immediately following Cabinet's decision (subject to any airline announcements being embargoed until a formal announcement is made).

Proactive Release


81 Not proposed due to the discussion of matters which are commercially sensitive, and sensitive to New Zealand's international relations.

Recommendations

The Minister of Transport recommends that the Committee:

- 1 **Note** that the MIAC scheme has been in operation since 1 May 2021, and is set to expire on 31 March 2022 and has contributed to a minimum level of air connectivity for New Zealand, which is around 10-20% of pre-COVID flight volumes;
- 2 **Note** that the recovery of airfreight connectivity for New Zealand is reliant on the return of passenger travel, and the Border Executive Board scenarios from December 2021 outline a return to 20% of pre-COVID flight volumes around June 2022 under a moderate scenario and around January 2023 under a pessimistic scenario;
- 3 **Note** that the approved passenger traveller scenarios are set to be updated in mid-March 2022 to reflect latest developments in the implementation of the Reconnecting New Zealanders strategy;
- 4 **Note** that a key assumption affecting the return of passengers is the timing of removal of the self-isolation requirements;

5 s 6(a), s 9(2)
(h)



[REDACTED]

6 **Note** the Treasury view that my preferred approach of extending the existing MIAC contracts to March 2023 removes support when passenger numbers return to a point where airlines break even, but risks embedding market distortions by providing a safety net against future shocks (and potentially shocks that are not COVID-related), and could cost up to \$177 million more than a date-based option that aligns with the existing moderate scenario for passenger returns;

7 **Note** that my preferred approach of the conditions-based exit significantly reduces the risk of damaging capacity shortfalls in air capacity by providing a strong link to the return of passenger numbers. Where conditions improve this option carries the same total fiscal cost as the alternative suggested.

8 **Agree to EITHER:**

8.1 my preferred approach of a conditions-focussed exit as the approach to the exit of the MIAC scheme, extending current MIAC contracts for all markets to 31 March 2023 but with contracts being actively managed to end support as passengers return. **(Recommended)**

OR

8.2 the alternative option of a date-based exit as the approach to the exit of the MIAC scheme, extending current MAC contracts to the dates set out in Appendix 1 when the current passenger forecasts indicate that passenger numbers will be sufficient. **(Not recommended)**

9 s 9(2)(g)(i)

[REDACTED]

10 **Authorise** the Ministry of Transport to enter into contracts with airline providers to reflect the new contract end dates considered in recommendation 8 above.

11 **Agree** that the Minister of Transport will work with the Minister for Trade and Export Growth to agree the terms of public announcements of any extension so as to seek to minimise as far as possible the s 6(a)

12 **Agree** to extend the Maintaining International Air Services MYA from 30 June 2022 to 30 June 2023 to support the decision in recommendation 7 above.

13 **Approve EITHER**

13.1 if you agree to recommendation 8.1 above (conditions-focussed exit – recommended) the following changes to appropriations to provide for the decision in recommendation 8 above, with corresponding impacts on the operating balance:

	\$m – increase/(decrease)				
Vote Transport Minister of Transport	2021/22	2022/23	2023/24	2024/25	2025/26
Non-departmental Other Expenses: Maintaining international air services MYA	95.600	287.900	-	-	-
Departmental Output Expense: Transport – Policy advice, ministerial servicing, governance, and other functions (funded by revenue Crown)	0.250	0.850	-	-	-

The funding allocation was subsequently varied at Cabinet on 7 March 2022 to \$250m.

OR

- 13.2 if you agree to recommendation 8.2 above (date-based exit – not recommended) the following changes to appropriations to provide for the decision in recommendation 8 above, with corresponding impacts on the operating balance:

s 9(2)(b)(ii)



- 14 **Agree** that the expenses incurred under recommendations 8 above be charged as a pre-commitment against the Budget 2022 operating allowance;
- 15 **Agree** that the proposed changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 16 **Note** that the appropriation changes above are associated with a Budget 2022 bid, which will be withdrawn if the recommendations above are agreed.

Authorised for lodgement

Hon Michael Wood

Minister of Transport

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Appendix 1

Date-based exit – contract extensions by market:

- Trans-Tasman: 31 August 2022
- North America: 31 August 2022
- Asia: 30 November 2022
- Middle East: 30 September 2022
- Pacific: 31 March 2023

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16 February 2022

OC210984

Hon Michael Wood
Minister of Transport

Action required by:
Thursday, 24 February 2022

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

Purpose

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

Key points

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

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

Recommendations

We recommend you:

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



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

Hon Minister Wood
Minister of Transport
 /

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

Comments

Contacts

Name	Telephone	First contact
Marshida Kolthoff, Policy Advisor, Resilience & Security	s 9(2)(a)	✓
Nick Paterson, Acting Manager, Resilience & Security		

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

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

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

Protected areas protect cables and pipelines from being damaged

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

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

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

Legislative authority

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

The purpose behind protecting these three outfall pipelines

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

Deterrence versus risk

The benefits of risk deterrence for outfall pipelines

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

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

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

Exemptions for the pipeline protected area

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

There are several risks and impacts if these pipelines are damaged

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

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

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

The community and commercial impact of declaring a protected area

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

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

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

Consultation requirements

The operators have already conducted consultation with key partners and stakeholders

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

Iwi have indicated some concern relating to the proposed protected areas

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

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

² www.sayitnapier.nz

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

Next Steps

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

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

Appendix 1: Draft Consultation Letter

date

Dear

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

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

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

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

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

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

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

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

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

Yours sincerely

Appendix 2: Stakeholder contact list

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

18 February 2022

OC220076

Hon Michael Wood
Minister of Transport

MEETING WITH MARITIME NEW ZEALAND CHAIR AND CHIEF EXECUTIVE - 21 FEBRUARY 2022

Snapshot

You are meeting with Maritime New Zealand's (MNZ) Chair and Chief Executive on 21 February 2022. To support you in your meeting, the Ministry of Transport (the Ministry) has provided comments, and suggested speaking points, on each of the agenda items that MNZ would like to discuss.


Time and date	3:00pm, 21 February 2022
Venue	Zoom
Attendees	Jo Brosnahan, Chair, Maritime New Zealand Kirstie Hewlett, Chief Executive and Director, Maritime New Zealand
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance and Governance Chris Jones, Acting Manager, Governance Jasmine Davis, Senior Adviser, Governance
Agenda	<ol style="list-style-type: none"> 1. MNZ Chair update 2. Te Korowai o Kaitiakitanga 3. Funding review 4. Recreational craft safety 5. Board appointments (Chair/Ministry officials only)

Contacts

Name	Telephone	First contact
Chris Jones, Acting Manager, Governance	s 9(2)(a)	✓
Jasmine Davis, Senior Adviser, Governance	s 9(2)(a)	

MEETING WITH MARITIME NEW ZEALAND CHAIR AND CHIEF EXECUTIVE - 21 FEBRUARY 2022

Key points

- You are meeting with Jo Brosnahan (Chair) and Kirstie Hewlett (Chief Executive and Director) of Maritime New Zealand (MNZ) on 21 February 2022.
- At your last meeting on 30 November 2021, MNZ discussed:
 - its Board strategy day
 - funding pressures
 - COVID-19 response and recovery work
 - the Pacific Maritime Safety Programme.
- MNZ has advised that phase one of Te Korowai o Kaitiakitanga is nearly complete. This phase focused on MNZ's front-line regulatory functions. MNZ advises that the next phase will turn the outputs into a regulatory strategy and four-year prioritised work programme. The Ministry will meet with MNZ in March to talk through phase one findings.
- MNZ would like to discuss its early thinking on the funding review. MNZ is recommending that any adjustment to funding settings is implemented by July 2024. An anticipated implementation date for any new fees, levies or changes has not yet been established.
- There was an increase in the number of drownings in New Zealand waters over the summer period. MNZ plays a lead role in recreational craft safety and is working on a range of harm prevention initiatives focused on reducing the number of fatalities and serious injuries resulting from recreational craft activity. MNZ advises that work is underway with the boating sector to review and consolidate the existing sector strategy, which is expected to be finalised prior to Summer 2022/23.
- s 9(2)(a), s 9(2)(f)(iv) and s9(2)(g)(i)


OFFICIAL INFORMATION ACT 1982

Item One: MNZ Chair update

- 1 The Ministry understands that the Chair would like to provide an update on MNZ's key risks and issues. The Ministry does not have any specific advice on this update but offers the following questions for your consideration.

Suggested talking points:

- You may wish to ask the Chair about the Board's views on MNZ's current Phase 2 COVID-19 arrangements and how the organisation is adjusting/ coping overall.
- You may like to ask about the Board's most significant concerns – short-term and long-term.

Item Two: Te Korowai o Kaitiakitanga

- 2 MNZ launched Te Korowai o Kaitiakitanga (Te Ko owai) in quarter one of 2021/22. This work programme focuses on improving regulatory front-line performance, by identifying gaps and opportunities in relation to capacity, capability, processes, systems, culture and practice.
- 3 MNZ has advised that phase one of Te Korowai is nearly complete. This phase focused on MNZ's frontline regulatory functions and considered what 'good' looks like in delivering these functions. The inputs into this exercise included:
 - staff workshops
 - working through papers prepared on current issues
 - workshops and engagement with other regulators
 - stakeholder feedback
 - inputs from MartinJenkins
 - a Board strategy session.
- 4 MNZ advises that the next phase involves turning the outputs from the exercise above into a regulatory strategy and four-year prioritised programme. s 9(2)(f)(iv)
- 5 The Ministry will meet with MNZ in March to talk through phase one findings and will keep you updated on the programme's progress.

Suggested talking points:

- You may wish to ask the Chair about the key risks, issues and insights that have been identified by Te Korowai so far.

- s 9(2)(f)(iv)

Item Three: Funding review

6 In your last meeting with MNZ on 30 November 2021, you communicated an expectation that, regardless of current levels of uncertainty, MNZ commence its funding review. MNZ's 2022/23 letter of expectations asked for this review to commence as soon as practicable, and by March 2022 at the latest.

7

s 9(2)(f)(iv)

[Redacted text]

Suggested talking points:

- You may wish to reiterate your expectation around the timely commencement of the funding review and encourage MNZ to share draft terms of reference by the end of March 2022 (if practical) with Ministry officials.

s 9(2)(f)(iv)

- [Redacted text]

Item Four: Recreational craft safety

8 There was an increase in the number of drownings in New Zealand waters over the summer period. MNZ advises that common drowning themes include:

- people not understanding the weather conditions
- lifejackets available but not working
- lifejackets used incorrectly
- bar crossings

9 MNZ plays a lead role in recreational craft safety and advises that it is working on a range of harm prevention initiatives focused on reducing the number of fatalities and serious injuries resulting from recreational craft activity. There has been a significant increase in the number of recreational crafts in New Zealand due to COVID-19; and this has coincided with an increase in inexperienced users.

10 MNZ has a number of key harm prevention initiatives designed to reduce the number of fatalities and serious injuries resulting from recreational craft activity, including:

- leading work around possible changes to lifejacket rules
- research and analysis programme
- communication and behaviour change campaigns
- compliance and enforcement (including investigation and on-water approaches)
- grants to partner organisations and Councils to support community-based initiatives
- Safer Boating week.

- 11 MNZ has work underway with the boating sector to review and consolidate the existing sector strategy, which is expected to be finalised prior to summer 2022/23.

Suggested talking points:

- You may wish to ask the Chair to expand on the measures taken by MNZ in response to the increase in fatalities over the summer period.
- You may also like to ask the Chair about the Board's view on the effectiveness of the initiatives underway and whether any other areas for improvement have been identified.

Item Five: Board appointments (MNZ Chair only)

s 9(2)(a), s 9(2)(f)(iv) and s9(2)(g)(i)

Suggested talking points:

- You may wish to acknowledge the Chair's concerns and note that there are a large number of board appointments currently being considered.
- You may like to seek the Chair's view on any specific skills or competencies that the Board requires.

Appendix 1: MARITIME NZ – FUNDING REVIEW

s 9(2)(f)(iv)

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17 February 2022

OC220065

Hon Michael Wood
Minister of Transport

MEETING WITH THE TRANSPORT ACCIDENT INVESTIGATION COMMISSION'S CHIEF COMMISSIONER AND CHIEF EXECUTIVE – 21 FEBRUARY 2022

Snapshot

You are meeting with the Transport Accident Investigation Commission's (TAIC or the Commission) Chief Commissioner and Chief Executive on 21 February 2022. To support you in your meeting, the Ministry of Transport (the Ministry) has provided discussion items and talking points for your consideration.

TAIC would also like to discuss its business continuity planning, given the outbreak of the Omicron variant within New Zealand.

Time and date	5:30pm – 6:00pm, 21 February 2022
Venue	Zoom
Attendees	Jane Meares, Chief Commissioner, TAIC Martin Sawyers, Chief Executive, TAIC Harald Hendel, Chief Investigator of Accidents, TAIC
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance and Governance Chris Jones, Acting Manager, Governance Jono Reid, Principal Adviser, Governance Megan Moffet, Manager, Regulatory Policy Amber McGovern-Wilson, Principal Adviser, Regulatory Policy
Agenda	<ol style="list-style-type: none">1. Recommendations' reporting2. Response to your request for information regarding inquiry quality3. Operational updates, including recent investigations4. Business continuity during Omicron (TAIC Item)

s 9(2)(a)

Contacts

Name	Telephone	First contact
Allan Prangnell, Deputy Chief Executive, System Performance and Governance	s 9(2)(a)	
Chris Jones, Acting Manager, Governance	s 9(2)(a)	✓
Jono Reid, Principal Adviser, Governance	s 9(2)(a)	

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MEETING WITH THE TRANSPORT ACCIDENT INVESTIGATION COMMISSION'S CHIEF COMMISSIONER AND CHIEF EXECUTIVE - 21 FEBRUARY 2022

Key points

- You are meeting with Jane Meares (Chief Commissioner), Martin Sawyers (Chief Executive) and Harald Hendel (Chief Investigator of Accidents) from TAIC on 21 February 2022. Your last scheduled meeting with TAIC's Chief Commissioner and Chief Executive was on 5 October 2021.

Item One: Recommendations' reporting

The Ministry is working with TAIC to consider a response to legal advice concerning how inquiry recommendations are categorised and reported

- As noted in your last meeting with the Commission, the Ministry and TAIC are exploring changes to how TAIC's recommendations are categorised and reported.

s 9(2)(h)

[Redacted text]

- s 9(2)(f)(iv), s 9(2)(h)
 -
 -
- [Large redacted area]

¹ <https://www.taic.org.nz/watchlist>

Suggested talking points:

- You may wish to ask about the costs and benefits of TAIC’s proposed changes to recommendations’ reporting.

s 9(2)(f)(iv)

Item Two: Response to your request regarding inquiry quality

- 5 At your meeting on 13 July 2021, you asked the Ministry to seek further assurances from the TAIC Board regarding the mechanisms it employs to ensure that inquiries are conducted to a high standard. This followed criticisms levelled at TAIC about inquiry quality on Radio New Zealand.²
- 6 The Ministry received a response from the Chief Commissioner on 11 November 2021, which detailed the processes that Commissioners follow in conducting an inquiry, their international reach, and work with international peers. A copy of this letter is attached at **Appendix One** for your reference.
- 7 The Chief Commissioner also enclosed a copy of the Commission’s Inquiry Protocols, which outlines the legal frameworks the Commission operates under and the different considerations or procedures that are relevant at each stage of an inquiry.
- 8 The Ministry considers that the information provided by the Chief Commissioner provides enough detail to sufficiently answer the overall question you raised around inquiry quality. s 9(2)(ba)(f)
- 9 It is important to note that TAIC has statutory independence from the Government in the conduct of its inquiries. Commissioners, however, do have public and political accountabilities to you for their conduct and decision making.

² <https://www.rnz.co.nz/news/national/446773/taic-invisible-in-maritime-safety-industry-says> and <https://www.rnz.co.nz/news/national/441644/taic-investigation-team-loses-13-of-17-staff-in-5-years>

Item Three: Operational updates since your last meeting

TAIC has opened two aviation, two maritime, and one rail inquiry, and is also assisting with two new overseas aviation investigations...

- 10 Since your last meeting, TAIC has opened inquiries into the causes and circumstances of the following domestic accidents or incidents:
 - 10.1 **a rough landing of a hot air balloon near Ashburton on 1 January 2022:** the pilot was ejected from the basket during the landing, becoming caught on a rope and then dragged across a farm paddock before the balloon came to rest. The pilot was seriously injured during the accident.
 - 10.2 **an inflight breakup of a Robinson R-22 helicopter near Karamea on 2 January 2022:** this accident occurred as the helicopter was approaching to land. The pilot was the only person on board and was seriously injured
 - 10.3 **the capsizing of a recreational vessel at the Manukau bar on 16 October 2021:** there were three fatalities and one survivor of this accident.
 - 10.4 **an accident aboard a container ship in Auckland on 10 December 2021:** a member of the ship's crew slipped and caught their leg on the gangway as it was being raised in preparation for the ship's departure from the Ports of Auckland. The individual was admitted to hospital.
 - 10.5 **a derailment near Marton on 13 December 2021:** there was some flooding damage to the line, and several wagons were either derailed or overturned.
 - 11 TAIC is assisting with two new overseas aviation related accidents or incidents:
 - 11.1 **a depressurisation incident on Boeing B737-36E, ZK-FXK during a flight from Darwin, Australia:** the incident occurred when the cabin failed to depressurise during the climb out of Darwin. The plane involved is New Zealand-registered, so TAIC is providing New Zealand's accredited international representative to assist in the investigation. No damage or harm was reported as part of the incident.
 - 11.2 **an incident involving a Pacific Aerospace P-750XL aircraft running off the airstrip during landing in Papua New Guinea.** The incident resulted in substantial structural damage to the aircraft, but no serious injuries were reported. The aircraft was manufactured in New Zealand, so TAIC is providing a representative to assist in the investigation.
- ...and closed six domestic inquiries and concluded involvement in one overseas investigation.*
- 12 Since your last meeting, TAIC has closed one aviation, two maritime and three rail related inquiries into the following matters:
 - 12.1 **an aircraft accident following a controlled flight into terrain near Taupo in March 2019:** this accident occurred during a night navigation flight, following a change in the planned route. The pilot and safety pilot were both fatally injured. No specific recommendations were issued following this inquiry.

- 12.2 **a bulk carrier contacted the seabed on approach to Bluff Harbour in November 2018:** this inquiry resulted in TAIC recommending that South Port ensure their safety management system develops measures to ensure pilot training and proficiency meets their Pilot and Tugmaster Training Manual. TAIC notified the Director of Maritime NZ of this recommendation.
- 12.3 **a bulk carrier lost manoeuvrability while leaving the Port of Tauranga in July 2020:** this incident occurred due to a miscommunication between the engineering and bridge teams around whether an issue with the main engine was rectified. The inquiry also identified issues with the engine manufacturer's maintenance information and a recommendation was issued to the provider.
- 12.4 **a level crossing collision in Morrinsville in December 2019, which resulted in two fatalities.** This collision occurred as the car moved through controlled road works onto the level crossing. As part of this inquiry, TAIC recommended that Waka Kotahi reviews its current auditing of agencies delegated to approve traffic management plans to ensure that appropriate safety management measures are in place around level crossings. TAIC also recommended that the Secretary of Local Government provides leadership to - and work with - local authorities to ensure traffic management plans near rail crossings are developed in consultation with rail access providers.
- 12.5 **a collision between a bus and train at a level crossing near Bunnythorpe in July 2020.** The bus was carrying passengers, and the driver was fatally injured during the collision. The level crossing was protected by flashing lights and possibly bells; however the driver did not stop before crossing the intersection.
- 12.6 **a near miss between a hi-rail vehicle and train following an irregularity between a rail protection officer and train control in blocking a section of track near Hamilton in September 2020.** A collision was avoided because the hi-rail vehicle had voluntarily cleared the track five minutes earlier. Safety for workers in the rail corridor is a key safety risk identified by the Commission, and TAIC has recommended that KiwiRail explore how an engineering control could be implemented to mitigate risks of human error.
- 13 TAIC also completed its support for an investigation in Switzerland relating to a New Zealand-manufactured Pacific Aerospace aeroplane. This plane experienced a landing gear failure during take off.
- 14 Of the closed inquiries, the Ministry thinks you will have a strong interest in the level crossing inquiries (i.e. 12.4 and 12.5 above) – particularly given the increasing number of rail-related inquiries and the repeat nature of the accident near Bunnythorpe.
- 15 To improve regulatory stewardship, the Ministry is working with transport regulators to explore options for improving Rules updates. We are currently collecting proposals for inclusion within the new Regulatory Systems Rule process – a process which enables more amendments for minor and technical, or low-to-moderate impact matters. A recommended Rule review such as the one recommended by TAIC in response to the Bunnythorpe inquiry could be incorporated through this process.

Suggested Talking Points

- You may wish to discuss some of the Commission's recent findings and ask how it looks to influence improvements in the system – particularly when there are similar repeat accidents.

TAIC is about to finalise its half year performance report to 31 December 2021

- 16 The Ministry has just provided comments to TAIC on its draft half year performance update to 31 December 2021. We expect that this report will be finalised at the Commission's upcoming Board meetings on 23-24 February 2022.
- 17 Overall, the draft report indicates that greater progress is being made by TAIC towards closing inquiries in comparison with the prior six-month reporting period, but progress remains at a similar rate to the start of the previous financial year. TAIC has closed six inquiries during the reporting period (year-end target is between 15-25) with two-thirds of inquiries closed within two years of being open (year-end target is 70 percent).
- 18 The report also indicates that TAIC had 26 open inquiries as at 31 December 2021. Ten of these open inquiries were in the aviation sector, eight were maritime and eight were rail. Five of the 10 open aviation inquiries have been open longer than the targeted two-year inquiry period, with the oldest inquiry being opened in October 2018.
- 19 TAIC's report also indicates that it has managed to address recruitment issues experienced over the last 12-18 months. TAIC currently has a full complement of investigative staff.
- 20 Emerging safety issues by the Commission during this period related to hot air balloons landings (with two new inquiries being opened in the past six months), as well as the resilience of rail infrastructure to bad weather (two of the recently opened rail inquiries relate to derailments following bad weather).

Suggested Talking Points

- You may wish to discuss what (if any) new safety issues are being observed by the Commission.

TAIC has received your 2022/23 Letter of Expectations

- 21 TAIC received your Letter of Expectations for 2022/23 on 14 February 2022. As part of this process, you asked for a response with any comments or questions the Commission has about the contents of the letter.

Suggested Talking Points

- You may wish to ask if the Chief Commissioner has any initial views on the 2022/23 Letter of Expectations.

Item Four: Business continuity during Omicron

- 22 TAIC has asked for an opportunity to brief you on internal management plans for staff in response to the Omicron outbreak. With a small, highly specialised workforce, there are resiliency risks for TAIC's workforce if many staff are affected by the outbreak at once.

s 9(2)(a), s 9(2)(f)(iv), s 9(2)(g)(i)

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Transport Accident Investigation Commission

11 November 2021

Peter Mersi

Chief Executive
Ministry of Transport

By email: p.mersi@transport.govt.nz
cc: c.jones@transport.govt.nz
j.reid@transport.govt.nz

Dear Peter

Quality assurance processes for TAIC investigations

You have asked for information about the quality assurance aspects of TAIC investigations.

The statutory form of the Commission

The Commission is a quasi-judicial, independent (as required by section 8(3) of the TAIC Act 1990) standing Commission of Inquiry. It is part of an international, mutually collaborating, system of transport safety investigation authorities, with genesis in international instruments (Annex 13 of the International Civil Aviation Organization [ICAO] Convention and the International Maritime Organization [IMO] Casualty Code).

The Governor-General appoints the members of the Commission. At 30 June 2021, there were four Commissioners with diverse professional, technical and governance backgrounds including administrative law and health and safety. It is the Commission's role to oversee and ensure the quality of its investigations and that its reports are robust and supported by evidence.

Staff supporting the Commission

A small organisation of approximately 30 ('TAIC') supports the Commission in its statutory task. This includes an investigative team of 17 (including managers). Investigators are drawn largely from industry or other investigation roles such as the NZ Police and overseas safety investigation agencies. They have a diverse range of knowledge and backgrounds; and recruiting aims to ensure a mix of complementary skills (for example, pilots and aeronautical engineers in the aviation team).

inquiries@taic.org.nz | www.taic.org.nz

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Level 16 | 80 The Terrace | PO Box 10 323 | Wellington 6140 | New Zealand

Transport Accident Investigation Commission | **Safer transport through investigation, learning and influence**

The Commission trains its investigators in transport accident safety investigation through a rigorous two-year training programme. TAIC's core training programme is in accord with international common standards for accident investigator training including:

- Introductory and applied (modal specific) transport accident investigation
- Human factors
- Interviewing techniques
- Investigator methodology
- Analysis techniques
- Site safety and management of blood-borne pathogens
- First aid
- Workplace health and safety
- Stress proofing and resilience

TAIC's process of conducting investigations is also in accord with that followed by its international peer organisations and outlined by international organisations such as ICAO and the IMO.

Functions of the Commission

The Commission has a legal obligation to review the facts of a matter and only the Commission can make findings and recommendations. These functions may not be delegated. The Commission actively oversees and tests the evidence presented to it by its investigators and ensures the quality of its investigations, findings, recommendations, and reports.

It is ultimately for the Commission – not investigators – to determine what aspects of an inquiry have sufficient evidential standing to be published in its reports.

The Commission's Inquiry Protocols (attached to this letter) set out the Commission's processes and requirements. They are founded in administrative law, relevant caselaw and legal opinion, including from successive Queen's Counsel. The Commission's inquiry processes are on par with its international peers.¹

The Commission gives priority to quality over timeliness. The Commission's influence in the safety system relies on the credibility and robustness of its reports and communications to regulators and operators in the transport sector.

Conduct of an inquiry

The Commission's investigators act under delegation from the Commission. The Commission hears from its investigators and tests the evidence at its monthly Commission meetings. The Commission approves the lines of inquiry and may direct the investigators to add further lines of inquiry.

The analysis methodology closely follows that used by the ATSB but is adapted to TAIC's legal framework and requirements. The process produces a rigorous analysis, ensuring that hypotheses about the circumstances and causes of an accident are formulated objectively

¹ Refer to the ATSB, TSB, AAIB training programmes (our commonwealth colleagues), and the ICAO air accident Investigator training guidelines

and are soundly based on evidence. It is a well-established and internationally recognised approach to independent accident investigation.

Throughout the evidence-gathering and analysis stages of the inquiry, the Commission must satisfy itself that:

- The facts and evidence were properly and appropriately obtained and that the net was cast wide enough in gathering the evidence.
- The evidence is credible, and appropriately weighted, and evidence for and against any working hypotheses have been investigated.
- Expert views are appropriately tested and expert credentials were appropriate to the task.
- Alternative theories have been adequately canvassed.
- There are no errors in logic, or speculation.
- The facts and evidence support and substantiate the safety issues identified, and the suggested findings and recommendations.
- All safety issues have been identified and clearly stated.
- The wider systemic issues have been properly considered.

At the report drafting stage, the Commission must satisfy itself that the report accurately reflects its findings and recommendations, that the evidential basis for those findings is laid out in a logical manner, and that the language and tone of the report is appropriate to the Commission's purpose.

The Commission also considers submissions from interested persons (either on paper or in person) prior to finalising its findings and recommendations, in accordance with natural justice principles. Commissioners consider whether the investigator's analysis of the submissions have been considered with an open mind to diverging from the original position.

Only when the Commissioners are fully satisfied is a report into the accident published.

The Commission is seeking, through TAIC's data strategy, more direct access to and oversight of its inquiry evidence (as opposed to its inquiry process, which, as stated above, are consistent with international requirements). Currently the Commission requests and has evidence presented to it as part of the meeting process, when needed.

Demonstrated credibility and reach

Commission inquiries and recommendations have demonstrated international credibility and reach. The Commission (and therefore New Zealand) would not have credibility among its international safety investigation peers were the Commission's inquiry processes viewed as anything but robust.

Examples include:

- Recommendations going through the IMO changed how nitrogen gas bottles are stored on cruise ships,² and the design and check procedures for lifeboat sling systems.³
- Investigations into two Melling rail accidents resulted in changes to the international commissioning of rail braking (and other) systems.⁴
- Investigations into Boeing engine failures led to international changes in the management and upgrade of these engines.⁵
- Several Commission reports have been used internationally as training case studies (for example, one was recently used as a case study by Britannia Protection and Indemnity Club⁶).

There have been no successful judicial reviews nor Ombudsmen's reviews of Commission inquiry reports nor processes. The Commission's processes are subject to (and have well-passed) periodical international State audits by ICAO and the IMO.

The Commission's work with international peers

The Commission actively participates in investigations alongside its international peers, including as New Zealand's 'accredited representative'. It attends, participates and presents to various international safety authority meetings and forums such as the International Transportation Safety Association (ITSA). The Chief Commissioner is currently chair of the ITSA membership committee, liaising with the heads of the United States and Taiwanese independent safety authorities.

International participation includes reviewing international reports of peer agencies, taking evidence (including interviews) on behalf of peer agencies, interacting with interested persons and families located in New Zealand on their behalf, being consulted on matters of common interest (for example, recently, on our approach to natural justice issues) and leading investigations overseas on behalf of peer agencies.

These international peers would also offer support should New Zealand suffer a major transport accident, in the same way TAIC would aid them if needed.

Other States have often requested the Commission's investigators to undertake investigations into high profile accidents on their behalf. Examples include the sinking of the *Butiraoui* ferry in Kiribati in 2018⁷ and the sinking of the Tongan ferry MV *Princess Ashika*⁸ in

² MO-2017-203: Burst nitrogen cylinder causing fatality, passenger cruise ship *Emerald Princess*, 9 February 2017

³ MO-2014-202: Lifting sling failure on freefall lifeboat, general cargo ship *Da Dan Xia*, Wellington, 14 April 201

⁴ RO-2014-103: Passenger train collisions with Melling Station stop block, 15 April 2013 and 27 May 2014

⁵ AO-2017-009 and AO-2017-010: Boeing 787, near Auckland, New Zealand, 5 and 6 December 2017

⁶ MO-2010-201: Bulk carrier TPC Wellington, double fatality resulting from enclosed space entry, Port Marsden, Northland, 3 May 2010

⁷ MO-2018-201: Sinking of freight vessel *Butiraoui*, Kiribati, 18 January 2018

⁸ MO-2009-209: Final Preliminary Report Prepared by the Transport Accident Investigation Commission for The Royal Commission of Inquiry into the Sinking of the MV *Princess Ashika*

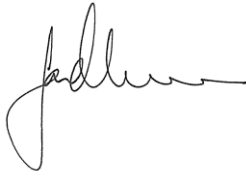
2009. Recently the Cook Islands and Argentina have requested TAIC assistance with establishing their independent investigation capability and framework.

The attached table sets out the standards that TAIC investigations follow, where those standards are specified, and the mechanisms for ensuring they are met. The information is provided at a high level.

s 9(2)(ba)(i)

Please let me know if I can be of further assistance.

Yours sincerely



Jane Meares
Chief Commissioner

Attachments: Inquiry Protocols

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Quality assurance processes for TAIC investigations

Standards	Specification	Compliance mechanism	Documentation
International obligations (ICAO and IMO standards and recommended practices as set out in Annex 13 to the Convention on International Civil Aviation and Chapter 16 of the IMO Casualty Investigation Code)	TAIC Act 1990	<ul style="list-style-type: none"> • ICAO and IMO audits • CAA, in consultation with TAIC, reviews amendments to Annex 13 to assess implications for TAIC 	<ul style="list-style-type: none"> • Refer ICAO and IMO audit reports • TAIC Compliance Register (item 4)
	TAIC policies and procedures	<ul style="list-style-type: none"> • Internal audits to ensure <ul style="list-style-type: none"> ○ functions, duties and powers properly exercised ○ obligations about conduct of inquiries are met ○ confidentiality requirements met ○ investigators have appropriate authorisations and warrants ○ seizure, access, protection, testing, and release of evidence meets legal requirements • Reporting on exercise of special powers, audited by General Counsel 	<ul style="list-style-type: none"> • TAIC Compliance Register (items 8, 9, 10, 16, 26 – work underway to develop a formal and systemic basis for audits) • TAIC Compliance Register (item 20)
	MOU with various parties such as CAA and Police	Regular review to ensure agreed procedures and understandings remain fit-for-purpose	TAIC schedule of MOU review
International expectations of independent safety investigation authorities	ITSA membership	Membership of ITSA is contingent upon meeting certain criteria, which are set out on its website	https://itsasafety.com/about/members/

Standards	Specification	Compliance mechanism	Documentation
Investigation process and analysis methodology	<p>TAIC policies and procedures, including Accident Investigation Quality System, and adoption of ATSB analysis methodology</p> <p>Inquiry Protocols</p>	<p>Internal audits/peer review and manager oversight:</p> <ul style="list-style-type: none"> • Observation of each Investigator-in-Charge's on-site and in-field activities every two years (investigations allowing) • Light review of every investigation on completion • Thorough review of at least three investigations per year (one per mode) • Internal legal review to ensure: <ul style="list-style-type: none"> ○ legal correctness ○ logical soundness ○ evidential/factual basis for assertions, hypotheses, findings, and recommendations ○ natural justice met ○ tone and language are objective, no-blame, and consistent • Commission testing of process, evidence, and analysis at investigation/inquiry 'touch points': <ul style="list-style-type: none"> ○ post-site debrief ○ post-analysis briefing ○ working draft report ○ submissions and final report 	<ul style="list-style-type: none"> • Work underway to develop a formal and systemic basis for audits and assessments • Legal involvement framework • Inquiry Protocols 2018 • Quick Reference Tool
Investigator training and competence		<ul style="list-style-type: none"> • Cranfield University training • Alternative training because of COVID-19 • Competency framework • Training plan 	<ul style="list-style-type: none"> • Cranfield University certification • RMIT University certification • Work underway • Work underway

Standards	Specification	Compliance mechanism	Documentation
Conduct of inquiry	Inquiry protocols	Guidance for the Commission in its oversight of inquiries. The guidance encompasses: <ul style="list-style-type: none"> • administrative Law • caselaw • QC legal opinion 	<ul style="list-style-type: none"> • Inquiry Protocols 2018 • Quick Reference Tool

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17 February 2022

OC211021

Hon Michael Wood
Minister of Transport

Action required by:
Friday, 25 February 2022

COVID-19 - ESSENTIAL TRANSPORT CONNECTIVITY SCHEME: SUPPORT FOR MILFORD AERODROME AND TRANSFER OF FUNDS BETWEEN NON-AVIATION AND AVIATION SECTOR POOLS

Purpose

Seek your agreement to lodge the attached Cabinet paper which proposes to:

- use \$3.175 million over two years from the non-aviation sector pool of the Essential Transport Connectivity scheme (ETC) to facilitate Milford/Piopiotaahi Aerodrome's ongoing operation; and
- transfer \$1 million from the non-aviation sector pool to the aviation sector pool of the ETC to cater for any future aviation sector support arrangements arising from the COVID-19 pandemic.

Key points

- Milford Sound/Piopiotaahi Aerodrome (the aerodrome) is owned and operated by Te Manatū Waka Ministry of Transport (the Ministry).
- The aerodrome plays a crucial role in supporting the region's recovery from COVID-19 and as an important transport link for emergency operations.
- Due to COVID-19, the traffic at the aerodrome declined and revenues received are unable to cover the costs of the aerodrome's operations. The Ministry is not able to cover these costs from its baseline funding.
- The paper requests that Cabinet approve funding of \$3.175 million over two years, repurposed from the non-aviation sector pool of the Essential Transport Connectivity Scheme (ETC), to cover the operational costs of the aerodrome.
- The paper also requests approval to transfer \$1 million from the non-aviation sector pool to the aviation sector pool of the ETC to provide funding for aviation sector support initiatives.
- If you agree to the attached Cabinet paper, we recommend that you lodge it for Cabinet Committee consideration.

Recommendations

We recommend you:

1	agree to seek Cabinet's approval of the proposals in the attached paper: <i>COVID-19 - Essential Transport Connectivity Scheme: Support for Milford Aerodrome and transfer of funds between non-aviation and aviation pools</i>	Yes / No
---	--	----------



Tom Forster
Manager Economic Regulation
 17 / February / 2022

Hon Michael Wood
Minister of Transport
 / /

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

Comments

Contacts

Name	Telephone	First contact
Shrutika Shrivastava, Adviser Economic Regulation	s 9(2)(a)	
Brent Lewers, Principal Adviser COVID-19 Policy & Delivery	s 9(2)(a)	
Tom Forster, Manager, Economic Regulation	s 9(2)(a)	✓

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[In Confidence]

Office of the Minister of Transport
Cabinet Economic Development Committee

Essential Transport Connectivity Scheme: Support for Milford Aerodrome and two minor ETC funding matters

Proposal

- 1 This paper seeks Cabinet's agreement to:
 - 1.1 use \$3.175 million from the non-aviation sector pool of the Essential Transport Connectivity Scheme (ETC) to fund the operations of Milford Sound/Piopirotahi Aerodrome (the aerodrome) over the next two financial years to ensure its ongoing safe operation;
 - 1.2 transfer \$1 million from the non-aviation sector pool of the ETC to the aviation pool of the ETC to ensure sufficient funds are available to fund small-scale future aviation sector support arrangements; and
 - 1.3 s 9(2)(f)(iv)

Executive Summary

Milford Aerodrome

- 2 The aerodrome is Government owned and operated by the Ministry of Transport (the Ministry).
- 3 The Ministry is not able to recover the costs of running the aerodrome from users due to reduced traffic levels, and must find another alternative to fund the operation.
- 4 I am seeking \$3.175 million over two years, repurposed from the non-aviation sector pool of the ETC Scheme, to cover the operational costs of the aerodrome.

ETC scheme

- 5 The ETC supports the continued operation of essential transport routes and services in the face of COVID-19 travel restrictions and reduced passenger demand and was established on 11 May 2020 [CAB-20-MIN-0219].
- 6 Funding was divided into two pools; \$15 million was allocated to the non-aviation sector (from the COVID-19 Response and Recovery Fund) and \$10.7 million to aviation sector (from the \$600 million aviation relief package).
- 7 \$1.286 million is remaining in the aviation sector pool, and \$10.035 million is remaining in the non-aviation sector pool. To ensure that future support to the aviation sector can be funded, I am seeking the transfer of \$1m from the non-aviation sector pool to the aviation sector pool.

s 9(2)(f)(iv)

8

Part A - Milford Aerodrome

Background

- 9 The Ministry operates the aerodrome, located at the head of Milford Sound Piopiotahi (Milford) in the Fiordland National Park.
- 10 The aerodrome has various uses but one function it provides is as an emergency transport hub. Within the last five years, the aerodrome has been used a number of times for evacuation purposes due to adverse weather conditions, flooding in the Milford region, the closures of the Homer Tunnel, and a 5.2 magnitude earthquake.
- 11 Whilst the future of the aerodrome is being worked through as part of the Milford Opportunities Project (MOP), the Ministry needs to keep the aerodrome operational.
- 12 Before COVID-19, the Ministry's revenue from the aerodrome was approximately \$325,000, and this covered the cost of aerodrome management and maintenance. For the six months from 1 July 2021 – 31 December 2021, revenue from the aerodrome was \$43,000
- 13 Airways Corporation of New Zealand Ltd (Airways) supports the safe operation of the aerodrome by providing an aerodrome flight information service (AFIS). AFIS staff contribute to the overall flight safety of the airspace to and from Milford, including condition reporting, weather information flight forwarding, and act as the airfield's eyes and ears.
- 14 Airways has also been adversely affected by COVID-19, and is unable to recover its costs of providing the AFIS from users of the aerodrome. As the AFIS service is required for the safe operation of the aerodrome, the Ministry has an agreement to cover any shortfall Airways experiences between its revenue and the cost of the provision of AFIS at the aerodrome.
- 15 The Ministry pays a monthly average of \$45,000 to Airways for the AFIS service
- 16 In 2020, the Ministry undertook an aeronautical study¹ at the aerodrome. Following the receipt of the aeronautical study, the Director of the Civil Aviation Authority (the CAA) has determined that the aerodrome should become a 'Qualifying Aerodrome' under Part 139 of the Civil Aviation Rules in order to properly manage the level of risk to aviation safety associated with the aerodrome.

Management oversight at the aerodrome needs to increase

- 17 Management of the aerodrome is currently provided by Airport Management Consultants Ltd (AMCL), which is run by a sole trader based in Arrowtown.
- 18 As a qualifying aerodrome, the aerodrome would be subject to a comprehensive aerodrome inspection programme to ensure that it conforms to all the CAA safety

¹ An aeronautical study is a tool used to review aerodrome and airspace processes and procedures to ensure safety criteria in place are appropriate. An aeronautical study may contain many elements; however, risk assessment, risk mitigation and risk elimination are key components.

requirements and that any deficiencies are identified, and effective remedial action is taken before small defects develop into significant safety hazards.

- 19 Due to the increased regulatory oversight the airport will be subjected to as a qualifying aerodrome, the Ministry wants better assurance of continuity and redundancy, should key personnel become unavailable for any reason.
- 20 In late 2021, the Ministry put out a tender for management of the aerodrome. The preferred bidder is a consortium led by Invercargill Airport with QAOSH Aviation Systems Ltd (QAOSH). QAOSH currently manage the *Te Anau Airport Manapouri*.
- 21 The Ministry has estimated that \$1.675 million is required per annum to operate the aerodrome over the next two financial years. For the 2022/23 financial year this amount can be partially offset by an expense transfer of \$175,000 from 2021/22 to 2022/23.
- 22 Funding for two years is being sought, as during the next two years, the MOP will be undertaking feasibility studies on a number of recommendations that came out of the Milford Master Plan, one of which was to close the aerodrome. Until that work is completed, the aerodrome needs to be operated safely. The funding will enable the Ministry to meet its health and safety obligation of ensuring that the airport operates in conformity to civil aviation requirements.
- 23 The funding proposed will not lead to a reduction in operators fees for using the aerodrome. It would mainly cover the costs of the Ministry and Airways. It may cushion operators from an immediate fee increase in the next 12 months whilst both the Ministry and Airways undertake funding reviews to ensure that they are able to recover the costs of operating the aerodrome from aerodrome users.

Options for funding the operation of the aerodrome

- 24 The Ministry needs \$1.675 million per annum for two years (2022/23 and 2023/24) to cover the costs of operating the aerodrome. This amount includes contracting the Invercargill Airport-led consortium to manage the aerodrome, maintaining the aerodrome assets and covering depreciation and capital charges.

Option 1 – In-house management of the aerodrome (not recommended)

- 25 Bringing the management of the aerodrome in-house would cut almost 30 percent from the aerodrome's operating costs.
- 26 This option would be contrary to one of the recommendations of an earlier aeronautical study undertaken in 2017. The 2017 study highlighted the risks of leaving management of the aerodrome to policy advisers without the necessary expertise and who are based remotely in Wellington. It recommended that the Ministry contract professional management to run the aerodrome. This was endorsed by the CAA.
- 27 Bringing the management of the aerodrome in-house would not give effect to the Director of Civil Aviation's determination that the aerodrome should become a qualifying aerodrome.

Option 2 – Fund from Ministry baseline (not recommended)

- 28 The Ministry's baseline funding is under significant pressure and it has very little discretionary funding available to cover any revenue reductions and additional costs associated with the aerodrome's operations.
- 29 There are significant additional demands on the Ministry this year associated with climate change and the Resource Management Act reform, for which no additional funding has been received. The Ministry's discretionary funding has already been allocated to this work, and the Ministry has funded 21 additional roles in 2021 alone.

Option 3 – Fund through a budget bid (not recommended)

- 30 The process for Budget 2022 is well underway and only initiatives that have been invited by the Minister of Finance may be submitted for Budget 2022. Budget bids have been submitted to the Minister of Finance and are currently being assessed by Treasury. Budget Ministers will decide on a Budget 2022 package to recommend to Cabinet between mid-February and the start of April 2022.
- 31 Given the potential oversubscription of the budget process, the fact that it is by invitation only and that this process is well underway, it is unlikely that putting a late bid in would be successful. An out of cycle bid is unlikely to be feasible under current settings.

Option 4 – Fund from the non-aviation sector pool of the Essential Transport Connectivity Scheme (ETC) (recommended option)

- 32 Funding for the operations of the aerodrome for 2020/21 and 2021/22 was provided from the aviation relief package. The aviation relief package also provided funding for the aviation sector pool of the ETC.
- 33 Cabinet has agreed to extend the ETC scheme to 30 April 2022 to align with the planned Step 3 of Reconnecting New Zealanders and to ensure essential transport services are maintained while domestic travel recovers from the impact of the current, and any future, COVID- 9 restrictions (CAB-21-MIN-0520 refers).
- 34 Extending the current ETC agreements is expected to cost an average of \$0.558 million per month (a total of \$2.230 million from 1 January to 30 April 2022). After these funding extensions, there is expected to be \$11.3 million remaining in the ETC (\$1.286 million in the aviation sector pool, and \$10.035 million in the non-aviation sector pool).
- 35 There are sufficient funds in the ETC to cover future ETC expenditures as well as the operation of the aerodrome. Furthermore, the aerodrome does not fit the eligibility criteria for funding under the ETC as the airport is primarily used by tourists and does not receive scheduled services. There is also a conflict of interest for the Ministry as the administrator of the ETC to award funding to itself. Cabinet approval is therefore required to use this source of funding for the aerodrome.

Part B – two minor ETC funding matters

ETC scheme - transfer of funds from the non-aviation sector pool to the aviation sector pool

- 36 The ETC enables the government to respond quickly, on a case-by-case basis, where the failure of a transport service would have significant social and economic outcomes and would impact New Zealand's post-COVID resilience and recovery.

- 37 The ETC scheme is due to end on 30 April 2022. Continued cases of COVID-19 in the community and the impact this may potentially have on domestic travel, along with the continued absence of international tourists, mean that there may be a continued need for the support for the aviation sector in the intermediate term (i.e., post-30 April 2022) if operating conditions deteriorate from what they are currently or remain unchanged. The Ministry will provide advice on the future of the scheme to Cabinet in late March 2022.
- 38 Sufficient funding is available for the current aviation sector recipients through to the end of April, should they continue to qualify (with an estimated surplus of less than \$200,000 left). However, this is potentially insufficient to fund any new aviation sector claimants should they emerge; while the non-aviation sector pool has much more funding than it is expected to need.
- 39 To avoid the risk of having insufficient funds for new aviation sector claimants (and needing to return to Cabinet on such a small matter) I am seeking the transfer of \$1 million from the non-aviation sector pool to the aviation sector pool to ensure sufficient funds remain available to provide any future support needed to the aviation sector.

s 9(2)(f)(iv)

Financial Implications

- 43 The Milford Airport proposal requests that \$3.175 million from the non-aviation sector ETC pool be repurposed to support the operation of the aerodrome.
- 44 The first ETC funding proposal requests that \$1 million from the non-aviation sector ETC pool be transferred to the aviation sector ETC pool to ensure that potential future aviation funding needs can be met. This does not require any changes to appropriations. However, Cabinet's approval is sought as the original decisions for the ETC clearly established separate non-aviation sector and aviation sector components within the appropriation.

45

s 9(2)(f)(iv)

Risks

- 46 There is uncertainty from operators on what government plans are for the aerodrome's future because the MOP master plan recommends removing the fixed wing runway.
- 47 MOP has received government funding to undertake feasibility studies on the various recommendations contained in the master plan. The study is expected to take two years.
- 48 There are a number of high-profile stakeholders, including Save Milford Airport and Destination Milford Sound who have a vested financial interest in the continued operation of the airport, and who may view any additional government investment as an endorsement or support for their position. This is not the case, as the proposal seeks support for two years to keep the aerodrome operational whilst the MOP works out detailed feasibility studies on the master plan recommendations.

Legislative Implications

- 49 There are no legislative implications.

Impact Analysis

- 50 The proposal does not require any regulatory change.

Climate Implications of Policy Assessment

- 51 A Climate Implications of Policy Assessment (CIPA) is not required for this proposal.

Population Implications

- 52 There are no population implications.

Human Rights

- 53 There are no human rights implications.

Consultation

- 54 The Treasury was consulted on Milford Aerodrome aspects of this paper and supported the recommended option. The Ministry of Business Innovation and Employment (MBIE-Tourism), and the Department of Conservation were also consulted. The views of MBIE-Tourism have been incorporated in the paper.
- 55 No consultation has been undertaken with the many other non-government stakeholders who have perspectives on the future of Milford Sound/Piopiotaahi including local government and iwi Māori, as the issue under consideration is funding to enable the safe operation of the aerodrome for the next two years whilst the MOP processes are worked through.
- 56 The Treasury was also consulted on the two minor ETC funding parts of this paper and supports the recommended approaches.

Communications

57 The funding is primarily intended to enable the Ministry to continue providing services and operations at the aerodrome. I do not intend to publicise the provision of support to Milford aerodrome, nor the transfer of funds within the ETC scheme.

Proactive Release

58 I will bring a detailed paper to Cabinet on the future of ETC scheme at the end of the Budget moratorium. I intend to release this Cabinet paper proactively after Cabinet has made a decision on ^{s 9(2)(f)(iv)}

Recommendations

The Minister of Transport recommends that the Committee:

- 1 **note** that the Ministry of Transport (the Ministry) is unable to fund the operation of the Milford Sound/Piopiotaahi Aerodrome (the aerodrome);
- 2 **note** that Cabinet has agreed to extend the Essential Transport Connectivity Scheme (ETC) to 30 April 2022 (CAB-21-MIN-0520 refers);
- 3 **note** that the ETC is made up of an aviation sector and non-aviation sector pools and is likely to have \$1.286 million in the aviation pool and \$10.035 million in the non-aviation pool left on 30 April 2022;
- 4 **agree** to provide funding for the aerodrome by transferring \$3.175 million of the expected ETC non-aviation sector pool underspend;
- 5 **approve** the following fiscally neutral changes to appropriations to provide funding for the aerodrome, with no impact on the operating balance and/or net core Crown debt;

	\$m – increase/(decrease)				
Vote Transport	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Minister of Transport					
Departmental Output Expense:	3.175	-	-	-	-
Transport – Policy advice, ministerial servicing, governance, and other functions (funded by revenue Crown)					
Non-departmental Other Expense:	(3.175)	-	-	-	-

IN CONFIDENCE

Maintaining Essential Transport Connectivity					
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6 **agree** to the following changes to appropriations to reflect the expected timing of the operational costs of the aerodrome, with no impacts on the operating balance and/or net core Crown debt across the forecast period:

Vote Transport Minister of Transport	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Departmental Output Expense: Transport – Policy advice, ministerial servicing, governance, and other functions (funded by revenue Crown)	(3.175)	1.500	1.675	-	-

7 **note** that following the transfer above, \$6.86 million remains in the non-aviation ETC pool;

8 **note** that following the transfer above \$1.286 million remains in the aviation ETC pool, this may not be enough to meet future funding needs for the aviation sector;

9 **agree** to transfer \$1 million from the non-aviation sector ETC pool into the aviation sector ETC pool within the Maintaining Essential Transport Connectivity appropriation to allow this funding to be utilised to support the aviation sector.

10 s 9(2)(f)(iv)

11

12 **agree** that the proposed change to appropriations for 2021/22 in recommendations 5, 6 and 11 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Authorised for lodgement

Hon Michael Wood
Minister for Transport

18 February 2022

OC220006

Hon Michael Wood
Minister of Transport

Action required by:
Monday, 21 February 2022

PROPOSED CHANGES TO TAIC REPORTING REQUIREMENTS

Purpose

To provide advice on a reframed approach to how the Transport Accident Investigation Commission (TAIC) recommendations are categorised and reported.

Key points

- s 9(2)(h) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- s 9(2)(f)(iv) [Redacted]
- Prior to this, we recommend trialling the proposed new recommendation reporting framework using a relationship-based approach, which you could support through the Letters of Expectations to transport regulators, if required.
- s 9(2)(f)(iv) [Redacted]

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- Due to our desire to provide detailed advice to support your meeting on Monday 21 February with TAIC, consultation with the transport regulators has been planned to follow your feedback. Further advice would be provided to your office once this has occurred, with updates provided through the Weekly Report.

Recommendations

We recommend you:

- 1 s 9(2)(f)(iv) [redacted] Yes / No
- 2 s 9(2)(f)(iv) [redacted] Yes / No
- 3 **agree** that Ministry officials will continue working with TAIC and the transport regulators on implementation of the proposed changes and updates will be provided to your office through the Weekly Report Yes / No
- 4 s 9(2)(f)(iv) [redacted] Noted
- 5 **note** that you are meeting with TAIC officials on Monday 21 February, and we recommend using this opportunity to discuss the recommended changes Noted



Megan Moffet
Manager, Regulatory Policy
 18/02/2022

Hon Michael Wood
Minister of Transport
 / /

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

Comments

Contacts

Name	Telephone	First contact
Megan Moffet, Manager, Regulatory Policy	s 9(2)(a) [redacted]	✓
Amber McGovern-Wilson, Principal Adviser, Regulatory Policy	s 9(2)(a) [redacted]	

PROPOSED CHANGES TO TAIC REPORTING REQUIREMENTS

TAIC reporting requirements were introduced to add incentive for recipients to address recommendations more efficiently

- 1 Under sections 8 and 9 of the Transport Accident Investigation Act 1990 (TAIC Act), the Transport Accident Investigation Commission (TAIC) has the power to issue recommendations, in the interests of transport safety, to the three transport regulators (Waka Kotahi NZ Transport Agency (Waka Kotahi), Civil Aviation Authority (CAA) and Maritime New Zealand (MNZ)) and Te Manatū Waka - Ministry of Transport (Te Manatū Waka), as well as private entities.
- 2 Recommendations are issued, where appropriate, at the end of an accident or incident investigation to provide direction on measures that TAIC considers necessary to avoid similar occurrences in the future. TAIC ensures that that New Zealand continues to meet relevant international obligations and standards for safety-focused investigations.
- 3 Recommendations remain open until the recipient submits evidence to TAIC of the actions taken to address the recommendation. Following submissions being received, these are reviewed by TAIC staff for a formal decision to be made to close the recommendation.
- 4 In 2016, the (then) Associate Minister of Transport requested regular reporting on the status of 'open' recommendations. The advice at the time was that provision of six-monthly reports would provide added incentive for recipients to address recommendations more efficiently (OC04685 refers).
- 5 The reporting arrangements were reviewed in 2018 with agreement that a further review would take place in early 2020 (OC180467 refers). This review did not take place due to the COVID-19 pandemic.
- 6 The six-monthly report covers actions taken by the recipient and the number of recommendations submitted to TAIC for 'closure'.
- 7 There are currently 195 recommendations that remain open as at 30 June 2021, with eight closed over the 2020/21 financial year.
- 8 As at 31 December 2021, TAIC had 26 ongoing domestic inquiries and there are five overseas incidents that require TAIC input in order to meet international obligations. It is reasonable that more recommendations will stem from final reports in relation to these inquiries.
- 9 Advice from TAIC is that in considering a submission for a recommendation to be closed, investigators need to carry out gap analysis process. This includes interviews with the regulators, to confirm that the recommendation has been adequately addressed. Presentations are also held by the recipient on progress of any implementation steps.
- 10 On average, it can take up to two weeks for the Chief Commissioner of TAIC to be provided advice on whether to close a recommendation from the point a submission has been received.

11 However, pressures on investigative resources have meant that the ability for TAIC to adequately consider the actions taken in a timely manner can also be hindered by more immediate investigative demands.

s 9(2)(h)

12 s 9(2)(h)

13 s 9(2)(h)

14 You met with the TAIC Chief Executive, Chief Commissioner and Te Manatū Waka officials on 5 October 2021 to discuss concerns raised by TAIC and requested that Te Manatū Waka work with TAIC to consider what changes could be made to the reporting requirements.

15 s 9(2)(h)

Proposed system improvements

A principles-based approach has been taken in recommending changes

16 Three principles have been considered in proposing changes to the reporting requirements: accountability for all entities; transparency of the process; and assisting in achieving safety outcomes.

16.1 Accountability – there is an ongoing need to ensure that recommendations are being considered appropriately and progressed. Any proposed solution would need to ensure that there were appropriate mechanisms in place to ensure that there is a clear expectation on recipients to progress recommendations where possible.

16.2 Transparency – any proposed solution would need to provide a transparent decision-making process on how and why recommendations are being implemented. This would ensure that expectations of stakeholders were being managed, and where recommendations were not being progressed, there was an understanding of why this was not occurring.

16.3 Achieving safety outcomes – any proposed solution needs to encourage regulators to provide better clarity as to what is feasible in terms of implementation activities and where resources can be allocated.

Recommendations will be recatergorised and recipients will have 90 days to respond to TAIC

17 s 9(2)(h) [Redacted]
[Redacted] In asking for the reporting function to be reviewed, TAIC noted that significant work is involved in considering regulators' submissions on the status of recommendations, which could potentially detract from TAIC's capacity to carry out new investigations, given the current resource constraints.

18 While there is an ongoing role for TAIC in monitoring safety concerns stemming from investigations, recipients have greater control over how and when recommendations are implemented.

19 s 9(2)(g)(i) [Redacted]
[Redacted]

20 s 9(2)(g)(i) [Redacted]
[Redacted]

21 s 9(2)(f)(iv) [Redacted]
[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

22 s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]

s 9(2)(f)(iv) [Redacted]
[Redacted]

23 In addressing concerns raised by TAIC, we have considered the earlier advice to the previous Associate Minister in 2016, that the provision of six-monthly progress reports would provide an incentive for recipients to address recommendations. Consideration has also been given to the appropriateness of the timing and the ability of TAIC to deliver reports at this frequency.

24 s 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

s 9(2)(f)(iv) [Redacted]

25 s 9(2)(f)(iv) [Redacted]

26 s 9(2)(f)(iv) [Redacted]

27 s 9(2)(f)(iv) [Redacted]

28 In the interim, TAIC have noted in their upcoming six-monthly report that they have suspended reporting on progress made against open recommendations, while discussions on the recommendations process are ongoing. Should TAIC's approach be a concern for you, the Ministry recommends you discuss this at your upcoming meeting (OC220065 refers).

The proposed reporting requirements would be comparative to international jurisdictions

29 Proposed changes are in line with how investigative bodies in other jurisdictions report and track recommendations through their respective statutory annual reports:

29.1 **Australian Transport Safety Bureau** – the annual report covers the number of recommendations open or closed with a progress report on those remaining open.

29.2 **Transportation Safety Board (Canada)** – the annual report provides high level statistics on recommendations that remain open, with further detail provided where the status of a recommendation has been changed over the prior year.

29.3 **National Transport Safety Bureau (America)** - the annual report provides high level statistics of safety recommendations that have been issued and closed over the prior year.

29.4 **UK Rail/Maritime/Air Accidents Investigation Branches** – the annual reports of each separate Accident Investigation Branch cover progress on all recommendations alongside statistics.

30 Status classifications vary for each jurisdiction, though there is commonality in that recommendations are 'closed' in some form. A number of jurisdictions also use a similar 'action pending' classification to capture any progress on any open/accepted recommendations.

31 The proposed changes to the reporting requirements would also provide alignment with paragraph 6.10 of Annex 13 to the Convention on International Civil Aviation which requires that the State receiving a recommendation will respond to the issuing State within 90 days.

32 In addition, Annex 13 recommends that States issuing recommendations should record responses and monitor the progress of actions taken in response.

s 9(2)(f)(iv)

33 Section 11 and 12 of the TAIC Act provides broad powers for TAIC 'for the purpose of an inquiry' and TAIC are subsequently limited to exercising these in relation to the functions, duties and powers under the TAIC Act.

34 This means that TAIC is not provided the ability to compel information from the recipients of recommendations and as such, is currently relying on good faith relationships with recipients to provide information for the current six-monthly reports.

35 s 9(2)(f)(iv)

36 s 9(2)(f)(iv)

37 s 9(2)(f)(iv)

38 This aligns with the wider intent for Te Manatū Waka to undertake a regular RSTA Bill process to ensure the various pieces of primary transport legislation remain effective and fit-for-purpose.

s 9(2)(f)(iv)

39 s 9(2)(f)(iv)

40 s 9(2)(f)(iv)

41 This could provide an opportunity to further refine the policy thinking, and learn from the experiences of TAIC through producing the yearly reports.

42 There are activities that you could undertake to support in carrying out new reporting requirements:

42.1 Letters of Expectations – these could be drafted to clarify that it is your expectation that the regulators, upon receiving recommendations, will be forthcoming with information as required by TAIC for the yearly reporting function.

42.2 Clarifying TAIC's role in the system – through agreeing to the recommendations in this briefing, this will provide TAIC and recipients an assurance of TAIC's role in the system and how this relates to recipients.

43 We would recommend considering the use of the Letters of Expectations to the regulators, if required, following the initial 2022 yearly report. By waiting for this reporting requirement to be fulfilled, this would provide an opportunity for TAIC to initially engage with recipients to test the proposed process.

s 9(2)(f)(iv)

44 s 9(2)(f)(iv)

45 s 9(2)(f)(iv)

46 s 9(2)(f)(iv)

TAIC has been consulted on the proposed changes

47 In considering changes to the reporting requirements, we have engaged with TAIC officials, who sought approval from the TAIC Board on the proposed changes. The TAIC Board is in support of the proposed changes and officials will continue to work with Te Manatū Waka officials to progress this work.

48 Consultation with the transport regulators was intended to occur prior to advice being provided to your office, but officials recommend that you utilise your scheduled meeting on Monday 21 February with TAIC officials to discuss any initial feedback on the proposed changes.

49 Following this meeting, the transport regulators will be consulted on the proposed changes and their feedback will be considered. Further updates on this work would be provided through the Weekly Report.

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21 February 2022

OC220045

Hon Michael Wood
Minister of Transport

MEETING WITH CRAIG HARRISON, 23 FEBRUARY 2022

Snapshot

You are meeting with Craig Harrison from the Maritime Union of New Zealand (MUNZ) to discuss the withdrawal of the two domestic coastal tanker vessels following the closure of the Marsden Point Refinery in April this year.

Time and date	11.30am, 23 February 2022
Venue	EW 4.1, Parliament
Attendees	Hon Michael Wood, Minister of Transport Craig Harrison, National Secretary, Maritime Union of New Zealand
Officials attending	Liam Fechney, Graduate Advisor, Supply Chain, Ministry of Transport Lauren Hancock, Advisor, Supply Chain, Ministry of Transport Callum Gill, Senior Advisor, Supply Chain, Ministry of Transport
Agenda	N/A
Talking points	Some suggested talking points are attached as Annex 1

Contacts

Name	Telephone	First contact
Liam Fechney – Graduate Advisor, Supply Chain	s 9(2)(a)	✓
Harriet Shelton – Manager, Supply Chain	s 9(2)(a)	
Lauren Hancock – Advisor, Supply Chain		

Meeting with Craig Harrison on MUNZ Concerns About Domestic Coastal Tanker Withdrawal

Key points

- You have agreed to meet with Craig Harrison, the National Secretary of MUNZ, to discuss a letter he sent to the Minister of Energy and Resources regarding the closure of the Marsden Point Fuel Refinery (the Refinery) and the subsequent withdrawal of the two domestic coastal tankers.
- Mr Harrison is concerned that the withdrawal of the coastal tankers creates vulnerabilities for New Zealand's fuel security through disruptions to foreign vessels or natural disasters.
- He is also concerned that the withdrawal of the coastal tankers will result in 80 seafarers leaving the sector or moving overseas, at a time when Government is proposing an expansion to coastal shipping. Therefore, he has proposed that the Government ensure the coastal tankers are retained.
- Fuel companies have advised officials that fuel supply will remain resilient after the switch to international tankers to deliver fuels around the country and the coastal tankers are withdrawn, although there are some potential risks. The Ministry of Transport (the Ministry) and Ministry of Business, Innovation and Employment (MBIE) will look further into the implications of the withdrawal of coastal tankers. As part of MBIE's consultation on onshore fuel stockholding, which will close on 28 February, the shipping sector is expected to discuss some of the risks and mitigations in their written submissions.
- There may be opportunities to retain the seafarers in another domestic shipping capacity, for example with the Interislander, although this will depend on vacancies at other coastal shipping companies, how transferable the seafarers' skills are, and the wages and working conditions offered.

Detail

Current state of play

- 1 There are two domestic coastal tankers, MT Kokako and MT Matuku, which are flagged to New Zealand, crewed by around 80 New Zealanders and operated by Silver Fern Shipping for Coastal Oil Logistics Ltd (COLL).
- 2 Silver Fern Shipping is owned by ASP Ships Group, a private Australian/New Zealand company that also hold a 50 percent share in Coastal Bulk Shipping (CBS). CBS own the MV Anatoki, a small bulk vessel that operates around the New Zealand coast.
- 3 The two tankers are used to transport fuel refined at Marsden Point to various ports around New Zealand. COLL is a joint venture of BP, Mobil, and Z Energy. These companies have advised that when the Refinery closes, they intend to import refined fuel directly to ports around New Zealand on overseas tankers and terminate their agreement with Silver Fern Shipping in April 2022.

Domestic coastal tankers would not materially improve fuel supply

- 4 Mr Harrison claims that New Zealand should not rely on overseas shipping operators and is currently in the midst of a national supply chain crisis driven by unreliable international shipping. However, noting that the current fuel supply chain relies heavily on crude oil imports, the letter lacks some detail on why refined product imports would in future be less reliable than crude oil imports. Fuel companies take fuel supply reliability very seriously and have assured the Government that the future import supply model will be no less reliable, and may in fact be more reliable, than the current supply model.
- 5 MBIE is currently consulting on options for onshore fuel stockholding, including minimum stockholding obligations on fuel wholesale suppliers. These options aim to mitigate the impacts of disruptions to fuel import supply chains.
- 6 The fuel stockholding review was catalysed by the pending closure of the Marsden Point oil refinery, noting that the future absence of refinery feedstocks could make NZ less resilient to a major import disruption. This review is about the optimal level of onshore “buffer” fuel stocks rather than the reliability of overseas versus domestic shipping services.

Some of the concerns raised in the letter about resilience issues have been assessed to be credible

- 7 In the case of a natural disaster, for example a major earthquake, tanker vessels may enable fuel supplies to reach regions cut off by road and rail.
 - 7.1 However, this would not necessarily need to be domestic vessels, as ports could still be supplied directly by foreign vessels
 - 7.2 The Minister of Transport also has the power under section 198 of the Maritime Transport Act to grant exemptions to enable foreign vessels to carry domestic cargo, which would allow these vessels to carry domestic stockpiles around the New Zealand coast in the event of a natural disaster, or some other constraint on distributing fuels around the country.
- 8 Officials agreed that an overseas event, such as war, could lead to disruption to overseas tankers. This could be either because they need to divert to support the countries affected, or if they need to avoid a conflict zone. While this risk cannot be dismissed, disruption to tankers would occur whether New Zealand were importing crude oil or refined fuel, so resilience is not materially worse in this scenario.
- 9 If action were to be taken to keep the coastal tankers operating, the clear preference would be for this to be funded through a fuel levy, rather than directly by the Crown as Mr Harrison seems to be suggesting as the alternative. However, it is important to note that fuel suppliers would be unlikely to absorb this extra cost and would pass it on to end users at a time when public sentiment on fuel prices is that they are already too high.

There may be alternative opportunities to build redundancies into the system, should resourcing of domestic coastal tankers be unattainable

10 While Mr Harrison has some valid concerns about fuel supply resilience, we consider that given his position at MUNZ, he is primarily concerned about the ongoing employment of seafarers despite the focus on resilience in his letter.

11 It is possible that not all the seafarers would be able to find roles with existing companies, as this is a large number of staff for a relatively small sector. For example, the MV Anatoki has a crew of four.

12 However, the New Zealand Shipping Federation (NZSF) has arranged a meeting with you on March 8, and one of their agenda items is the lack of skilled seafarers in New Zealand. Given COLL is part of NZSF, NZSF should be well aware that around 80 seafarers are likely to become available within the next few months.

13 Some seafarers may specialise in working on tankers and have limited ability to transfer to another form of coastal shipping. The exact number may be worth testing with Mr Harrison and could feed into your meeting with NZSF in March.

14 s 9(2)(b)(ii) [Redacted]
[Redacted]
[Redacted] s 9(2)(g)(i)
[Redacted]
[Redacted]
[Redacted]

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Annex 1: Suggested Talking Points

MEETING WITH CRAIG HARRISON ON MUNZ CONCERNS ABOUT DOMESTIC COASTAL TANKER WITHDRAWAL

Questions you could ask Mr Harrison include:

- I understand that MUNZ has proposed that the Government use levy funding to keep the coastal tankers for fuel deliveries. Has MUNZ discussed this idea with the fuel companies? What are their views on this idea, particularly whether they would be open to continued use of the domestic coastal tankers?
- How transferrable are the skills of the seafarers currently employed by Silver Fern Shipping? How many could be employed in other coastal shipping roles?/ is there opportunity for employment in other coastal shipping roles?
- Is there a possibility that Silver Fern Shipping would keep one or both the vessels in service without Government intervention?
- In your letter you discuss the vulnerabilities of cargo on foreign flagged vessels to claims by foreign owners seeking debt compensation from the shipping company. How frequently does this occur and what is the risk that it significantly impacts fuel supply?

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23 February 2022

OC220041

Hon David Parker
Associate Minister of Finance
Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 1 March 2022

COVID-19 – ESSENTIAL TRANSPORT CONNECTIVITY SCHEME APPROVAL TO EXTEND METEOROLOGICAL AND AIR CHATHAMS FUNDING AGREEMENTS TO 30 APRIL 2022

Purpose

This briefing seeks your agreement to extend Essential Transport Connectivity (ETC) support for Air Chathams and the Meteorological Service of New Zealand Limited (MetService) to 30 April 2022.

Key points

The ETC scheme ensures essential connections are maintained

- The ETC enables the Government to respond quickly, on a case-by-case basis, where the failure of a transport service would have significant negative social and economic outcomes and would impact New Zealand's post-COVID-19 resilience and recovery. The ETC has a total funding pool of \$25.7m of which s 9(2)(b)(ii) has been allocated to date.
- The ETC scheme was scheduled to end on 31 December 2021 [CAB-21-MIN-0180]. However, in response to the ongoing impacts of alert level changes and a shift to a new COVID-19 Protection Framework, Cabinet agreed to extend the ETC scheme to 30 April 2022 [CAB 21-MIN- 0520 refers]. Cabinet also agreed to extend the delegation framework to the Deputy Chief Executive to approve ETC funding decisions under \$0.500m in value to 30 April 2022.

Air Chathams extension

- Air Chathams has been receiving support from the ETC since 29 June 2020. The airline has been vital in ensuring essential supplies continue to make their way to the Chatham Islands and passenger connectivity in mainland New Zealand is maintained.

- s 9(2)(b)(ii) [Redacted]

s 9(2)(b)(ii)

- The Ministry recommends an extension to Air Chathams' ETC agreement for a further two months to 30 April 2021 (i.e. the ETC end date). This extension will cost a maximum of s 9(2)(b) (the actual spend could be lower depending on how quickly passengers return). s 9(2)(b)(ii)

MetService extension

- The MetService has been receiving support for its essential aviation weather forecasting services from the ETC scheme since January 2021. MetService's funding agreement expired on 31 December 2021 and it is seeking further support to 30 April 2022.
- s 9(2)(b)(ii)
- The Ministry recommends an extension to MetService's ETC agreement for a further four months at a maximum cost of s 9(2)(b)(ii). Without MetService's aviation forecasting services, aviation cannot take place in New Zealand without breaching domestic and international aviation rules and creating significant safety risks. s 9(2)(b)(ii)
- Due to previous Cabinet decisions, only the Minister of Transport and Associate Minister of Finance's approvals are required for this decision. However, we recommend this briefing is also forwarded to the Minister of Finance and Minister of State-Owned Enterprises for their information as shareholding Ministers of MetService.

Recommendations

We recommend you:

- 1 **Agree** to extend Air Chatham's ETC funding agreement to 30 April 2022 with a maximum funding amount of s 9(2)(b)(ii) over the extension period and an increase in the maximum funding amount under its contract to s 9(2)(b)(ii). Yes / No
- 2 **Agree** to extend MetServices ETC funding agreement (two-months backdated) to 30 April 2022, with a maximum funding amount of s 9(2)(b)(ii) over the extension period and an increase in the maximum amount under its contract to s 9(2)(b)(ii). Yes / No

- 3 **Forward** this briefing to the Minister of Finance and Minister for State Owned Enterprises in their capacity as shareholding Ministers of MetService. Yes / No



 Jessica Ranger
Manager COVID-19 Policy and Delivery
 23 / 02 / 22

 Hon David Parker
Associate Minister of Finance

 Hon Michael Wood
Minister of Transport

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

Comments

Contacts

Name	Telephone	First contact
Brent Lewers, Principal Adviser, COVID-19 Policy and Delivery	s 9(2)(a)	✓
Tom Gillard, Graduate Adviser, COVID-19 Policy and Delivery	s 9(2)(a)	

COVID-19 – ESSENTIAL TRANSPORT CONNECTIVITY SCHEME APPROVAL TO EXTEND THE METEOROLOGICAL SERVICES AND AIR CHATHAMS FUNDING AGREEMENTS TO 30 APRIL 2022

The ETC scheme was established to ensure essential transport connectivity was maintained

- 1 In March 2020, the COVID-19 lockdowns resulted in local and domestic travel restrictions that significantly impacted the operation of some transport routes and services. These routes were either unable to operate or operated at reduced capacity due to social distancing requirements. Additionally, New Zealand closed its borders to international travellers. These closures saw the removal of the international tourism market overnight and resulted in a marked decrease in domestic travel.
- 2 The dramatic decrease in passenger demand and revenue placed transport operators and service providers under immense financial pressure. The financial pressure caused the cancellation of services which threatened the viability of operators and exposed potential gaps in regional connectivity. It also created a risk that New Zealand's transport services' ability to recover post-COVID-19 would be significantly impacted.
- 3 The ETC scheme was established by Cabinet on 11 May 2020 to provide support to maintain these essential routes and services negatively impacted by COVID-19 [CAB-20-MIN-0219.28]. The scheme enables the Government to respond quickly where the failure of a transport service would have significant negative social and economic outcomes and would impact New Zealand's post COVID resilience and recovery. The ETC scheme received:
 - 3.1 \$20 million to enable support for non-aviation essential transport operators [CAB-20-MIN-0219.28]; and
 - 3.2 \$30 million to fund aviation initiatives under the scheme from the underspend of the \$600 million aviation relief package [OC200394].
- 4 The focus of the ETC is on maintaining "essential transport connectivity", rather than supporting individual businesses to survive. s 9(2)(b)(ii)
- 5 The scheme has a total funding pool of \$25.7m of which s 9(2)(b)(ii) has been allocated to date. This support has enabled 204,000 passengers to undertake travel on 15,500 services which otherwise might not have been available. It has also helped ensure that international seafarers received the welfare support they required while unable to leave port, and for essential goods and services to continue to flow to the Chatham Islands.

Ministers agreed to extend the ETC scheme for a further four months to 30 April 2022

- 6 The ETC scheme was scheduled to end on 31 December 2021 [CAB-21-MIN-0180]. However, in response to the ongoing impacts of alert level changes and a shift to a

new COVID-19 Protection framework, Cabinet agreed to extend the ETC scheme to 30 April 2022 [CAB-21-MIN- 0520].

Air Chathams has seen significant losses following the outbreak of Omicron in the community

7 Air Chathams is the sole provider of flights between the Chatham Islands and mainland New Zealand (Wellington, Christchurch, and Auckland), and between Auckland and Whakatāne, Whanganui and Kāpiti Coast (Paraparaumu).

8 Air Chathams has been receiving support from the ETC since 29 June 2020 and has been vital in ensuring essential supplies continue to make their way to the Chatham Islands and passenger connectivity in mainland New Zealand is maintained.

s 9(2)(b)(ii)

9 To date, Air Chathams has received s 9(2)(b)(ii), which has supported over s 9(2)(b)(ii) passengers to travel on over s 9(2)(b)(ii) services that likely would not have been viable without support. The average subsidy per passenger is s 9(2)(b)(ii) per passenger. For comparison, the average price of a ticket to the Chatham Islands is ~\$450-580 each way, or \$160-300 for the mainland services from Auckland.

10 s 9(2)(b)(ii)

11 s 9(2)(b)(ii)

s 9(2)(b)(ii)

We recommend Ministers agree to extend Air Chathams' ETC funding agreement to 30 April 2022

13 There is still significant uncertainty about what New Zealand's border settings and domestic restrictions will look like over the coming weeks and months. While it is possible that under Reconnecting New Zealanders and the COVID-19 Protection Framework, some services quickly become viable, we do not expect this to be the case for all routes and services. s 9(2)(b)(ii)

14 s 9(2)(b)(ii)

15 We recommend extending Air Chathams' ETC agreement for a further two months to 30 April 2022 (ETC end date). This extension will cost a maximum of s 9(2)(b)(ii) (the actual spend could be lower depending on how quickly passengers are able to return under Reconnecting New Zealanders). s 9(2)(b)(ii) This extension can be easily managed with the current ETC funding pool, as there remains s 9(2)(b)(ii) in uncommitted funding at this stage.

16 s 9(2)(b)(ii)

MetService has been receiving support for its essential aviation forecasting services since January 2021

17 The MetService is New Zealand's national weather authority. In addition to the data and forecasting services it provides to the general public and businesses, it also provides specialist aviation weather forecasting services. These services are essential to the continued operation of New Zealand's aviation sector.

18 The aviation weather forecasting services are provided on behalf of the Civil Aviation Authority (CAA) and enable New Zealand to meet its weather services obligations to the International Civil Aviation Organization (ICAO). The services also ensure that domestic operators have access to sufficient weather information to meet flight safety requirements under the relevant Civil Aviation Rules (CAR). If MetService was to stop providing its services, flights would be unable to operate without compromising safety and breaching CAA regulations and ICAO requirements.

19 s 9(2)(b)(ii)

20 While domestic aviation has recovered to approximately 90% of pre-COVID-19 levels, international aviation remains significantly below pre-COVID-19 levels. Pre-COVID-19 approximately 550 international flights operated into New Zealand each week. Currently, the number of international flights varies significantly but usually averages 200 per week.

21 s 9(2)(b)(ii) [Redacted]

s 9(2)(b)(ii) [Redacted]

22 s 9(2)(b)(ii) [Redacted]

23 s 9(2)(b)(ii) [Redacted]

24 s 9(2)(b)(ii) [Redacted]

25 Increased ability for passenger movement because of implementing the various steps of the Reconnecting New Zealanders strategy will result in increased flight numbers and increased revenue, particularly once self-isolation requirements are removed.

s 9(2)(b)(ii) [Redacted]

26 s 9(2)(b)(ii) [Redacted]

27 s 9(2)(b)(ii) [Redacted]

28 s 9(2)(b)(ii) [Redacted]

s 9(2)(b)(ii) [Redacted]

29 s 9(2)(b)(ii) [Redacted]

We recommend extending MetService’s ETC funding agreement to 30 April 2022

30 We recommend approving a four-month extension to MetService’s ETC agreement (two months backdated) to 30 April 2022. s 9(2)(b)(ii) [Redacted] This extension would cost a maximum of s 9(2)(b)(ii) and an increase in MetService’s maximum contract amount from s 9(2)(b)(ii) to s 9(2)(b)(ii)

31 We note both reopening of the border under Reconnecting New Zealanders and containing the Omicron variant has the potential to further increase the number of flights into New Zealand each week. s 9(2)(b)(ii) [Redacted]

32 s 9(2)(b)(ii) [Redacted]

s 9(2)(f)(iv) [Redacted]

[Redacted]

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OFFICIAL INFORMATION ACT

25 February 2022

OC220098

Hon Michael Wood
Minister of Transport

MEETING WITH THE CIVIL AVIATION AUTHORITY CHAIR AND CHIEF EXECUTIVE - 3 MARCH 2022

Snapshot

You are meeting with the Civil Aviation Authority (the Authority) Chair and Chief Executive on 3 March 2022. To support you in your meeting, the Ministry of Transport has provided comments and suggested talking points on the proposed agenda items.

Time and date	10.00am – 10.30am, 3 March 2022
Venue	via Zoom, Ms Fredric is attending in person
Attendees	Janice Fredric, CAA Chair Keith Manch, CAA Chief Executive and Director
Officials attending	Allan Prangnell, Deputy Chief Executive, System Performance & Governance Chris Jones, Acting Manager, Governance Alex Beedell, Senior Adviser, Governance
Agenda	<ol style="list-style-type: none"> 1. The Authority's work during Omicron (paragraph 1) 2. Updated forecasting (paragraphs 2 - 6) 3. Quarterly report for the period ending 31 December 2021 (paragraphs 7 - 10) 4. Te Kākano update (paragraphs 11 - 13) 5. Emissions Reduction Plan and Carbon Neutral Government Programme (paragraphs 14 - 17)

Contacts

Name	Telephone	First contact
Allan Prangnell, Deputy Chief Executive, System Performance & Governance	s 9(2)(a)	
Chris Jones, Acting Manager, Governance	s 9(2)(a)	✓
Alex Beedell, Senior Advisor, Governance	s 9(2)(a)	

Meeting with the Civil Aviation Authority Chair and Chief Executive - 3 March 2022

Key points

- You are meeting with Janice Fredric (Chair) and Keith Manch (Chief Executive and Director) of the Authority on 3 March 2022. At your last meeting with the Authority on 27 October 2021, you discussed the following agenda items:
 - Authority internal updates i.e., resourcing and funding constraints, the funding review, property developments, and the remuneration and retention of Authority staff
 - Avsec queue-counting trial
 - The Authority and Avsec's COVID-19 contributions
 - Avsec MIQ
 - Emerging technology including Budget bid.
- This is the first of your regular meetings with the CAA Chair and Chief Executive this calendar year. The meeting is an opportunity for you to discuss the ongoing impact of the pandemic on the Authority's deliverables in 2021/22 and the effects on the wider aviation sector. You may also wish to seek assurance that your priorities are being addressed effectively and to discuss your expectations for the Authority when responding to the Government's climate change commitments - at a time when it has financial and resourcing constraints.
- Suggested talking points are provided for your consideration in blue boxes.

Funding and resourcing constraints remain critical risks for the Authority

- The Chair and Chief Executive are likely to raise the impacts and implications of funding and resourcing constraints on the Authority's operations. The Ministry notes that these constraints have the potential to affect the Authority's ability to meet deliverables that fall outside of BAU. To address some of these challenges, the Authority has submitted the following Budget 2022 bids:


s 9(2)(f)(iv)



s 9(2)(f)(v)



s 9(2)(g)(i)



AGENDA ITEMS

Item one: The Authority's work during Omicron

1. The Ministry has no comment on the advice provided in the Authority's briefing (provided to you on 24 February 2022), but notes that the move to phase three of the Omicron response should make it easier for close contacts of Avsec staff to return to work.

Item two: Updated forecasting

s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(g)(i)

s 9(2)(g)(i)

6. Preliminary work on the funding review has commenced, with the Ministry and the Authority working collaboratively on the approach, scope, and terms of reference. Continuing this work is vital to the Authority's long-term funding sustainability.

Suggested talking points

s 9(2)(g)(i)

s 9(2)(g)(i)

Item three: Quarterly report for the period ending 31 December 2021

7. On 25 February 2022, you received the Authority's 2021/22 quarter two performance report (Q2 report) for the period 1 October 2021 to 31 December 2021. The Ministry has reviewed the report and is comfortable with performance during the quarter. We note that:

- three performance targets were missed, mainly due to COVID restrictions (outlined in **Appendix One**) – in her cover letter to you, the Chair confirmed that *'Performance will continue to be closely monitored and we will keep you and the Ministry updated.'*
- the Authority has increased its focus on stakeholder engagement, while maintaining its relationships with international partners (such as Five Eyes and the Transport Canada Safer Skies work).
- there were 148.2 vacant FTEs for the security function (Avsec).
- the draft *Regulatory Strategy* was provided to other regulatory agencies and key aviation stakeholders to provide input and feedback. The Authority will share the draft Strategy with you before the final version is published (by March 2022) – this approach is in line with your 2021/22 letter of expectations, which asked the Authority to refresh its regulatory strategy by 30 June 2022.

8. The Q2 report also notes that it has been challenging to retain and recruit key staff in technical and corporate roles in accordance with the Authority's current remuneration policy. In part, this is evidenced by 44.9 vacant FTEs for the regulatory function (CAA) - in addition to 29 FTEs identified by the 2020 independent value-for-money review.

9. While current vacancies do *not* present an immediate risk to the delivery of the CAA's BAU regulatory work, additional vacancies increase the workload of regulatory staff, thereby reducing CAA's capacity to deliver on activities that fall outside of BAU and exacerbating an already complex work environment i.e., temporary offices and COVID restrictions.

s 9(2)(f)(iv), s 9(2)(g)(i)

Suggested talking points

- You may wish to acknowledge the Authority's increased sector engagement, and ask:

s 9(2)(g)(i)

s 9(2)(g)(i)

Item four: Te Kākano Update

11. On 22 February 2022, you received a copy of the Te Kākano Progress Report, which details the actions the Authority has undertaken to support the transition of Te Kākano into BAU from February 2022, including:

- developing several strategies to provide an integrated approach to culture change across the Authority
- creating clear reporting lines, responsibilities, and ownership for Te Kākano activities across the Authority, including the Board and senior executives
- reporting to the Board on the delivery of Te Kākano activities
- creating frameworks that will be reviewed and refreshed over time
- expanding support for staff beyond EAP services and utilising qualified investigators as required.

12. Most Te Kākano outputs to address the 31 recommendations in the Civil Aviation Authority Organisational Culture Review Final Report are now in place. However, the Progress Report notes that some developed activities such as the Health, Safety and Wellbeing Strategy 2021 to 2026 and wellbeing workshops will be implemented in the 2022 calendar year. It will take time for the frameworks (implemented or otherwise) to be fully embedded across the organisation.

13. In accordance with your 2022/23 letter of expectations, the Ministry and the Authority are working together to scope an independent evaluation of the effectiveness of Te Kākano's outputs. We will advise you of agreed timings for the evaluation by March 2022.

Suggested talking points

s 9(2)(g)(i)
s 9(2)(g)(i)

Item five: Emissions Reduction Plan (ERP) and Carbon Neutral Government Programme (CNGP).

14. In addition to undertaking work to address the emissions reduction and carbon neutrality requirements set out in the ERP and CNGP, the Authority could be asked to:

- work with the Ministry to develop a sustainable aviation fuel specific mandate in 2022
- join Sustainable Aviation Aotearoa¹
- ensure the right regulatory policy settings are implemented to enable emissions reduction technologies.

15. The Authority's meeting briefing notes that:

Without additional funding, the Authority will struggle to meet the deadline (of zero net emissions by 2025/26) but will continue to progress this work to the degree it can within existing funding constraints.

16. The Authority's ongoing financial and resourcing constraints will impact the extent to which it is able to address the Government's climate change commitments and the potential new workstreams outlined in **paragraph 14**. We suggest that you use this meeting to outline your expectations for the Authority in 2021/22, when responding to the ERP, CNGP and the net-zero target set out in Climate Change Response Act 2002.

17. In accordance with your 2022/23 letter of expectations, the Ministry and the Authority will work collaboratively to undertake a programme of work that assesses how the entity might address its decarbonisation and emissions commitments within its financial and resourcing constraints. This work will commence shortly.

Suggested talking points

s 9(2)(g)(i)
s 9(2)(g)(i)

¹ The Government-industry body tasked with identifying opportunities for the aviation sector to decarbonise, and its potential workstreams on a SAF mandate, and zero-emissions aircraft.

Appendix one: Missed performance measures in quarter two 2021/22

Measure		Reason for missing the measure in Q2
2.1.1	<p>We build safety awareness through:</p> <ul style="list-style-type: none"> education courses, workshops, or seminars to participants nationwide 	<p>These measures were impacted by varying COVID alert levels which prevented in-person interactions.</p>
4.1.2	<p>We will monitor adherence to the Civil Aviation Act 1990 through the conduct of:</p> <ul style="list-style-type: none"> enforcement investigations 	
3.1.2	<p>Timeliness: requests for certification of organisations, products and aircraft will be responded to within 10 working days after receiving an application</p>	<p>This measure recorded a quarter two result of 96% applications logged within 10 working days, missing its YTD target of 100%.</p>

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