

**[In Confidence]**

Office of the Minister of Transport

Cabinet Economic Development Committee

**Revised Draft Government Policy Statement on land transport 2024 for public consultation**

**Proposal**

- 1 This paper seeks agreement to publicly consult on a Draft Government Policy Statement on land transport 2024 (Draft GPS 2024), in-principle agreement to funding arrangements for land transport investment from July 2024.

**Relation to government priorities**

- 2 The Government Policy Statement on land transport (GPS) provides direction and guidance on investment in the transport sector, delivering on several government priorities relating to resilience, emissions reduction, safety and economic development.

**Executive Summary**

- 3 The GPS is a statutory document that describes the Crown's land transport investment strategy and the results it expects Waka Kotahi NZ Transport Agency (Waka Kotahi) to achieve from the use of the National Land Transport Fund (NLTF). The GPS is also required to link the amount of revenue raised from road users with the planned levels of expenditure from the NLTF.
- 4 The strategic priorities in the Draft GPS 2024 reflect the government's overall transport priorities. The proposed priorities are:
  - 4.1 maintaining and operating the system
  - 4.2 increasing resilience
  - 4.3 reducing emissions
  - 4.4 safety
  - 4.5 sustainable urban and regional development
  - 4.6 integrated freight system.
- 5 Transport-related cyclone recovery works will be more advanced by the time this GPS takes effect on 1 July 2024. The Draft GPS 2024 reflects existing commitments relating to cyclone recovery and will be updated to include the latest government commitments before it is finalised.
- 6 The NLTF is under significant pressure due to several factors including historic underinvestment in maintenance by previous governments, the increasing frequency of extreme weather events, workforce pressures, and inflation.
- 7 Given these pressures, the Draft GPS 2024 sets out my clear expectation that Waka Kotahi will derive the maximum value from every dollar of taxpayers' money that they

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spend. It is my expectation that they will control their organisational and project costs, and that they will leverage their significant maintenance and renewals work programmes to also deliver on the Government's overall transport priorities.

- 8 Officials have advised me that, in their view, increases to FED/RUC are the most appropriate and effective tool to fund the NLTF. They have advised that the Government should increase FED/RUC by the amount that would be required to fund the NLTF in full: a one-off increase of 30 cents per litre to fund the essential expenditure and another one-off increase of 8 cents per litre to fund the Strategic Investment Programme. Given the significant impact that this would have on the cost of living for many households, I do not consider that a one-off increase of this kind would be acceptable.
- 9 Accordingly, I have taken extra time before releasing the Draft GPS 2024 for public consultation to identify a mix of funding tools that balances the need to invest in the transport system with the need to manage cost-of-living pressures on households.
- 10 I am therefore proposing that the Government:
- 10.1 focus first on essential expenditure to maintain and operate existing assets and services;
  - 10.2 increase the focus on cost control by creating an expectation that Waka Kotahi renews its efforts to manage internal and maintenance costs, and supporting Waka Kotahi efforts to reduce avoidance of Road User Charges (RUC);
  - 10.3 allocate \$500 million of the Climate Emergency Response Fund (CERF) to supplement investment in walking and cycling through the NLTF;
  - 10.4 hypothecate traffic infringement revenue, estimated at \$100 million per annum, to supplement road safety investments through the NLTF;
  - 10.5 make limited, staged increases to Fuel Excise Duty (FED) and Road User Charges (RUC);
  - 10.6 provide additional debt financing to the NLTF to support short-term investment levels; and
  - 10.7 provide a direct top-up to the NLTF to enable Waka Kotahi to consider funding a new 20-year Strategic Investment Programme through the NLTP, which I consider presents an opportunity for transformational change, and to develop an integrated, sustainable, resilient, safe, and low-carbon land transport network.
- 11 These changes balance continuing a sustainable level of investment in the transport system with the need to help households to manage cost-of-living pressures. Overall, they will substantially increase the available funding to the NLTF. Including all contributions, revenue available to the NLTF will increase from \$15.5 billion in 2021/22-2023/24 to \$20.8 billion in 2024/25-2026/27.
- 12 Following public consultation on the Draft GPS 2024, officials will consider submissions and provide advice to allow the GPS to be finalised.

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**Background**

- 13 The Government Policy Statement on Land Transport is a statutory document, required under section 66 of the Land Transport Management Act 2003 (the Act), which sets priorities for investment in land transport. In particular, it provides direction for Waka Kotahi expenditure of over \$6 billion per annum from the NLTF and guides another \$1 billion of local authority spending. Waka Kotahi has responsibility for the choice of specific investments from the NLTF, but its choices must give effect to the GPS.
- 14 The strategic planning process for land transport investment operates at three levels:
- 14.1 the development of the GPS, which describes the results sought by the Government and sets the funding ranges for each investment category;
  - 14.2 local authorities develop Regional Land Transport Plans (RLTPs) that identify investment priorities at a regional level. These must be consistent with the GPS; and
  - 14.3 Waka Kotahi develops the National Land Transport Programme (NLTP) that gives effect to the GPS, by prioritising across the range of initiatives proposed in RLTPs.
- 15 In the future, the development of regional spatial strategies under the Spatial Planning Act, will inform regional transport investment priorities, which will feed into RLTPs. Regional spatial strategies will support better integration between land use and transport planning and investment.
- 16 With Cabinet's agreement [DEV-22-MIN-0304 refers], in February 2023 the previous Minister of Transport released a document signalling the "Indicative Priorities" for GPS 2024. I am now proposing to release the Draft GPS 2024, which incorporates feedback on the indicative priorities, and changes made to reflect the impact of recent severe weather events.
- 17 Release of the attached document will enable public feedback before GPS 2024 is finalised. The finalised GPS 2024 will allow Waka Kotahi and local authorities to complete their parts of the investment planning process before the next tranche of NLTF funding become available from 1 July 2024.
- 18 I am proposing a package of financial measures sufficient to provide the funding necessary for essential expenditure (maintenance, operations, and existing commitments including debt servicing) and to consider several strategic investments.
- 19 The proposals in this paper would increase NLTF funding over 2024/25 – 2026/27 by 34 percent compared to the last three years. This will cover:
- 19.1 essential expenditure (e.g., road maintenance, public transport services, debt servicing, etc.);
  - 19.2 improvement activities that are already underway when GPS 2024 takes effect (about \$5 billion); and
  - 19.3 a direct top-up to the NLTF to enable Waka Kotahi to consider funding a new 20-year Strategic Investment Programme through the NLTP that I believe presents an opportunity for transformational change, and to develop an integrated, sustainable, resilient, safe, and low-carbon land transport network.

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21 Beyond this, the high inflationary environment means there will be very limited NLTF headroom for additional new approvals. The authority to approve a particular project for funding from the NLTF rests solely with Waka Kotahi, however, I expect the Waka Kotahi Board to manage the available funding very carefully and in a way that reflects the government's priorities.

### Components of a GPS

- 22 The Act specifies the content of the GPS, including mandatory and optional components. The mandatory components include:<sup>1</sup>
- 22.1 the results the Crown wishes to achieve from allocation of the NLTF;
  - 22.2 the Crown's land transport investment strategy;
  - 22.3 likely revenue, including changes to the duties, fees, and charges paid into the NLTF (this includes the rates of FED and RUC, and vehicle registration and licensing fees);
  - 22.4 linking the amount of revenue raised from road users with the planned levels of expenditure from the NLTF;
  - 22.5 setting overall expenditure targets and expenditure ranges for specific activities ("Activity Classes"); and
  - 22.6 a statement of the Minister's expectations of how Waka Kotahi gives effect to the GPS.

### Statutory requirements

- 23 Under the Act, when preparing a GPS, I must consult Waka Kotahi and have regard to the views of Local Government New Zealand and representative groups of land transport users and providers. Release of the Draft GPS 2024 for consultation will enable me to fulfil those requirements.
- 23.1 The Act also requires that when preparing or renewing a GPS, I must be satisfied that the GPS:
    - 23.2 contributes to the purpose of the Act;
    - 23.3 takes into account any national energy efficiency and conservation strategy;
    - 23.4 and takes into account any relevant national policy statement that is in force under the Resource Management Act 1991.

24 I have satisfied myself of these matters, subject to the outcome of the proposed consultation.

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<sup>1</sup> The full list of mandatory components has not been repeated here, for reasons of brevity. The Draft GPS 2024 includes all of the mandatory components.

**Strategy and results**

- 25 In the Draft GPS 2024 the Crown's land transport investment strategy and the results the Crown wishes to achieve from allocation of the NLTF are expressed via a set of strategic priorities, sets of outcomes and progress measures.
- 26 A document signalling the "Indicative Priorities" for GPS 2024 was released in February 2023. This was primarily designed to support local authorities to begin applying these priorities in the planning of their RLTPs. Feedback on the Indicative Priorities was received from thirteen organisations and individuals, representing a mixture of local authorities and transport lobby groups. The feedback was broadly supportive of the priorities.
- 27 I have considered the feedback and, where appropriate, incorporated it into the Draft GPS 2024. I am proposing six strategic priorities for GPS 2024, specifically:
- 27.1 Maintaining and operating the system;
  - 27.2 increasing resilience;
  - 27.3 reducing emissions;
  - 27.4 safety;
  - 27.5 sustainable urban and regional development; and
  - 27.6 integrated freight system
- 28 These are as proposed in the earlier paper with two minor changes. In the Indicative Priorities paper, emissions reduction was proposed as an overarching focus. This was a departure from previous GPSs, which did not weigh the strategic priorities or rank any one priority above the others. I have decided not to place emissions reduction above the other priorities because I consider that this is difficult to reconcile with the increasingly diverse set of funding tools being used for different aspects of land transport investment. I also consider that an overarching priority would likely make it difficult for Waka Kotahi to implement its part of the GPS in practice.
- 29 I have also modified the previous "sustainable urban development" strategic priority to include regional development. This emphasises the need for our cities and towns, large and small, to have transport networks that are fit for purpose and promote integrated land-use and transport planning. It will also help to ensure that regional New Zealand is not excluded from transport investment.
- 30 The sustainable urban and regional development priority in the GPS has been updated to better reflect the role of transport in supporting the Government's housing and urban development objectives. This emphasises that effective transport networks are a critical enabler for increasing housing supply, choice, and affordability, as well as developing resilient, productive, and lower emissions towns and cities.
- 31 Through spatial planning exercises the Urban Growth Partnerships have identified critical growth areas to ensure continued housing supply to keep up with projected demand. Timely transport investments in these areas will be critical to support growth.
- 32 If we do not use transport investment to proactively shape urban growth, we risk urban development occurring in places that are not well connected to transport

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networks and reduced accessibility for households and communities. This would not support our emissions reductions objectives.

33 In places where there is limited potential for intensification, investment in key transport corridors will play an important role in shaping the supply, location and form of urban development. This ensures good access to jobs, services and amenities. Shaping urban form can positively impact on the viability of public and active transport networks, which supports reduced emissions.

34 An example of this is potential strategic investment in State Highway 29 to support the development of Tauriko West in Tauranga, which supports:

34.1 increased housing supply in an area of critical need (around 20,000 homes);

34.2 increases travel choice (public transport and active travel) to reduce demand, emissions and vehicle kilometres travelled;

34.3 improved freight access to key destinations in Tauranga; and

34.4 improved road safety.

35 As a counterfactual the absence of this investment would result in poor to no ability to respond to critical housing demand in Tauranga, due to constrained geography and limited alternative options for growth, with continued unaffordability and poor transport outcomes.

36 Other noteworthy aspects of the strategic priorities include:

36.1 The resilience strategic priority has been strengthened from previous GPSs to recognise current flood and cyclone recovery efforts, and the increasing need for climate adaptation. I expect that this priority will incentivise the sector to develop proposals to enhance transport network resilience. These will be considered through the NLTF and the \$6 billion set aside in Budget 2023 to fund the National Resilience Plan.

36.2 Although maintenance has always been a significant part of land transport expenditure, maintenance has not previously been reflected as a strategic priority in a GPS. The inclusion of this priority in the Draft GPS 2024 reflects the reality that, if we are to manage current networks at sustainable levels of service, a large proportion of the NLTF must go towards maintaining existing infrastructure and operating existing public transport services. A core focus will be on ensuring that maintenance investment is efficient, effective, and enables the delivery of the Government's wider objectives rather than just replacing assets on a "like-for-like" basis.

37 Specifically identifying maintenance as a strategic priority is also an opportunity to directly recognise the interests and expectations of road users in regional New Zealand. This ensures there is a sufficient focus placed on operating and maintaining the existing land transport network, rather than solely concentrating on systemic change which, out of necessity, will start in the larger urban centres.

**Funding pressures**

38 At current revenue levels there is significant pressure on the NLTF due to:

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- 38.1 deferred road maintenance (State highway maintenance funding was static from 2009 to 2018);
- 38.2 increasing debt repayment obligations arising from Public Private Partnerships, such as Transmission Gully and Puhoi to Warkworth, and Crown loans;
- 38.3 significant cost inflation across the construction sector<sup>2</sup>;
- 38.4 an increase in weather-related maintenance costs;
- 38.5 a pause on FED or RUC increase since September 2020;
- 38.6 downward revision of revenue forecasts due to macro-economic factors;
- 38.7 an increase in the scope of activities funded by the NLTF (e.g. rail and coastal shipping);
- 38.8 greater demand for transport investment due to population growth and demand for new urban development and housing supply;
- 38.9 increased ambition to fund safety, resilience, public transport and other activities to meet our policy targets; and
- 38.10 a 'bow-wave' of approved projects that have been delayed, often due to the effects of the COVID-19 pandemic, which are now expected to be delivered in the GPS 2024 period.
- 39 Forecasts indicate that, at current rates of FED and RUC, there would be insufficient funding to meet maintenance needs, operating expenses and existing commitments (including public transport subsidies, projects under construction and debt repayments). This "essential expenditure" is estimated at \$18.4 billion over the 2024/27 period. This is composed of:
- 39.1 \$11 billion towards maintaining and operating existing assets and services (e.g., Road Maintenance, Road Policing, Public Transport Services);
- 39.2 \$4.8 billion that has already been committed to improvement activities (e.g. the National Ticketing Solution, Petone to Ngauranga Cycleway, Let's Get Wellington Moving's Golden Mile, and Riverlink); and
- 39.3 \$2.6 billion of debt repayments (including the Transmission Gully and Puhoi to Warkworth Public Private Partnerships, and some necessary debt restructuring of the \$2 billion NLTP 2021-24 Programme loan).
- 40 The gap between expected revenue and expenditure is significant. Over the first three years of GPS 2024, revenue at current FED/RUC rates is expected to generate \$13.1 billion. This is about \$5.3 billion less than essential expenditure.

**Strategic Investment Programme**

- 41 In addition to funding essential expenditure to ensure that core components of the transport system like road maintenance and public transport services continue to

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<sup>2</sup> Waka Kotahi report that the cost of construction materials increased by up to 45% between March 2021 and September 2022 on top of increased costs of labour, steel and bitumen.

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function over the next three years, I consider that it is also important for the Government to outline a suite of longer-term strategic projects that could help to deliver on our overall transport objectives as set out in the Draft GPS 2024.

- 42 This Strategic Investment Programme indicates a 20-year view of some of the most significant sections of the transport network that require intervention and is expected to guide Waka Kotahi's consideration of the NLTP. Signalling the importance of these projects alongside our commitments to road maintenance and public transport services will ensure that we avoid the mistakes of previous governments and deliver transformative changes to our transport system without compromising its core functions. Overall, I consider that these projects will help to develop an integrated, sustainable, resilient, safe, and low-carbon land transport network, which is complementary to our overall transport objectives.
- 43 The Strategic Investment Programme builds on the Government's ongoing efforts to fix the infrastructure deficit and invest significantly in improving New Zealand's transport system. These investments include the New Zealand Upgrade Programme, which is delivering improved state highway connections in regions like Northland, Tauranga, and Otaki and is supporting better public transport in Auckland and Christchurch. The Strategic Investment Programme also complements the Government's efforts to deliver major projects like Auckland Light Rail and Waitemata Harbour Connections that will reduce congestion and build resilience into Auckland's transport network. Finally, it complements the low-cost interventions to decarbonise the transport system that we are delivering to 46 councils around the country through the Transport Choices programme.
- 44 Collectively, the Government's investments in the transport system are delivering significant improvements across all modes – road, rail, public transport, walking and cycling – for communities around the country.
- 45 The projects included in the Strategic Investment Programme are:
- 45.1 Warkworth to Whangārei – State Highway 1, including:
    - 45.1.1 Te Hana to Brynderwyns
    - 45.1.2 Warkworth to Wellsford
    - 45.1.3 Whangarei to Brynderwyns
  - 45.2 Auckland Northwest Rapid Transit
  - 45.3 Auckland Rail Third and Fourth Mains Expansion
  - 45.4 Avondale to Onehunga rail link
  - 45.5 Auckland and Wellington Metropolitan Level Crossing Upgrade and Removal Programme
  - 45.6 Cambridge to Piarere – State Highway 1
  - 45.7 Tauranga to Tauriko – State Highway 29
  - 45.8 Wellington CBD to Airport – State Highway 1 – Second Mount Victoria Tunnel and Upgrades to Basin Reserve/Arras Tunnel

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- 45.9 Wellington CBD to Island Bay – Mass Rapid Transit
- 45.10 Napier to Hastings – State Highway 2
- 45.11 Christchurch Northern Link – State Highway 1
- 45.12 Nelson (Rocks Road) shared path – State Highway 6
- 45.13 Ashburton Bridge – State Highway 1
- 46 The authority to approve a Rail Network Investment Programme (RNIP) and NLTF funding for an RNIP sits with the Minister of Transport. For the non-rail projects, decision rights for funding from the NLTF rest solely with Waka Kotahi. But in light of the importance of the projects identified in the Strategic Investment Programme, I propose to provide Waka Kotahi with a grant of \$2.4 billion into the NLTF to enable it to properly consider these projects in its NLTF decisions, noting existing funding challenges.
- 47 Fiscal implications of the Strategic Investment Programme and other parts of the Draft GPS 2024 package are described below.

**Transport investment funding**

- 48 In Budget 2023, the Government committed new or additional funding to a number of transport investments. This new “direct Crown” funding adds to previous Crown funding already announced, including the New Zealand Upgrade Programme (NZUP), initiatives funded from the Climate Emergency Response Fund (CERF), and rail funding. This means that in addition to the NLTF, \$6.2 billion of Crown funding will be available for transport investment over the period 2024/25 – 2026/27.
- 49 However, even with this additional direct Crown funding (and the anticipated cost savings), if the amount of NLTF revenue does not increase, investment in almost every activity class in GPS 2024 would need to be cut significantly. This would include critical services and activities such as road maintenance, road policing, and public transport operations, as well as a near total freeze on any new projects across state highways and local roads. Pressures on our roading network are increasing, particularly through an increase in adverse weather events and the use of heavier trucks. I do not consider this an acceptable outcome.
- 50 We have increased maintenance funding to ‘catch up’, but without additional funding the condition of the network will continue to decline. I am therefore proposing to consult on a GPS which includes a five-part funding solution over 2024/25 – 2026/27, consisting of:
- 50.1 a contribution from the CERF to the NLTF that directly supports walking and cycling projects (about \$500 million from 2024/25 – 2026/27);
  - 50.2 hypothecation of traffic infringement fee revenue to the NLTF (about \$100 million per annum);
  - 50.3 either (Option A) bi-annual FED increases of 2 cents per litre (and their RUC equivalents) for three years or (Option B) bi-annual 2 cents per litre increases for the first year, followed by two annual 4 cents per litre increases;
  - 50.4 a Crown loan of \$3.2 billion (or \$3.1 billion) to bring forward some expenditure; and

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50.5 a Crown grant of \$2.4 billion to enable Waka Kotahi to consider funding a new 20-year Strategic Investment Programme through the NLTF

51 Detail of these proposals, including the fiscal implications, are described below.

*A contribution of \$500 million from the CERF to the NLTF*

52 Proceeds from the Emissions Trading Scheme (ETS) are currently ring-fenced to the CERF, which is a multiyear fund. The land transport sector is a major creator of greenhouse gas emissions and a major purchaser of New Zealand emissions units (NZU). The sector also needs to be a major contributor to our emissions reduction efforts. Achieving those reductions will require on-going investment in public transport, walking and cycling, and other initiatives to reduce the carbon intensity of transport.

53 Transport was allocated \$676 million from the CERF in Budget 2022 (not including the \$589 million for the, now discontinued, Clean Car Upgrade and Social Leasing initiatives) and another \$622 million in Budget 2023. The NLTF and CERF now both fund transport emissions reduction activities.

54 I am proposing that \$500 million of the remaining \$1.5 billion in CERF be allocated to the NLTF. This would be a charge against the CERF, reducing that balance to \$1.0 billion.

55 Should this grant be agreed, I expect to ringfence it to ensure the funds are only used for purposes directly related to emissions reduction. Specifically, I expect to link it to amount of expenditure in the Walking and Cycling Activity Class, and to require reporting to show how the expenditure has been used to support the government's emissions reduction objectives.

56 I note that the Treasury recommends against the allocation of CERF funding to the NLTF as the CERF is intended to be used for additional emission abatement activities, while this decision is for funding to support what Treasury considers to be status quo activities. I disagree with this assessment and consider that the walking and cycling activities proposed to be funded by the NLTF are a key component of our efforts to reduce emissions and will provide additionality relative to the counterfactual if this funding were not available.

*Hypothecation of traffic infringement fee revenue to the NLTF (about \$100 million per annum)*

57 I propose to hypothecate traffic infringement fee revenue to the NLTF, allowing revenue from infringement fees to be invested back into road safety initiatives. This revenue is estimated at approximately \$100 million per annum. I consider that hypothecating infringement fee revenue in this way supports our road safety approach to infringements and our safety objectives. I note that this revenue is currently included in baselines, and accounted for when setting allowances, so this change would require a pre-commitment against the operating allowances.

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- 59 Should the hypothecation be agreed, I expect to put in place a ringfence to ensure the infringement fees are only used for purposes directly related to our safety objectives.

*FED increases (and their RUC equivalents)*

- 60 I propose to consult on a funding option that includes regular small increases in FED and RUC. While I am conscious of current cost-of-living pressures on New Zealand families, I consider that FED/RUC increases are required for the following reasons:

- 60.1 topping up the NLTF with a Crown grant and/or additional debt may be a necessary transitional step, but there are limits to the amount of grants and debt that the Government can provide;
- 60.2 in the absence FED/RUC increases there would need to be severe cuts to NLTF-funded works across central and local government which would negatively impact all New Zealanders;
- 60.3 road users are the primary beneficiaries of land transport expenditure;
- 60.4 to help manage demand, it is important to maintain the link between the costs of the system and the amount that road users pay; and
- 60.5 FED and RUC have not increased since September 2020<sup>3</sup> and there have been significant cost inflation and wage increases over the period;

- 61 I therefore seek your agreement to consult on either:

- 61.1 **Option A:** FED increases (and the RUC equivalent) of 2-cents per litre every six months, for three years.
- 61.2 **Option B:** a FED/RUC increase of 2 cents per litre in July 2024 and January 2025, followed by 4 cents per litre increases in July 2025 and July 2026.

- 62 Based on a petrol price of \$2.50 per litre, an increase in FED of 2 cents per litre (plus GST) is a 0.9 percent increase in the pump price. I consider that these small regular increments will help households and businesses to absorb the costs.

- 63 At this level of FED/RUC increase, to reach the target revenue level (covering essential expenditure and the Strategic Investment Programme), an additional loan and a Crown grant will be required. The relevant amounts are shown in Table 1 below. The figures in Table 1 assume the use of traffic infringement revenue and CERF as described above. The loan and Crown grant requirements would increase proportionately if those proposals are not accepted.

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<sup>3</sup> Noting that temporary reductions in FED/RUC were put in place to assist with cost-of-living pressures and the reductions expired on 30 June 2023.

**Table 1:** FED/RUC, Debt and Grant requirements 2024/25 – 2026/27

	Additional FED/RUC revenue	New loan	Crown grant	Cost per week for average motorist
Option	\$ millions			
A	1,260	3,200	3,200	\$0.44 to the average motorist, increasing to \$2.64 by January 2027
B	1,380	3,080	3,200	\$0.44 to the average motorist, increasing to \$2.64 by July 2026

64 I note that in the fifteen years from 2005 to 2020 (when FED rates were last increased), FED increased by a total of 34 cents per litre, or around 2.3 cents per litre per annum on average. Therefore, small, semi-regular increases to FED and RUC should not be viewed as unusual, rather, they are the historical norm.

*A Crown loan of \$3.2 billion (or \$3.1 billion) to bring forward expenditure*

65 These proposals include a Crown loan to the NLTF to support transport investment over the 2024/25-2026/27 period. This loan is required to ensure that we continue to fund essential transport expenditure while not overburdening New Zealanders with FED/RUC increases at a time when household budgets are under significant pressure.

66 A Crown loan would add to net debt. The structure and pricing of the loan are to be developed and agreed. It is proposed that the loan will be set on terms that will appropriately reflect the risk profile of the NLTF. On this basis lending would be non-concessional. The lending itself would not impact operating allowances or OBEGAL. However, where the loan is used to cover a shortfall in funding for operating expenses, there will be an impact on OBEGAL due to operating expenses not being balanced by an equivalent increase in revenue (Crown or other). In addition, there will be a cost of borrowing which would have an impact on OBEGAL.

67 The loan would not impact on the multi-year capital allowance, provided there is a credible path for repayment. The debt proposal has been modelled based on a term of ten years, with the repayments coming from the additional FED and RUC revenue. It therefore has a credible path for repayment.

68 I note that section 65L of the Public Finance Act 1989 requires the Minister of Finance approve any lending on behalf of the Crown. That approval would be sought separately before any new loan is agreed.

69 I also note that the Waka Kotahi Board will need to agree this loan. I expect this proposal to be part of my formal consultation with Waka Kotahi. Waka Kotahi is unlikely to accept additional debt unless the existing \$2 billion loan is placed on a sustainable footing. For this reason, the proposed revenue levels provide for about \$770 million in debt repayments over 2024/25 – 2026/27.

*A Crown grant of \$2.4 billion*

70 As described above I am proposing a Crown grant of \$2.4 billion to the NLTF to supplement the other funding sources and provide the NLTF with sufficient revenue

for Waka Kotahi to consider including the first three years of the 20-year Strategic Investment Programme in the NLTP. The capital component of a Crown grant would be managed as an allocation from the multi-year capital allowance, whilst the operating component of the grant would be a pre-commitment against the Budget 2024 operating allowance. If the Crown grant is not managed against Budget allowances this would negatively impact OBEGAL and net debt.

*Funding summary*

71 Including all revenue sources, NLTF revenue is expected to be \$20.8 billion over the years 2024/25–2026/27.

**Table 2:** Transport Investment, NLTF and Direct Crown, Existing and New

Transport investment funding	2024/25–2026/27 (\$ billion)
NLTF @ current FED/RUC (70 c/l)	13.1
Safety cameras & fines	0.3
CERF	0.5
Increase in FED/RUC (Option A/B)	1.3/1.4
Additional Crown loan (Option A/B)	3.2/3.1
Crown grant	2.4
<b>Total NLTF</b>	<b>20.8</b>

**Activity Class funding ranges**

72 If \$20.8 billion in funding is provided to the NLTF over the 2024/25–2026/27 period, this will enable us to fund the essential expenditure and will be shown as a significant increase to the activity class funding ranges in GPS 2024. Table 1 below provides a comparison between the mid-points for the activity class funding ranges from GPS 2021 and GPS 2024.

73 Additional information on Draft GPS 2024 funding ranges is provided in the appendices. **Appendix 2** details the 10-year funding ranges, while **Table 3** provides a comparison of how the activity class funding ranges have changed between GPS 2021 and the Draft GPS 2024.

Table 3: Activity classes funding ranges – midpoints

Activity Class	GPS 2021				GPS 2024			% Change
	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Continuing programmes</b>								
State highway maintenance	850	865	885		1125	1280	1400	46%
Local road maintenance	705	725	740		900	975	1060	35%
Public transport services	495	520	560		715	785	860	50%
Investment management	78	83	85		75	80	80	-4%
Rail network	145	421	471		540	545	380	237%
<b>Improvements</b>								
State highway Improvements	1025	900	900		1220	1320	1470	46%
Local road Improvements	200	175	180		275	275	285	50%
Safety					550	560	570	New activity class
Public transport Infrastructure	610	550	515		765	815	865	46%
Walking and cycling improvements	138	133	150		230	235	240	68%
Coastal Shipping	13	13	13		18	18	18	40%
Inter-regional Public Transport					35	35	35	New activity class

**Integrating NLTF and other funding through the investment planning process**

- 74 As described above, land transport investment funding has evolved into a hybrid system that utilises a range of revenue sources. Revenue from road users and ratepayers (“local share”) is increasingly being supplemented by revenue from taxpayers and dedicated funds such as the CERF and NRP. The Draft GPS 2024 introduces a more formal system to integrate the planning and funding application process for these different revenue sources – to make it easier for those seeking funding and to provide Ministers with more integrated advice about options and trade-offs.
- 75 In future, local and regional authorities will be invited to put forward transport projects in their RLTPs that could be considered not just for NLTF funding (approved by Waka Kotahi) but also for other funding pools (e.g., the Budget process). Local authorities will prepare those bids based on the strategic priorities in the GPS. Waka Kotahi will then assess those bids for suitability for NLTF funding and, working with the Ministry of Transport, will produce sets of bids for possible inclusion in Budget, CERF or National Resilience Plan packages. This will improve the implementation readiness of future Budget bids.
- 76 This change will formalise the previous, *ad hoc* role played by Waka Kotahi in providing advice to Government on transport projects sitting outside the NLTF.

**Value for money and “building back better”**

- 77 Alongside the extra funding being made available in GPS 2024, I have also set out my clear expectation that Waka Kotahi will derive as much value as possible for every dollar of taxpayers’ money that they spend.
- 78 It is my expectation that they will control and contain costs within their organisation, through their supply chain and contracts and by ensuring that all lower-cost interventions (such as demand management tools) and cost saving measures are explored before any major infrastructure investments are undertaken.
- 79 It is also my expectation that Waka Kotahi are leveraging maintenance and renewals work programmes to efficiently contribute to a wider set of outcomes. We currently maintain or renew around nine percent of the roading network every year at an annual cost of \$1.5-2 billion. This spending is expected to continue rising over the next GPS period, particularly as severe weather events occur more frequently. It is my view that Waka Kotahi should better integrate improvement activities into their routine maintenance schedules where feasible.
- 80 As such, I expect that when they are undertaking renewals and planned improvements Waka Kotahi should use these opportunities to help achieve key outcomes like upgrading the safety of the network, building climate resilience, and providing improved travel choices. Realising these opportunities will require additional investment into maintenance and renewals. It will also require asset management plans that are sufficiently forward-looking to anticipate what long-term changes will be required and to incorporate those changes into maintenance schedules.<sup>4</sup>

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<sup>4</sup> Waka Kotahi has committed to a new standard for asset management and planning called the One Network Framework, which is expected to guide many of these types of decisions.

81 The Draft GPS 2024 conveys the expectation that Waka Kotahi and local authorities start the planning for these changes now, so we are well positioned to make investment decisions that contribute effectively towards decarbonising the transport system.

**Policy impacts**

82 Formation of the Draft GPS 2024 has required a number of compromises to create a plan that balances all the Government's transport and broader objectives, particularly fiscal viability. The main trade-offs are described below.

*Emissions Reduction actions and Climate Implications of Policy Assessment (CIPA)*

83 The Decarbonising Transport Action Plan (DTAP) committed the Government to "ensure the next [GPS] guides investment consistent with the emissions reduction plan" and included a number of specific actions that GPS 2024 was expected to implement.

84 The Strategic Investment Programme has yet to be assessed to determine its emissions impact. Consistent with Cabinet Office Circular CO (20) 3, I am commissioning a CIPA, to be completed and provided to Ministers before final decisions on the GPS 2024. However, Ministers should be aware now that, *prima facie*, it is likely that the roading components of the Strategic Investment Programme will increase emissions. This means that the emissions reductions required in other parts of the next version of the ERP will be increased. This will likely include increased decarbonisation of the transport fleet.

85 s 9(2)(h)

86 I have considered whether the need to implement the ERP and DTAP outweighs the other objectives we are seeking to achieve through GPS 2024, particularly the need to increase resilience, provide for sustainable urban and rural development, and improve freight connections. The path I am proposing allows for a balance between our emissions objectives, the other transport strategic priorities and our fiscal objectives.

*Road to Zero*

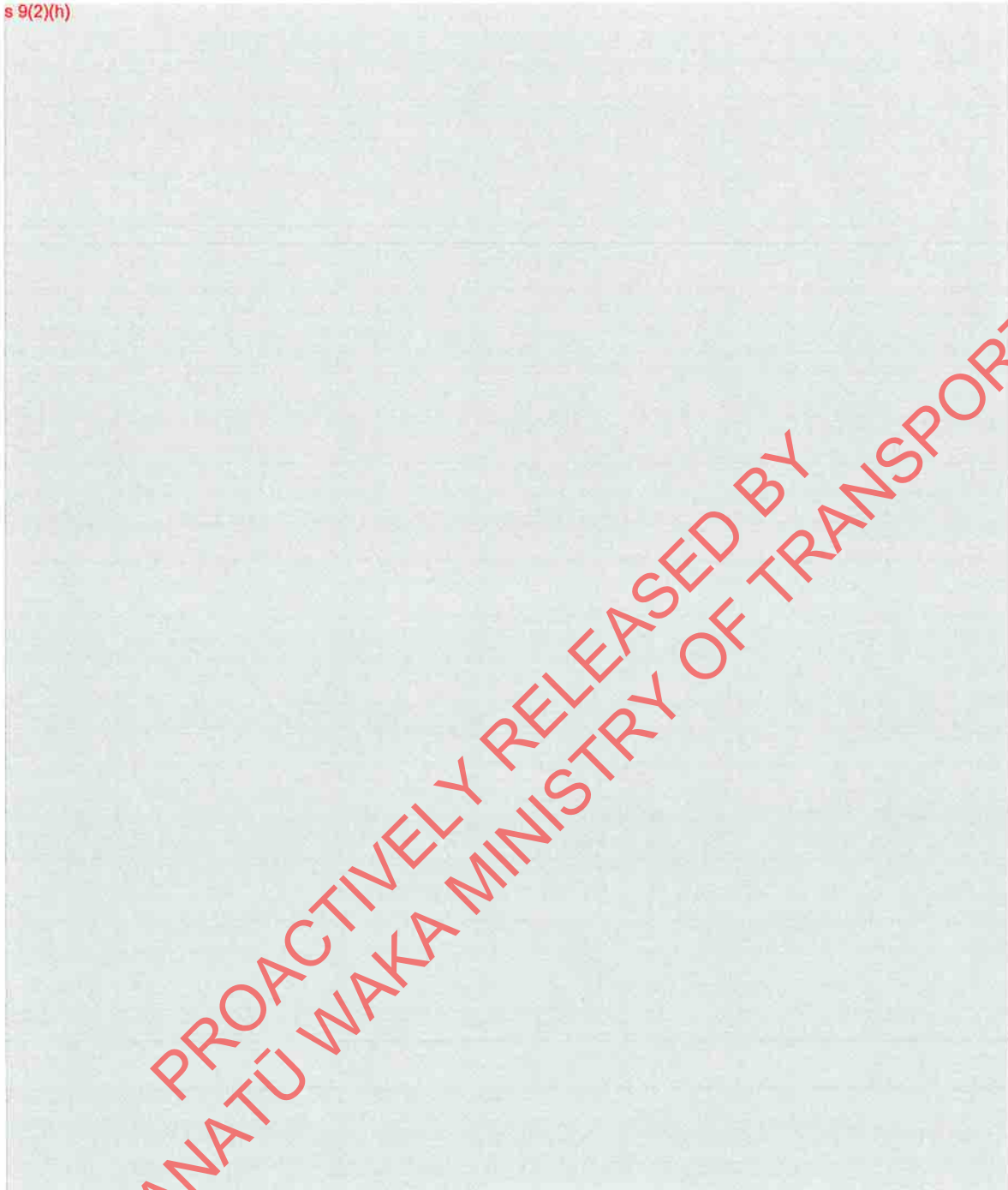
87 The proposed changes to funding levels in the Safety activity class are likely to impact on road safety outcomes. At the proposed funding levels, momentum that was building across the programme may be lost. However, many safety investments occur as part of investments in other activity classes. For example, intersection improvements, wider road shoulders, rumble strips, and improved skid resistance. I have instructed officials to advise on effective performance measures and expectations to ensure targeted safety interventions are elevated in Waka Kotahi's prioritisation framework.

**Risks**

s 9(2)(h)



s 9(2)(h)



*Funding for improvements*

- 96 As described above, the proposed level of NLTF funding provides for Waka Kotahi to prioritise essential expenditure, with an allowance for the improvement activities already in train and the Strategic Investment Programme. Beyond this there will be very limited NLTF headroom for new approvals.
- 97 This means that the revenue that is being provided does not include significant discretionary funding for new investments promoting safety, resilience, emissions reduction, or affordable housing. It also excludes any allowance for Auckland Light Rail, an alternative Waitematā Harbour Crossing, the NLTF share of new regional fuel tax projects, or any major new business cases not in the Strategic Investment

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Programme. As is always the case, a number of RLTP projects currently in their pre-implementation phases will be unable to obtain NLTF funding to be implemented. Construction phases of these projects must be funded from other sources or delayed.

*Auckland Transport Alignment Plan*

- 98 In parallel with the GPS development, I have been working with the Mayor of Auckland to develop the Auckland Transport Alignment Project (ATAP). As the GPS is finalised, we will need to continue discussions with our Auckland partners about how it will interact with the ATAP process.

*Let's Get Wellington Moving*

- 99 I have also been working with Wellington City Council and Greater Wellington Regional Council on Let's Get Wellington Moving (LGWM). The GPS currently includes funding for the LGWM transformational programme. I consider that acceleration of these projects will deliver benefits to the Wellington region more quickly, while also supporting the delivery of rapid transit following completion of the Detailed Business Case currently scheduled for 2024.

100

s 9(2)(f)(iv)

I intend to engage with the LGWM Partners to discuss these issues and I will report back to Cabinet on any changes that are required.

*Financial sustainability*

- 101 If accepted, the proposals in this paper will provide the NLTF with \$20.8 billion in revenue over the three-year period 2024/25 – 2026/27. However, a significant proportion of that is from one-off grants and new debt, which are not on-going revenue. That is, they are not automatically available again for GPS 2027. Inflation and additional interest payments will add to the costs, as will expectations for continuation of the projects started in GPS 2024. This means that an even larger revenue gap will occur in GPS 2027, unless action is taken before July 2027 to provide additional revenue. Current forecasts indicate a revenue gap of at least \$6 billion over 2027/28-2029/30, equivalent to a one-off FED (and RUC equivalent) increase of 33-cent per litre.
- 102 To address these challenges, in early 2022 a review of the land transport revenue system was commissioned. The first phase was a cross-agency Land Transport Revenue Review considering how to meet pressures in the short to medium term. The second phase, underway now, is a Ministry of Transport-led project, titled the *Future of the Revenue System*, which is looking at options for longer term changes to the land transport revenue system.
- 103 I received initial advice from this project in early July 2023 and am expecting further advice this year. I am also expecting officials to prepare materials so that public consultation on different approaches can begin next year.

*Waka Kotahi's agreement required*

- 104 I note that the Waka Kotahi Board will need to agree to any Crown loan. I expect that the Board will want to be assured of the government's commitment to a sustainable revenue path before agreeing to accept additional debt. Given that the *Future of the*

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*Revenue System* project is still in its formulative stages, it may be difficult to provide the Board with the level of assurance that it needs.

**Next steps**

- 105 Following Cabinet approval, the Draft GPS 2024 will be released for a four-week public consultation period. In proposing this consultation, I am very aware of the current demands on local authorities in flood-affected regions. Although some individual authorities may be hard pressed to respond in the time available, I expect that LGNZ and other individual local authorities will be motivated and capable of speaking to the same points that concern the flood-affected regions.
- 106 After consideration of the submissions, I anticipate the final approval of GPS 2024 later this year, before public release. This will include confirmation of financial implications.

**Financial Implications**

- 107 As described above, the Draft GPS 2024 proposes meeting the costs through several funding changes that have fiscal implications.
- 108 The consultation document currently includes definitive language which means that it is prudent to recognise the potential fiscal implications now – for example, the document states that *“This increase will be derived from several sources: ... Crown grants; A Crown loan.”*
- 109 On this basis, alongside the proposed FED/RUC increases, we need to agree in principle, subject to final decisions on the GPS, to:
- 109.1 commit \$500 million against the CERF;
  - 109.2 pre-commit a further \$300 million against Budget 2024 operating allowances to account for revenue from transport infringement fees (as this revenue has already been accounted for in setting operating allowances);
  - 109.3 pre-commit a further \$841 million against Budget 2024 operating allowances and \$1,544 million against the Multi Year Capital Allowance (MYCA) in order to enable Waka Kotahi to consider funding a new 20-year Strategic Investment Programme through the NLTP; and
  - 109.4 provide an additional \$3,200 million loan for Waka Kotahi, and recognise the corresponding expected impact on net debt, noting that the final quantum of the loan (and net debt impact thereof) may change depending on the final structure and terms of the loan.
- 110 The above decisions will be in-principle only at this time. I am proposing that we delegate final decisions on the fiscal management approach for the above commitments to the Minister of Finance. Subject to the Minister of Finance's decisions, and possible refinements to these early-stage estimates, the approach recommended above is indicatively expected to have a weak positive impact on OBEGAL across the 2024-27 period. However, it will substantially reduce allowances, limiting new spending investment choices for Budget 2024
- 111 The estimated financial implications of the in-principle decisions proposed in this paper are summarised in the Tables 4a and 4b below. These figures should be taken as indicative only, and are subject to change. All calculations assume that any grants

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are managed within Budget allowances or against the MYCA as relevant – if this were to change, the impact on OBEGAL would worsen accordingly.

- 112 Cabinet will be asked to approve the appropriate financial recommendations as part of its approval of the final GPS 2024 document at which point we will agree the final financial implications. The Treasury will continue to work with Ministry of Transport and Waka Kotahi to understand the implications on key fiscal indicators such as OBEGAL.

**Table 4a:** Financial implications Option A (Biannual 2 cpl increases)

	Expenditure (\$m)	2024/25	2025/26	2026/27	Total
1	Operating Expenses	-3,710	-3,858	-3,498	-11,066
2	Debt repayments (interest)	-110	-154	-193	-457
3	Debt repayments (principle)	-552	-643	-1,114	-2,309
4	Capital Expenditure	-1,517	-1,370	-1,729	-4,616
5	Depreciation to be recognised	-960	-990	-1,030	-2,980
6	<i>Additional opex for Strategic Investment Programme</i>	-191	-265	-385	-841
7	<i>Additional capex for Strategic Investment Programme</i>	-271	-399	-874	-1,544
8	<b>Total Expenditure</b>	<b>-6,351</b>	<b>-6,688</b>	<b>-7,793</b>	<b>-20,832</b>
	Inflows (\$m)	2024/25	2025/26	2026/27	Total
9	Base revenue	4,286	4,388	4,490	13,165
10	2cpl every 6 months additional FED/RUC	180	420	660	1,260
11	Traffic Infringements	100	100	100	300
12	CERF	167	167	167	500
13	New debt	1,067	1,067	1,067	3,200
14	Crown grant towards base GPS	0	0	0	0
15	<i>Additional operating grant for Strategic Investment Programme</i>	191	265	385	841
16	<i>Additional MYCA grant for Strategic Investment Programme</i>	271	399	874	1,544
17	<b>Total Inflows</b>	<b>6,262</b>	<b>6,805</b>	<b>7,742</b>	<b>20,810</b>

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18	OBEGAL impact (absolute) of the above	-47	73	696	722
19	OBEGAL impact based on BEFU assumptions for comparison	-183	-92	-32	-307
	<b>SUMMARY IMPACTS (\$m)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
20	Residual OBEGAL impact (change relative to BEFU)	136	227	791	1,154
21	Impact on Net Debt only	1,027	1,027	1,027	3,080
22	Opex impact to be managed by the Crown (non-CERF)	291	365	485	1,141
23	Opex impact to be managed by the Crown (CERF)	167	167	167	500
24	Capex impact to be managed by the Crown	271	399	874	1,544

**Table 4b: Fiscal Implications Option B (2 x 2 cpl increases, then 2 x 4 cpl)**

	<b>Expenditure (\$m)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
1	Operating Expenses	-3,710	-3,858	-3,498	-11,066
2	Debt repayments (interest)	-110	-152	-189	-451
3	Debt repayments (principle)	-552	-639	-1,106	-2,297
4	Capital Expenditure	-1,517	-1,370	-1,729	-4,616
5	Depreciation to be recognised	-960	-990	-1,030	-2,980
6	<i>Additional opex for Strategic Investment Programme</i>	-191	-265	-385	-841
7	<i>Additional capex for Strategic Investment Programme</i>	-271	-399	-874	-1,544
<b>8</b>	<b>Total Expenditure</b>	<b>-6,351</b>	<b>-6,683</b>	<b>-7,781</b>	<b>-20,815</b>
	<b>Inflows (\$m)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
9	Base revenue	4,286	4,388	4,490	13,165
10	2cpl every 6 months additional FED/RUC	180	480	720	1,380

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11	Traffic Infringements	100	100	100	300
12	CERF	167	167	167	500
13	New debt	1,027	1,027	1,027	3,080
14	Crown grant towards base GPS	0	0	0	0
15	<i>Additional operating grant for Strategic Investment Programme</i>	191	265	385	841
16	<i>Additional MYCA grant for Strategic Investment Programme</i>	271	399	874	1,544
17	<b>Total Inflows</b>	<b>6,222</b>	<b>6,825</b>	<b>7,762</b>	<b>20,810</b>
18	OBE GAL impact (absolute) of the above	-47	135	759	848
19	OBE GAL impact based on BEFU assumptions for comparison	-183	-92	-32	-307
	<b>SUMMARY IMPACTS (\$m)</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
20	Residual OBE GAL impact (change relative to BEFU)	136	227	791	1,154
21	Impact on Net Debt only	1,027	1,027	1,027	3,080
22	Opex impact to be managed by the Crown (non-CERF)	291	365	485	1,141
23	Opex impact to be managed by the Crown (CERF)	167	167	167	500
24	Capex impact to be managed by the Crown	271	399	874	1,544

**Treasury Comment**

- 113 The Treasury considers that that FED and RUC increases remain the most appropriate and effective tool to fund NLTF expenditure.
- 114 Use of funding sources outside of FED and RUC revenue (one-off Crown contributions, loans) fundamentally does not address the underlying medium-term sustainability issues, meaning substantively higher FED and RUC increases are likely to be required in future.

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- 115 Moreover, this approach risks eroding the PAYGO model without proper review, meaning current users are not facing the real operating costs they impose on the system. Pre-commitments against allowances reduce the options available to Ministers to prioritise other, higher-value initiatives in future Budgets – this is particularly an issue for funding from the Climate Emergency Response Fund.

### Minister's response

- 116 I note officials' advice that we should use FED/RUC to fund the NLTF. However, for cost-of-living reasons I do not consider that it is acceptable to increase FED/RUC by the amount would be required to fund all of the NLTF. That would require a one-off increase of approximately 30 cents per litre to fund the essential expenditure and another one-off 8 cents per litre increase to fund the Strategic Investment Programme.

### Legislative Implications

- 117 This paper has no direct legislative implications.
- 118 If confirmed following consultation, regulatory changes to FED and RUC rates would be required to enable the new rates to start from 1 July 2024. Changes to FED and RUC can be made by Order in Council, then confirmed by an Act. Officials will advise on the appropriate Orders at the time the decisions are confirmed.
- 119 Formal ongoing hypothecation of traffic infringement fees would also require legislation. However, this does not need to be urgently considered as at this stage soft hypothecation is being used – that is, the equivalent financial effect is being provided as a pre-commitment against allowances for the next three years; and Ministers have choices around the future of hypothecation beyond 2026/27.

### Regulatory Impact Statement

- 120 Regulatory impact analysis requirements do not apply to the decision to release the Draft GPS 2024 for consultation.
- 121 A CIPA will be provided before Cabinet is asked to approve the final GPS 2024.

### Population Implications

- 122 This paper has no population implications.

### Human Rights

- 123 This paper has no human rights implications.

### Consultation

- 124 The Treasury and the Ministry of Housing and Urban Development were consulted. Kāinga Ora, KiwiRail, Waka Kotahi, the Ministry for the Environment were consulted on an earlier version of this paper. Departmental consultation on the final version has not been possible due to time constraints, and will be undertaken as part of the public consultation process

### Communications

- 125 Subject to Cabinet agreement, the attached document will be published on the Ministry of Transport website and shared by Waka Kotahi as part of its NLTP communications process.

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**Proactive Release**

126 This paper, with appropriate redactions, will be proactively released alongside the Draft GPS 2024 document.

**Recommendations**

The Minister of Transport recommends that the Cabinet:

- 1 **note** that on 2 August 2023, the Cabinet Economic and Development Committee considered the draft Government Policy Statement on Land Transport 2024/25 – 2033/34 and the contents of the paper, referred the submission to Cabinet for further consideration on 7 August 2023, and invited the Minister of Transport to update the submission as appropriate, in light of the discussion [DEV-23-MIN-0168 refers]
- 2 **note** that in December 2022, Cabinet agreed to the release of the *Indicative Strategic Priorities: Developing the Government Policy Statement on Land Transport 2024* [CAB-22-MIN-0564 refers]
- 3 **note** that feedback on the Indicative Strategic Priorities has been considered and, where appropriate, incorporated into the *Draft Government Policy Statement on Land Transport 2024* (Draft GPS 2024)
- 4 **note** that approximately \$18.4 billion over three years is required to fund the essential maintenance, operations, previously committed expenditure, provide for the credible repayment of existing debt, and that this amount does not include provision for any significant new expenditure
- 5 **note** that the Draft GPS 2024 includes a proposal to hypothecate traffic infringement fees (worth approximately \$100 million per annum) to the NLTF to fund transport safety activities
- 6 **agree in principle**, subject to final decisions on the GPS, to pre-commit up to \$300 million against the Budget 2024 operating allowance, to recognise the fiscal implication of the decision in recommendation 5 above, as traffic infringement fees revenue within the GPS period have already been accounted for when setting operating allowances
- 7 **note** that the Draft GPS 2024 includes a proposal to allocate \$500 million from the Climate Emergency Response Fund to the National Land Transport Fund (NLTF) to fund emissions reduction activities
- 8 **agree in principle**, subject to final decisions on the GPS, to pre-commit up to \$500 million from the Climate Emergency Response Fund, to recognise the fiscal implication of the decision in recommendation 7 above, reducing the funding available in the CERF for other emissions reducing activities to \$1.0 billion
- 9 **agree** to consulting on either:
  - 9.1 **Option A:** Fuel Excise Duty increases of 2 cents per litre every six months for three years, and the equivalent increase in Road User Charges;

**OR**



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- 9.2 **Option B:** Bi-annual Fuel Excise Duty increases of 2 cents per litre for one year, then annual increases of 4 cents per litre for the following two years, with the equivalent increases in Road User Charges
- 10 **agree in principle**, subject to final decisions on the GPS to provide an addition loan to Waka Kotahi of \$3,200 million, that the final quantum may change depending on the final structure and terms of the loan, noting that such a loan would also be subject to approval of the Minister of Finance
- 11 **direct** Treasury and Ministry of Transport officials to work on appropriate loan terms and to prepare a draft loan agreement
- 12 **note** that a Crown loan would result in an initial increase in net debt but would not affect Budget 2024 allowances
- 13 **agree** to include an allowance for a 20-year Strategic Investment Programme, to enable Waka Kotahi to consider funding a new 20-year Strategic Investment Programme through the NLTP at an indicative of cost of \$841 million operating and \$1,544 million capital over the 2024-27 period
- 14 **agree in principle**, subject to final decisions on the GPS, to pre-commit up to \$841 million from Budget 2024 allowances, and up to \$1,544 million from the Multi-Year Capital Allowance, to recognise the fiscal implications of the decision in recommendation 13 above (note this is additional to the \$300 million in recommendation 6)
- 15 **delegate** final decisions making on the fiscal management approach for the costs described in recommendations 13 and 14 above to the Minister of Finance
- 16 **note** that the ultimate impacts of the GPS and the Strategic Investment Programme on fiscal indicators will be subject to final decisions on the GPS and the fiscal treatment approach; however, assuming that any grants provided to fund the GPS were ultimately managed against operating allowances or the Multi Year Capital Allowance as indicated above, then the indicative overall impact on OBEGAL is expected to be positive across the 2024-27 period, but with a substantive corresponding reduction in allowances that will limit new spending investment choices for Budget 2024
- 17 **note** that a Climate Implications of Policy Assessment (CIPA) on the Strategic Investment Programme will be provided to Cabinet before final decisions on GPS 2024
- 18 **note** that these proposals are subject to feedback from the public consultation. Cabinet will be asked to agree the final proposals before release of the final GPS 2024 document
- 19 **note** that the Treasury will work with the Ministry of Transport and Waka Kotahi to understand the potential impact on key fiscal indicators to support final Cabinet decisions
- 20 **note** that the use of time-limited direct Crown contributions outlined in **recommendations 6-14** provides funding for the next triennium of the GPS but will result in a \$4 billion decrease in NLTF revenue over the following three years (i.e. 2027/28-2029/30)

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- 21 **invite** the Minister of Transport to report back to Cabinet on proposals for the future of the revenue system by the end of December 2023
- 22 **agree** to the release of the *Draft Government Policy Statement on Land Transport 2024* for public consultation, subject to any minor and technical changes that may be authorised by the Minister of Transport prior to release.

Authorised for lodgement

Hon David Parker

Minister of Transport

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Appendix 1: Draft GPS 2024  
[attached]

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Appendix 2: Activity classes funding ranges

Activity Class	GPS 2024 Funding range											
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Continuing programmes</b>												
Public transport services	Upper	850	930	1020	1090	1170	1270	1340	1440	1550	1670	
	Lower	580	640	700	740	800	870	920	990	1070	1150	
State highway maintenance	Upper	1360	1540	1700	1810	1920	1960	1990	2030	2060	2100	
	Lower	890	1020	1100	1170	1250	1280	1300	1330	1360	1380	
Local road maintenance	Upper	1080	1160	1280	1360	1440	1470	1490	1520	1540	1570	
	Lower	720	790	840	890	960	980	1000	1020	1040	1060	
Investment management	Upper	85	90	90	90	95	95	100	100	105	110	
	Lower	65	70	70	70	75	75	80	80	85	90	
Rail network	Upper	590	600	600	570	570	570	580	580	580	580	
	Lower	490	490	160	120	120	120	120	120	120	120	
<b>Improvements</b>												
Public transport Infrastructure	Upper	1010	1060	1110	840	860	880	890	900	910	920	
	Lower	520	570	620	460	480	500	500	500	500	500	
State highway Improvements	Upper	1420	1520	1720	500	500	500	500	500	500	500	
	Lower	1020	1120	1220	200	200	200	200	200	200	200	
Local road Improvements	Upper	400	400	410	410	420	420	420	430	430	430	
	Lower	150	150	160	160	170	170	170	180	180	180	
Safety	Upper	600	610	620	630	630	630	640	640	640	650	
	Lower	500	510	520	530	530	530	540	540	540	550	
Walking and cycling improvements	Upper	300	300	310	310	320	320	330	330	340	340	
	Lower	160	170	170	180	180	190	190	200	200	210	
Coastal Shipping	Upper	20	20	20	20	20	20	20	20	20	20	
	Lower	15	15	15	15	15	15	15	15	15	15	
Inter-regional Public Transport	Upper	50	50	50	-	-	-	-	-	-	-	
	Lower	20	20	20	-	-	-	-	-	-	-	