

OC240112

12 March 2024

Tēnā koe

I refer to your email dated 9 February 2024, requesting the following briefings under the Official Information Act 1982 (the Act):

*“Brown OC230978 1/12/2023 Expiry of the RUC Exemption for Light EVs
Brown OC230984 4/12/2023 Civil Aviation Authority Funding Review
Brown OC231028 5/12/2023 Meeting with NZTA Chair: 6 December 2023
Brown OC231024 5/12/2023 Aide Memoire: Project IREX Potential Alternative Options
Brown OC230953 6/12/2023 Domestic Maritime and Marine Protection Rules Omnibus
Brown OC230875 6/12/2023 Waitematā Harbour Connections
Brown OC230822 7/12/2023 Tier 2 BIM - Cyclone Recovery
Willis, van Velden, Brown OC231001 8/12/2023 Chatham Islands Vessel Replacement
– Project Leadership and Next Steps
Brown OC231033 8/12/2023 GPS 2024: Strategic Priorities, Proposed Activity
Classes, Funding Ranges, and Pre-Commitments
Brown OC231025 11/12/2023 Meeting with Carrie Hurihanganui, Chief Executive of
Auckland International Airport Limited
Brown OC231038 11/12/2023 Air New Zealand: Kiwi Shareholder
Brown OC231044 12/12/2023 Meeting with Tory Whanau and Daran Ponter
Brown OC231026 12/12/2023 Maritime New Zealand Funding Review
Brown, Willis, Bishop OC231014 18/12/2023 Cancelling the Auckland Light Rail
Project - Implementing Cabinet's Decisions
Brown OC231076 19/12/2023 Meeting with Employers and Manufacturers Association
(EMA) and Chamber of Commerce
Brown OC231027 19/12/2023 Meeting with Auckland Transport, 21 December 2023
Brown OC230975 20/12/2023 Land Transport Revenue System
Brown OC231041 20/12/2023 Freight and Supply Chain Briefing
Brown OC230985 20/12/2023 Approval of Proposed Increases to the Maritime and Oil
Pollution Levies
Brown OC230821 21/12/2023 Kiwirail and the National Rail System
Brown OC231068 21/12/2023 Metropolitan Rail Operating Model Settings Review”*

On 8 March 2024, we advised you of an extension to the time period for responding to your request. The extension was due to consultations necessary to make a decision on your request being such that a proper response could not reasonably be made within the original time limit. We have now completed the necessary consultations.

Of the 21 briefings you requested:

- 12 are released with some information withheld
- three are withheld in full

- five are refused
- one is not provided (OC231028) as it appeared on the December list in error. It has since been removed from our published list.

Certain information is withheld under the following sections of the Act.

9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)
18(d)	the information requested is or will soon be publicly available

The document schedule at Annex 1 summarises the above information.

With regard to the information that has been withheld under Section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

You have the right to seek an investigation and review of this response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website www.ombudsman.parliament.nz

The Ministry publishes our Official Information Act responses and the information contained in our reply to you may be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Nāku noa, nā



Hilary Penman
Manager, Accountability and Correspondence

Annex 1 Document Schedule

Doc #	Reference	Document Title	Decision
1	OC230978	Expiry of the RUC Exemption for Light EVs	Refused under Section 18(d). When published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm
2	OC230984	Civil Aviation Authority Funding Review	Withheld under Section 9(2)(f)(iv).
3	OC231028	Meeting with NZTA Chair: 6 December 2023	This was listed in an error – the actual briefing does not exist.
4	OC231024	Aide Memoire: Project IREX Potential Alternative Options	Refused under Section 18(d). When published, it will be available here: https://www.treasury.govt.nz/publications/other-official-information
5	OC230953	Domestic Maritime and Marine Protection Rules Omnibus	Released with some information withheld under Section 9(2)(a).
6	OC230875	Waitematā Harbour Connections	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).
7	OC230822	Tier 2 BIM - Cyclone Recovery	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii) and 9(2)(f)(iv)
8	OC231001	Chatham Islands Vessel Replacement – Project Leadership and Next Steps	Released with some information withheld under Section 9(2)(a), 9(2)(b)(ii) and 9(2)(g)(i).
9	OC231033	GPS 2024: Strategic Priorities, Proposed Activity Classes, Funding Ranges, and Pre-Commitments	Withheld under Section 9(2)(f)(iv).
10	OC231025	Meeting with Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited	Released with some information withheld under Sections 9(2)(a) and 9(2)(ba)(i).
11	OC231038	Air New Zealand: Kiwi Shareholder	Released with some information withheld under Section 9(2)(a).
12	OC231044	Meeting with Tory Whanau and Daran Ponter	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii), 9(2)(f)(iv), 9(2)(g)(i) and 9(2)(j).
13	OC231026	Maritime New Zealand Funding Review	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
14	OC231014	Cancelling the Auckland Light Rail Project - Implementing Cabinet's Decisions	Refused under Section 18(d). When published, it will be available here:

Doc #	Reference	Document Title	Decision
			https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm
15	OC231076	Meeting with Employers and Manufacturers Association (EMA) and Chamber of Commerce	Released with some information withheld under Section 9(2)(a).
16	OC231027	Meeting with Auckland Transport, 21 December 2023	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(g)(i).
17	OC230975	Land Transport Revenue System	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
18	OC231041	Freight and Supply Chain Briefing	Released with some information withheld under Section 9(2)(a).
19	OC230985	Approval of Proposed Increases to the Maritime and Oil Pollution Levies	Withheld under Section 9(2)(f)(iv).
20	OC230821	Kiwirail and the National Rail System	Refused under Section 18(d). When published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm
21	OC231068	Metropolitan Rail Operating Model Settings Review	Refused under Section 18(d). When published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm



Document 5

6 December 2023

OC230953

Hon Simeon Brown**Action required by:****Minister of Transport**

Friday, 15 December 2023

DOMESTIC MARITIME AND MARINE PROTECTION RULES OMNIBUS

Purpose

To provide you with the domestic maritime and marine protection rules omnibus (the Rules) for your consideration and signature by 15 December 2023

Key points

- Sections 36 and 386-390 of the Maritime Transport Act 1994 (the Act) empowers the Minister of Transport to make ordinary rules for a range of maritime and marine protection related purposes. Sections 39 and 392 of the Act set out the matters you must have regard to when making rules. As Minister, you must consider these matters yourself and may not delegate this obligation to anyone else.
- A package of maritime and marine protection rules amendments is ready for your signature. The package is designed to address problems through relatively straightforward and uncontroversial solutions. Packages such as this are known as 'omnibus amendments', and they are undertaken regularly to ensure transport rules work as intended.
- There is some urgency with this package. If it is not in place by early February then there is a risk of significant costs and inefficiencies for businesses and Maritime New Zealand (Maritime NZ).
- For a commencement date of 1 February 2024, you will need to sign the Rules by 15 December 2023 to comply with the 28-day rule and to account for the holiday shutdown.
- Signing these rule changes will:
 - improve the process for applications for renewing maritime transport operator certificates in time for the start of a large number of renewal applications in early 2024
 - clarify the rights of marine engineers to work on inshore fishing vessels
 - provide a viable means of complying with portable fire extinguisher ratings to align with forthcoming restrictions

- make efficiency and practicality-related changes to ship air pollution documentation.
- Eight submissions were received during consultation in August 2023 representing a wide range of industry and stakeholders. All submitters supported the proposed amendments.
- When you have signed the omnibus amendments, Maritime NZ will notify the rule changes in the *New Zealand Gazette*.

Recommendations

We recommend you:

- 1 **note** the results of the consultation on the Rules
- 2 **note** the statutory requirements set out in this briefing that you need to consider before making a decision to approve and sign the Rules
- 3 **sign** the attached Rules amendments by 15 December 2023 Yes / No
- 4 **authorise** notification of the signed Rules amendments in the *New Zealand Gazette* Yes / No
- 5 **authorise** the laying of the signed Rules amendments before the House of Representatives within 20 working days after signing. Yes / No
- 6 **note** the Rule will come into force on 1 February 2024



Bronwyn Turley
Deputy Chief Executive
.06.... / ..12.... / ..2023....

Hon Simeon Brown
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
Bronwyn Turley, Deputy Chief Executive	s 9(2)(a)	✓
Megan Moffet, Manager, Regulatory Stewardship and Design		
Brendan Booth, Chief Legal Adviser		

DOMESTIC MARITIME AND MARINE PROTECTION RULES OMNIBUS

- 1 This briefing relates to the final stage of a maritime rules amendment process. The rule amendments have been drafted, consulted upon according to legislative requirements, and require your signature as Minister of Transport to become law.
- 2 This briefing includes three main sections:
 - 2.1 the proposed changes and context
 - 2.2 issues stakeholders have raised, and Maritime NZ's responses
 - 2.3 specific matters you are legally required to consider before making a decision.

Maritime NZ has proposed an omnibus of amendments to a range of maritime and marine protection Rule Parts

- 3 Maritime and marine protection rules contain detailed technical standards, requirements, and procedures governing maritime activities. Many Rule Parts, including some within this rules amendment, implement New Zealand's obligations under international maritime conventions such as the International Convention for the Prevention of Pollution from Ships (MARPOL).
- 4 As part of its ongoing work programme, Maritime NZ has identified several necessary amendments to the following maritime and marine protection rules parts, which apply to commercial vessels:
 - Maritime Rules Part 19: Maritime Transport Operator – Certification and Responsibilities
 - Maritime Rules Part 32: Seafarer Certification
 - Maritime Rules Part 40A: Design, Construction and Equipment, and 42B: Safety Equipment
 - Marine Protection Rules Part 199: Prevention of Air Pollution from Ships.
- 5 These rules changes are uncontroversial, supported by all submitters, and if implemented, can reduce costs and regulatory burden for stakeholders. Maritime NZ will update you on other parts of its ongoing work programme and a proposed review of maritime legislation shortly.

These amendments make changes necessary for the effective function of the rules, and to reduce the regulatory burden on some transport operators

- 6 A summary of the proposed changes and their effects follows.

Part 19: Maritime Transport Operator – Certification and Responsibilities

- 7 The purpose of Part 19 is to require maritime transport operators to develop safety systems that are appropriate to their operation, and to operate in accordance with them. Broadly, Part 19 applies to every person conducting a maritime transport

operation in New Zealand waters¹ or on the coast. Maritime transport operators must hold a Maritime Transport Operator Certificate (an MTOC) demonstrating they have met these requirements. This regime has been in place since 2014, and many operators received their certificates at that time for a period of 10 years.

- 8 There is currently little recognition in Part 19 of the differences between an initial application for a certificate, and a renewal application. For most renewals, Maritime NZ will have had a 10-year relationship with the operator. This includes an audit history, approvals of any significant changes to the operator's Maritime Transport Operator Plan and approvals of changes to significant operator personnel.
- 9 A large number of certificates are up for renewal in 2024. Without the proposed changes, a certificate holder applying for a renewal will have to effectively undergo the same process as a new application and submit their full Operator Plan.
- 10 The proposed changes will enable Maritime NZ to take an operator's history into account, reducing the regulatory burden on both operators and Maritime NZ.
- 11 The Part 19 changes also enable Maritime NZ to extend the validity period of an existing certificate by up to nine months, if needed. This will allow renewal applicants to keep operating even if there are delays in submitting their application, or if processing times take their certificate past the expiry date. This will provide security for operators.

Maritime Rules Part 32: Seafarer Certification

- 12 Part 32 sets out requirements for seafarer certificates. It provides for national certificates, as well as ones that align with requirements under the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 (STCW) and the STCW for Fishing Vessel Personnel, 1995 (STCW-F).
- 13 In New Zealand, any fishing vessel operating only within inshore limits (i.e. out to the 12 nautical mile limit from the mainland coastline) does not need to comply with STCW-F. Seafarers working on these vessels can hold a 'nationally limited' certificate.
- 14 When the rules implementing the STCW-F were put in place, provisions for engineers holding a nationally limited Marine Engineer Class (MEC) 4 or 5 certificate were inadvertently removed from the rules, rather than being changed to clarify the activities the certificates entitle them to undertake (privileges) that still exist for seafarers working on non-STCW-F vessels.
- 15 The proposed amendments will address these problems by:
 - 15.1 clarifying the exercise of fishing privileges when renewing a nationally limited MEC 4 or 5 certificate

¹ Part 19 also applies to maritime transport operations outside NZ waters if the ship is registered in NZ under the Ship Registration Act 1992, or is required to be (or is) registered under any applicable New Zealand fisheries law.

15.2 reinstating privileges on fishing vessels that can be exercised by second engineers who hold a nationally limited MEC 5 certificate

15.3 reinstating fishing privileges that can be exercised by chief engineers who hold a nationally limited MEC 4 certificate.

Maritime Rules Part 40A: Design, Construction and Equipment, and 42B: Safety Equipment

- 16 Part 40A prescribes design, construction and equipment requirements for commercial New Zealand² passenger ships (including houseboats) that do not go beyond 50 nautical miles from the coast of New Zealand, or are less than 45 metres long and do not go beyond the edge of the Exclusive Economic Zone (200 nautical miles).
- 17 Part 42B applies to fire fighting appliances that are installed or intended to be installed on any New Zealand commercial ship (including non-passenger ships). This includes setting the minimum performance standard for firefighting foams in portable fire extinguishers.
- 18 In December 2020, the Environmental Protection Authority (EPA) made changes to a Fire Fighting Chemicals Standard that will phase out the use of certain fluorinated chemical firefighting foams by 2025. These substances are considered to be persistent organic pollutants under the Stockholm Convention, which New Zealand is a party to.
- 19 The proposed amendments update the minimum performance rating for foam based portable fire extinguishers to enable operators to comply with both the EPA ban and maritime rules. Without the amendments, operators with applicable ships or houseboats will not be able to comply with the rules by 2025, when the EPA ban comes into effect. As these are minimum requirements, the fire extinguishers already in use in applicable ships will remain compliant until 2025.
- 20 Maritime NZ considers the performance of the alternative foams will still be effective for the types of fires that could occur on applicable ships and houseboats.

Marine Protection Rules Part 199: Prevention of Air Pollution from Ships.

- 21 Part 199 gives effect to New Zealand's obligations under MARPOL Annex VI, and sets requirements for domestic ships where relevant discretions available under the Annex have been applied. Broadly, Annex VI sets controls on emissions of air pollutants including ozone depleting substances, nitrogen oxides (NOx), sulphur oxides, and Volatile Organic Compounds. Compliance with Annex VI is demonstrated by holding the relevant documentation.
- 22 Annex VI came into force in New Zealand in August 2022, with the implementation of the Part 199 rules staged over time. All of the rules are now in effect. The new rules have been tested in practice, and engagement with industry stakeholders (in particular ship operators and surveyors) has identified some minor issues with how the rules are working.

² Subject to rule 40A.3(3), Part 40A also applies to foreign passenger ships to which Part 40B *does not apply*, if the ship embarks passengers in NZ and only voyages within NZ waters.

- 23 These issues relate to process inefficiencies, practicalities around the display of a ship's Certificate of Survey, omission of the correct reference to surveyor recognition, and lack of clarity around dates and documentation for engine compliance for ships that hold an International Air Pollution Prevention certificate.
- 24 The amendments:
- 24.1 reinstate the reference to the holder of a Certificate of Surveyor Recognition for the issue of an Annex VI endorsement
 - 24.2 introduce provisions to allow the Director of Maritime NZ to issue the Annex VI Endorsement for a New Zealand Barge Safety Certificate
 - 24.3 require the Certificate of Survey, New Zealand Barge Safety Certificate or certificate of fitness to display a simple reference to the Annex VI Endorsement, and to make the Endorsement itself available if requested
 - 24.4 clarify that domestic voyaging ships that hold an International Air Pollution Prevention certificate must also hold a valid Engine International Air Pollution Prevention certificate and approved engine file by the next survey after 1 January 2023
- 25 The changes help to make the rules work as intended, and do not have any impact on New Zealand's ability to comply with our obligations under Annex VI.

The final rule amendments are attached for your consideration and signature

- 26 Annex 1 contains the amended Rule Parts 19, 32, 40A, 42B and 199 for your signature. Entry into force of the amended rules is preferable by 1 February 2024, as they have potential to improve efficiencies for both industry and Maritime NZ, especially the changes to Part 19.

Legal authority

- 27 Sections 34 and 36 of the Maritime Transport Act 1994 (the Act) empower the Minister of Transport to make maritime rules for purposes relevant to Parts 19, 32, 40A and 42B. Sections 387 and 388 of the Act empower the Minister of Transport to make marine protection rules for purposes relevant to Part 199.

Public notification of the Rules and consultation

- 28 Section 446 of the Act requires the Minister of Transport to undertake public notification and consultation in relation to proposed rules. This notification and consultation was undertaken by Maritime NZ under delegated authority.
- 29 Maritime NZ consulted on the proposals from 22 August to 19 September 2023. Eight submissions were received, including two submissions representing large groups of stakeholders and industry. All submitters who commented on particular proposals supported the changes.

30 A summary of submissions is in Annex 2.

Matters to be taken into account in making the Rules

- 31 Section 39(1) of the Act (detailing the matters to be taken into account in making maritime rules) provides that maritime rules (including amendments to those rules) must not be inconsistent with international standards relating to maritime safety, and the health and welfare of seafarers, to the extent adopted by New Zealand. The Ministry considers that the proposed amendments to the maritime rules meet this requirement.
- 32 Section 39(2) (dealing with the maritime rules) and section 392 (dealing with marine protection rules) requires you to have regard to and give such weight as you consider appropriate in each case, to a number of matters, when deciding to make a rule (including amendments to a rule).
- 33 Under section 451(8) of the Act, you are not permitted to delegate the power to make rules to a chief executive under the Public Service Act 2020. This means that while you can take the Ministry's advice on the matters that must be taken into account, only you can decide whether to make the Rules amendments.
- 34 The section 39(2) and section 392 matters are set out in Table 1, together with Ministry advice on each. The Ministry's advice incorporates advice received from Maritime NZ.

Table 1 Matters to be considered under sections 39(2) and 392 of the Maritime Transport Act 1994

Matter to be considered	Ministry advice
<i>Section 39 – Maritime Rules matters to be considered. These apply to Part 19, Part 32, and Parts 40A and 42B</i>	
<p><i>Section 39(1)</i></p> <p>Maritime rules and emergency maritime rules shall not be inconsistent with international standards relating to maritime safety, and the health and welfare of seafarers, to the extent adopted by New Zealand.</p>	<p>The proposed Rules amendments are consistent with international standards relating to maritime safety, and the health and welfare of seafarers.</p> <p>In the case of the amendments to Parts 32, 40A and 42B, the changes will improve consistency with international standards.</p>
<p><i>Section 39(2)(a)</i></p> <p>The recommended international practices relating to maritime safety and to the health and welfare of seafarers.</p>	<p>The proposed Rules amendments to Parts 19, 40A and 42B are consistent with recommended international practices relating to maritime safety and to the health and welfare of seafarers.</p> <p>The proposed changes under Part 32 clarify where international requirements for sea service must be followed and remove barriers to work opportunities for seafarers where nationally limited certificates apply.</p>

Matter to be considered	Ministry advice
	This ensures that the appropriate sea service (and therefore relevant competencies for safe operation of fishing vessels) applies for the relevant conditions and vessel types.
<p><i>Section 39(2)(b)</i></p> <p>The level of risk existing to maritime safety in each proposed activity or service.</p>	<p>The amendments to Parts 32, 40A and 42B are appropriate to the risk of the activities relevant to those parts.</p> <p>The amendments to Part 19 will ensure the relevant history of an MTOC holder is taken into account and enable specific mechanisms to be used to address higher safety risks when identified.</p>
<p><i>Section 39(2)(c)</i></p> <p>The nature of the particular activity or service for which the rule is being established.</p>	The Rules amendments will fix known issues with the way the rules regulate activities, such as operating a maritime transport operation, working as an engineer on a non-STCW-F fishing vessel, and complying with fire safety requirements.
<p><i>Section 39(2)(d)</i></p> <p>The level of risk existing to maritime safety in New Zealand in general.</p>	The proposed Rules amendments will reduce the overall risk to maritime safety.
<p><i>Section 39(2)(e)</i></p> <p>The need to maintain and improve maritime safety and security, including (but not limited to) personal security.</p>	Changes to Parts 19 and 32 will support improved maritime safety, through reducing the risks that maritime operations and seafarers are exposed to when dealing with New Zealand's unique marine environment. There are no identified direct effects for maritime security from the proposed amendments.
<p><i>Section 39(2)(f)(i)</i></p> <p>Whether the proposed rule assists economic development</p>	<p>The proposed changes to Part 19 will mean that some MTOC renewal applicants with good track records will experience economic benefit as the associated MTOC will not need to undergo a full review by the Director. This means, for certain operators, the process is likely to be faster and less costly. Amendments to let the rule consider relevant safety history helps to protect public health, whilst ensuring a robust process that ensures safety and environmental outcomes are met. Additionally, enabling an extension for MTOCs where application processes are delayed, means that commercial maritime transport operations can continue to function.</p> <p>The proposed amendments to Part 32 will ensure that inshore fishing operations have access to marine engineers as needed and can remain commercially viable.</p>

Matter to be considered	Ministry advice
	<p>Adjusting the minimum rating for fire foams in Rule Parts 40A and 42B enables operators with practical means to comply with the rule without compromising safety (and therefore public health) outcomes.</p> <p>These changes have the associated benefits of reducing the likelihood of maritime safety incidents, and therefore the environmental issues that arise from these.</p>
<p><i>Section 39(2)(f)(ii)</i></p> <p>Whether the proposed rule improves access and mobility.</p>	<p>The proposed Rules amendments do not affect access and mobility.</p>
<p><i>Section 39(2)(f)(iii)</i></p> <p>Whether the proposed rule promotes and protects public health.</p>	<p>The proposed Rules amendments do not directly affect public health. However, they are consistent with the ban on perfluoroalkyl and polyfluoroalkyl substances (PFAS) which are detrimental to health and the environment</p>
<p><i>Section 39(2)(f)(iv)</i></p> <p>Whether the proposed rule ensures environmental sustainability.</p>	<p>The Environmental Protection Authority has banned the use of PFAS in contained fire-fighting systems due to their environmental persistence. The proposed change to rule 42B 57 will enable ships of 12 or more metres in overall length to comply with this ban from December 2025 while retaining effective firefighting equipment.</p> <p>Other proposed Rules amendments are neutral regarding environmental sustainability.</p>
<p><i>Section 39(2)(fa)</i></p> <p>The costs of implementing measures for which the rule is being proposed.</p>	<p><u>Costs to industry</u></p> <p>No additional compliance costs for industry are expected to result from amendments to Parts 19 and 32. Some compliance cost reductions are expected for some MTOC holders.</p> <p>Some additional costs to industry are expected from the phase-out of PFAS based firefighting foams, as operators will need to replace and dispose of non-compliant portable extinguishers. However these costs are a direct result of the existing EPA ban coming into effect in 2025, and the fact that non-compliant extinguishers are already becoming hard to source. Therefore they are considered proportionate and not further impacted by the amendments to Parts 40A and 42B.</p> <p><u>Costs to government</u></p> <p>There will be some implementation costs for Maritime NZ, primarily related to the development and</p>

Matter to be considered	Ministry advice
	dissemination of guidance and support information on the changes. These costs have been accounted for and will be managed from baseline funding and will not require any changes to levies or charges, or additional government funding.
<i>Section 39(2)(g)</i> The international circumstances in respect of maritime safety	The proposed changes to Maritime Rule Parts 32, 40A and Part 42B have linkages to international conventions and relate to maritime safety, and seafarer health and welfare.
<i>Section 39(2)(h)</i> Such other matters as the Minister considers appropriate in the circumstances	No other matters identified for the maritime Rules amendments.
<i>Section 392 – Marine Protection Rules matters to be considered. These apply to the Part 199 amendments.</i>	
<i>Section 392(a)(i)</i> The need to protect the marine environment	The proposed amendments to Part 199 clarify important elements of the NOx control regime that New Zealand has applied to our domestic ships, in order to protect the marine environment from harmful engine emissions. The changes will ensure engine compliance dates and the documents required are clear to industry and surveyors.
<i>Section 392(a)(ii):</i> The need to maintain and improve maritime safety	The proposed amendments to Part 199 do not impact directly on maritime safety.
<i>Section 392(ab)(i):</i> Whether the proposed rule assists economic development	New Zealand's implementation of MARPOL Annex VI ensures our environmental protection standards are consistent with those adopted by other signatory states we trade with. This in turn facilitates trade and has benefits for commercial relationships and economic activity generally. Maintaining an effective and workable domestic framework for controlling air pollution means the environmental impact of this pollution can be reduced. This may have a flow-on effect of improving productivity for fisheries, tourism, local community, and shipping economies.
<i>Section 392(ab)(ii), (iii) and (iv):</i> Whether the proposed rule improves access and mobility,	The proposed changes will maintain the environmental sustainability outcomes from Part 199 through

Matter to be considered	Ministry advice
promotes and protects public health, or ensures environmental sustainability	<p>improving clarity around compliance for engine certification.</p> <p>The amendments will continue to support the public health benefits gained from the implementation of Part 199. Clearer compliance requirements can reduce the potential for NOx air pollution to affect areas frequented or inhabited by people, especially at or around ports.</p>
<p><i>Section 392(b):</i></p> <p>The recommended international practices of the International Maritime Organization (IMO) relating to protection of the marine environment</p>	<p>The proposed amendments reinforce member state expectations (as negotiated and agreed under MARPOL Annex VI), and recommended international practices under the IMO, for the implementation of engine NOx requirements.</p> <p>For example, Annex VI provides some discretion when controlling domestic engine emissions, but requires that applicable engines on domestic voyaging ships must be subject to an alternative NOx control measure, if administrations do not apply the requirements under Annex VI</p> <p>Part 199 sets out this alternative domestic regime for engines. The proposed amendments will ensure these expectations are clear to industry.</p>
<p><i>Section 392(c):</i></p> <p>The costs of implementing measures for which the rule is being proposed</p>	<p><u>Costs to industry</u></p> <p>No additional compliance costs for industry are expected to result from the Part 199 rule amendments. It is expected there could be beneficial impacts due to improved efficiencies from the changes.</p> <p><u>Costs to government</u></p> <p>There will be no additional costs for Maritime NZ, as any costs associated with Part 199 implementation are already in effect and covered by baseline funding.</p>
<p><i>Section 392(d)</i></p> <p>The risk to the marine environment if the proposed marine protection rule is not made</p>	No risks identified.
<p><i>Section 392(e)</i></p> <p>Such other matters as the Minister considers appropriate in the circumstances</p>	No other matters identified for the Part 199 proposed amendments.

Consequential legislation

- 35 No changes to regulations will be required as a result of your making the Rule.

Timing and the 28-day rule

- 36 The Rules are drafted to come into force 28 days after gazettal. In order for the Part 19 amendments to be in force before the expected wave of MTOC renewals begins, the Rule needs to be in place by early February 2024.
- 37 To comply with the 28-day rule and section 448 of the Act, the Rules must be notified in the New Zealand Gazette (the Gazette) at least 28 days before commencement. Table 2 shows the timetable required to give Maritime NZ time to lodge the Gazette notice in time for publication before Christmas. This includes you signing the Amendment Rules by 15 December 2023.

Table 2 Timetable for Rules' commencement

Action	Start date	End date
Papers sent to Minister's office	11/12/2023	
Ministerial consideration	11/12/2023	15/12/2023
Rule signed		15/12/2023
Rule gazetted	20/12/2023	
Communication with stakeholders	20/12/2023	31/1/2024
Rule in force	1/2/2024	

Compliance

- 38 The Rules amendment is consistent with the principles of the Treaty of Waitangi. It complies with both the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993, the principles and guidelines set out in the Privacy Act 2020, and the relevant international standards. It is consistent with the 2021 Legislation Design and Advisory Committee's guidelines.

Legal advice

Matters for your consideration

- 39 We consider that, having had regard to the matters that you are required by the Act to take into account (see paragraphs 31 to 34 above) and the Ministry's advice on those matters, that you can make and sign the Rules Amendments as set out in Annex 1.

Consultation

- 40 We also consider that you can conclude that consultation on the Rules Amendments was appropriate and met the requirements of the Act.

Regulations Review Committee and Tabling in the House

- 41 The Rules Amendments are secondary legislation that may be disallowed under the Legislation Act 2019. Under section 114 of that Act and the 2023 Standing Orders, the Rules must be laid before the House of Representatives not later than 20 working

days after they are made. Subject to your approval, Maritime NZ will work with officials from your office to arrange the laying of the signed Rules before the House.

- 42 We do not consider that it is necessary for you to refer draft of the Rules to the Regulations Review Committee under Standing Order 326(2).
- 43 There do not appear to be any grounds for the Regulations Review Committee to draw the Rules Amendments to the attention of the House under Standing Order 327(2).

Publicity

- 44 Maritime NZ will notify the making of the Rules in the Gazette, as required by section 448(2) of the Act. Maritime NZ will also publicise the Rules Amendments in its publications and on its website. As the Part 199 Rules are subject to additional international transparency requirements under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), links to the amended Part 199 Rules will also be provided to Parliamentary Counsel Office by Maritime NZ.

Communications

- 45 Maritime NZ will work with the relevant stakeholders to ensure the changes are understood and complied with.

ANNEX 1: RULES AMENDMENTS FOR YOUR SIGNATURE

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Secondary Legislation



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

MARITIME TRANSPORT ACT 1994

MARINE PROTECTION RULES PART 199 AMENDMENT 2023

Pursuant to sections 386, 387, 388, and 390 of the Maritime Transport Act 1994 I, Simeon Brown, Minister of Transport, having had regard to the criteria for making Marine Protection Rules in section 392 of the Maritime Transport Act 1994, hereby make the following Marine Protection Rules.

Signed at Wellington

This day of 2023

By Hon SIMEON BROWN

Minister of Transport

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Objective

The objective of the Marine Protection Rules Part 199 Amendment 2023 is to update Marine Protection Rules Part 199 to address known workability and efficiency issues with survey certificates and surveyor recognitions, and to provide clarifications for EIAPP certificates and engine compliance dates.

The authority for making Marine Protection Rules Part 199 Amendment 2023 is found in sections 386(1) and 387(1) and (2), and sections 388(1)(o) and 451(4) of the Maritime Transport Act 1994.

Marine Protection Rules (rules) are secondary legislation under the Legislation Act 2019. Under that Act, the rules are required to be presented to the House of Representatives. The House may, by resolution, disallow any rule. The Regulations Review Committee is the select committee responsible for examining all secondary legislation and may consider any matter relating to secondary legislation and report on it to the House. Anyone can make a complaint to the Regulations Review Committee about the operation of secondary legislation.

Extent of consultation

Formal consultation on the proposed Marine Protection Rules Part 199 Amendment 2023 (included as part of the consultation document *Maritime Rules and Marine Protection Rules Various Amendments 2023*) began on 22 August 2023 and concluded on 19 September 2023. Maritime New Zealand received 8 submissions during this period. The public were invited to comment on the draft rules via notification on the Maritime New Zealand website. Copies of the draft rules were made publicly available during the consultation. A summary of submissions is provided at the end of these rules.

Entry into force

These rules come into force 28 days after notice is given in the *New Zealand Gazette* of the making of the Marine Protection Rules Part 199 Amendment 2023.

Amendments to Part 199: Prevention of air pollution from ships

1 199.55 Requirement for Annex VI endorsement

In rule 199.55, replace the rule under the heading with the following subrules (1) and (2):

- “(1) Except as provided in subrule (2), the owner and the master of a ship must ensure a valid Certificate of Survey, New Zealand Barge Safety Certificate, or certificate of fitness under Part 40G for the ship is held that is endorsed by a holder of a Certificate of Surveyor Recognition issued under rule 44.22 verifying that the requirements in rule 199.57 are complied with (this is an Annex VI endorsement).
- (2) An Annex VI endorsement referred to in subrule (1) may be undertaken by the Director in respect of a valid New Zealand Barge Safety Certificate, instead of a holder of a Certificate of Surveyor Recognition issued under rule 44.22, provided the Director has verified that the requirements in rule 199.57 are complied with.”.

2 199.57 Annex VI endorsement requirements

In rule 199.57, amend subrule (3) as follows:

- (a) in the first sentence, after “displayed or”, insert “otherwise”;
- (b) replace subrules (a) and (b) with the following:
 - “(a) for a ship for which a Certificate of Survey is required to be displayed under rule 19.65—
 - (i) the Annex VI endorsement is listed, including the date of endorsement, on the Certificate of Survey; and
 - (ii) the record of the Annex VI endorsement, signed by the endorser, is made available for inspection by the Director, if requested:
 - (b) for a ship for which a New Zealand Barge Safety Certificate is required to be held and retained under rule 46.24—
 - (i) the Annex VI endorsement is listed on the New Zealand Barge Safety Certificate; or
 - (ii) the record of the Annex VI endorsement, signed by the endorser, is made available for inspection by the Director, if requested.”.

3 199.341 Compliance with Subpart C must be certified

Amend rule 199.341 as follows:

- (a) in subrule (1)(b), before the words “in respect of”, insert “except as provided in subrule (1A).”;
- (b) before subrule (2), insert the following subrule (1A):
 - “(1A) An Annex VI endorsement referred to in subrule (1)(b) may be undertaken by the Director in respect of a valid New Zealand Barge Safety Certificate, instead of a holder of a Certificate of Surveyor Recognition issued under rule 44.22, provided the Director has verified that the requirements in rule 199.342 are complied with.”.
- (c) in subrule (2)(d)(ii), replace the full stop (“.”) with “; and”;
- (d) in subrule (2), after subrule (2)(d), insert the following subrule (2)(e):
 - “(e) where a requirement in rule 199.387(2) applies to a ship referred to in subrule (2)(c), the EIAPP certificate associated with the IAPP certificate must assure compliance with that requirement.”.

- (e) in subrule (4)(a)(i), replace “Schedule 1.2.2(1)” with “Schedules 1.2.2(1), (3), and (4) for the IAPP certificate and its associated Approved Technical File and EIAPP certificate, and Schedule 1.2.2(2) for the IEE certificate (if applicable)”.

4 199.342 Annex VI endorsement requirements

Amend rule 199.342 as follows:

- (a) in subrule (1), after “which rule 199.341(1)(b)”, insert “or rule 199.341(1A)”:
- (b) in subrule (3), in the first sentence, after “displayed or”, insert “otherwise”:
- (c) in subrule (3), replace subrules (a) and (b) with the following:
 - “(a) for a ship for which a Certificate of Survey is required to be displayed under rule 19.65—
 - (i) the Annex VI endorsement is listed, including the date of endorsement, on the Certificate of Survey; and
 - (ii) the record of the Annex VI endorsement, signed by the endorser, is made available for inspection by the Director, if requested:
 - (b) for a ship for which a New Zealand Barge Safety Certificate is required to be held and retained under rule 46.24—
 - (i) the Annex VI endorsement is listed on the New Zealand Barge Safety Certificate; or
 - (ii) the record of the Annex VI endorsement, signed by the endorser, is made available for inspection by the Director, if requested:”.

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THE OFFICIAL INFORMATION ACT

Consultation details

This text does not form part of the rules, but provides details of the consultation undertaken in making the rules.

Marine Protection Rules Part 199 Amendment 2023

Summary of public consultation

Formal consultation on the proposed Marine Protection Rules Part 199 Amendment 2023 (included as part of the consultation document *Maritime Rules and Marine Protection Rules Various Amendments 2023*) began on 22 August 2023 and concluded on 19 September 2023.

By the close of the consultation period, 8 submissions were received representing a wide range of stakeholders and industry. Two of these submissions were received from iwi and Māori, providing feedback on matters unrelated to the subject of the proposed rules changes.

All submitters supported the Part 199 rule changes while noting some concerns over the financial impacts to operators of compliance with Annex VI requirements (particularly for domestic ships over 400GT).

In relation to the feedback on the financial impacts from Annex VI, Maritime NZ notes that Annex VI is now fully implemented in New Zealand, therefore compliance costs associated with Part 199 are already in effect. The proposed changes are not expected to increase these costs.

Some submitters also requested clarifications about the proposals. These included whether there would be extra and unreasonable surveyor costs associated with the amendments to Part 199.

Maritime NZ considers that there will be no additional surveyor costs for implementing Part 199 changes, particularly as the amendments are designed to improve efficiencies for surveyors.

Overall, no changes to the proposed amendments were identified from the results of the consultation. Some minor refinements were made to improve the clarity and readability of the rules during the final drafting and review stages.

Secondary Legislation



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

MARITIME TRANSPORT ACT 1994

MARITIME RULES VARIOUS AMENDMENTS 2023

Pursuant to section 36 of the Maritime Transport Act 1994 I, Simeon Brown, Minister of Transport, having had regard to the criteria for making Maritime Rules in section 39(2) of the Maritime Transport Act 1994, hereby make the following Maritime Rules.

Signed at Wellington

This day of 2023

By Hon SIMEON BROWN

Minister of Transport

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Objective

The objective of the Maritime Rules Various Amendments 2023 is to update Maritime Rules Parts 19, 32, 40A, and 42B to address issues where the problem is clear and solutions are considered relatively straightforward and uncontroversial.

The objectives of the amendments to Part 19 are:

- to provide greater clarity on the process for renewal applications for Maritime Transport Operator Certificates;
- to recognise that an operator may have a significant history with the regulator and to take that into account in the renewal process; and
- to avoid any unintentional impacts on maritime transport operations, where renewal-processing takes longer than anticipated.

The objective of the amendments to Part 32 is to provide clarity regarding the exercise of non-STCW-F fishing privileges for marine engineers renewing a nationally limited MEC 4 or 5 certificate.

The objective of the amendments to Parts 40A and 42B is to provide a viable means of compliance for operators required to have portable fire extinguishers, by updating the minimum rating for fire fighting foam as applied to flammable and combustible liquids.

The authority for making Maritime Rules Various Amendments 2023 is found in sections 34(2) and 36(1)(b), (c), (f), (n), (o), (q), and (t), and section 451(4) of the Maritime Transport Act 1994.

Maritime Rules (rules) are secondary legislation under the Legislation Act 2019. Under that Act, the rules are required to be presented to the House of Representatives. The House may, by resolution, disallow any rule. The Regulations Review Committee is the select committee responsible for examining all secondary legislation and may consider any matter relating to secondary legislation and report on it to the House. Anyone can make a complaint to the Regulations Review Committee about the operation of secondary legislation.

Extent of consultation

Formal consultation on the proposed Maritime Rules Various Amendments 2023 (included as part of the consultation document *Maritime Rules and Marine Protection Rules Various Amendments 2023*) began on 22 August 2023 and concluded on 19 September 2023. Maritime New Zealand received 8 submissions during this period. The public were invited to comment on the draft rules via notification on the Maritime New Zealand website. Copies of the draft rules were made publicly available during the consultation. A summary of submissions is provided at the end of these rules.

Entry into force

These rules come into force 28 days after notice is given in the *New Zealand Gazette* of the making of the Maritime Rules Various Amendments 2023.

Amendments to Part 19: Maritime Transport Operator – Certification and Responsibilities

1 Part 19 Part objective

In Part 19, amend the Part objective as follows:

- (a) in the second paragraph, after “section 34(1)(c) and (g)”, insert “, section 34(2),”;
- (b) replace the last paragraph with the following:

“Maritime Rules (rules) are secondary legislation under the Legislation Act 2019. Under that Act, the rules are required to be presented to the House of Representatives. The House may, by resolution, disallow any rule. The Regulations Review Committee is the select committee responsible for examining all secondary legislation and may consider any matter relating to secondary legislation and report on it to the House. Anyone can make a complaint to the Regulations Review Committee about the operation of secondary legislation.”.

2 19.2 Definitions

In rule 19.2, insert the following definition in the appropriate alphabetical order:

“**audit** means any inspection or audit undergone or carried out under section 54 of the Act.”.

3 19.3 Requirement to hold Maritime Transport Operator Certificate

In rule 19.3, replace the rule under the heading with the following:

“A person who conducts a maritime transport operation must do so under the authority of, and in accordance with, a current Maritime Transport Operator Certificate.”.

4 19.21 Application for Maritime Transport Operator Certificate

Replace rule 19.21 with the following:

“19.21 Application for Maritime Transport Operator Certificate

- (1) The applicant for a Maritime Transport Operator Certificate must make the application as follows:
 - (a) if the applicant holds a current Maritime Transport Operator Certificate, the application may be made as an application for renewal under subrule (3);
 - (b) in every other case, the applicant must make an application for the grant of a Maritime Transport Operator Certificate under subrule (2).

Application for the grant of a certificate

- (2) The applicant for the grant of a Maritime Transport Operator Certificate must make an application in accordance with section 35 of the Act, and include, in a form required by the Director,—
 - (a) a Maritime Transport Operator Plan required under Subpart B; and
 - (b) a declaration, signed by the applicant, that the applicant will comply, and ensure compliance, with the policies and procedures set out in the Maritime Transport Operator Plan.

Application for renewal of a certificate

- (3) The applicant for renewal of a Maritime Transport Operator Certificate must make an application in accordance with section 35 of the Act, and include, in a form required by the Director, a declaration, signed by the applicant—
 - (a) that the applicant will comply, and ensure compliance, with the policies and procedures set out in the Maritime Transport Operator Plan; and

- (b) to the extent the applicant is able to declare, that—
 - (i) the Maritime Transport Operator Plan is up to date having taken into account any risks or changes to the maritime transport operation under the certificate, or any changes to the requirements applicable to the operation; and
 - (ii) all amendments in the Maritime Transport Operator Plan that require the Director's approval under rule 19.61(d) have been so approved; and
 - (iii) all findings of non-conformity arising from any audit of the maritime transport operation under the Maritime Transport Operator Certificate are fully resolved.
- (4) The applicant for renewal of a Maritime Transport Operator Certificate must keep the Director up-to-date with any changes to the Maritime Transport Operator Plan between the making of the application and the Director determining the application.

All applications

- (5) Every application must be submitted to the Director, with a payment of the appropriate application fee prescribed by the regulations made under the Act.
- (6) The applicant for the grant or renewal of a Maritime Transport Operator Certificate must provide further particulars or declarations about the applicant, application, or maritime transport operation and, in the case of a renewal application, the applicant's Maritime Transport Operator Plan, if required by the Director.

5 New rule 19.21A

After rule 19.21, before rule 19.22, insert the following rule 19.21A:

"19.21A Director's consideration of renewal applications

- (1) When considering an application for renewal of a Maritime Transport Operator Certificate under rule 19.22(1), the Director is not required to review the applicant's Maritime Transport Operator Plan unless the Director considers it appropriate in the circumstances to do so, taking into account the declaration provided under rule 19.21(3) and any further information or declarations the Director considers appropriate in the circumstances.
- (2) In determining whether the Director is satisfied of the matters in rule 19.22(1) in relation to an application for renewal of a Maritime Transport Operator Certificate (MTOC), the Director may, without limiting the general provisions in that rule, have regard to any of the following matters:
 - (a) the maritime transport operation under the MTOC:
 - (b) previous audits of the maritime transport operation:
 - (c) the length of time since the last audit of the maritime transport operation:
 - (d) the findings of any audit and any consequential actions taken or not taken by the holder of the MTOC:
 - (e) the level of scrutiny applied by Maritime NZ in respect of, and over the term of, the MTOC:
 - (f) any change made to the Maritime Transport Operator Plan (MTOP), and the reasons for that change:
 - (g) any change that should have been made to the MTOP but was not, and the reason for not making that change:
 - (h) the history of compliance with maritime safety and pollution requirements by the holder of the MTOC:
 - (i) any relevant information obtained through any site visit to the maritime transport operation:

- (j) any information or particulars acquired from the holder of the MTOC before or subsequent to the application being made:
- (k) any relevant information from any other source relating to the maritime transport operation:
- (l) any information about the implementation of the MTOP over the period the applicant has held the MTOC:
- (m) the MTOP, if required by the Director under rule 19.21(6)."

6 19.22 Issue of Maritime Transport Operator Certificate

In rule 19.22, in subrule (1), replace "issue" with "grant or renew".

7 19.23 Privileges of Maritime Transport Operator Certificate

In rule 19.23, delete "on and after 1 July 2014".

8 19.24 Duration of Maritime Transport Operator Certificate

Replace rule 19.24 with the following:

- "(1) Subject to subrule (3), a Maritime Transport Operator Certificate may be issued for a period not exceeding 10 years.
- (2) For the purposes of subrules (3) and (4):
 - (a) **original certificate** means the Maritime Transport Operator Certificate to which an application for renewal, made in accordance with rule 19.21(1)(a), seeks to have renewed:
 - (b) **original certificate's expiry date** means the date being the last day of the period for which the original certificate was issued.
- (3) Where an original certificate will expire before the Director determines the renewal application relating to it, then, provided the certificate is not otherwise suspended or revoked by the Director,—
 - (a) the original certificate's expiry date is extended until the Director determines the application or 9 months after the original certificate's expiry date, whichever is the sooner; and
 - (b) that original certificate does not expire, and is deemed to be current, until the Director determines the application or 9 months after the certificate's original expiry date, whichever is the sooner.
- (4) Where an original certificate's expiry date is extended under subrule (3) and the Director determines to renew that certificate, the new Maritime Transport Operator Certificate must be issued for a period not exceeding 10 years from original certificate's expiry date."

Amendments to Part 32: Seafarer Certification

9 32.20 Renewal of certificates

In Part 32, amend rule 32.20 as follows:

- (a) in subrule (5), after “does not authorise the holder to”, insert “exercise the privilege set out in rule 32.51(1)(e), to”;
- (b) in subrule (6), after “does not authorise the holder to”, insert “exercise the privilege set out in rule 32.57(1)(c), to”;
- (c) after subrule (6), insert the following subrule (7):
 - “(7) To avoid doubt, the holder of a MEC 4 or MEC 5 certificate that has been nationally limited as described in subrule (6) or (5), respectively, may still exercise the other fishing privileges set out in rules 32.57(1)(d) and (e) for MEC 4 or rules 32.51(1)(f), (g), and (h) for MEC 5, respectively.”.

10 32.51 Privileges of Marine engineer class 5

In Part 32, amend rule 32.51 as follows:

- (a) in subrule (1)(f), replace the full stop (“.”) with “; and”;
- (b) in subrule (1), after subrule (1)(f), insert the following subrules (g) and (h):
 - “(g) a second engineer of a fishing ship of under 750 kilowatts propulsion power in all operational areas; and
 - (h) a second engineer of a fishing ship of any propulsion power within any of the following areas:
 - (i) inshore fishing limits;
 - (ii) the internal waters of New Zealand;
 - (iii) all rivers and other inland waters of New Zealand.”.

11 32.57 Privileges of Marine engineer class 4

In Part 32, amend rule 32.57 as follows:

- (a) in subrule (1)(c), replace the full stop (“.”) with “; and”;
- (b) in subrule (1), after subrule (1)(c), insert the following subrules (d) and (e):
 - “(d) a chief engineer of a fishing ship of under 750 kilowatts propulsion power in the unlimited area; and
 - (e) a chief engineer of a fishing ship of any propulsion power within any of the following areas:
 - (i) inshore fishing limits;
 - (ii) the internal waters of New Zealand;
 - (iii) all rivers and other inland waters of New Zealand.”.

Amendments to Part 40A: Design, Construction and Equipment – Passenger Ships which are not SOLAS Ships

12 40A.74 Houseboats

In Part 40A, in rule 40A.74, in subrule (g)(vi), replace “rating 3A:30B” with “rating 3A:20B”.

Amendments to Part 42B: Safety Equipment – Fire Appliances Performance Standards

13 42B.57 Portable fire extinguishers

In Part 42B, in the table under rule 42B.57, in the row headed “For fires involving flammable and combustible liquids”, in columns 3 and 5, replace “foam: 30B” with “foam: 20B”.

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Consultation details

This text does not form part of the rules, but provides details of the consultation undertaken in making the rules.

Maritime Rules Various Amendments 2023

Summary of public consultation

Formal consultation on the proposed Maritime Rules Various Amendments 2023 (included as part of the consultation document *Maritime Rules and Marine Protection Rules Various Amendments 2023*) began on 22 August 2023 and concluded on 19 September 2023.

By the close of the consultation period, 8 submissions were received representing a wide range of stakeholders and industry. Two of these submissions were received from iwi and Māori, providing feedback on matters unrelated to the subject of the proposed rules changes.

All submitters supported the proposed changes. In particular the amendments to Part 19 were seen as beneficial, in that the rules would acknowledge where an established record existed with operators, and could contribute to more efficient processing times for renewals. Submitters felt that having the rules cater for prior history would also support good practice by MTOC holders.

Useful feedback was provided to Maritime NZ on the implementation of the proposals for Parts 40A and 42B. This included technical advice, and suggestions for ensuring that the proposed change to the fire extinguisher rating would still adequately deal with fires on the types of ships captured by these changes. Maritime NZ has used this feedback in the development of guidance to support the changes, and to inform the ongoing and wider review of the 40 Series rules.

Other comments provided by submitters included that the validity period of an MTOC should start from the date that the Director issues the renewal, rather than the original MTOC expiry date.

After further consideration (including of submitter feedback) Maritime NZ's position is that the new MTOC period should start from the date of original expiry. This provides a more equitable approach for all operators, regardless of when the renewal is issued.

This is because having a renewed MTOC period start from the date of issue could mean that:

- some applicants would get more than 10 years on their existing MTOC, when an application is not processed before the MTOC expires. This might give inequitable benefits to an operator where processing delays resulted from issues with their operation.
- some applicants do not receive the full 10 year benefit of their existing certificate, where an application is processed before the existing certificate expires.

Some submitters also requested clarifications about the proposals. These included whether:

- operators have additional costs when applying for an extension while renewing their MTOC, if Maritime NZ did not process their application in a timely fashion.
- fishing privileges for nationally limited certificates could also be clarified in provisions for MEC 3 certificates (as opposed to just MEC 4 and 5).
- the impacts on operators of updating their existing (non-compliant) foam fire extinguishers could be mitigated by allowing compliance at or before the anniversary of their next survey after the rule comes into effect, allowing more time to source new extinguishers and dispose of non-compliant ones.

Maritime NZ's response is that:

- it is not anticipated that any extra costs will arise from extensions applied to MTOC renewal applications, providing the application is received on time.

- it is not appropriate to amend the rules to clarify fishing privileges for nationally limited MEC 3 certificates for two reasons. Firstly, MEC 3 certificates need to be STCW-F-aligned, meaning that a holder must have at least 12 months sea service to renew this certificate. Secondly, as a MEC 3 is a higher level certificate than MEC 4 or 5, the holder can exercise the relevant privileges on fishing vessels that fall outside the scope of STCW-F. There is no impact on the holder's ability to work on these vessels.
- operators will have some time to comply with the changes to Parts 40A and 42B, as the ban on PFAS will not be in force until 2025. Compliance can be demonstrated at the next survey after the rule changes are in effect.

Overall, no changes to the proposed amendments were identified from the results of the consultation. Some minor refinements were made to improve the clarity and readability of the rules during the final drafting and review stages.

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ANNEX 2: PUBLIC FEEDBACK ON THE PROPOSALS

Proposal	Submitter comments	Maritime NZ response
Part 19: Maritime Transport Operator – Certification and Responsibilities		
Amend to enable the Director of Maritime NZ to take into account previous history of a maritime transport operator when an operator applies for renewal of its MTOC. Previous history includes audits, site visits and compliance matters.	<p>The amendments to Part 19 were seen as beneficial, in that the rules would acknowledge where an established record existed with operators and could contribute to more efficient processing times for renewals. Submitters felt that having the rules cater for prior history would also support good practice by Maritime Transport Operator Certificates (MTOC) holders.</p> <p>Submitters wondered whether there would be additional costs for operators applying for an extension while renewing their MTOC, if Maritime NZ did not process the application in a timely fashion.</p>	<p>Maritime NZ does not anticipate additional costs for renewing MTOCs if the application was received on time.</p> <p>No changes to proposals recommended.</p>
	<p>The validity period of a new MTOC should start from the date the Director issues the renewal rather than the original MTOC expiry date.</p>	<p>The new MTOC period should start from the date of original expiry. This provides a more equitable approach for all operators, regardless of when the renewal is issued, as the extension given to MTOCs submitted ahead of expiry date would only come into play (as intended) if the processing time went over the expiry date.</p> <p>Starting the new MTOC validity period from the date of issue would mean some applicants would get more than 10 years on their existing MTOC, when an application is not processed before the MTOC expires. This might give inequitable benefits to an operator where processing delays resulted from issues with their operation. Having an MTOC commence from the date of issue could also mean some applicants do not receive the</p>

Proposal	Submitter comments	Maritime NZ response
		full benefit of their existing certificate, where an application is processed before the existing certificate expires.
Part 32: Seafarer Certification		
Clarify fishing privileges for Marine Engineer Class (MEC) level 4 and 5 holders	Could fishing privileges for nationally limited certificates also be clarified in provisions for MEC 3 certificates (as opposed to just MEC 4 and 5)?	It is not appropriate to amend the rules to clarify fishing privileges for nationally limited MEC 3 certificates for two reasons. Firstly, MEC 3 certificates need to be STCW-F-aligned, meaning that a holder must have at least 12 months sea service to renew this certificate. Secondly, as an MEC 3 is a higher level certificate than MEC 4 or 5, the holder can exercise the relevant privileges on fishing vessels that fall outside the scope of STCW-F. There is no impact on a holder's ability to work on these vessels.
Parts 40A: Design, Construction and Equipment, and 42B: Safety Equipment		
Amend rules 40A.74(g)(vi) and 42B.57(1) to update the minimum performance rating for foam based portable fire extinguishers, enabling operators to have viable and effective means to comply.	Could the impacts on operators of updating their existing (non-compliant) foam fire extinguishers be mitigated by allowing compliance at or before the anniversary of their next survey after the rule comes into effect, allowing more time to source new extinguishers and dispose of non-compliant ones?	Operators will have some time to comply with the changes to Parts 40A and 42B, as the ban on PFAS ³ will not be in force until 2025. Compliance can be demonstrated at the next survey after the rule changes are in effect.
	Submissions included technical advice and suggestions for ensuring that the proposed change to the fire extinguisher rating would adequately deal with fires on boats.	When implementing the new minimum rating, Maritime NZ will issue guidance noting that there are performance differences and recommending that surveyors and operators consider fitting additional foam extinguishers in these areas. Additionally, a more comprehensive review of the entire suite of fire protection rules is being undertaken as part of the 40 Series rules reform project (this project seeks to reorganise the rules for

³ PFAS stands for per- and polyfluoroalkyl substances.

Proposal	Submitter comments	Maritime NZ response
		domestic commercial vessels' design, construction and equipment to make them clearer, simpler and commensurate with risks.)
Part 199: Prevention of Air Pollution from Ships		
Resolve process inefficiencies, practicality matters around the display of a Certificate of Survey, omission of the correct reference to surveyor recognition, and lack of clarity around dates and documentation for engine compliance for ships that hold an International Air Pollution Prevention certificate.	Will there be extra and unreasonable surveyor costs associated with the Part 199 proposals?	Maritime NZ considers there will be no additional surveyor costs for implementing Part 199 changes, particularly as the amendments are designed to improve efficiencies for surveyors.
	Some concerns exist over the financial impacts to operators of compliance with Annex VI requirements (particularly for domestic ships over 400 gross tonnage).	Annex VI is now fully implemented in New Zealand, therefore compliance costs associated with Part 199 are already in effect. The proposed changes would not increase these costs.

6 December 2023

OC230875

Hon Simeon Brown
Minister of Transport

Action required by:
Friday, 16 December 2022

WAITEMATĀ HARBOUR CONNECTIONS

Purpose

To outline key considerations on the Waitematā Harbour Connections (WHC) indicative business case to help inform your direction for this project. This briefing should be read in conjunction with the NZTA briefing (BRI-2897).

Key points

- NZ Transport Agency (NZTA) is moving at pace to the detailed planning stage of the Waitematā Harbour Connections project, with a recommended option that would take several decades to deliver. This option encompasses a first stage of road tunnels and repurposing the existing bridge, followed by a second stage involving a light rail tunnel and North Shore light rail line.

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

- The Government needs to be satisfied with all aspects of the work, as well as governance arrangements, before detailed planning starts.

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

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

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

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

Recommendations

We recommend you:

- | | | |
|---|--|----------|
| 1 | discuss the contents of this briefing with officials | Yes / No |
| 2 | agree that this briefing be shared with the Minister of Finance | Yes / No |
| 3 | s 9(2)(g)(i) | Yes / No |
| 4 | discuss the WHC project with Mayor Wayne Brown | Yes / No |
| 5 | s 9(2)(f)(iv) | Yes / No |



David Wood
Deputy Chief Executive Monitoring and Investment

..... / /

Hon Simeon Brown
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
David Wood, Deputy Chief Executive Monitoring and Investment	s 9(2)(a)	
Karen Lyons, Director Auckland		✓
Danny Pouwels, Senior Investment Advisor		

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WAITEMATĀ HARBOUR CONNECTIONS

Introduction

1. You have received a briefing (BR-2897) from NZ Transport Agency (NZTA) about the Waitematā Harbour Connections (WHC) project.
 2. This advice complements that briefing by providing the Ministry's views on the indicative business case and the key considerations that are relevant for you in the short-term.
 3. The programme objectives, options considered and results of the business case investigation is set out in the NZTA briefing.
 4. The project is expected to require significant Crown funding. Given this, decision-making sits with Ministers. The Government needs to be satisfied with the project's problem definition, objectives, option development and governance before detailed planning starts. Given the significant fiscal risk we recommend sharing this briefing with the Minister of Finance.
 5. NZTA expects to move to detailed planning in early 2024 following Ministerial direction.
 6. There have been numerous studies investigating options for a second crossing over the Waitematā Harbour. To build on the insights of the 2020 business cases, NZTA approved \$24 million for an Indicative Business Case (IBC) to be delivered in the National Land Transport Programme 2021–2024. NZTA was asked by the previous government to bring this work forward to integrate with planning for Auckland Light Rail (ALR), the City Centre to Māngere rapid transit corridor.
 7. Ngā Iwi Mana Whenua o Tāmaki Makaurau, Auckland Transport and Auckland Council, have been engaged as partners in the work. The status of iwi that have mana whenua and ahi kā (land rights) status over the Waitematā under the Marine and Coastal Area (Takutai Moana) Act 2011, has not been determined. This will be required for any proposal that impacts the Waitemata.
 8. The IBC, developed by NZTA and an alliance of technical consultants, is almost complete. The recommended option consists of two stages: stage one involves road tunnels bypassing the city centre, improving the Northern Busway, raising a section of SH1 to protect against sea level rise, and establishing dedicated lanes for pedestrians and cyclists. Stage two involves a light rail tunnel and light rail line for the North Shore.
 9. The NZTA Board is scheduled to consider the final business case in March 2024
- s 9(2)(f)(iv)
-
10. NZTA has undertaken significant analysis and modelling and developed a comprehensive evidence base in a short time. There is now a substantive body of work to draw on.

11. NZTA and the Ministry are aligned on several areas including:

- addressing resilience is a priority;
- improving the Northern Busway is a *no regrets* investment; and
- s 9(2)(f)(iv)

12.

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

13.

14.

s 9(2)(f)(iv)

15.

s 9(2)(g)(i)

16. This feedback has been provided to NZTA.

s 9(2)(g)(i)

17.

18.

19.

20. The Ministry engaged TSA consultancy to provide an independent assessment on the emerging preferred option in June 2023 (before the previous Government announced the emerging preferred option) and then again on the draft business case. Our feedback to NZTA has been informed by this work.

21.

s 9(2)(g)(i)

22.

23.

s 9(2)(g)(i)

24. Ngā Iwi Mana Whenua o Tāmaki Makaurau (Ngā Iwi) is a collective of the 13 iwi most impacted by the project and are recognised as partners on the project. This group comprises: Te Ākitai Waiohū, Te Kawerau ā Maki, Ngāti Maru, Ngāti Paoa, Te Patukirikiri, Ngāi Tai ki Tāmaki, Ngāti Tamaoho, Ngāti Tamaterā, Ngāti Te Ata, Ngāti Whanaunga, Ngāti Whātua Ōrākei, Ngāti Whātua o Kaipara and Te Runanga o Ngāti Whātua. s 9(2)(f)(iv)

s 9(2)(g)(i)

25.

s 9(2)(g)(i)

s 9(2)(g)(i)

26.

27.

28.

29.

s 9(2)(g)(i)

30.

31. Given the expected need for Crown funding, Ministers need to make decisions on how this project progresses and, if so, in what form taking into account project objectives, scope, governance, affordability thresholds and decision-making processes.

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7 December 2023

OC230822

Hon Simeon Brown**Minister of Transport**

TIER 2 BIM - CYCLONE RECOVERY

Purpose

Update you on the work of the transport sector to date on the cyclone recovery and the future opportunities for the Government.

Key points

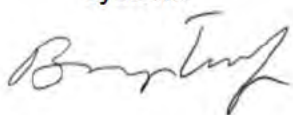
- Earlier this year, the North Island Weather Events (NIWE) caused significant damage, particularly to the transport network in Auckland, Coromandel, Waikato, Tairāwhiti and Hawke's Bay. To date, over \$2.17 billion has been allocated to the transport system to respond to and recover from the NIWE, with over \$1.76 billion going to state highway and local roading response and recovery works and over \$410 million going to rail response and recovery works.
- Initial emergency response and Budget funding was provided via the National Land Transport Fund. Funding for more permanent repair and rebuild is via the National Resilience Plan. A high-level summary of this briefing, including the funding approved to date, can be found in the attached A3 summary.
- Government will need to make decisions on funding for further transport recovery and rebuild projects, including:
 - investing further in the continued recovery and rebuild of local roading networks,
 - business case funding for strategic rebuild of parts of the state highway network, including the Government's stated four key priorities (Hawke's Bay Expressway, SH1 – Brynderwyn Hills, SH5 – Napier to Taupō, SH2 – Napier to Gisborne),
 - business case funding for resilience improvements in the rail network,
 - business case funding for reinstatement of the Napier to Wairoa section of the Palmerston North to Gisborne Rail line.
- The Treasury is leading work on Phase 3 of the National Resilience Plan. The timing of any Cabinet consideration of this work will be determined by the Minister of Finance. We will continue to work with the Treasury, NZTA and KiwiRail on securing funding for the recovery of the transport system through the National Resilience Plan and provide you with regular updates through our weekly reports.
- We will need to confirm with NZTA if the Government's stated four key priorities to enhance long-term resilience in the flood affected regions are included in the s 9(2)
(b)(ii) business cases that have been submitted for NRP Phase 3 funding.

- Various transport Orders in Council have been enacted under the Severe Weather Emergency Recovery Legislation Act 2023. These Orders in Council temporarily modify existing legislative provisions to enable NZTA and KiwiRail to carry out recovery work more effectively. Further Orders in Council may be required, depending on future funding decisions to make the networks more resilient to severe weather events.

Recommendations

We recommend you:

- 1 **note** the investment to date in the transport system following the North Island Weather Events
- 2 **note** the Ministry is working with the Treasury, NZTA and KiwiRail to secure funding for the transport system to rebuild from the North Island Weather Events
- 3 **note** that the Treasury is leading work on Phase 3 of the National Resilience Plan, and Ministers will need to make decisions on further funding for the transport system.



Bronwyn Turley
Deputy Chief Executive, Regulatory

..7... / ...12... / ...2023...

Hon Simeon Brown
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
Bronwyn Turley, Deputy Chief Executive, Regulatory	s 9(2)(a)	✓
Natasha Rave, Manager, Resilience & Security		

TIER 2 BIM - CYCLONE RECOVERY

The transport sector has made good progress in recovering from the North Island Weather Events

A substantial amount of funding was allocated to transport through initial emergency funding and Budget for response and recovery road works following the North Island Weather Events

- 1 The North Island Weather Events¹ (NIWE) significantly damaged the nation's roading network. NZTA has worked with councils, Civil Defence Emergency Management Groups (CDEM) and the National Emergency Management Agency (NEMA) to install fourteen Bailey bridges across the state highway and local road network, and complete other works to restore access to communities.
- 2 In response to the NIWE, \$525 million was initially appropriated as a top-up to the National Land Transport Fund, consisting of:
 - 2.1 \$250 million in Financial Year 2022/23 for initial emergency response and early recovery works² on the state highway and local road networks
 - 2.2 \$275 million in Financial Year 2023/24 for ongoing recovery works.
- 3 It was also announced that this funding would cover an estimated \$40 million required to build the State Highway 25A bridge on the Coromandel Peninsula.

Operational update on the status of the state highway network

- 4 Work NZTA has undertaken to repair transport connections and to restore access has progressed well. Funding provided to date has allowed for clearing slips, undertaking technical assessments, constructing temporary roads, and installing Bailey bridges to reconnect communities.
- 5 The funding is also supporting councils to restore access for their local road networks. NZTA has provided this funding to councils at a very high Funding Assistance Rate (FAR) of 91-100 percent. FARs for councils normally range from 51-75 percent. Emergency works are generally funded at the normal FAR plus 20 percentage points.
- 6 Total response expenditure for the 2022/23 year was in the order of \$322 million, of which \$210 million was for local roads and \$112 million for state highways. This exceeded the \$250 million available for the Financial Year 2022/23 and in response, the previous Cabinet approved a capital injection of \$72 million through the National Resilience Plan Phase 1 round to cover this additional spend.

¹ The North Island Weather Events include Cyclone Hale (8-12 January 2023), heavy rainfall event in Northland, Auckland, Waikato, and Bay of Plenty regions (26 January to 3 February 2023), Cyclone Gabrielle (12-16 February 2023)

² Response refers to the first phase of works required to get the road network into a stable (but not necessarily well-functioning) state. Examples of works include clearing slips and fallen trees, unblocking drains and culverts, and provision of temporary traffic controls. Recovery refers to the second phase of works that reinstate a reasonable level of service to the network, usually with minimal or no improvements (i.e., replacing like with like). This could involve repairs of road underslips, drainage repairs and reinstatement of small bridges.

- 7 All state highway corridors affected by the NIWE are open except for State Highway 25A (in the Coromandel). The Mangamuka Gorge on State Highway 1 in the Far North also remains closed due to a previous weather event in August 2022. Some other sections of the state highway network impacted by NIWE are operating with temporary traffic management, such as speed restrictions and temporary lane closures.
- 8 State Highway 25A between Kōpū to Hikuai in the Coromandel suffered significant damage with the road collapsing after a major storm event in late January 2023. NZTA worked quickly to develop an options assessment report, which identified a bridge as the best option to restore vital access for the Coromandel. Work is underway to construct the bridge, with construction expected to be completed next month and the route open before Christmas.
- 9 The destruction of multiple local bridges which form key alternative routes to state highways across the Tūtaekuri River between Napier and Hastings have been causing significant travel time delays and unreliable journeys.
- 10 NZTA will provide a more detailed briefing on the status of the NIWE affected state highway network.

Operational update on the status of the railway network

- 11 The NIWE also significantly damaged the nation's rail network. KiwiRail advises that there were 858 damage sites across the country following the NIWE, with 16 extreme, 151 major, 207 moderate and 484 minor damage sites. Cyclone Gabrielle's severe impact in the Esk Valley resulted in significant damage to the Napier-Wairoa section of the Palmerston North to Gisborne Line (PNGL).
- 12 The North Auckland Line (NAL) and the PNGL north from Napier are still closed. The Hastings-Napier section of the PNGL reopened in September 2023 while the NAL is expected to reopen in the first half of 2024. The Napier-Wairoa section of the PNGL would take years to reinstate, subject to decisions made on a business case (discussed further below)
- 13 We understand KiwiRail will provide a more detailed briefing on the status of the rail network to Ministers.
- 14 Budget 2023 allocated a total of \$200 million to KiwiRail for reinstatement works on critically affected lines. This included \$40 million in Financial Year 2022/23 and an additional \$160 million as a tagged contingency to be drawn down for further works in Financial Year 2023/24. The previous Cabinet agreed in August 2023 to the drawdown of the full \$160 million tagged contingency. In addition, KiwiRail has received \$50 million in insurance proceeds. KiwiRail and its insurers are still in negotiations on what further insurance proceeds will be available under the insurance policy.

Additional funding was approved for NZTA and KiwiRail through the National Resilience Plan for response and recovery works

- 15 Funding for more permanent repair and rebuild is from the previous Government's National Resilience Plan (NRP), totalling \$6 billion over a 10-year period. Decisions

on funding allocations under the NRP are made in phases, there have been two NRP phases to date.

- 16 NZTA were successful in a funding request to NRP Phase 1 for immediate priority response and recovery works to continue in Financial Year 2023/24 and Financial Year 2024/25. This was necessary to provide funding certainty over the next two financial years to reinstate the state highway network to pre-NIWE levels of service.

- 17 This NRP Phase 1 funding of \$567 million included:

17.1 An equity injection of \$72 million to reimburse NZTA for additional response costs incurred in the prior financial year.

17.2 \$455 million additional funding for the state highway recovery costs (operating and capital funding),

17.3 \$40 million for minor resilience works on state highways.

- 18 Through the NRP, NZTA is required to report monthly on progress it is making and how the money is being spent. This reporting is fed into the broader NRP reporting that the Treasury is leading.

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

- 20 A further \$385 million was allocated for transport from NRP Phase 2, specifically:

20.1 Up to \$156 million to contribute the central government share of the cost of restoring local roading to pre NIWE levels of service.

20.2 Up to \$15 million for NZTA to purchase Bailey bridges for use in the response to future events.

20.3 Up to \$198 million for minor resilience works on the rail network. This amount does not include contingency so KiwiRail may seek further funding for these works should cost escalations occur.

20.4 Up to \$16 million for make safe works on the PNGL from Napier to Wairoa. Despite the line not being operational, KiwiRail has an obligation to ensure the line is safe and not a hazard to the public while the future of the line is considered. This funding also excludes a contingency, so KiwiRail may seek further funding for these works should cost escalations occur.

- 21 It is expected that there will be further investment required from the NRP for the transport recovery, specifically:

21.1 Further funding for local road recovery, as many local government partners in NIWE affected areas have not yet provided NZTA with sufficient detail on their investment plans. It is expected that these investment plans will require the consideration of further funding up to around \$290 million in 2023/24.

- 21.2 The contingency associated with the rail resilience works and make safe works. This was not previously approved on the basis that KiwiRail should manage additional costs within existing resources or seek further NRP funding if the contingency is required.

A significant amount of funding is expected to be spent over the current financial year

- 22 As at 31 October 2023, a total of \$576.2 million has been spent on response and recovery costs, specifically:

22.1 \$317 million on local roads

22.2 \$204 million on state highways

22.3 \$55.2 million on the rail network (plus an additional \$21.8 million of insurance proceeds).

- 23 In the remainder of the 2023/24 Financial Year we expect:

23.1 \$322 million to be invested in local roads

23.2 \$242.6 million in state highways

23.3 \$380.6 million in the rail network (plus an additional \$28.2 million of insurance proceeds).

Further work is required to understand the scale of investment and strategic decisions required for works to build back better from the NIWE

- 24 The NIWE highlighted the transport network's vulnerability and reinforced how reliant regional economies are on resilient and secure access. Alongside work to reinstate the damaged parts of the network, NZTA and KiwiRail have explored ways to improve the transport network's overall resilience in the regions impacted by the NIWE.

Strategic rebuild options of state highways

- 25 NZTA undertook work to form a view on the anticipated cost of enhancing the state highway network's resilience. The cost estimate was between \$7.4 and \$10.3 billion over the next ten years (including \$225 million for due diligence). This estimate pertains to the four regions most significantly affected by the NIWE. Enhanced resilience in this context means the network would be far less susceptible to weather events similar to the NIWE. NZTA has also considered other factors that result in road closures through this work, including things like road crashes.

- 26 A breakdown of cost estimates by region is:

26.1 Tairāwhiti-Wairoa: \$3.5 billion - \$4.7 billion

26.2 Hawke's Bay: \$1.9 billion - \$2.9 billion

26.3 Coromandel-Hauraki: \$1.3 billion - \$1.75 billion

26.4 Whangārei to Dome Valley: \$600 million to \$800 million

26.5 Far North: \$101 million

- 27 The state highway rebuild programme has been invited into the Treasury's Investment Management System for business cases to be developed.

PNGL: Napier to Wairoa

- 28 The previous government did not take a decision on whether or not to reinstate the Napier to Wairoa section of the PNGL, given the potential costs involved (estimated to be \$390 million) relative to the pre-NIWE use of this section of the line.
- 29 The previous government invited KiwiRail to submit a bid to Treasury's Investment Management System for a business case to be developed for this section of the PNGL. This would involve KiwiRail working closely with local authorities, affected communities and businesses before options relating to the reinstatement of the Napier to Wairoa line are confirmed.

Minor resilience rail programme

- 30 NRP Phase 2 included up to \$198 million towards minor rail resilience. The next phase of the minor rail resilience programme has been submitted to the Treasury via the Investment Management System. This work would see resilience built into more parts of the rail network.

Local roads rebuild

- 31 The cost of rebuilding resilience into the local road network is expected to be significant, with a very rough cost estimate of around \$2 billion. This work has also been invited into the Treasury's Investment Management System for business cases to be developed.

The process for the Investment Management System for funding under NRP Phase 3

- 32 Inviting proposals to the Investment Management System for funding under NRP Phase 3 will ensure central government has a better ability to identify priorities and make sequencing and prioritisation decisions across a broader investment programme.
- 33 It is likely that due diligence (including business case) funding will need to be considered to support the planning work required to develop business cases. Both NZTA and KiwiRail have advised they will require funding for business case work.
- 34 NZTA have submitted two proposals to the Investment Management System.
- 34.1 ^{s 9(2)(b)(ii)} million to progress and deliver ^{s 9(2)(b)(ii)} business cases/investigations as due diligence funding,
- 34.2 ^{s 9(2)(b)(ii)} million as an 'urgent' investment for the SH2 Waikare Gorge realignment project (for property acquisition, design, and implementation).
- 35 We will need to confirm with NZTA if the Government's stated four key priorities to enhance long-term resilience in the flood affected regions are included in the business cases that have been submitted for NRP Phase 3 funding. ^{s 9(2)(b)(ii)}

- 36 The first set of proposals to be submitted to the Investment Management System are expected to be considered by Cabinet alongside NRP Phase 3, subject to the Minister of Finance's agreement.

The previous government also announced contributions to local road recovery through the cost sharing arrangements

- 37 Through the cost sharing arrangements agreed with councils, the previous government committed the following funding for transport projects:

37.1 \$110 million for Auckland

37.2 \$260 million for the Hawke's Bay

37.3 \$125 million for Tairāwhiti

- 38 The cost sharing arrangements cover specific projects in each region and are independent of the funding mentioned earlier in this paper. The Cyclone Recovery Unit in DPMC is the lead agency for the implementation of this programme of work, assisted by Crown Infrastructure Partners.
- 39 We understand that the agreements will cover off what happens if projects have cost escalations or run under budget.

Orders in Council

- 40 Three transport Orders in Council (OiCs) have been enacted under the Severe Weather Emergency Recovery Legislation Act 2023 (SWERLA). This Act enables OiCs to be made to modify legislative provisions in connection to an area affected by a severe weather event. Before an OiC can be made, certain requirements set out in the SWERLA must be met. These include that the Minister promoting the OiC must be satisfied that the Order is necessary or desirable for one or more purposes of the SWERLA, and the extent of the order is not broader (including geographically broader in application) than is reasonably necessary to address the matters that gave rise to the Order. The purposes of the SWERLA include assisting communities and local authorities to recover from the impacts of the severe weather events, including rebuilding infrastructure.
- 41 The three existing transport OiCs cover:
- 41.1 Amendments to the Land Transport Management Act to streamline the funding of road and rail recovery activities arising out of the NIWE (the LTMA OiC).
- 41.2 Enabling NZTA to effectively carry out recovery work by amending the Resource Management Act 1991, the Public Works Act 1981, the Conservation Act 1987, the Reserves Act 1977, the Freshwater Fisheries Regulations 1983, and the Wildlife Act 1953 (the NZTA OiC).
- 41.3 Enabling KiwiRail to effectively carry out recovery work by amending the Resource Management Act 1991, the Public Works Act 1981, the Conservation Act 1987, the Reserves Act 1977, the Freshwater Fisheries Regulations 1983, the Wildlife Act 1953, the Railways Corporation Act 1981, and the Railways Act 2005 (the KiwiRail OiC).

- 42 The LTMA OiC came into force on 1 September 2023, and the NZTA and KiwiRail OiCs came into force on 6 October 2023.
- 43 Depending on future decisions the Government makes on funding resilient state highways, further OiCs may be required. For example, if the Government decides to fund major realignment works on the state highway network it is possible that the most effective way to facilitate the works is by introducing one or more OiCs under the SWERLA.
- 44 The current NZTA Order is limited in scope to specific sites within 50 metres of a state highway and only provides for temporary occupation of land. Permanent land acquisition would likely be required for major realignment projects.
- 45 A future OiC process could ensure an expedited regulatory approval process along with a truncated land acquisition process, to help fast track the projects and ensure a quicker rebuild than otherwise would occur under normal processes.

Upcoming decisions for the Government

- 46 The key decisions coming for the Government are around investing further in the continued recovery and rebuild of the local roading network and in business case funding for the:
- 46.1 strategic rebuild of parts of the state highway network, including the Government's stated four key priorities (Hawke's Bay Expressway, SH1 – Brynderwyn Hills, SH5 – Napier to Taupō, SH2 – Napier to Gisborne)
 - 46.2 resilience improvements in the rail network
 - 46.3 reinstatement of the Napier – Wairoa section of the PNGL.
- 47 If the Government decides to fund any of these projects following business case development, OiCs may be necessary or desirable to facilitate an expedited consenting process for them.
- 48 If this situation eventuates, we will work with the relevant government agencies to provide advice to you.

8 December 2023

OC231001

Hon Nicola Willis

Action required by:

Minister of Finance

As soon as practicable

Hon Brooke van Velden

Minister of Internal Affairs

Hon Simeon Brown

Minister of Transport

CHATHAM ISLANDS VESSEL REPLACEMENT – PROJECT LEADERSHIP AND NEXT STEPS

Purpose

The purpose of this briefing is to seek Joint Ministers guidance on the future direction of work to ensure the sustainability of shipping services to agreement to either progress work to engage the

as a delivery partner to lead the procurement of a new vessel to serve the Chatham Islands, or to explore alternative options to meet the needs of the Chatham Islands community.

The briefing also seeks your joint authorisation to draw down an additional \$1 million from the *Supporting a Chatham Islands Replacement Ship* appropriation in order to meet the costs associated with the permanent repairs for the *Southern Tiare*, which are scheduled to be undertaken in March 2024.

Key points

- As a small and geographically isolated community, the Chatham Islands are critically reliant on shipping services to transport fuel, livestock, machinery, and general goods to and from the mainland. Without a reliable shipping service, many industries on the islands would no longer be viable.
- The Chatham Islands are currently served by the *Southern Tiare*, with services operated by Chatham Islands Shipping Limited. The vessel is nearing the end of its service life, and Crown support has been required to keep it in a seaworthy state. It is unlikely that the vessel will be able to continue operating beyond 2028 without significant structural repairs.

- In Budget 2022, Cabinet approved \$35.1 million in tagged contingency funding to support the Chatham Islands to replace the *Southern Tiare*, and to support its maintenance until a replacement vessel is delivered. The funding draw down is subject to joint Ministers agreement – Minister of Finance, Minister of Internal Affairs and Minister of Transport.

- Procuring a new vessel has been delayed due to the need to identify a competent delivery partner. We ^{s 9(2)(b)(ii), s 9(2)(g)(i)} procurement forward

- Repairs to the *Southern Tiare* have exceeded forecast expenditure and these will only increase as the vessel continues to age, \$9.8 million has already been identified to support permanent and emergency repairs. ^{s 9(2)(g)(i)}

- ^{s 9(2)(b)(ii), s 9(2)(g)(i)}

Accurate cost estimates will not be available until the procurement process reaches detailed design, and construction quotes are secured from shipyards.

- ^{s 9(2)(g)(i)}

Recommendations

It is recommended that you:

1. ^{s 9(2)(b)(ii)}

2. **direct** the Ministry of Transport to report back on the proposed procurement process, governance arrangements and a request to draw down funding for the next phase of the project in early 2024.

3. s 9(2)(g)(i)

4. **note** that \$6.0 million was drawn down in July 2022 from the Supporting a Chatham Islands Replacement Ship appropriation to undertake critical maintenance on the current vessel, the *Southern Tiare*.
5. **note** that \$2 million was drawn down in September 2023 for permanent repairs scheduled in March 2024 for the *Southern Tiare*, but quotes received for this work exceed this amount by \$1 million.
6. **agree** that a \$1 million be drawn down from contingency to cover the increased cost of the permanent repairs.
7. **approve** the following changes to appropriations in order to cover the additional \$1 million required for permanent repairs:

	\$m – increase/(decrease)				
Vote Transport	2021/22	2022/23	2023/24	2024/25	2025/26
Minister of Transport					
Non-Departmental Other Expense: Supporting a Chatham Islands Replacement Ship	-		1.000	-	-
Total Operating			1.000	-	-

8. **note** that following the drawdown detailed in recommendation 6 above, the remaining operating contingency will be:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
	-	-	25.300	-	-

9. **note** that any unspent funds from the permanent repairs will be available to be utilised for the vessel replacement, subject to any further draw down decisions by Joint Ministers.
10. **agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply



David Wood
Deputy Chief Executive, Investment and Monitoring

Hon Simeon Brown
Minister of Transport

..... / /

Hon Nicola Willis
Minister of Finance

Hon Brooke van Velden
Minister of Internal Affairs

/ /

..... / /

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comment:

Contacts

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment & Monitoring	s 9(2)(a)	✓
Andrew Hicks. Acting Manager Programme Monitoring & Investment Management		

CHATHAM ISLANDS VESSEL REPLACEMENT – PROJECT LEADERSHIP AND NEXT STEPS

Background

There is a critical need to ensure the sustainability of shipping services to the Chatham Islands

Shipping is a critical lifeline for the Chatham Islands

- 1 As a small and geographically isolated community, the Chatham Islands community are reliant on shipping services for the movement of transport fuel, livestock, machinery, and general goods to and from the mainland. Livestock farming is particularly reliant on the shipping service, as there is no abattoir on the island. Diesel, which is a critical input for industry on the island, can only be carried via ships, and needs to be regularly replenished. Many Islanders also have their groceries and household supplies delivered by shipping, as it comes at significantly lower cost than air freight. Without a reliable shipping service, many industries on the islands would no longer be viable.

Any vessel operating to the Chatham Islands needs to meet bespoke requirements

- 2 The Chatham Islands are currently served by the *Southern Tiare*¹. This vessel is one of a small number in the world capable of transporting fuel, livestock, and general freight, while meeting the size and draught requirements of the wharf in Waitangi. The vessel is required to meet specific regulations for the carriage of both fuel (under Maritime regulations administered by Maritime New Zealand) and livestock (under animal welfare regulations administered by the Ministry of Primary Industries). While multiple vessels could be used to carry different types of goods, doing so would be less economical. The *Southern Tiare* can meet all the island's needs. To remain economically viable, the *Southern Tiare* also runs a regular route between Napier - Waitangi - Pitt Island and Timaru.

The Southern Tiare has reached the end of its service life

- 3 The typical service life for a vessel of this nature is around 20-25 years. The *Southern Tiare* is nearing 35 years in service. It has suffered reliability issues and is becoming increasingly difficult and expensive to maintain. The *Southern Tiare* will need to undertake a maritime intermediate survey in 2025 and a special survey in 2028 and it is considered unlikely that it will be able to pass without undergoing significant repairs.²
- 4 These reliability issues were exposed during the vessel's 2023 special survey, when the *Southern Tiare* was re-floated and displayed significant water leaks in critical areas, including the engine room. As a result, the *Southern Tiare* went through

¹ The owner of the *Southern Tiare* is CIAH (Cook Islands) Ltd – an international company registered in the Cook Islands. This holding company is wholly owned by the Chatham Islands Enterprise Trust.

² A shipping survey is an independent detailed assessment of a vessel and its equipment to confirm they are serviceable, fit for their intended use and operating limits. There are three types of survey: special survey – required every three years; intermediate survey – occurs between every special survey; and annual surveys.

emergency repairs, and this delay meant that the shipping services to the Island were disrupted for three months, creating fuel supply issues. This lack of resilience demonstrated the importance of a reliable shipping service for the Chatham Islands, and the impact disruptions can have on Chatham Islanders.

The economic sustainability of commercial operators impacts residents

- 5 Other operators have served the Chatham Islands in the past. In 2017, the Chatham Islands Enterprise Trust commissioned a strategic review of shipping options for the Chatham Islands. It noted that those who had attempted to provide shipping services to the Islands in the past have typically lost money or gone into liquidation. Services to the island had operated in 'boom and bust' cycles and when poor service levels are provided, it has detrimental economic impacts for all residents.
- 6 The current services are operated commercially, but do not generate a large enough return to cover the cost of a replacement vessel. As a result of increasing costs and a reduction in the number of coastal shipping providers in New Zealand with the capability to transport live animals, it is considered unlikely that another operator would step in to provide services on commercial terms.

Budget 2022 provided funding to support the replacement of the Southern Tiare

- 7 In Budget 2022, Cabinet approved \$35.1 million in tagged contingency funding to support the Chatham Islands to replace the *Southern Tiare*, and to support its maintenance until a replacement vessel is delivered. Draw down of the tagged contingency requires Joint Ministers agreement – Minister of Finance, Minister of Internal Affairs and Minister of Transport.
- 8 Cabinet's intention was to gift the vessel to the Chatham Islands Enterprise Trust once it had been procured. Officials have investigated a range of alternative options, such as underwriting a commercial shipping operator to provide services to the Islands, but the specific needs of the Chatham Islands present a significant barrier. Potential service providers we engaged with had concerns with the low margins available through the service.
- 9 A large proportion of the costs of a replacement vessel are driven by the need to transport livestock to the mainland. By funding the cost of a replacement vessel, the Crown is effectively underwriting pastoral farming on the island. Strategic decisions about the future of pastoral farming on the island sits outside the transport portfolio.

The funding has already been depleted to fund urgent repairs for the Southern Tiare

- 10 In July 2022, then Ministers agreed to draw down \$6 million of the \$35.1 million contingency funding to allow the *Southern Tiare* to receive its required maintenance (OC220467 refers).
- 11 While the 2023 special survey was undertaken, a significant issue was identified with the *Southern Tiare*. This meant emergency works were required to address water leakage in the engine room, amongst other issues. This repair work was completed under urgency and provided a temporary fix which has enabled the *Southern Tiare* to continue operating while a permanent fix was agreed.

- 12 Joint Ministers agreed that a further \$2.8 million could be drawn down to be used to meet the cost of the emergency repairs (\$0.8 million) and permanent repairs (\$2 million) (OC230745 refers). Officials have now received the quote for the permanent repairs scheduled to be completed in March 2024, and a further \$1 million is required to meet the costs of this work. The following table summarises the requests for draw down of funding to-date.

Tabel 1: Drawdown of funds for repairs

Description of funding requirement	Tagged Contingency
Budget 2022 allocation	\$35.1 million
July 2022 – draw down for regular maintenance completed	(\$6 million)
September 2023 – draw down for permanent and emergency repairs	(\$2.8 million)
December 2023 – proposed additional funding for permanent repairs – (subject to approval)	(\$1 million)
Tagged contingency remaining	\$25.3 million

- 13 The remaining \$25.3 million of the tagged contingency is earmarked to procure a replacement vessel and support the ongoing repairs of the Southern Tiare ^{s 9(2)(g)(i)}

has three conditions attached to its release.

- 13.1 Ownership: Determine who is best placed to own and operate the new vessel.
- 13.2 Governance: Confirm the governance structure to support the delivery and procurement of the new vessel, ensuring it meets Government guidelines
- 13.3 Operating Model: Determine the most appropriate operating model for the new vessel and its sustainability. This includes how the new vessel will be operationalised and funded going forward.

Delivery of the project requires a suitable Government partner

Identifying a delivery partner with appropriate capabilities has been challenging

- 14 Limited progress has been made on the procurement of a new vessel since the funding was allocated in Budget 22. In part, this is because officials have had to prioritise work to enable the draw down of funding to support the repairs and maintenance required to keep the *Southern Tiare* in a seaworthy state. However, it has also been difficult to identify an agency with the skills and capabilities to procure a new vessel.
- 15 At the inception of this project, the Ministry's expectation was that funding would be provided directly to the Chatham Islands to manage the replacement of their current vessel, rather than the Government having a direct and active role in the project. As further work on this approach was completed, it became apparent that providing

funding directly to the Chatham Islands to deliver the project would not be viable; primarily due to the contracting requirements expected by international shipyards.

Providing a financial guarantee for the Chatham Islands to lead procurement is not recommended

- 16 Shipyards traditionally require significant financial capacity from contracting counterparties, which the Chatham Islands is not able to provide by itself. This means that for the Chatham Islands to enter a contract with shipyards, a financial guarantee would be required from the Crown. Under Section 65ZD of the Public Finance Act 1989 such a guarantee would require Ministerial approval and as the guarantee would likely exceed the \$10 million threshold, the Minister would be required to present a statement to the House of Representatives that a guarantee had been given. From a value for money perspective a government entity is also likely to be offered more favourable terms if they were the contracting party.
- 17 The accountability requirements that come with the provision of Crown funding of this level would require a high level of governance and administrative oversight, which may be problematic for the Chatham Islands to support alongside project delivery demands. For these reasons we have discounted this approach.

The Ministry does not have the expertise to manage a procurement of this nature

- 18 The Ministry does not see itself as the right agency to lead the procurement of a new vessel. The Ministry is a policy agency, and does not have the experience, systems, or processes necessary to lead complex procurement processes for operational assets. We would be heavily reliant on external expertise to progress the project.
- 19 There is substantial complexity involved across most aspects of this project. Not only with the design component to ensure that the vessel meets the Chatham Islands requirements (which are unique given the requirement to transport livestock) but also meeting health and safety, seaworthiness, crewing, and energy efficiency expectations. The procurement of a vessel constructor is complex.
- 20 The Ministry considered eight different entities (including itself) with the potential to lead delivery of the project. This included the New Zealand Defence Force, KiwiRail, and New Zealand Land Transport Agency but none of these entities are an ideal fit. Annex 1 provides a summary of our analysis of the entities we considered.

s 9(2)(b)(ii), s 9(2)(g)(i)



s 9(2)(b)(ii), s 9(2)(g)(i)

22

23 The Ministry would retain the overall responsibility for the appropriation and will be responsible for subsequent draw down requests. The Ministry will also provide resource to support the governance of the project.

24 The project is time critical, given that it will take at least three years to procure, construct, and certify a new vessel. Until a willing and able delivery partner has been confirmed, the project cannot progress. s 9(2)(b)(ii), s 9(2)(g)(i)

Procurement of a replacement vessel

A range of risks exist with procuring a new vessel including a likely requirement for further funding

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s 9(2)(b)(ii), s 9(2)(g)(i)

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27 Previous inquiries into second hand vessels have shown that second hand vessels that meet the needs of the community tend to be quite old, would need significant work to conform with regulatory requirements, and would not provide substantive additional service life beyond that of the current vessel. A watching brief will be maintained on the second-hand market should a suitable vessel become available for purchase.

s 9(2)(g)(i)

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The economic viability of a replacement vessel going forward is uncertain

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s 9(2)(b)(ii), s 9(2)(g)(i)

Demand for shipping services is largely a function of economic activity on the island, which cannot be reliably forecast over the long-term as it is dependent on decisions made by a small number of businesses.

Alternative options

s 9(2)(g)(i)

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37 Alternate options considered for the Chatham Islands vessel replacement project are set out in Annex 2.

s 9(2)(g)(i)

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Next Steps

39

s 9(2)(b)(ii), s 9(2)(g)(i)

ANNEX 1

Analysis of entities considered for potential delivery partners

The below table outlines the potential entities which may be able to lead the project delivery of the Chatham Islands Vessel Replacement Project.

Table 1: Candidate Entities

Entity	Entity type
Ministry of Transport	Central Government Agency
Department of Internal Affairs	Central Government Agency
New Zealand Defence Force	Central Government Agency
Kānoa – Regional Economic Development and Investment Unit	Central Government Agency
New Zealand Transport Agency	Crown Entity
s 9(2)(b)(ii)	
Crown Infrastructure Partners	Schedule 4A Company
KiwiRail	State Owned Enterprise

A summary of the key considerations for each entity as assessed by the Ministry are outlined below:

Table 2: Entity analysis

Entity	Key considerations	Assessment
The Ministry of Transport	<ul style="list-style-type: none"> Tagged contingency funding held within Vote Transport The Ministry is a policy agency, therefore has no experience in the delivery of operational projects. Limited project management experience, especially in the procurement and construction of Crown assets. Would need to onboard capacity and specialist capability. 	Not recommended
Department of Internal Affairs	<ul style="list-style-type: none"> Strong interest in the project given the stewardship role held in relation to the Chatham Islands. Limited project management experience, especially in the procurement and construction of Crown assets. Would need to onboard capacity and specialist capability. DIA focused toward oversight and policy delivery. 	Not recommended
New Zealand Defence Force	<ul style="list-style-type: none"> Project has no direct link to New Zealand defence priorities. The replacement vessel is intended for civilian use. Ministerial directive would be required to take the lead on this project. 	Not recommended

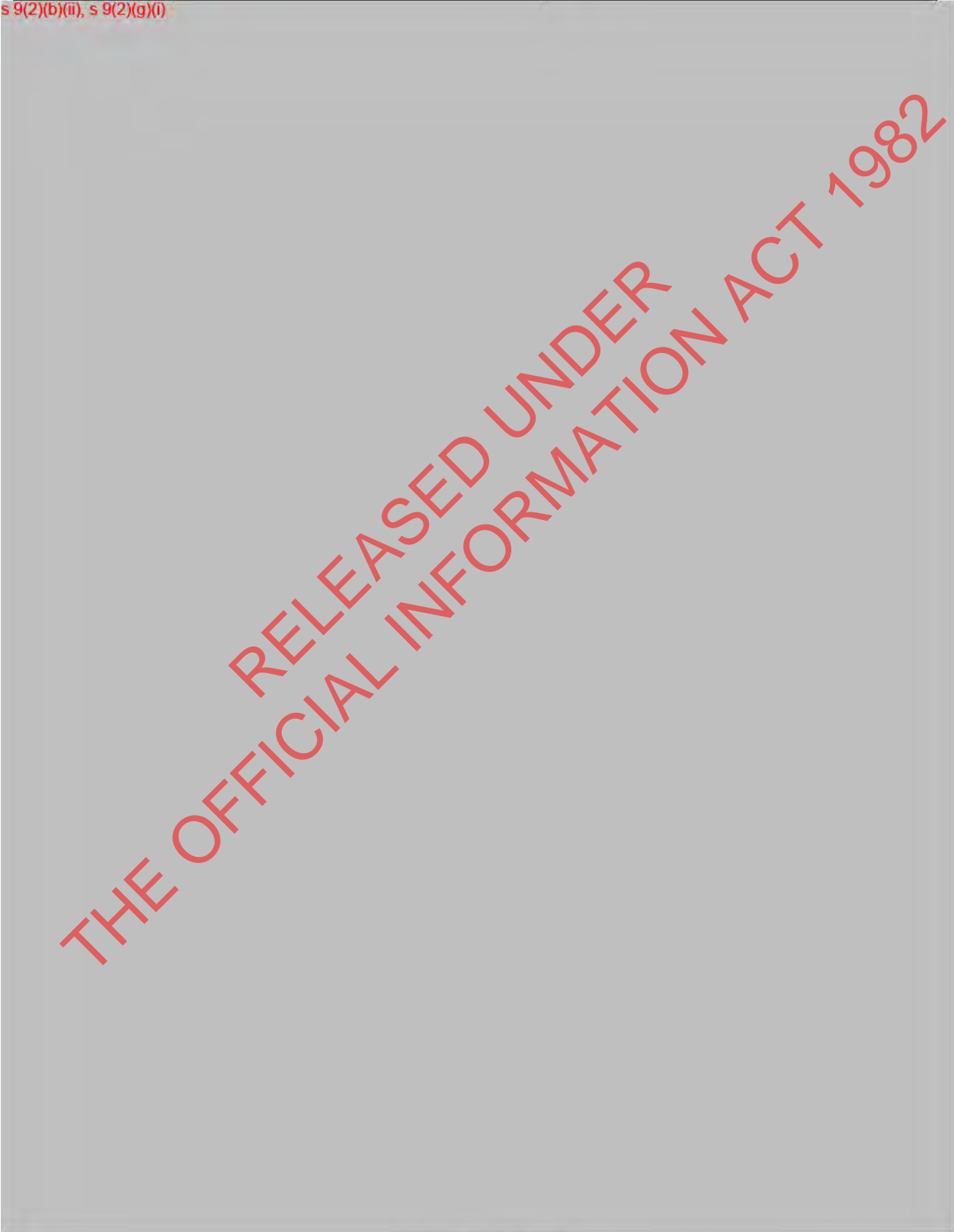
Entity	Key considerations	Assessment
Kānoa – Regional Economic Development and Investment Unit	<ul style="list-style-type: none"> Kānoa supports the delivery of projects within regional New Zealand, however do not have a direct interest in this project. No available resource - would need to onboard specialist capability to deliver a project of this nature. 	Not recommended
New Zealand Transport Agency (NZTA)	<ul style="list-style-type: none"> Engage with the Chatham Islands in relation to the land transport portfolio, but also in a maritime context as the managers of the Waitangi Wharf on the Chatham Islands (on behalf of the DIA). Have extensive project management experience and systems, including the procurement and construction of Crown assets. Currently have minimal capacity to take on new projects. Majority of NZTA experience is within the land transport sector, rather than a maritime context. No direct experience procuring vessels of this nature. NZTA has an activity class within the National Land Transport Programme covering coastal shipping (\$30 million allocated in the NLTP 2021-2024). 	Potential delivery partner
s 9(2)(b)(ii)		Recommended
Crown Infrastructure Partners	<ul style="list-style-type: none"> Crown Infrastructure Partners (CIP) has previously engaged with the Chatham Islands in the delivery of mobile towers. Feedback from the Chatham Islands indicated this was a successful and well-run project. Have good project management experience and governance capabilities. Majority of CIP experience relates to mobile, broadband, and water infrastructure. 	Potential delivery partner
KiwiRail	<ul style="list-style-type: none"> No longer has capability or procurement expertise for a project of this nature, would need to onboard capacity and specialist capability. Not incentivised to take responsibility for a project of this nature. 	Not recommended

ANNEX 2

Options considered for Chatham Islands Replacement Vessel Project

Replacement Vessel Options Considered	Pros	Cons
--	------	------

s 9(2)(b)(ii), s 9(2)(g)(i)



Replacement Vessel Options Considered	Pros	Cons
		s 9(2)(b)(ii), s 9(2)(g)(i)

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ANNEX 3

s 9(2)(b)(ii), s 9(2)(g)(i)

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s 9(2)(b)(ii), s 9(2)(g)(i)

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11 December 2023

OC231025

Hon Simeon Brown
Minister of Transport**MEETING WITH CARRIE HURIHANGANUI, CHIEF EXECUTIVE OF
AUCKLAND INTERNATIONAL AIRPORT LIMITED****Snapshot**

You have an introductory meeting with the Chief Executive of Auckland International Airport Limited, Carrie Hurihanganui.

Time and date	3.30-4 pm, Wednesday 13 December
Venue	Virtual meeting
Attendees	Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited
Agenda	The meeting will focus on arrivals and departures and queues issues

Contacts

Name	Telephone	First contact
Bronwyn Turley, DCE Regulatory Group	s 9(2)(a)	✓
Natasha Rave, Manager Resilience and Security		

Meeting with Carrie Hurihanganui, Chief Executive of Auckland International Airport Limited

Key points

- Carrie Hurihanganui has requested a meeting with you to discuss:
 - Arrivals and departures at Auckland International Airport Limited (Auckland Airport), including issues with queues.
 - Auckland ground transport
 - Auckland Airport infrastructure
 - Jet fuel resilience
- This is your first engagement with Carrie Hurihanganui since becoming Minister of Transport. Below is a brief update on the topics raised by Auckland Airport.

Arrivals and departures process

- 1 Auckland Airport has been working with airlines and their ground handlers, NZ Customs Service, Biosecurity New Zealand, and Aviation Security (AvSec) for several months to ensure international arrivals, as well as domestic and international departures, operate well over the summer peak and beyond.

Auckland Airport-led sprints

- 2 In preparation for the July School Holiday and FIFA Woman's World Cup, and in response to concerns from border agencies and the public about the operational performance of the airport, Carrie Hurihanganui initiated Auckland Airport performance sprints.
- 3 In April, Auckland Airport announced the establishment of an operational improvement project investigating the management of flights and travellers across the airport system at Auckland Airport. Through this they sought to identify a set of change initiatives to target meaningful improvements to customer experience for the majority of departing and arriving customers.
- 4 This work is occurring through 'agile sprints' which bring together a select group of subject matter experts from government agencies, airports, airlines and ground handling agents.
- 5 Audrey Sonerson is on the CE sponsors Group. The Ministry is not involved in the operational aspects of this work.
- 6 Auckland Airport has set up a 'Sprint 2 Framework' to develop further improvement over the next few months.
- 7 As part of this work, border agencies have been working with Auckland Airport since July on a Sprint project to improve the passenger experience during the upcoming summer peak. Initiatives introduced include:

- 7.1 introduction of a NZ/AU passport holder low biosecurity-risk lane,
- 7.2 baggage hall and arrivals area reorganisation (ongoing),
- 7.3 ensuring all parties are appropriately staffed, and
- 7.4 more resources to assist with queue management.
- 8 However, border agencies are at the limit of what improvements can be made given physical space constraints.
- 9 You may want to ask if the airport is ready for the coming summer period and how they intend to manage capacity versus the construction programme.

AvSec queuing issues at the airport

- 10 The Civil Aviation Authority (CAA) has established a taskforce to address widely reported delays (queues) for aviation screening, particularly at Auckland Airport. We are engaged with this work.
- 11 The taskforce has now been operating since late June 2023. Feedback from industry indicates the taskforce has been successful in re-focusing the CAA's approach to operational matters, and improving the way it communicates with the sector. There has been a reduction in 'unacceptable' queues and an improvement in the way queues are managed by AvSec.
- 12 We understand you recently met with the CAA Chair and Director to discuss aviation security screening.

Border Executive Board

- 13 The Border Executive Board (BEB) is an interdepartmental executive board made up of the Chief Executives of the border agencies, including the Ministry of Transport (the Ministry). The BEB was established to deliver an integrated and effective border system.
- 14 The BEB has tasked officials from the border agencies (including AvSec) to engage with our six largest airports on their collective regulatory requirements and infrastructure needs at these airports. The Ministry co-leads this work with NZ Customs Service.
- 15 This work is in anticipation of the new Regulatory Airport Spatial Undertaking (RASU) regime coming into force in April 2025 through the Civil Aviation Act 2023.
- 16 The BEB has regular engagement with Auckland Airport, and directly with its Chief Executive. The BEB has raised concerns about the increased congestion for international passengers at the arrivals area of the airport. NZ Customs Service and Ministry for Primary Industries have been working on issues within their control to address congestion in preparation for the summer peak period.

Auckland ground transport

- 17 Auckland Airport has signalled an interest in working with the Ministry to support the development of the Government Policy Statement on Land Transport (GPS). They have a particular interest in how the GPS will support transport connections between the airport and the city.
- 18 As you are aware, the Ministry will release a draft GPS for consultation early in the New Year.

Auckland Airport infrastructure investment

- 19 Auckland Airport is currently undertaking significant infrastructure development. Auckland Airport's infrastructure plan includes the redevelopment of the airport's domestic terminal and its integration with the airport's international terminal by 2028. This is its biggest redevelopment since the airport opened in 1966. \$3.9 billion has been budgeted towards this programme, with \$2.2 billion allocated to a brand-new domestic terminal with full integration into the international terminal, and the remaining \$1.7 billion allocated to several supporting projects.
- 20 The programme is expected to deliver 12 new domestic aircraft gates (20 percent more than at the current domestic terminal). Each of these terminals will also support electric charging, which caters to the more sustainable and larger (passenger capacity) domestic jets that airlines are starting to invest in.
- 21 Border agencies have been working with Auckland Airport on the plans for the new terminal to ensure their regulatory requirements and delivery needs are accommodated. This work links to the BEB work discussed above.
- 22 Some airlines have raised concerns about the proposed infrastructure investment. The Board of Airline Representatives New Zealand (BARNZ; which represents most – but not all – airlines flying into New Zealand) has noted that the proposed \$3.9 billion investment cost will be passed on to airlines, which in turn will lead to increases in ticket prices. Legislative requirements mean that airports must consult before deciding to go ahead with capital expenditure. BARNZ considers that concerns raised by airlines have not been taken into consideration by the airport. Auckland Airport believe that any further delay in infrastructure investment would only increase costs in the long term.

Jet fuel resilience

- 23 Auckland Airport has raised concern about New Zealand's ability to withstand disruption to its jet fuel supply. In September 2017, the pipeline that carries jet fuel from Marsden Point to Auckland ruptured with no alternative route for getting jet fuel to Auckland Airport. Airlines flying out of Auckland Airport had to limit their use of jet fuel to 30 percent of their usual usage, which caused significant disruption to flights to and from Auckland.
- 24 There were further disruptions to the jet fuel supply chain to Auckland Airport in December 2022 and Wellington Airport in April 2023. These were caused by imports of jet fuel that did not meet fuel quality standards when tested on arrival. A significant number of flights were affected during the Auckland Airport incidents in 2017 and

2022, while there were minimal disruptions to flight schedules during the 2023 Wellington Airport incident.

- 25 The Ministry of Business, Innovation and Employment (MBIE) is the lead agency for the fuel sector and led the development of the Fuel Industry (Improving Fuel Resilience) Amendment Act 2023 (the Act). From 1 January 2025, fuel importers will be required to hold enough jet fuel in New Zealand to provide 24 days of cover on average each month. For compliance with this obligation, they can only count jet fuel stock in bulk storage tanks in New Zealand or on a vessel in New Zealand's Exclusive Economic Zone scheduled for delivery to New Zealand.
- 26 The aviation sector is critical of this stockholding obligation as it will not prevent further disruptions and rationing of jet fuel should imports fail fuel quality tests once offloaded into New Zealand ports.
- 27 The Act provides for a regulation-making power to introduce different stockholding levels for different engine fuels at different locations or for different periods. Stockholding regulations specific to Auckland Airport may not be necessary if the industry invests in new jet fuel storage capacity at or near the airport.
- s 9(2)(ba)(i)

- 28 MBIE is currently leading the refresh of the National Fuel Plan, which provides the framework for fuel emergency management and planning. The refresh will ensure the new Plan reflects the current liquid transport fuel resilience infrastructure and response activities. In particular, the new Plan is expected to provide clearer direction on the approach to managing aviation fuel supply disruptions.
- 29 Auckland Airport has advised MBIE that to create strong system resilience, there should be a requirement for a minimum 12 days of usable jet fuel to be stored at Wiri. They want to see this requirement implemented under the powers in the new Act.

Biography

- 30 Carrie Hurihanganui has been Chief Executive of Auckland Airport since February 2022. She joined the airport from Air New Zealand where she worked for 21 years, most recently in the role of Chief Operating Officer with responsibility for pilots, cabin crew, airports, engineering and maintenance, properties and infrastructure, supply chain, resourcing, and airline operations teams.



Document 11

11 December 2023

OC231038

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 18 December 2023

AIR NEW ZEALAND: KIWI SHAREHOLDER

PURPOSE

Advise you of the steps necessary for you, in your role as Minister of Transport, to take over the rights and powers of the Kiwi Shareholder in Air New Zealand Limited.

Key points

- The Kiwi Share is a special rights convertible preference share issued by Air New Zealand to the Crown.
- It confers certain rights and powers on the holder. Its primary intent is to protect Air New Zealand's access to other countries under inter-government air services agreements, by ensuring that "substantial ownership and effective control" of the airline remains in New Zealand hands.
- Among other things, the consent of the Kiwi Shareholder is required for certain changes in the ownership of Air New Zealand.
- At present, Hon David Parker, the former Minister of Transport, is the Kiwi Shareholder.

Recommendations

We recommend you:

- 1 **sign** the attached letter to the Prime Minister which proposes that you be the person entitled to exercise the rights and powers of the Kiwi Shareholder in accordance with Article 3.5 of Air New Zealand Limited's constitution Yes / No
and, if the Prime Minister agrees with the above proposal,
- 2 **sign** the attached letter to Air New Zealand Limited, notifying the company that you are the person entitled to exercise the rights and powers of the Kiwi Shareholder. Yes / No

Bronwyn Turley
Deputy Chief Executive, Regulatory

11./12./2023

Hon. Simeon Brown
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
Bronwyn Turley, Deputy Chief Executive, Regulatory	s 9(2)(a)	✓
Ken Hopper, Senior Licensing Adviser		

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AIR NEW ZEALAND: KIWI SHAREHOLDER

The Kiwi Shareholder is a mechanism to protect Air New Zealand's rights as a New Zealand airline

- 1 The Kiwi Share is a single \$1 special rights convertible preference share issued by Air New Zealand to the Crown. It confers certain rights and powers on the holder.
- 2 The primary intent is to protect Air New Zealand's access to other countries by ensuring that "substantial ownership and effective control" of the airline remains in New Zealand hands. This is a requirement of a number of the air services agreements under which Air New Zealand operates.
- 3 Air New Zealand's constitution sets out the rights and powers of the Kiwi Share and the Kiwi Shareholder.
- 4 Among other things, the written consent of the Kiwi Shareholder is required for any amendment, removal, or alteration in effect of specified provisions in the constitution. These include the name of the company, its place of incorporation, its principal place of business, the location of its head office and the nationality of its directors. In addition, the rights attaching to the Kiwi Share itself are entrenched and cannot be changed without the consent of the Kiwi Shareholder.
- 5 The consent of the Kiwi Shareholder is also required in relation to specified circumstances or events, including:
 - a) for an owner or operator of an airline business to hold or have an interest in an equity security in the company; and
 - b) for a non-New Zealand national to hold or have an interest in shares that confer 10 per cent or more of the total voting rights in the company.
- 6 The Kiwi Shareholder's role is separate from the ownership rights exercised by the Minister of Finance. The Minister of Finance holds 51 percent of the ordinary shares in Air New Zealand on behalf of the Crown.

We propose that you become the Kiwi Shareholder

- 7 Air New Zealand's constitution provides that any Minister may give written notice to the Company Secretary of the person who can exercise the rights and powers of the Kiwi Shareholder.
- 8 Long-standing practice has been for the Minister of Transport to be assigned the rights and powers of the Kiwi Shareholder in accordance with Air New Zealand's constitution, provided they held no personal shareholding in the airline.
- 9 At present, Hon David Parker, the former Minister of Transport, is the named person.
- 10 We propose that you, in your role as Minister of Transport, take on the role of Kiwi Shareholder. It fits closely with your assigned function as the airline's licensing authority under the Civil Aviation Act 1990.

Next Steps

- 11 If you agree to the proposal, please sign the attached letter to the Prime Minister proposing that you be assigned the responsibility of Kiwi Shareholder.
- 12 If the Prime Minister agrees to the proposal, we have prepared a further letter for your signature. This letter advises Air New Zealand, in accordance with Article 3.5(a) of the company's constitution, that you are the person entitled to exercise the rights and powers of the Kiwi Shareholder.

Consultation

- 13 We consulted The Treasury, which supports our recommendation that you become the Kiwi Shareholder.

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Note that draft letters were attached to this briefing. However, the final signed letters are provided under this request.

Hon Simeon Brown

MP for Pakuranga

Minister for Energy

Minister of Local Government

Minister of Transport

Minister for Auckland

Deputy Leader of the House



Rt Hon Christopher Luxon
Prime Minister
Level 9, Executive Wing
Parliament Buildings
WELLINGTON

Dear Prime Minister

I have been advised that arrangements need to be made to reassign Ministerial responsibility for the Kiwi Share in Air New Zealand Limited.

The Kiwi Share in Air New Zealand is a single \$1 special rights convertible preference share issued to the Crown. It is primarily intended to give the Government the ability to maintain "substantial ownership and effective control" of the airline in New Zealand. The Kiwi Shareholder is His Majesty the King in Right of New Zealand.

The Air New Zealand Constitution provides that any Minister may from time to time give written notice to the Company Secretary of the name of the person who may exercise the rights and powers of the Kiwi Shareholder. The notice specifies that the person entitled to exercise the rights and powers of the Kiwi Shareholder shall be the person named in the last such notice received by the Company Secretary. At present that person is Hon David Parker, the previous Minister of Transport. Air New Zealand, therefore, should be advised of any change in the Minister authorised to exercise the rights and powers of the Kiwi Shareholder.

Since 1990, the normal practice has been for the Minister of Transport to be the person assigned the rights and powers of the Kiwi Shareholder.

Accordingly, and if you agree to me undertaking the role of Kiwi Shareholder, I will write to Air New Zealand informing them of the same.

Yours sincerely

Hon Simeon Brown
Minister of Transport

Hon Simeon Brown

MP for Pakuranga

Minister for Energy

Minister of Local Government

Minister of Transport

Minister for Auckland

Deputy Leader of the House



Ms Jennifer Page
Company Secretary
Air New Zealand Limited
Private Bag 92007
AUCKLAND

Dear Ms Page

With reference to Article 3.5(a) of the Constitution of Air New Zealand Limited, notice is hereby given that I, Simeon Brown, Minister of Transport, am henceforth the person entitled to exercise the rights and powers of the Kiwi Shareholder in Air New Zealand Limited on behalf of the Crown.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Simeon Brown', written over a large red diagonal watermark.

Hon Simeon Brown
Minister of Transport



RT HON CHRISTOPHER LUXON
PRIME MINISTER

26 FEB 2024

Hon Simeon Brown
Minister of Transport
Executive Wing
Parliament Buildings
WELLINGTON

Dear Simeon

I refer to your letter advising that arrangements need to be made to reassign Ministerial responsibility for the Kiwi Share in Air New Zealand Limited.

I agree to you taking responsibility as the Kiwi Shareholder in Air New Zealand Limited, and to you advising the Air New Zealand Company Secretary accordingly.

Yours sincerely

Rt Hon Christopher Luxon
Prime Minister

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Click to enter date

OC231083

Hon Simeon Brown
Minister of Transport

cc Hon Chris Bishop
 Minister for Infrastructure

MEETING WITH TORY WHĀNAU AND DARAN PONTER

Snapshot

The meeting is expected to cover the significant investment required to maintain services on the Wellington metro system and the Let's Get Wellington Moving Programme.

Success in the meeting would be if:

- s 9(2)(f)(iv) [REDACTED]
- **for Let's Get Wellington Moving**, that the partners mutually agree to disestablish the programme.

Time and date	12:00pm, 13 December 2023
Venue	EW5.1
Attendees	Daran Ponter, Greater Wellington Regional Council Chair Mayor Tory Whānau, Wellington City Council
Officials attending	Siobhan Routledge, Acting Deputy Chief Executive Policy, Ministry of Transport
Agenda	1. Introductions 2. Metro Train Services 3. Let's Get Wellington Moving 4. Other issues from Greater Wellington's BIM

Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive Policy	s 9(2)(a) [REDACTED]	✓
Bev Driscoll, Manager, Rail	[REDACTED]	

Key points / talking points

Wellington Metro Rail Services

- I recognise metro rail plays a very important role in the Wellington region with its ability to move large numbers of passenger into and out of the city.
- I acknowledge there are clearly funding issues to address. But note the context of a constrained fiscal environment and numerous transport fiscal pressures.
- We all want to see Wellington's metro network running reliably.
- Greater Wellington Regional Council (GWRC) paying its share of upkeep costs based on the current arrangement would greatly help with this – and give us time to look into the more fundamental problems around affordability and who should pay. In general, I support the principles of “user pays” for the metro upkeep costs (network maintenance and renewals).

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

- I understand that officials from the Ministry of Transport, GWRC, Auckland Transport (AT) and KiwiRail have prepared a draft terms of reference to review metro rail settings. I expect to be briefed shortly by Ministry of Transport officials on this. I'm very keen to address the underlying problems and not just do a quick fix.

Let's Get Wellington Moving

- As you will be aware, the Government's 100 Day Action Plan includes withdrawing from Let's Get Wellington Moving (LGWM). I will shortly be writing to you to reaffirm that:
 - The Government does not support the development of light rail in Wellington. We will not be making Crown funding available for it, or for other parts of LGWM were that funding to become necessary.
 - The Government does not support Golden Mile, but I realise funding has been approved and the project is the responsibility of Wellington City Council.
 - We think the best way to proceed is for the LGWM partners to mutually agree to disestablish the programme. I encourage you to move quickly on this.



s 9(2)(f)(iv)

- I am also aware the Basin Reserve improvements are a priority for both of you and you wish construction to start before 2028. We also consider this a priority and will be working on it and an additional Mt Victoria tunnel as part of developing the Government Policy Statement on Land Transport.

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Background information and reactive talking points

Wellington Metro Rail

- 1 Daran Ponter, as Chair of Greater Wellington Council (GWRC), has responsibility for the provision of public transport services, including both bus and rail, across the greater Wellington region.
- 2 There has been recent media coverage and public comment from Mr Ponter on the need for significant investment in the Wellington Metro Rail Network to ensure that reliable train services can be maintained.

Upkeep – maintenance and renewals

- 3 Upkeep (maintenance and renewals) of the two metropolitan rail networks in New Zealand (Auckland and Wellington) are funded based on user pays principles so the 'wear and tear' impact of using the network is covered. These costs are agreed between users¹ through Network Management Plans under contracted terms between KiwiRail and the councils, based on the level of service expected by councils and constrained by the level of funding available. There is high level of engagement between KiwiRail and GWRC / AT on forward network planning, spending, and backlogs.
- 4 The majority of use on these rail networks are by metro trains (e.g. 80% by in Auckland and 90% in Wellington). A minority of movements are based on freight trains. Full costs are apportioned to councils where they are the only user (e.g. for overhead electrical infrastructure to power electric trains).

5 s 9(2)(f)(iv), s 9(2)(b)(ii)

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¹ KiwiRail – Freight / Tourism, GWRC – Wellington metro, and Auckland Transport – Auckland metro.

Backlog Renewals

- 10 s 9(2)(f)(iv) [REDACTED] . The networks are old, and some assets need replacement and are at the end of their life. Without replacement, they are prone to fault and failure. The extent of unplanned disruption could be costly to fix (both in terms of unplanned expenditure and length of disruption).
- 11 s 9(2)(f)(iv) [REDACTED]
- 12 GWRC (and AT) hold the position that councils are only expected to co-fund maintenance costs for the network, and that all “backlog” renewals should be funded entirely by the Government. Councils refer to the 2009 Metropolitan Rail Operating Model (MROM) policy which acknowledged the Government has an obligation to ensure the network infrastructure meets an agreed standard of serviceability.
- 13 Councils argue the backlogs demonstrate the agreed standard is not being met, so these costs should fall to the Government. However, this standard relates to the standard required to support the introduction of new trains around 2010. Since then, the Government has continued to fund some of the backlog renewals in full to ensure work occurs. *If raised, we recommend that you note that no decision has been taken by Government or communicated to councils that this is an ongoing commitment.*

Immediate funding issue – upgrade of substations

- 14 In addition to the recently identified backlog renewals, an addition \$137m has been identified to cover cost pressures relating to the Wellington Metro Upgrade Programme to upgrade substations for the Wellington metro. NZTA have been funding this to date, and the NZTA Board have endorsed the need for full funding. However, the NZTA Board were unable to do this over the current NLTP. NZTA may decide to fully fund the cost/scope increase in the next NLTP. Note that the Lower North Island Integrated Mobility Proposal assumed the power supply would be upgraded across the network.
- 15 *If raised, we recommend that you note that will be briefed further on this matter.*

- 16 s 9(2)(f)(iv) [REDACTED]
s 9(2)(f)(iv), s 9(2)(j) [REDACTED]

Proposed Metro Rail Operating Model Review (MROM)

- 17 Officials will shortly be briefing you on the proposed Metro Rail Operating Model (MROM) Review and its terms of reference. This review will seek to clarify the desired level of service, the costs of achieving and maintaining this level of service, and how the costs should be shared amongst the parties – in particular, addressing the policy issues raised in the paragraph above.

18

s 9(2)(f)(iv)

Wellington Strategic Rail Plan (also known as the Wellington Rail Programme Business case)

- 19 The Wellington Strategic Rail Plan sets out GWRC's plan to develop and expand the metro system over the next 30 years, with indicative costs of \$5-\$7.8 billion. This plan would only be possible if the problems with the current system are addressed first.
- 20 If this plan is raised, we suggest you seek support for everyone to focus on resolving the more immediate issues related to providing the current services, before looking towards further service improvements that will cost billions more. In any case, such plans would be better seen in the context of an overall package of transport solutions within an affordable funding cap for Wellington (a Wellington Region "Deal").

Lower North Island Rail Integrated Mobility Initiative

- 21 The National Party 'Transport for the Future' document indicated support for a range of upgrades to the Lower North Island Train Services including 22 new four-car tri-mode units.
- 22 The previous Government approved a contingency of \$455m in budget 2023 to fund the crown share of this project. The \$874m budget for this project of, is split across Crown (\$455 million), NZTA (\$348 million), and Councils (\$71 million). This funding level reflected a reduction in the scale of the proposal from 22 units to 18 units – reflecting the fact that running more than two peak services on the Manawātū line would require prohibitively expensive network upgrades.

23

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

24

25

s 9(2)(f)(iv), s 9(2)(j)

Project iReX

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s 9(2)(g)(i)

Let's get Wellington Moving

s 9(2)(f)(iv)

Golden Mile

28 Wellington City Council (WCC) may ask if it can proceed with the Golden Mile project while Let's Get Wellington Moving is being disestablished.

- The Government does not support the project, but I acknowledge that is a local roading one so is your responsibility. I will also be making my position on the project clear to NZTA.

Basin Reserve

29 WCC may ask for Basin Reserve improvements to be designed and constructed in a way that keeps the light rail option available in the future.

- The Government will not support light rail. I understand the detailed business case for the Transformational Programme is looking at options for the Basin Reserve. I am interested to look to this evidence to understand the trade-offs and financial implications of different options.

30 Partners may ask about enabling legislation to fast track Basin Reserve improvements (WCC and GWRC wrote to the previous Minister requesting this be considered).

- I agree with the need to speed up the delivery of major projects, introducing a fast-track consenting regime is part of our 100 Day Action Plan. We are also considering options for a regime that allows the Minister for Infrastructure to designate some projects as Major Infrastructure Priorities.

31 GWRC may ask you to support co-investment in a second public transport spine, and the acceleration of "Eastern enhanced buses." These projects are mentioned in GWRC's Briefing to the Incoming Minister (BIM) as being critical to realising the benefits of the Basin Reserve improvements.

- I noted in GWRC's briefing to me that you place a high priority on these projects. I'm open to exploring these projects in the context of Wellington's wider transport needs, subject to funding constraints.

s 9(2)(f)(iv)

Other matters raised in GWRCs briefing to you

32 In total, GWRC provided a briefing to you that outlined 16 issues across 7 categories. For completeness, these are listed in the table below with brief reactive talking points.

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Annex 1: High level Ministry comment on other issues contained in GWRC BIM

1. GWRC provided a briefing to you that outlined 16 issues across 7 categories. These are listed in the table below with brief reactive talking points.

Issue	Talking point / Ministry comment
Category 1 - Public Transport	
1. Halt the degradation of Wellington's Rail Network infrastructure:	(See Talking Points, page 3)
2. Unlock housing growth through additional public transport funding	<p>To make sure we fully maximise our investment into public transport, We want to see the Wellington councils increase density at major transport hubs and along key public transport corridors, to ensure we fully maximise our public transport investments.</p> <p>Quality intensification along these key corridors, coupled with our investment into public transport, will make it easier for Wellingtonians to access jobs, education, and other services.</p>
3. Partner with our region to leverage Roads of National Significance for housing and industrial growth:	<p>Projects like Petone to Grenada could unlock land for thousands of new affordable greenfield houses and provide additional efficiency and resilience for the wider Wellington transport network. While the Cross-Valley Connections will deliver time-savings benefits for freight and small businesses with improved access to the State Highway network.</p> <p>These sorts of projects will unlock greater efficiency for users, help to improve productivity, as well as deliver safety benefits for multi-modal transport users.</p>
4. Invest more in public transport to reduce transport emissions:	<p>We are committed to delivering improvements to increase capacity and reliability on Lower North Island train services for passengers and freight. These investments will open up the Kapiti Coast and Wairarapa for further housing and business opportunities as well as provide additional service reliability for commuters in the Hutt Valley and Porirua.</p> <p>I am open to discussing opportunities for further investment into bus service network improvements in Wellington and appreciate the work the GWRC has undertaken in this space over the last few years. I do want to see the GWRC continuing to work collaboratively with operators to improve existing service reliability and punctuality to:</p> <ul style="list-style-type: none"> • help increase patronage; and • maximise the investment we all make yearly into public transport.
5. Reduce congestion and emissions through national road pricing (congestion charging)	<p>We are committed to work with Auckland Council to implement time of use road charging to reduce congestion and improve travel time reliability.</p> <p>We will be aiming to ensure the solution for Auckland also works for Wellington.</p>

Category 2 - Second Mount Victoria tunnel and Basin Reserve Upgrade	
6. Maintain NZTA co-investment in network-critical projects	I'm open to exploring these projects in the context of Wellington's wider transport needs, subject to funding constraints.
Category 3 - Cook Strait ferry terminals	
7. Invest in the Wellington Single-User Ferry Terminal development.	No comment while Project iReX is under review
8. Partner with us to accelerate a multi-user ferry precinct.	No comment while Project iReX is under review
Category 4 - Te Wai Takamori o Te Awa Kairangi – RiverLink	
9. Commit to fully funding RiverLink	<p>We understand Hutt City Council is facing affordability challenges for its share of the project.</p> <p>Given cost escalations for the Crown share of the project, we have recommended further value engineering to identify possible project savings which would assist the Council to meet its funding share.</p>
Category 5 - Optimising outcomes from State Highway investment	
10. Halt ferrets and other pest migration into Wellington via State Highways:	<p>Ministry of Transport Officials are not aware of any issues regarding ferrets and other pests accessing the Wellington region using the State Highway network.</p> <p>You are welcome to contact NZTA and the Department of Conservation on this matter.</p>
11) Enable public good outcomes on Transmission Gully Motorway (TGM) land surplus to requirements.	<p>This property remains with the Transmission Gully Project as there are still project obligations to be completed.</p> <p>If NZ Transport Agency Waka Kotahi (NZTA) determines that the land has no further use for current or future work requirements, we will be obliged to progress it through the Public Works Act 1981 disposal process.</p> <p>Any transfer of the land through section 50 or 52 of the Public Works Act is at the discretion of the Minister of Land Information.</p> <p>s 9(2)(g)(i)</p> <p>More information regarding the disposal process can be found at https://www.linz.govt.nz/guidance/crown-property/crown-property-disposals</p>

Category 6 - Marine transport safety	
12. Need to support out-of-port vessels in the Cook Strait.	<p>I acknowledge that several recent maritime vessel incidents have again highlighted capacity and capability limitations for New Zealand to provide an emergency offshore response ^{s 9(2)(f)(iv)}</p>
13. Maritime NZ's need for more maritime inspection capability	<p>Increasing maritime inspection capability and capacity was one of the proposals that MNZ put forward in their recent Funding Review consultation.</p> <p>I anticipate that I will be taking the Funding Review to Cabinet for final decisions early in the New Year Your views on this issue are very helpful in helping to inform these decisions.</p>
Category 7 - Local Government	
14. Broken funding model for local government	<p>I recognise the importance of looking into how we fund transport. We will need to optimise revenue sources so we can invest in the productivity enhancing infrastructure we need to lift our quality of life and rebuild our economy.</p> <p>We will be looking at options for private sector financing for a series of projects, and greater use of funding options such as value capture charges, tolls, and other cost recovery tools.</p> <p>I understand these issues span both central and local government, and I expect my officials to engage with local government as we develop our revenue policy.</p>
15. Need to build community resilience to flooding	N/a to the Ministry of Transport
16. Broken system of three waters infrastructure:	N/a to the Ministry of Transport



12 December 2023

OC231026

Hon Simeon Brown

Action required by:

Minister of Transport

Tuesday, 19 December 2023

MARITIME NEW ZEALAND FUNDING REVIEW

Purpose


To brief you on the Maritime New Zealand (MNZ) funding review, in advance of your meeting with the Chair and Chief Executive of MNZ on Tuesday 19 December 2023.

Key points

- Since the onset of COVID-19 in 2020, it has been necessary for Crown liquidity funding of \$62 million to be provided to support MNZ's core functions. At the time, the Government also suspended reviews proposing increases to Maritime and Oil Pollution Levies.
- MNZ's funding review is now well advanced, and you have an important role in seeking Cabinet approval of proposal to change the levies, and the consequential approval of amendments to regulations to give effect to changes.
- In June 2023, Cabinet agreed that MNZ should publicly consult on eight levy proposals, which it subsequently carried out from July to August 2023.
- Following public consultation, MNZ refined its proposals and developed a Stage Two Cost Recovery Impact Statement (CRIS) that has, in turn, been reviewed by the Ministry's Regulatory Impact Assessment (RIA) panel.
- MNZ intends to seek, through you, Cabinet's approval of the proposed changes to levies in early 2024.
- The Ministry supports the principle of MNZ returning to financial sustainability following the years of COVID-19 when MNZ's revenue was constrained.
- s 9(2)(f)(iv)
- We intend to deliver a draft Cabinet paper and supporting information for your consideration over the summer break.

Recommendations

We recommend that you:

1	note that Maritime New Zealand has prepared and consulted on eight levy proposals that will allow it to return to cost recovery from 1 July 2024.	
2	note the Ministry will provide you with a draft Cabinet paper and supporting information on the funding review for your consideration over the summer break.	
		
David Wood Deputy Chief Executive Investment and Monitoring / /		Hon Simeon Brown 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
David Wood, Deputy Chief Executive, Investment and Monitoring Group	s 9(2)(a)	
Harriet Shelton, Manager, Crown Entity Monitoring		✓
Johnny Crawford, Senior Adviser, Crown Entity Monitoring		

MARITIME NEW ZEALAND FUNDING REVIEW

s 9(2)(f)(iv)

- 1 Since COVID-19, Maritime New Zealand (MNZ) has received additional Crown funding to operate as a going concern and continue delivering services for New Zealanders. Reduced maritime activity, primarily resulting from border closures, caused a sharp drop in MNZ's revenue. Before the pandemic, MNZ funded 62% of its functions from fees, levies and charges.
- 2 Prior to the pandemic, MNZ would typically operate on a three-year funding cycle, with alternating 'mid-point' reviews of its levies, and more fundamental reviews of the funding structure every six years.
- 3 MNZ's funding review had been due for completion in 2020. Funding reviews generally take 18-24 months and comprise three key stages:
 - developing proposals for public consultation,
 - post-consultation refinement and approval of proposals; and
 - implementing changes to regulations.
- 4 Public transparency and scrutiny are important to ensure proposals are fit-for-purpose. Public consultation has legal standing in the funding review process¹.
- 5 MNZ has experienced cost increases, due to inflation and additional regulatory activity that is required to remain compliant with international standards, since the levies were last set. MNZ implemented its last full funding review in 2019.
- 6 A return to cost recovery is widely supported by stakeholders, including the Ministry and the Treasury. In June 2023, the Associate Minister of Transport and Minister of Finance jointly approved MNZ publicly consulting on its proposals.

MNZ is planning to seek your approval of its proposals prior to Cabinet consideration in early 2024

- 7 MNZ has completed public consultation on eight proposed changes to its levies. This includes six proposals related to Maritime Levies and two related to Oil Pollution Levies. The public submissions signalled a high level of support for the activities for which additional levies will be required, with 80% of submissions in favour of the proposals.
- 8 The proposals set out in **Annex One** would require an increase in Maritime Levies of 33.1% and Oil Pollution Levies of 8.8% on average. If all proposals are adopted, this will result in an average uplift of \$11.7 million per annum in levies revenue for the three-year period 2024/25 to 2026/27. While this is significant in percentage terms, most of the levy increases will be borne by foreign vessels during their activity in New

¹ For example, in June 2021 the PPTA successfully challenged an increase in fees by the Teaching Council on the grounds of failure to consult.

Zealand waters. How the levies will impact different types of vessels is set out in **Annex Two**, noting that this is an illustrative rather than comprehensive list.

- 9 Following analysis of submissions, MNZ drafted a Stage-Two CRIS which has been given a 'meets' rating by the Ministry's RIA panel.
- 10 You now have the opportunity to either support the proposed increases, make minor adjustments, or reconsider them in their entirety. Regardless of when you are able to meet MNZ, the Ministry intends to provide a draft Cabinet paper and associated documents for your consideration by the end of December, so you can consider them before taking proposals to Cabinet in early 2024.
- 11 Implementation of the proposed changes will require amendment to the Maritime Levies Regulations 2016 and the Oil Pollution Levies Order 2016. This amendment will need to be approved by the Cabinet Legislation Committee in the first half of the 2024 calendar year.
- 12 MNZ will be able to implement its new funding model by 1 July 2024 if the timelines in **Annex Three** are met. s 9(2)(f)(iv)

Delays to the funding review would create risk for MNZ and the Crown

- 13 s 9(2)(f)(iv)
- 14 New Zealand is heavily reliant on the maritime sector for its trade, 99.7% of which is carried by sea by volume (and 81.0% by value). If MNZ has insufficient funding, there is a risk of degradation in the quality of vessels in New Zealand waters and a corresponding risk to the environment, safety of workers and seafarers. If MNZ is unable to address (or continue to improve) its performance, it could diminish confidence in the organisation, increase the risk of regulatory failure and, at worst, potentially harm our economy by discouraging ships from entering New Zealand waters.

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

ANNEX ONE – SUMMARY OF FUNDING REVIEW PROPOSALS

Activity requiring additional maritime levies	Increase (\$m) in first year
1. Managing the risks of substandard shipping through maintaining and enhancing regulatory operations (port and flag state control). This proposal seeks to address the declining quality of vessels over the past few years and the resulting impacts on safety, the environment and productivity. It will increase the number of Maritime inspectors to effectively inspect the highest-risk ships coming into New Zealand waters.	1.9
2. Reducing sector costs and enabling innovation by updating outdated Maritime and Marine Protection Rules. This proposal seeks to increase resourcing for its regulatory reform programme to make and amend maritime rules. Many of the current rules are outdated, unable to keep up with technological changes and require the sector to apply and pay for exemptions.	1.0
3. Improving performance in responding to notifications and maintain critical improvements in the process of licensing applications. This proposal seeks to continue recent work to improve the timeliness and quality of licensing for seafarers and operators. Backlogs in the licensing application process have resulted in frustration and costs for the sector since COVID-19 but MNZ's performance has begun to improve in recent quarters.	1.2
4. Effectively overseeing third party regulators. This proposal would fund the establishment of a small team to lead support and improve third-party oversight activity, something that MNZ has been limited in its ability to do in the past. This would enable MNZ to be more proactive, significantly reduce the risk of regulatory failure, and support safety and maritime protection outcomes.	0.8
5. Maintain the administration of MARPOL Annex VI. This proposal would cover the cost of administering MARPOL Annex VI, part of an international convention that sets out a regime for the prevention of air pollution from ships to which New Zealand is a signatory.	1.8
6. Continue to support the provision of seafarer welfare services. This proposal would fund the facilitation, or support for, seafarer welfare services in line with New Zealand's obligations under the Maritime Labour Convention. This is something that MNZ has been able to use levies for since 2021 but which the Crown has subsidised due to levies rates not accounting for this cost.	1.5
Maritime levy related cost pressures	2.1
Maritime Levies	10.4
Activity requiring additional oil pollution levies	
7. Amend the OPL allocation methodology. This proposal would apply a more straightforward levy allocation model to the OPL that aligns with the approach used for the Maritime Levy. This proposal would make it easier to retain oil pollution readiness and response capabilities that have been built up over years and paid for by the sector.	-
8. Maintain marine oil spill preparedness and response capability. This proposal would address inflationary cost pressures to maintain MNZ's Oil Pollution Response capabilities.	0.4
TOTAL COST OF PROPOSALS	10.8

ANNEX TWO – ILLUSTRATIVE EXAMPLES OF LEVY IMPACTS

VESSEL TYPE All levies are ANNUAL unless stated as PER PORT CALL		FY25 Proposed Rate Maritime Levy	FY25 Proposed Rate Oil Pollution Levy	Proposed total Levies Increase
	International Oil Tanker (SOLAS ²) GT 25,000 PAX 0 PER PORT CALL DWT 45,000	\$4,303	\$658	\$1,453
	International Container Ship (SOLAS) PER PORT CALL GT 40,000 PAX 0 DWT 52,000	\$6,643	\$1,052	\$2,273
	International Cruise Vessel (SOLAS) PER PORT CALL GT 110,000 PAX 2500 DWT 15000	\$20,716	\$2,893	\$6,786
	Domestic Passenger Ferry (SOLAS) GT 22,365 PAX 1,350 DWT 5,794	\$306,338	\$38,904	\$12,476
	Domestic Container Ship (SOLAS) GT 6000 PAX 0 DWT 10,000	\$65,557	\$10,437	-\$253
	Domestic Coastal Fishing Trawler (non-SOLAS) GT 529 PAX 0 DWT 0	\$5,548	\$163	\$974
	Domestic fishing Length 5.9 metres	\$115	NA	\$26
	Domestic non-passenger aquaculture vessel (mussel barge) GT 104	\$1,091	NA	\$236
	Domestic non-passenger barge GT 150	\$1,573	NA	\$340
	Domestic non-passenger Length 23.9 metres (including tugs)	\$467	NA	\$104
	Domestic non-passenger Length 8 metre workboat	\$156	NA	\$35
	Domestic Passenger Ferry (Non SOLAS) GT 280 PAX 300 DWT 0	\$3,608	\$487	\$107

² A small number of New Zealand's largest ships that are covered by the International Convention for the Safety of Life at Sea (SOLAS)

VESSEL TYPE All levies are ANNUAL unless stated as PER PORT CALL		FY25 Proposed Rate Maritime Levy	FY25 Proposed Rate Oil Pollution Levy	Proposed total Levies Increase
	Domestic Charter Passenger Boat (Non SOLAS) Length 18 metres PAX 140 DWT 0	\$665	NA	\$146
	Domestic Charter Passenger Boat (Non SOLAS) Length 8 metres PAX 14 DWT 0	\$179	NA	\$40
	Domestic Commercial Jet Boat Length 8.2 metres PAX 8 DWT 0	\$339	NA	\$75
	Domestic passenger Commercial dive boat Length 4.5 metres PAX 4	\$177	NA	\$39
	Domestic passenger 3.7 metre personal watercraft (jet ski/novel craft) PAX 1	\$95	NA	\$21

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ANNEX THREE – TIMELINE OF UPCOMING DECISIONS FOR THE MNZ FUNDING REVIEW

Indicative Timing	Event	Action Required
Stage One – Cabinet approval to publicly consult on proposals (Completed)		
Stage Two – Cabinet approval of MNZ levy proposals		
Dec 2023	Meet with the Chair and Chief Executive of MNZ.	Discuss the proposed Levy increases
Dec 2023 (summer bag)	Draft Cabinet paper and supporting documents to approve new levies	Consultation with your Ministerial colleagues
Feb 2024	Updated Cabinet paper provided to you incorporating consultation	Lodge with the Cabinet office
TBC - Feb 2024	Cabinet Committee considers paper	Present the paper to Cabinet
TBC – March 2024	Drafting instructions to Parliamentary Council Office (PCO)	PCO to draft regulations
TBC – April 2024	Departmental Consultation	1 week for Departmental Consultation
TBC – April 2024	Ministerial Consultation	1 week for Ministerial Consultation
Stage Three – Cabinet approval of changes to regulations		
9 May 2024	Cabinet Legislation Committee (LEG) paper submitted to Minister for submission to Cabinet	Lodge with the Cabinet office
15 May 2024	LEG considers paper	
20 May 2024	Cabinet / Executive Council	Cabinet confirms LEG decision. Governor General signs regulations in Executive Council
23 May 2024	Gazette date	The regulations must be notified in the New Zealand Gazette at least 28 days before coming into force
1 July 2024	New funding model comes into effect	
MNZ implements changes to levies		

19 December 2023

OC231076

Hon Simeon Brown
Minister of Transport**MEETING WITH EMPLOYERS AND MANUFACTURERS
ASSOCIATION (EMA) AND CHAMBER OF COMMERCE****Snapshot**

You are attending a closed-door meeting with representatives from the Employers and Manufacturers Association (EMA), the Auckland Business Chamber and Chief Executives from infrastructure consultancies. The meeting will be hosted by the EMA. The EMA have indicated they would like to discuss 'Lessons learnt regarding infrastructure to inform the approach for a potential Auckland City deal'.

Time and date	12.30pm, 21 December 2023
Venue	EMA, Floor 1, 145 Kyber Pass Road, Auckland
Attendees	Brett O'Riley, CEO EMA Alan McDonald, Head of Advocacy, Strategy and Finance, EMA Simon Bridges, CEO Auckland Business Chamber William Cox, CEO Aurecon Amelia Linzey, CEO BECA Dr Alan Belfield, Chairman ARUP Group
Officials attending	None
Media	There will be no media attending the event
Talking points	Talking points are attached

Contacts

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment and Monitoring	s 9(2)(a)	
Lou Lennane, Auckland Strategic Programme Lead		
Karen Lyons, Director Auckland		✓

MEETING WITH AUCKLAND STAKEHOLDERS - EMA AND CHAMBER

Key points

- Investment and delivery of a significant transport portfolio over recent years provides a number of lessons. These include the importance of factoring in affordability and deliverability considerations, the need to work in partnership with local government and the private sector, planning networks rather than individual projects, the need to drive efficiency through planning and delivery, and keeping value for money at the forefront of decision-making.
- The scale of investment required in infrastructure investment across Auckland, and nationally, means that choices need to be made and investment sequenced. While there is a large programme of transport infrastructure ahead for transport in Auckland, not everything needs to be done at once.
- Making the most of the existing infrastructure is also important, rather than only focussing on building new projects.
- The National Land Transport Fund is under increasing pressure to fund the basic level of maintenance and renewal of assets and is not able to absorb the scale of project investment required.
- The use of a broader set of funding, financing and delivery tools will enable the cost of a project to be spread over time and speed up delivery by leveraging alternative sources of financing, and by allowing for different delivery options.
- Infrastructure is an enabler which needs to contribute to broader outcomes, rather than being seen in isolation.
- There needs to be greater certainty of the infrastructure pipeline, as over time large infrastructure projects have changed direction with political cycles. We also need to plan in an adaptive way, given the uncertain future, with a priority given to “no-regrets” investments.
- In past years, cost-escalations have challenged available funding. We need better ways of predicting and managing cost increases through better forward budgeting for projects and through driving efficiency in delivery.

Background

Commentary from The Infrastructure Commission Te Waihanga

- 1 Work by the Infrastructure Commission has highlighted that New Zealand is less efficient at delivering quality infrastructure than most other high-income countries with cost premiums for motorways, road tunnels, and rail tunnels relative to other high-income countries.

- 2 They note that infrastructure investment, as a proportion of GDP, is similar to the average of other high-income countries. However, New Zealand's infrastructure efficiency lies in the bottom 10% of high-income countries.
- 3 The reason we are less efficient is due partly to factors that we can't easily change such as a dispersed population across long islands, and partly due to factors that are in our control, like the quality of our institutions, planning and regulatory frameworks, investment decisions, and management of cost and delivery pressures.
- 4 The Commission have also commented on the unprecedented scale of the expected Auckland programme and concluded that improving deliverability of the transport portfolio will require a combination of sequencing investments, changing the scope of investments, and coordinated interventions to rapidly grow the capacity of the market.

Commentary from the Auditor General

- 5 The office of the Auditor General released a report in December 2023 'Making Infrastructure Investment Decisions Quickly'. The report focussed on decisions that were made on the New Zealand Upgrade Programme and the Shovel Ready Programme. Lessons learnt from these programmes include ensuring better quality of information from officials, involving local authorities in decision making, ensuring risks are appropriately identified and the need for a more robust value for money process. The following points are made in the report:
 - 5.1 More attention should be given by Ministers to criteria to be used when deciding investments. Criteria should be clear and include enough guidance for people to determine whether the criteria has been met.
 - 5.2 It is critical that Government receives the right information to ensure that decisions support value for money. Decisions have been made in haste, without projects fully scoped or planned. Full business cases have not always been available or updated to reflect more advanced planning.
 - 5.3 Decision makers will need to make trade-off decisions on what is delivered, and when. Trade offs could take the form of scope, scale, or timing (i.e., phasing).
 - 5.4 Risks should be identified early, including risks to investment objectives, supply chain risks, project level risks and the risk of making decisions at pace.
 - 5.5 The Auditor General has recommended that the Treasury ensure that there is regular public reporting of all significant investments that have had or that require Cabinet-level consideration. Consistently and transparently evaluating projects against effective criteria will provide assurance to applicants and the public that the process is fair and transparent.

An Auckland City Deal

- 6 Starting a city deal for Auckland requires careful consideration. Government will need to determine what it wishes to achieve through a city deal. While these deals can support infrastructure delivery, thought also needs to be given to shared outcomes, funding commitments, implementation and monitoring.

- 7 The Mayor has indicated his priorities for a city deal through his Mayoral Manifesto for Auckland. The Mayor is seeking a framework for central and local government strategic alignment, joint governance and investment, new funding and financing tools and a greater share of revenue.
- 8 Transport will be a component of a city deal for Auckland. The Auckland Transport Alignment Project (ATAP) partnership has been active since 2015 supporting alignment of outcomes and agreement of investment priorities. This provides a good basis for the partnership between Auckland Council and government.

Biographies



Brett O'Riley, CEO EMA

Brett has served as the CE of the EMA since January 2019. Over the past decade, he held positions as the founding CE of NZICT (now NZTech), the founding deputy CE of the Ministry of Science and Innovation, and most recently as the CE of Auckland Tourism, Events and Economic Development, Auckland's economic growth agency until September 2017.

Before these roles, Brett accumulated 20 years of experience in the telecommunications and IT sectors in New Zealand and internationally.



Alan McDonald, Head of Advocacy, Strategy and Finance EMA

Alan has been the Head of Advocacy and Strategy at EMA since 2019. His role is to set and guide the policy agenda for the EMA and lobby both central and local government on behalf of the organisation. He also oversees ExportNZ in the Upper North Island with oversight of regional operations in Auckland, Hamilton and Tauranga.

Alan currently sits on the boards of Transparency International New Zealand, Australasian Society of Association Executives, and Public Relations Institute of New Zealand.



Simon Bridges, CEO Auckland Business Chamber

In May 2022, Simon, the former National Party Leader, was confirmed as the new CEO of the Auckland Business Chamber.

As a member of Cabinet in the last National-led Government, he held several ministerial portfolios including Energy, Transport, Communications and Economic Development.



William Cox, CEO Aurecon

William became Aurecon's CEO in 2019. He has over 30 years of civil engineering expertise in highway, rail and airport planning, and design and construction projects in Australia and the UK. And has contributed to major infrastructure projects, including the Sydney Cross City Tunnel Project, and the Sydney Rail Clearways programme.

In 2015, William was named one of Engineers Australia's top 100 most influential engineers in Australia and in 2019 he was appointed a Fellow of the Australian Academy of Technology and Engineering.



Amelia Linzey, CEO BECA

Amelia assumed the role of Beca's Group CE in October 2023, succeeding Greg Lowe. Prior to this, she held positions as Beca's Group Director – Advisory, Chief Planner, Chair of the business' Sustainability Steering Group, and Director on both the Beca Group and Beca NZ boards.



Dr Alan Belfield, Chairman ARUP Group

Alan has been the Chairman of the ARUP Group since 2019, and initially joined ARUP in 1992. Prior to his current role, Alan was the Chair of the UK, Middle East and Africa Region at ARUP and, before that, he was Chair of the firm's Global Consulting Practice.

He also holds positions as the Business Chair of the UK Government's Professional and Business Services Council and serves on the board of London First.

Annex 1

Talking Points

Introduction

- Thank you for your time today. My portfolios of Transport and Auckland made it a priority to meet with you early in the term.
- I appreciate the significant role that the EMA and the Chamber play in transport and the scale of operations in Auckland, and I'd like to thank Simon and Brett for bringing together key consultancy leads today.
- I'd like to make a few quick comments, then I would be interested in hearing your collective thoughts on what has worked and what lessons we can learn from delivering transport infrastructure.

Key points

- We, as government, have been clear in our manifesto that we want to see projects delivered and progress made across the transport network, while recognising that maintaining what we already have is an important first step.
- Key to this Government is fiscal responsibility, and with this I am looking to introduce greater rigour in investment decision making.
- Prioritisation of investment is going to be critical as we cannot afford to do everything at once. I will be asking officials to work across the ATAP partners to provide me with options for sequencing and staging the investment and delivery of the 30-year transport programme in Auckland as a key first step.
- The Government Policy Statement is the tool I have to hand to outline our priorities for transport. We will be releasing a new draft GPS early in 2024 which will help shape our focus for transport over the next three years.
- In Auckland we will be looking at sequencing and staging of investment over the longer-term as well as getting on with shorter-term priorities.
- Our key areas of focus are set out in 'Our Infrastructure for the Future' document. We will establish a National Infrastructure Agency, look at innovative funding and financing tools, look to fast-track consents and commit to a 30-year infrastructure pipeline to create certainty in the sector.
- I am interested in hearing from you what you think are learnings we can take early on into our political term and how we can ensure we utilise these to inform our approach going forward.

City Deals

- We as Government are committed to working in partnership with local Government, and I recognise Mayor Brown a Mayoral Manifesto requesting a re-set of the relationship between Auckland Council and government.

- In relation to Transport, we already have the Auckland Transport Alignment Project model of collaboration in Auckland which has been a successful way of aligning political objectives and investment priorities between government and Auckland Council. I appreciate there are ways this could be strengthened but see this as a good model to build from.
- I am interested in hearing from you where you have seen City Deals work well and what made them a success

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19 December 2023

OC231027

Hon Simeon Brown
Minister of Transport

MEETING WITH AUCKLAND TRANSPORT, 21 DECEMBER 2023

Purpose

This briefing provides background for an introductory meeting with the Chief Executive and Chair of the Board of Auckland Transport (AT).

Time and date	8.30am, Thursday, 21 December 2023
Venue	Auckland Policy Office (Dean Kimpton) and Teams (Mark Darrow)
Attendees	Dean Kimpton, AT Chief Executive Mark Darrow, Acting Chair of the AT Board
Officials attending	Karen Lyons, Director Auckland
Agenda	
Talking points	Suggested talking points are attached as Annex 1

Contacts

Name	Telephone	First contact
David Wood, Deputy Chief Executive, Investment and Monitoring	s 9(2)(a)	
Karen Lyons, Director Auckland		✓

MEETING WITH AUCKLAND TRANSPORT, 21 DECEMBER 2023

Key points

- Key topics that Auckland Transport (AT) may want to discuss include funding, time of use road charging, governance of transport, speed management, parking fees and your overall priorities for Auckland.
- AT is currently developing their Regional Land Transport Plan (RLTP). Auckland Council's draft Long Term Plan (LTP) increases the Council's contribution to AT as compared to the previous RLTP. AT remain concerned about meeting public transport operating costs.
- The LTP budget includes assumptions of the continuation regional fuel tax revenue (or an alternative funding source) and that a 51% funding assistance rate from the New Zealand Transport Agency (NZTA) is achieved across the programme. Auckland Transport may raise with you that historically their renewals programme has not received the full funding assistance rate.
- AT are aware of pressures on the National Land Transport Fund (NLTF) and will be interested in the ability of the NLTF to match the Auckland Council contribution.
s 9(2)(f)(iv)
- As well as being concerned about the loss of regional fuel tax, the chief executive has raised publicly that he sees the current funding model for transport as unsustainable. Your plan to use a range of funding sources as set out in Transport for the Future will be of interest.
- There is alignment between the new Government and Auckland Council on introducing congestion charging. It would be useful to understand AT's plans for developing an Auckland time of use scheme.
- AT have raised concerns about governance of transport in Auckland. You could note that you are planning on-going engagement with Mayor Brown around matters such as governance. And, in the meantime you see merit in utilising, and potentially strengthening, the current Auckland Transport Alignment Project (ATAP) political and programme governance structures.
- AT are key ATAP partners. In past planning cycles an ATAP indicative investment programme has informed the RLTP development. AT may be interested in your thinking on joint work between Government and Auckland Council on an ATAP investment programme/integrated transport plan.
- Reducing speed limits has been key part of AT's Vision Zero safety strategy. They will be considering the implications of the replacement of the 2022 speed limits rule.
- The Mayor and Auckland Transport would like to be empowered to set parking fines, that are currently set in national legislation and outdated.

Context

- 1 Auckland Transport has faced a number of challenges over recent years including an inflationary environment, disruption to public transport with bus driver shortages and rail track closures, extreme weather events in early 2023, and post-Covid working patterns impacting on public transport patronage.
- 2 Despite this there has continued to be good progress in the delivery of the investment programme. Also, public transport patronage is steadily increasing, reaching 75 million boardings in the year to September 2023, but still down on the annual 100 million at the end of 2019. This reflects an increase in bus patronage with the rail and ferry networks continuing to experience disruption.
- 3 On his election, Mayor Brown set clear expectations for AT. He requested that they respond to what matters most to Aucklanders in transport. He also emphasised the need to get the most out of the existing transport network, reduce AT's cost to Council and to take direction from Council.
- 4 Dean Kimpton was appointed as interim chief executive in April 2023 for an 18-month period. There has not been a permanent Chair of the Auckland Transport Board since October 2022. Mark Darrow is the second acting Chair.

Background

Auckland Council have increased funding for AT in the draft Long-term Plan but AT remain concerned about funding public transport services

- 5 Auckland Council are approving a draft Long-term Plan 2024-34 for consultation based on the mayor's proposal. This provides direction to the RLTP that AT are currently developing. For transport the mayor proposes:
 - Fully funding the Council's share of renewals but only if co-funding from the NLTF is made available.
 - Public transport improvements including a \$50 capped weekly transport pass for adults; progressing the removal of level crossings, network optimisation and dynamic lanes, completing the City Rail Link and Eastern busway; and looking at a trial of a low-cost bike ferry between Northcote and the city centre.
 - Completing the eastern busway, improvements to the northern busway, a permanent northwest busway and improvements to the Māngere to the Airport corridor.
 - Focusing on lower-cost cycleways that can be delivered with minimal disruption.
 - Progressing time of use (congestion) charging.
 - Reducing transport emissions in line with the target to reach net zero by 2050.
 - Progressing an integrated transport plan for Auckland, working with government.

6. The proposed capital budget for AT over 2024-2034 is \$14 billion, this includes assumed funding from the NLTF of 51% and 49% from Auckland Council. This is a 19% increase on the \$11.7 billion budget in the 2021-31 RLTP. Auckland Council's share increases by \$1.6 billion over the 10 years.
7. The operating budget, to be funded by Auckland Council and the NLTF, is \$11.2 billion, up from the 2021 RLTP figure of \$8.2 billion (these figures are net of operating income received by AT). Auckland Council's share increases by \$1.6 billion over the 10 years. This increase is required to cover increased public transport operating costs (existing services and new services), higher than forecast inflation and higher maintenance costs.
8. Despite the increase, AT believe that they will be challenged to meet public transport operating costs and are investigating service reductions, higher fares and increased parking charges to be able to operate within budget.

AT is well advanced with its speed management plan and will need to work through the change to the speed limits 2022 rule

9. Since June 2020, Auckland Transport (AT) has implemented speed changes on 3,000 roads covering 39% of their network. AT has reported that while deaths and serious injuries are rising on Auckland roads, they are falling on those roads with lower speed limits. Their draft speed management plan, if delivered in its entirety, will see 65% of the network set at safe speeds.
10. Many city roads have transitioned from 50km/h to 30km/h, while a large number of 100km/h roads changed to 60km/h, 50km/h, or 40km/h speed limits.
11. AT have received your letter regarding replacing the Land Transport Rule: Setting of Speed Limits 2022, as part of the Government's 100-day plan commitment to stop blanket speed limit reductions.
12. Public consultation on the draft version of AT's speed management plan closed in August 2023 and the plan is now nearing its final stages ^{s 9(2)(g)(i)}

The mayor's manifesto proposes that Auckland Council is enabled to set parking fines

13. Infringement fees for parking overstaying offences (a maximum level) are set out in the Land Transport (Offences and Penalties) Regulations 1999. Road Controlling Authorities, like AT, set their own infringement fee levels at or below the maximum through their parking bylaws.
14. The maximum penalty levels have not been updated since 1999, over which time inflation has eroded their value.
15. This has led to an artificial cap on the amount of money AT can charge for parking. If they charge more than, or even close, to the value of penalties, people will simply risk a ticket rather than paying for parking.
16. AT has also highlighted the difficulty involved in recovering costs for towing and storing vehicles.

17. Residential parking permits are another concern for AT. While AT can set charges for these permits, legislation limits the amount they can charge to cost recovery only; that is, the costs of administering the parking permit.
18. The Ministry's regulatory team has been progressing work on the parking regulatory system and will be able to brief you on this as required. ^{s 9(2)(f)(iv)}

Biographies



Dean Kimpton, Acting Chief Executive Officer for AT

Dean Kimpton was appointed as the Interim CEO for AT on a fixed-term agreement for 18 months, starting in April 2023. He succeeds Mark Lambert, who had been in an interim role since July 2022 following the departure of former chief executive Shane Ellison.

Prior to this appointment, Dean served as the Chief Operating Officer at Auckland Council, held a Board position at Infrastructure New Zealand, and served as Managing Director of the civil engineering firm AECOM. He was also a member of the Randerson panel on Resource Management Act reform.



Mark Darrow, Acting Chair of the AT Board

Mark Darrow assumed the role of Acting Chair of the AT board on 1 November 2023, succeeding Wayne Donnelly, who had been the Acting Chair since October 2022. Mark, who was initially appointed to the AT Board in 2021, previously supported Wayne Donnelly as Deputy Chair and chaired the AT Finance and Audit Committee.

Mark currently holds the position of Chair for TSB Bank, Armstrong's, Invivo & Co, MTF Finance, Riverton Dairies Farms, and the Inland Revenue's Risk and Assurance Committee.

AT board members

The AT board members include Wayne Donnelly (Deputy Chair), Nicole Rosie, Raveen Jaduram, Henare Clarke, Councillor Andrew Baker, Councillor Chris Darby.


Annex 1: Talking Points

MEETING WITH AUCKLAND TRANSPORT, 21 DECEMBER 2023

Introduction

- Thank you for your time today. My portfolios of Transport, Auckland and Local Government made it a priority to meet with you early in the term.
- I appreciate the significant role that Auckland Transport plays in the Auckland transport system.
- This is an initial meeting, and I am happy for our discussion to focus on what is top of mind for you.
- As part of this it would be useful to hear:
 - how the RLTP is progressing; and
 - if there are areas of transport that you think need particular attention from Government.

Funding

- Our 100-day commitment is to introduce legislation to remove the Auckland RFT. That remains the government's intention.
- s 9(2)(f)(iv) 
- The Government is committed to working with you and Auckland Council on the implications for the RFT-funded projects. There will be a need to work together on prioritisation.
- Moving forward, I am emphasising the need to use a range of funding sources, including additional government investment, value capture and cost recovery tools, toll roads where appropriate, and equity financing from private investors.
- We have committed to a new National Infrastructure Agency that will help with funding arrangements with the private sector.

Time of use charging

- We have pledged to introduce congestion charging as a new tool to help reduce travel times.
- I welcome Auckland Council and Auckland Transport commencing work on time of use charges with the mayor's focus being on particular pinch points on the motorway network.

- I am also aware of the significant work in Auckland on this issue through the Congestion Question, a project that commenced under the previous National government.
- I will be considering the appropriate legislative framework that enables cities to design schemes that best suit their areas.

Governance

- I am familiar with the mayor's manifesto proposal to establish a joint statutory Government/Auckland Council committee for shared decision-making on transport. I'm also aware that the Council want to have a more direct role in developing and approving the RLTP.
- Joint decision-making by statute is a fundamental change to the land transport management system. This will require careful assessment including whether Auckland should be treated differently. I will engage with the mayor on these governance issues.
- Government has had a strong partnership with Auckland Council on transport since 2015 when the previous National government set up the Auckland Transport Alignment Project (ATAP).
- I support the ATAP arrangements and will be looking to continue the political sponsorship through the mayor and myself.

Auckland Integrated Transport Plan/ATAP

- I am yet to engage with the mayor on this, but I am supportive of joint work through the ATAP process. Optimising our joint resources is critical to Auckland's and New Zealand's success.
- There is a need to establish what the focus should be of joint work and reset direction in light of our government's priorities.

Speed Management

- Our government wants to see a transport system that boosts productivity and economic growth and that will see New Zealanders get to where they want to go, safer and faster.
- As part of our 100-day commitment, I am replacing the Land Transport Rule: Setting of Speed Limits 2022.
- This week I announced an amendment to the Rule, which removed the requirement to develop speed management plans and revoked the date that speed management plans were due by.
- I have also instructed the Ministry of Transport to commence work on new rules for setting speed limits. My new rule will ensure that economic impacts, including travel times, and the views of the road user and community will be considered alongside safety. I expect them to keep you updated on progress.

- I encourage you to consider the new Rule, as well as community views and economic impacts before finalising AT's speed management plan, to avoid the need for revisions once the rule change is in place.
- Ahead of the new rule changes, I also encourage you to continue to work with officials at the New Zealand Transport Agency and Ministry of Transport throughout this process.

Parking fines

- I understand that rules setting maximum parking fines have not been revised since 1999. I can see the challenge for you when setting parking fees, given the financial incentive for people to risk getting a ticket rather than complying with the fee.
- Any devolution of the authority to set parking fines will need careful consideration and the timing of any increase penalties needs care given the current pressures on households.

Transport Priorities

- Our government is committed to delivering infrastructure. Following on from our manifesto commitment the draft GPS provides me with the first opportunity to signal priorities to the transport sector.
- In Auckland there is strong alignment between the new Government and Auckland Council on projects such as completing the Eastern Busway, City Rail Link, rail electrification to Pukekohe, Airport to Botany and the northwestern corridor.
- I will be also bringing to the table:
 - a renewed focus on Mill Road with an emphasis on reducing congestion and travel times
 - the East-West Link project to reduce travel times in this critical freight corridor
 - the Northwest Alternative Highway to support population growth, improve freight access and remove state highway traffic from the Kumeū-Huapai town centre.
- The Waitematā Harbour Crossing project requires our direction. I am aware of the concerns raised by Auckland Council and Auckland. ^{s 9(2)(f)(iv)}
- The fiscal backdrop means that careful prioritisation and sequencing of investments is critical as well as looking at a broad range of funding tools. I also support the mayor's focus on making the most of existing assets.



Document 17

20 December 2023

OC230975

Hon Simeon Brown

Action required by:

Minister of Transport

Tuesday, 23 January 2024

LAND TRANSPORT REVENUE SYSTEM

Purpose

This briefing provides you with information on the land transport revenue system to support your land transport revenue planning, and to highlight longer-term opportunities.

Key Points

- All land transport revenue goes into the National Land Transport Fund (NLTF), the primary funding source for investment in the land transport system. Since 2021, NLTF revenue has been lower than required to deliver the government's land transport investment priorities. Key drivers have included high investment ambitions, coupled with decisions to not increase transport taxes and charges.
- There has been greater use of Crown funding and loans to ensure investment priorities are met. However, this creates future funding pressures on the system.
- NLTF revenue is forecast to continue to grow modestly over the next ten years. However, it will only keep pace with inflation and the increasing size of the overall land transport programme through a combination of productivity initiatives, reduced regulatory burdens, higher taxes and charges, and utilisation of alternative financing sources.
- Achieving your investment objectives, along with your broader ministerial priorities, will necessitate careful consideration of land transport revenue settings. We are interested in discussing your revenue system and road pricing priorities, including, but not limited to:
 - potential opportunities to deliver streamlined, enabling road pricing legislation. For example, exploring the need for new time-of-use/congestion charging legislation and/or relaxing the constraints on tolling legislation to include, for example, the tolling of existing roads.
 - implementing your commitment to work to replace fuel excise duty with electronic road user charging for all vehicles. This transition, alongside road pricing legislation, could serve as a bridge toward a more sophisticated, nationwide rollout of time and location-based charging.

Recommendations

We recommend you:

- 1 **agree** to meet with officials to discuss your priorities for the land transport revenue system.

Yes / No



David Wood
Deputy Chief Executive, Investment
and Monitoring

Hon Simeon Brown
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
David Wood, Deputy Chief Executive, Investment and Monitoring	s 9(2)(a)	
Matt Skinner, Manager Revenue		✓
Carolina Durrant, Principal Advisor Revenue		

LAND TRANSPORT REVENUE SYSTEM

Land transport is funded by users, ratepayers and taxpayers

- 1 Road and rail users are the primary revenue source for the land transport system. The following table sets out the key land transport revenue sources for central government. **Appendix One** contains more information on the costs and benefits of these tools.

Table 1: Key land transport revenue sources

	Description	Scale of revenue collected
Fuel Excise Duty (FED)	Cents per litre on petrol (70c/l), compressed natural gas (CNG) (10.5c/l) and liquefied petroleum gas (LPG) (10.4c/l)	\$2.1 billion per year 3.5 million vehicles
Road User Charges (RUC)	Distance-based charge for all vehicles over 3.5 tonnes and all vehicles that do not pay FED (mostly diesel, but also electric) (\$76/1000km inc GST for light vehicles, \$672/1000km inc GST for a 3-axle heavy vehicle with a 4-axle trailer)	\$1.9 billion per year 900,000 light diesel vehicles and 180,000 heavy vehicles
Motor Vehicle Licencing Fees (“rego”)	Charged annually as an access fee for someone to use their vehicle on the network. Includes a fixed NLTF component of \$43.50 per vehicle (plus a separate ACC component that varies depending on vehicle type)	\$230 million per year (plus ACC revenue)
Track User Charges	Payable by users of the rail network to partially cover the cost of maintaining tracks and other rail infrastructure.	\$21 million per year

- 2 Revenue from these sources is dedicated (hypothecated) for land transport purposes into the National Land Transport Fund (NLTF) and allocated nationally by NZ Transport Agency Waka Kotahi (NZTA).
- 3 NLTF revenue is spent as it is collected, known as PAYGO (“pay as you go”). Money raised in a single year is spent in that year on investments determined by NZTA, based on the Government’s direction provided through the Government Policy Statement on land transport (GPS). This limits spending to the level of incoming revenue and requires investments to be prioritised to those with the highest benefit.
- 4 New Zealand’s system is known as modified PAYGO because it has become an increasingly stretched concept with the NLTF now reliant on borrowing to pay for a significant proportion of activity. Dependent on Government decisions NZTA could hold up to \$7–8 billion of debt in future years. Over the term of the next GPS 2024–27, debt repayments are expected to absorb over \$2.7 billion of NLTF revenue.

The Crown has also provided direct funding, and financing arrangements have been used

- 5 In recent years, governments have agreed to provide additional sources of funding and financing to support the delivery of their priorities. This includes, for example, public private partnership (PPP) arrangements for Transmission Gully and Pūhoi to Warkworth, and Crown contributions through the Provincial Growth Fund or loans to bridge immediate gaps between planned expenditure and expected revenue.

Local government is also a key contributor to land transport

- 6 Around 70 percent of local government's spend on transport (\$1.3 billion per year) attracts subsidies from the NLTF¹, at an average matching rate of 53 percent, known as the funding assistance rate (FAR). Land transport spending by local authorities (\$1.8 billion a year) comes from a range of sources, primarily through property owner contributions through rates (\$1.5 billion a year) with smaller inputs from development contributions (\$100 million a year) and funds raised from transport users through public transport fares (\$130 million a year).
- 7 **Appendix 1** provides a description of current land transport revenue tools.
- 8 **Appendix 2** provides a description of funding and financing tools.
- 9 **Appendix 3** provides international examples of land transport revenue systems.

The land transport revenue system is facing pressure

- 10 The current land transport revenue system has provided a stable and increasing stream of revenue as the population has grown and as vehicle kilometres travelled (VKT) has increased. Road users pay for the direct costs of the roading network but have not faced the costs of externalities such as noise, pollution, or congestion.

The Ministry is a forecasting department, producing forecasts for land transport revenue that feed into the Treasury's Economic and Fiscal Updates and Baseline Updates.

- 11 The land transport revenue forecast is grounded in macroeconomic indicators and has demonstrated a consistent track record of reliability. We will keep you informed of revenue forecasts as they are updated.
- 12 Overall land transport revenue will continue to grow over the next ten years, but without large increases in FED and RUC rates, it is unlikely to keep pace with the increasing size of the overall land transport programme.
- 13 Towards the end of the 2020s, we expect revenue from FED will begin to decline. This is due to improved fuel efficiency, continuing increases in public transport patronage, and a projected increase in electric vehicles within the New Zealand fleet. The time and scale of the decline in revenue from FED will be influenced by the Government's approach to the implementation of advanced time and place road pricing, the transition of all vehicles to RUC, and emissions reduction initiatives. Under current settings, much of the decline in FED revenue will be offset by an increase in RUC (due to uptake of electric vehicles, for example).

¹ The rate of subsidy, known as the funding assistance rate (FAR), varies by region to reflect the ability of councils to raise local share (e.g., 51 percent in Wellington and Auckland, 75 percent in Wairoa).

There is an emerging gap between the level of revenue collected and the level of investment required to maintain the existing land transport system and deliver improvements.

- 14 In recent times the NLTF funding has been less than what is needed to fund investment ambitions, which has resulted in more use of Crown funding and loans. There is a widening gap between revenue collected and investment. Figure 1 below shows total Crown revenue (including budget appropriations and indicated expenditure). With Budget 2024 allowances likely to be constrained, the Ministry is investigating opportunities to reprioritise existing funding towards higher priority initiatives, and to find savings.

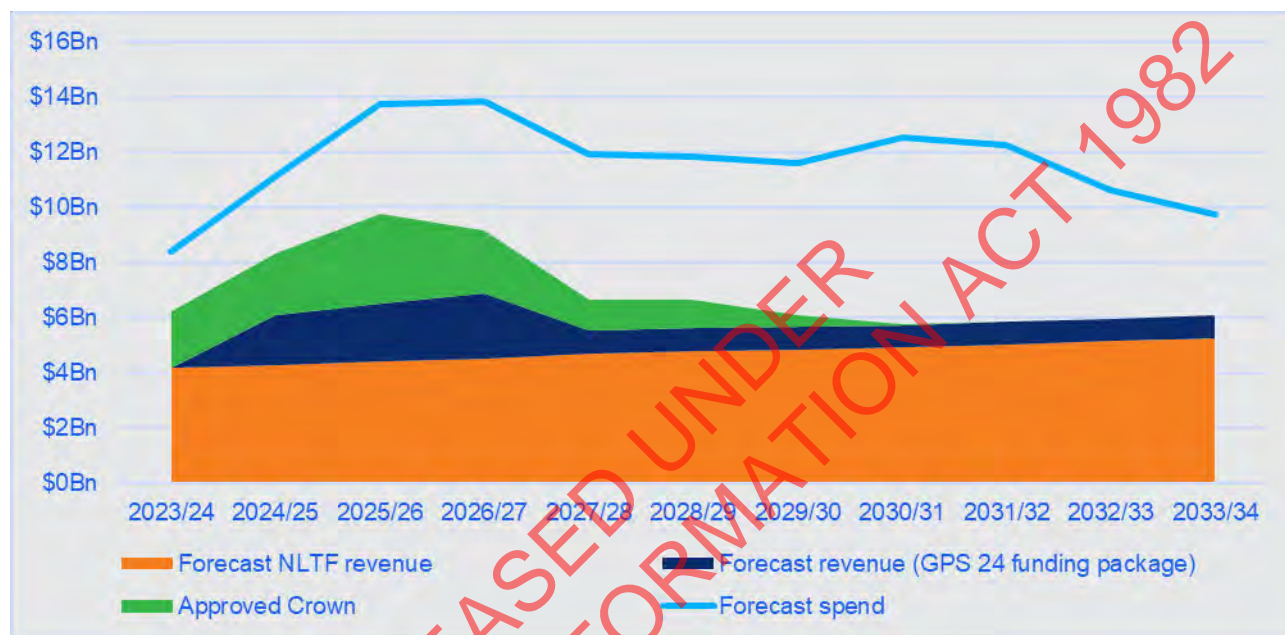


Figure 1: Forecast total expenditure and revenue for land transport (Crown and NLTF)

Source: Ministry of Transport

You have a pivotal role in shaping the funding and expenditure for land transport

- 15 As the Minister, you set the Crown's overarching strategy for land transport investment by issuing a GPS. Confirming your priorities in the GPS 2024 will require careful consideration of land transport revenue settings.

The are short-term decisions to make to support the development of the GPS to provide a clear revenue pathway for 2024–27 and allow you to meet your manifesto commitments.

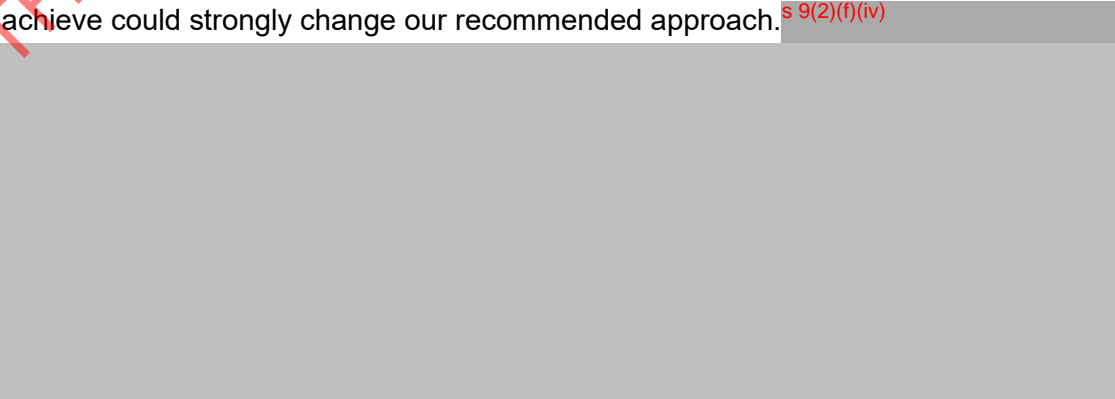
- 16 Key revenue tools that can impact revenue in the short term, mostly relate to FED and RUC, given they are already in place, and are large sources of revenue where small changes can result in material impacts. Other tools are unlikely to provide a material amount of funding in the short term because they have limitations within the existing system (such as tolling, which under the current legislative framework is only possible to support funding for new roads), or because they still need to be developed (such as time-of-use charging).

- 17 Given the link between the revenue and investment systems, there are many investment levers (such as improving value for money and productivity) that will impact the level of revenue needed, in both the short and long term. In addition, demand management tools such as congestion charging can influence demand and change the need for new infrastructure (but won't raise much additional revenue). These issues will be covered across our upcoming investment and revenue advice.
- 18 **Appendix 4** provides you with a more detailed overview of tolling, RUC and congestion charging.

Longer term options to ensure a sustainable land transport system

- 19 The immediate gap between projected revenue and expenditure will continue to worsen if not addressed in a way that ensures the land transport revenue system is sustainable into the future. This will need to be informed by a clear picture of ambition for the system, how much of this will be achieved through investment or other levers such as demand management, and choices about the levels of expenditure that are reasonable.
- 20 The land transport system already has a purpose defined in the Land Transport Management Act 2003: "an effective, efficient, and safe land transport system in the public interest". The purpose of the revenue system is to fund the land transport system. As we progress development of future advice, it would be useful to have a more specific purpose for what the revenue system is seeking to achieve. We propose:
- 20.1 The **primary purpose** is to raise revenues efficiently and effectively in an acceptable, financially sustainable, and equitable way.
- 20.2 A **secondary purpose** is to incentivise efficient and safe use of the land transport system, including through making the best use of existing assets and networks.
- 21 We will soon be providing you with further advice on the following revenue issues.

The role of road pricing alternatives including tolling and time-of-use pricing

- 22 Road pricing encompasses a broad range of tools that can vary depending on the primary objectives (e.g. revenue gathering versus congestion relief).
- 23 We are interested in discussing your road pricing priorities, because what you want to achieve could strongly change our recommended approach. ^{s 9(2)(f)(iv)}
- 

24

The transition of all vehicles to road user charges (OC230850 refers)

25 As part of the decisions on shifting electric vehicles to RUC, s 9(2)(f)(iv)

26

27

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Note that these papers were not specifically requested by the Minister, and therefore are marked as "not government policy." Additionally, they do not constitute advice to the Minister on specific approaches to fund land transport or transport projects in New Zealand in the future.

Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

	Fuel Excise Duty	Road User Charges (&eRUC)	Dynamic road pricing	Council contributions	Value Capture (land value uplift)	Public Transport Fares	Regional Fuel Taxes	Annual Vehicle Licensing	Tolling	IFF levies	Congestion charging
Why use this tool?	Low rate, broad base tax on fuel where small increases can generate significant additional revenue. Forms a proxy for road use. This is diminishing as vehicles become more fuel efficient and with the uptake of hybrid and electric vehicles.	Recovers costs from road users, roughly in proportion to the wear & tear they cause on roads. Charges are well understood and acceptable given the clear link between costs and benefits.	Not currently in use (would need legislation) but could recover costs and charge for externalities like congestion and pollution. Would supersede congestion charging and tolling. Often envisioned to apply to all roads.	Broad-base, property based rates as well as developer contributions and targeted rates. Links funding & investments made. NLTF funds 51-75% for local council projects, with local contributions making up the remainder.	Not currently in use (would need new legislation). Reclaims some of the private property value increases generated by public investments. Could apply to commercial and/or residential property.	Covers some of the operational costs of public transport. Aligns to our beneficiary contributes principle.	Provides regional councils a tool to raise revenue from road users for transport projects that would not otherwise be funded. Also more consistent with beneficiary pays principles because it is paid by transport users rather than homeowners.	Is a form of access charge, with cost recovery elements. Includes ACC Levies and \$43.50 fee into the NLTF (plus GST and admin fees).	Charges for the use of a tolled new road. Revenue gathered is used for capex and opex. Unlocks funding outside of standard processes and enables project specific financing.	Lets councils borrow off balance sheet, enabling them to fund infrastructure beyond what they otherwise could. Strong beneficiary pays connection.	Not currently in use s 9(2)(f)(iv) Encourages people to rethink the time or mode of travel by charging them to use certain parts of the network at congested times.
Who administers the revenue?	Collected at the border by Customs from fuel companies. Revenue is hypothecated into the NLTF, and spent by Waka Kotahi in line with the GPS, often in partnership with local governments. National	Waka Kotahi manages RUC licences and receives revenue. eRUC is received by third party providers then passed on to Waka Kotahi. Revenue is hypothecated into the NLTF, and is spent by Waka Kotahi in line with the GPS (not specifically ringfenced to road costs) National	The design would need to be determined, but could be third party tech providers, or a crown entity directly. Revenue would be managed and spent as per the settings of the day. Note the much higher costs of operating this system, due to complex charging mechanisms and technology. National	The council receives rates revenue, then provides it to transport projects as part of their funding contribution (alongside WK). There are legislative requirements on how rates are set, but are set by WK taking into account the region's ability to pay. Local	The administrator of the revenue would be determined as part of the enabling legislation for this tool. Currently councils administer other forms of value capture (targeted rates, developer contributions, and IFF levies). National/Local	Regional councils set fares and administer the revenue. Public transport operators collect farebox revenue. Local	The only operating regional fuel tax scheme is in Auckland. Funds are collected by Waka Kotahi but provided to Auckland Council and tagged for specific projects. The tax is paid by fuel companies when petrol arrives at a retail site. Local	Licence fee revenue is hypothecated into the NLTF and spent by Waka Kotahi in line with the GPS. National	Toll revenue is not classed as land transport revenue so it is "received" by the toll road. This means Waka Kotahi has set up a separate account and ring-fenced money for each specific road – usually to pay down associated debt. National	A special purpose vehicle is set up for each IFF levy, councils collect revenue, passing it on to the special purpose vehicle. Crown Infrastructure Partners currently owns/administers both IFF special purpose vehicles but this doesn't have to be the case. National	s 9(2)(f)(iv) Local
What are our future opportunities?	Will likely decrease over time (given fuel efficiency and fleet changes), but rates are easily increased, and this remains a good short-to-mid-term revenue option.	We could apply RUC universally across all vehicles, accounting for diminishing FED revenue from fleet changes. We could cover a greater range of costs/externalities. We could implement time & location-based charging on top of distance.	This is a future option to replace/expand RUC. Tracking vehicles (and subsequent data) provides a range of opportunities for network & demand management.	Insights from the Future of Local Government review may identify future opportunities for local funding tools.	Many options are available to us when designing a new value capture tool. It could be project based, national, apply to commercial, residential, or all properties. Another example of value capture is the sale of air development rights above stations.	Could be increased to cover a greater portion of opex costs but this could impact patronage and wouldn't reflect the broad benefits generated by public transport (congestion and emission reduction).	The legislation is open to allow any regional council to propose a scheme. More councils adopting this tool could aid local funding contributions but compounds any national FED increases.	The NLTF component has been at the same rate since 1992, increases could be made to reflect inflation. AVL (or similar) is used internationally as a progressive transport tax (based on vehicle market value) or to impose a weight based charge (in lieu of weight-based RUC).	The statutory criteria for assessing tolling proposals is permissive but the broader settings could be relaxed further to encourage greater use of tolling. Currently tolls can only be applied to new roads where there is a free alternative. Legislation could be changed to allow tolls on existing roads.	Work is beginning on streamlining legislation so it is easier to engage with capital markets while a levy is being approved. The Minister of Housing will lead this work.	Congestion charging is not currently legal, so amending legislation has to be the first step. Auckland, Wellington, Christchurch, and Tauranga have all expressed interest in congestion charging schemes.
Who pays? What's the revenue potential?	Motorists who use a petrol powered car under 3.5 tons Under current settings circa \$1.9 billion per year is raised. This will reduce over time, as the fleet changes due to electrification and improving fuel efficiency. Includes circa \$48 million of LPG excise revenue. \$ \$ \$	Non-petrol vehicles with rates based on weight and axle numbers. EVs are exempt currently, light EVs are due for inclusion on 1 April 2024, heavy EVs on 31 December 2025 Under current settings circa \$1.9 billion a year is raised.	All vehicles This would likely raise similar rates of revenue to the current approach (FED + RUC), as the limiting factors are the same and administration costs are higher.	Property owners, both residential and commercial. Local governments contribute circa \$1.3 billion a year as part of shared funding with the NLTF, they also make unsubsidised transport investments.	Property owners, possibly along particular transport corridors or applied nationally. Depending on design it may apply to residential and/or commercial property. Revenue potential is highly dependent on design decisions.	Public transport users Farebox revenue funds 20-30% of op-ex costs. In 2021/22 \$131 million was raised (noting that fares were half-price during this time). This is down from a pre-covid peak of circa \$343 million in 2018/19.	Motorists who purchase fuel in the region Legislation states that the maximum charge is 10 cents per litre of petrol. In Auckland the regional fuel tax scheme raises \$150 million annually.	Motorists Under current settings circa \$230 million a year.	Motorists Actual 2021/22 revenue for NZ's three toll roads was \$31.8 million. Approximately \$10 million covers toll administration costs.	Property owners, Revenue potential could increase significantly if more schemes are established. The levy for Tauranga City Council's Transport Systems Plan provided \$175 million for construction costs. Levy payers will pay interest and administration costs over 30 years.	Road users who choose to drive in a congestion charging zone at the charging time. Congestion charging is a behaviour change tool and has the lowest revenue potential compared to the other tools.
	HIGHEST REVENUE POTENTIAL					LOWEST REVENUE POTENTIAL					

Revenue Tools - current and potential

For a future land transport revenue system

28 November 2023

	Fuel Excise Duty	Road User Charges (&eRUC)	Dynamic road pricing	Council contributions	Value Capture (land value uplift)	Public Transport Fares	Regional Fuel Taxes	Annual Vehicle Licensing	Tolling	IFF levies	Congestion charging
Pros	<p>Small increases generate significant additional revenue.</p> <p>Broad based and simple to administer, change rates. Also easy to understand.</p> <p>Very low collection costs (<\$1m per year) and impossible to avoid.</p> <p>Good proxy for distance/use of the system. This discourages inefficient overuse of the system</p>	<p>Good proxy for the impact on network caused by users.</p> <p>Incentivises vehicle use that is less damaging to roads.</p> <p>Can absorb EVs well. This is a world leading feature of our system.</p> <p>Strong social licence as there are clear exacerbator pays connections.</p>	<p>Can encourage behaviour change/pricing (supersedes tolling and congestion charging). But the more behaviour change is a focus the less revenue is likely to be collected.</p>	<p>One of the few progressive tools in the system (property value based rate setting).</p> <p>Broad based, applies to owners and is passed on to tenants.</p> <p>Enables local contributions and participation in investment decision making, critical for social licence.</p>	<p>Capturing a portion of infrastructure generated windfalls unlocks a new funding source.</p> <p>Easier to pay than a levy or rate if collected at time of sale</p> <p>Less impact on property owners with fixed incomes than rates or levies.</p> <p>Strong beneficiary pays connection.</p>	<p>Enables behaviour change policies through discounted fares.</p> <p>Provides some rationing incentive to users without overburdening them with costs.</p>	<p>Local tax with local accountability and direct link to local projects.</p> <p>Similar benefits as fuel excise duty in general.</p>	<p>Plenty of future potential (based on international practice).</p> <p>Could be a simple way to charge for negative externalities.</p> <p>Changes could be made relatively quickly, compared to a tool like dynamic road pricing.</p>	<p>Very transparent.</p> <p>Can accelerate investment and bring projects forward</p> <p>Legislative change could address issues like high collection costs and limited scope for application.</p> <p>Legislative change would likely take less time than development of fully new tools.</p>	<p>Enables off balance sheet borrowing for councils, bringing forward investments that would otherwise be delayed.</p>	<p>Strong behaviour change policy lever.</p> <p>Reduces the need for new infrastructure, saving of significant capital costs.</p> <p>Can use same technology as tolling, boosting collection efficiency of both tools.</p> <p>Local tool for local projects.</p> <p>Legislation is drafted and could be introduced quickly.</p>
Cons	<p>Revenue collected will reduce in the long term as fuel efficiency improves and as petrol vehicles switch to electric (and move onto RUC).</p> <p>A regressive tool as it is based on consumption like GST.</p> <p>Revenue sustainability is based on vehicle kilometres travelled growing perpetually, this undermines emission reduction objectives.</p>	<p>Higher cost to collect compared to FED (current admin costs of ~\$15m per year).</p> <p>Easier to avoid (by not purchasing, or odometer tampering).</p> <p>Admin heavy for users, and complex with a large number of rates.</p> <p>eRUC benefits (e.g. fleet tracking, reducing costs) are of less value to the non-commercial fleet.</p>	<p>The system doesn't exist to implement this tool, nor has it been successfully implemented in other countries.</p> <p>High cost to implement with a similar revenue potential to current tools (FED & RUC).</p> <p>Serious privacy issues that could undermine social licence (GPS tracking in every vehicle).</p> <p>Would take a long time to implement.</p>	<p>Significant affordability constraints.</p> <p>Nature of the payment process undermines willingness from the public for any increases.</p> <p>Given the increasing costs of weather related events and the need to adapt in response to climate change, local affordability is likely to become critical in the mid to long term.</p>	<p>Complicated to calculate and attribute value uplift to specific properties.</p> <p>Revenue potential is limited if there are significant carve outs, like not applying to residential properties.</p> <p>Could overlap other revenue tools resulting in double charging.</p> <p>Uncertain timing of revenue collection if done at time of property sale.</p>	<p>Significant affordability constraints and low revenue potential.</p> <p>Increasing fares could undermine other goals such as emissions reduction and equity mitigation.</p>	<p>Takes headroom from other vehicle based taxes, especially national fuel tax.</p>	<p>Currently very low revenue potential.</p> <p>Currently regressive as a flat rate is charged. This could be changed by tying rates to vehicle market values.</p>	<p>High admin fees, collection cost is circa 30% of revenue.</p> <p>Currently low revenue potential.</p> <p>Currently restricted use (new roads only) this is because of current legislation.</p> <p>New Zealanders have a low willingness to pay for tolls, and are likely to divert to an alternative route, resulting in negative benefits (e.g. less safe, slower travel times).</p>	<p>Higher cost of capital than consolidated council or Crown borrowing.</p> <p>Similar affordability constraints as general council rates.</p> <p>Hard to implement given legislative settings with a low uptake so far. This may improve as more schemes get up and running and changes are made to the legislation.</p>	<p>This as a demand management tool rather than a revenue tool.</p> <p>However, avoiding the need for more infrastructure could generate significant savings, essentially the equivalent of revenue.</p>

Key messages

- A critical benefit of broad based tools like FED and RUC is that small increases can generate significant additional revenue – a 1 cent per litre increase in FED and equivalent increase in RUC raises around \$60 million additional revenue per year.

- The simplicity of a tool is strongly connected to efficiency and low collection costs. Simplicity also enables better communication and improved transparency.

- Behaviour change and demand management are powerful levers to reduce emissions and avoid the need for new infrastructure.
- However, tools that focus on demand management are often not well suited to gathering significant revenue.

- Tools that apply to particular projects or corridors (IFF levies and value capture) can be complex to design and implement.

Other tools we could investigate

Vacant land tax	Airport levies	Capital gains tax	Wealth tax	National infrastructure levy	Stamp duty	Active mode charge	Vehicle emission tax	Workplace parking levy	Windfall gains tax	Betterment levies
Low emission zones	Data monetisation	Increased use of land acquisition, up-zoning and resale	Hypothecation of tax revenue (like GST)	Annual motor vehicle tax	Sale of development / air rights	Tourism levy	Premium farebox	Business rate supplements	National value capture mechanism	EV charging excise duty

When to use different funding and financing tools

For a future land transport revenue system

November 2023

Tool	When to use this tool	When not to use this tool	Comments
Public private partnership (Financing)	<ul style="list-style-type: none"> Large scale and long duration where the nature of the asset is specific (can only be used for a particular client). Services are durable (i.e., service requirements unlikely to change over time in unpredictable ways). Possible to define clear performance requirements over time. The project is of a sufficient size and scale that innovative design and service approaches would add value. Sufficient market appetite and depth to ensure a competitive procurement process. When the PPP delivery model achieves a better benefit-cost ratio than a public delivery approach. 	<ul style="list-style-type: none"> When the costs outweigh the benefits (due diligence/risk transfer/project evaluation etc.) when compared to Crown borrowing. When project scope/design details are uncertain. When roles and responsibilities for the private and public sector cannot be clearly defined and written into a contract. When private sector involvement would undermine desired project outcomes. When risks cannot be adequately defined or appropriately transferred to the private sector partner at reasonable cost When client capability is not sufficient to establish the PPP and manage it over its lifetime. 	<ul style="list-style-type: none"> There are increased overheads when using a PPP. If you are getting revenue from users e.g. through a charge such as a toll, it makes it easier to recoup the debt. Risk transfer: a private partner can take on aspects of risk, but sound analysis of which risks are best placed with which party is required. A clear understanding of roles and responsibilities is needed. A strong client function is needed at both the instigation of the PPP and over its lifetime to ensure delivery and costs are managed There are longer term debt implications and limits of scope change that need to be considered It takes time and is expensive to set up.
Equity led concession (Financing & cost recovery)	<ul style="list-style-type: none"> A large-scale asset that has limited interfaces with existing assets (e.g., new highway, rather than widening of a highway). The project generates commercially viable revenue streams through fares or tolls over its lifetime (certainty of cash flow). Where a greater level of risk and control can be transferred to the private sector. When a private sector concession will bring forward investment in the project. When private sector can bring innovative approaches to delivery/operation of an asset/service. 	<ul style="list-style-type: none"> For an equity concession to be attractive to the private sector they are likely to want control over design and/or operation of the underlying asset, including any revenue settings. The Crown should not enter into this arrangement if they are not prepared to give up control. When there is significant demand uncertainty, and the private entity cannot influence or boost demand sufficiently through pricing/design. If the project isn't commercially viable a standard PPP or public service delivery model would be more suitable. The above reasons to not do a PPP also apply here. 	<ul style="list-style-type: none"> Equity led concessions can be a valuable tool for bringing in private capital to our transport system. However, the projects involved need to be commercially viable, something that is rare in our land transport system. Opportunities are likely to be in high volume urban areas or for port and airport projects. You could consider subsidies alongside an equity concession to boost viability, but they would need to be designed with good economic incentive to ensure efficient and effective outcomes.
IFF Levy (Financing & cost recovery)	<ul style="list-style-type: none"> Mid to large scale projects (typically used where infrastructure funding required will be over \$50m with a minimum of 1,500 beneficiaries). A project with local beneficiaries and the ability to identify the beneficiaries. Where the project cannot be fully funded from normal sources (e.g., local government and NLTF). Projects that have local government support. Current legislation requires the project to support urban development. 	<ul style="list-style-type: none"> Where a targeted rate can raise equivalent revenue (this will likely lower the cost of capital compared to an IFF levy). Where a new IFF levy will overlap with an existing one (double dipping) Where a levy would need to be so high as to disincentivise urban development to occur or would be generally impractical to implement due to affordability constraints. 	<ul style="list-style-type: none"> IFF levies are predominately a tool to allow off balance sheet borrowing for councils. This can be beneficial in unlocking funding for growth. However, circumventing a justified limit on borrowing is, by definition, not appropriate. If standard funding/financing options are available, they will likely be cheaper (borrowing through the NZ Local Government Funding Agency). Consideration of IFF levies on PT-specific, mega-projects is limited to Auckland Light Rail but has shown a strict beneficiaries-pays approach may be unaffordable for levy payers.
Value capture (cost recovery)	<ul style="list-style-type: none"> Mid to large scale projects. Where a new amenity or significant financial value is created that was not previously available (new or significantly enhanced service levels). Best implemented on projects yet to be announced to ensure value uplift can be attributed to the project. 	<ul style="list-style-type: none"> When the complexity and cost of attributing benefits to specific properties outweighs the level of revenue raised. Where the project does not achieve sufficient property value uplift to raise meaningful revenue. When value uplift has already occurred due to project announcements. 	<ul style="list-style-type: none"> Designing and implementing value capture involves complex econometric evaluation to determine and attribute property value uplift in response to a specific project. If the value uplift isn't significant this process would likely not be worthwhile. Value capture schemes can also lose public support overtime as the new amenity becomes part of the status quo.
NLTF Borrowing (Financing)	<ul style="list-style-type: none"> To smooth seasonal and other short-term cashflow variations. Borrowing to smooth seasonal cashflow variations is a useful financial tool and part of standard practice for Waka Kotahi. 	<ul style="list-style-type: none"> When additional borrowing is not combined with future revenue increases. 	<ul style="list-style-type: none"> The NLTF has little head room for more debt unless there are future revenue increases, the Waka Kotahi board may not accept more Crown loans without FED and RUC increases.

Domestic and international examples

For a future land transport revenue system

Public private partnership

Canada Line: is a 19.5-kilometre rapid transit line connecting Vancouver, Richmond, and the Vancouver International Airport. The line was financed and procured through a PPP structure. It opened in August 2009 and cost approximately USD\$2.05 billion. It is part of Vancouver's integrated SkyTrain network. The private sector held construction, operating, and ground risk, while insurance and revenue risk was largely held by the Vancouver transport authority. The PPPs concession payments are based 70% on service availability, 20% on service quality, and 10% on ridership volume.

Equity led concession

Waiheke Ferry: the Waiheke Island ferry service is owned and operated by a private company relatively separate from the Auckland public transport system. It is a commercial operation funded through fares and other sources. The private operator controls prices and schedules, with more flexibility over operations than a publicly contracted model.

REM, Quebec, Canada: the REM is a light rail transit system recently opened in Montreal, Canada. The Quebec state pension fund (CDPQ) is the majority shareholder (70%) in the REM, investing CAD\$3 billion of equity in the project, and the Government of Quebec (30%) provided the remaining equity (CAD\$1.28 billion). The remaining financing was raised through debt from the Canada Infrastructure Bank (a federal government-owned corporation) and public sector contributions.

The CDPQ receives preferred dividends until they achieve an annual return of 8-10%. Only after that is achieved will the Government's 30% shareholding receive profit. The REM financing structure includes a revenue-sharing agreement between the REM and the Government of Quebec. Under this agreement, the REM collects the revenue from user charges, which is used to repay the debt financing and provide a return on equity. The Government pays subsidies to the REM (CAD\$0.72 per person per kilometre, adjusted annually for inflation), which ratchets down as ridership increases.

IFF Levy

Tauranga Transport Systems Plan: enabled a Special Purpose Vehicle to raise finance and provide \$175 million of funding towards construction costs of projects. This finance was raised on the back of a 30-year citywide levy. In the first year, the median residential levy was \$68 a year and the median commercial levy was \$521 a year. Although slightly more expensive, using a targeted rate instead of the IFF levy would have resulted in TCC's long-term debt-to-revenue ratio coming close to the Local Government Funding Agency borrowing limit of 280% (peaking at approximately 270% in 2026).

Wellington City Council sludge minimisation facility: enabled a Special Purpose Vehicle to raise finance and provide \$400 million of funding towards the construction costs of the facility. This finance was raised on the back of a 33-year citywide levy. Over the 33-year levy period it will cost levy payers over \$1.2 billion due to interest payments and other costs associated with running the Special Purpose Vehicle.

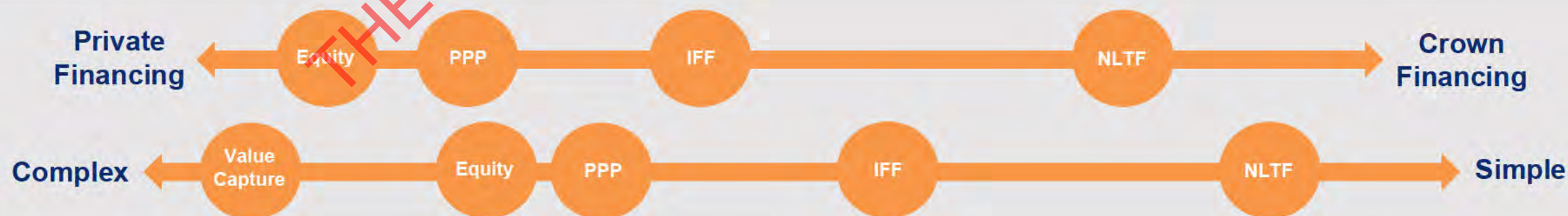
Value capture

Auckland Light Rail: value capture modelling as part of the indicative business case projected that value capture tools could fund 20% of the project capital costs (excluding bulk enabling infrastructure related to urban development). This is substantial but demonstrates that value capture cannot be the primary funding method for a project of this nature.

Airport MAX Red Line (City of Portland, USA): a light rail network extension from downtown to the Portland International Airport consisting of 9 kilometres of track with a cost of approximately US\$125 million. The City of Portland, in partnership with Trimet (the regional transport authority) issued a US \$23.8 million TIF bond for its portion of the project costs, paid back by incremental revenues from the local TIF district. The sale of development rights and land leases to private sector partners was also used as a value capture mechanism, who were required to contribute 22.5% of the project construction costs in return for joint development rights at the new light rail stations.

Borrowing against the NLTF

Borrowing against the NLTF - In 2021 Waka Kotahi was provided a \$2 billion loan to account for an investment gap between planned investments in the NLTP 2021 and the level of investment required to advance Government priorities and commitments. As part of finalising GPS 2021, the Ministry of Transport advised that meeting all of GPS 2021 priorities within post-COVID revenue settings was likely to be challenging.



Revenue System – International Scan

Comparisons for a future land transport revenue system

v0.2 28 September 2023



Norway

Population: 5.4 million
 Land area (km²): 385,207
 Road Network (km): 94,902
 Rail Network (km²): 3885
 Cars per capita: 0.651
 GDP per capita (PPP NZ\$): 98,494*

Taxes on extracted fossil fuels are a large source of central government funding, with central funding a key part of the system. Historically toll revenue was a significant portion of funding. This has reduced recently in the face of public backlash.



Ireland

Population: 5.15 million
 Land area (km²): 70,273
 Road Network (km²): 99852
 Rail Network (km²): 2733
 Cars per capita: 0.444
 GDP per capita (PPP NZ\$): 166,000*

Transport is predominately funded by the exchequer (Crown equivalent). They have significant use of EU funding sources. Investment is also enabled by corporate tax revenue from large international firms. Ireland uses similar transport-based revenue as NZ, but far more land-based tax revenue like capital gains and property stamp duty. Transport investments are a significant portion of central government support for local governments.



Japan

Population: 123.9 million
 Land area (km²): 364,546
 Road Network (km²): 12,2000
 Rail Network (km²): 27,311
 Cars per capita: 0.66
 GDP per capita (PPP NZ\$): 60,796*

Significant central government investment is made in transport. The privatisation of rail companies has been largely successful. Non-transport revenue is key to their success (commercial station development and property development). Japan's large debt levels (circa 226% of GDP) have led to using Private Public Partnerships primarily to access capital. They use a similar suite of transport taxes (fuel excise, vehicle registration, tolls etc).



Australia

Population: 26 million
 Land area (km²): 7.69m
 Road Network (km): 873,573
 Rail Network (km²): 33,168
 Cars per capita: 0.748
 GDP per capita (PPP* NZ\$): 101,866*

Most transport taxes or charges are indexed to inflation, but revenue is declining due to improving fuel efficiency and EVs. Motor vehicle registration and stamp duties are significant (appear to be on par with revenue from fuel taxes). Toll roads are a common feature, generally built as Private Public Partnerships. Plans to implement congestion charging in states that already have tolling schemes have resulted in some public backlash.



Singapore

Population: 5.64 million
 Land area (km²): 734.3
 Road Network (km): 3,500
 Rail Network (km²): 259
 Cars per capita: 0.11
 GDP per capita (PPP NZ\$): 157,732*

Singapore is currently working to implement satellite units for Electronic Road Pricing. This means road pricing can be expanded more flexibly. No plans for distance-based pricing yet, but this move would make it possible.

They currently use congestion pricing, with rates tied to travel speed. There have been long-term and consistent approaches to investment. Singapore has made strong policy choices to limit car use such as car registration fees in excess of the value of the car. Government investment is made possible through their broader economic success as a global hub.



United Kingdom

Population: 67.3 million
 Land area (km²): 242,495
 Road Network (km): 424,129
 Rail Network (km²): 15,935
 Cars per capita: 0.594
 GDP per capita (PPP NZ\$): 90,946*

Hypothecation is limited but has been introduced for their equivalent of motor vehicle registration fees. There are some concerns various local priorities are not being met, despite high fuel tax and public transport fares.

The UK has five-year funding programmes for the National Highway network – generating greater planning and contracting certainty.



USA

Population: 331.9 m
 Land area (km²): 9.83m
 Road Network (km): 6.8m
 Rail Network (km²): 220,480
 Cars per capita: 0.868
 GDP per capita (PPP NZ\$): 125,031*

The IRS collects hypothecated fuel tax, and vehicle sales/usage taxes for heavy vehicles. State authorities collect state fuel taxes, and each State Department of Transport collects user charges or mileage taxes, sometimes through private providers. The most significant reforms being considered are about replacing fuel taxes with a form of RUC.



Austria

Population: 8.9m
 Land area (km²): 83,879
 Road Network (km): 126,400
 Rail Network (km²): 5,527
 Cars per capita: 0.632
 GDP per capita (PPP NZ\$): 82,168*

RUC is charged on Federal Highways and hypothecated to their maintenance. The Road Manager can borrow for large capital projects and raise rates itself in line with inflation. A small portion of fuel duty is hypothecated to local public transport. Most of the spending on local roads, public transport, and rail is from general tax revenue.



New Zealand

Population: 5.18 million
 Land area (km²): 268,021
 Road Network (km²): 96,817
 Rail Network (km²): 4,128
 Cars per capita: 0.897
 GDP per capita (PPP NZ\$): 82,904 *

New Zealand uses fuel excise duty, and network-wide distance and weight-based road user charges for non-petrol vehicles. These charges are being adapted to incorporate EVs. Vehicle registrations and tolling also generate some revenue. The revenues are hypothecated in the National Land Transport Fund. This has served us well, but the approach is being stretched.

*GDP per capita stats are TBC

Tolling – current status, opportunities and choices

1

October 2023



What it is

Tolling is a road pricing system by which a toll is charged to motorists for using a specific new road **to generate revenue**. Tolling has mainly been used to accelerate ('bring forward') the construction of new roads in New Zealand, with the toll revenue used to repay the road's construction costs. Tolerated roads are generally safer and faster.

Tolling is a basic form of road pricing. Road pricing is any system that directly charges motorists for using a road or network of roads. Work is underway on more sophisticated forms of road pricing (congestion charging or the variable road pricing scheme being explored in Tauranga).



Revenue Statement

Tolling is a project funding tool that contributes to the costs of a new road. In 2021/22, tolling generated **\$22 million** for project costs and **\$10 million** for administration costs.

Over the years, revenue from tolling has broadly increased, and both the Northern Gateway and Tauranga Eastern Link are covering the financing/interest expenses costs.

The revenue generated from tolls can only be allocated to expenses related to the road itself (for example, construction or maintenance).

Tolling is a project-specific funding tool. Increasing toll rates is very unlikely to be a substitute for increasing fuel excise duty and road user charges.



Status of this tool

We will advise you on how those proposals perform against criteria in the LTMA (for example, whether the tolling scheme is efficient and effective). RCAs are required to consult on the proposed toll and then you get to decide whether you are satisfied with the level of public support.

Waka Kotahi evaluates each new State highway as a potential toll road. You get to decide whether to progress an Order in Council for a new tolling scheme based on detailed proposals from Road Controlling Authorities (RCAs). Toll rates are linked to the Consumer Price Index, but increases happen irregularly.

Immediate issues and decisions you may need to make



Tolling Penlink

- The previous Government announced in May 2023 that Penlink would be tolled, but the necessary Order in Council has not been passed yet. The toll is expected to generate \$12 million in annual revenue, whilst annual costs of the road are estimated at \$3 million. The remaining revenue would repay the costs of the tolling infrastructure.
- Tolls are expected to help manage congestion when Penlink opens, which is slightly different than previous toll roads – the road is already fully funded (through the NZ Upgrade programme) and there is no link to faster construction. The revenue is for maintenance (in perpetuity). Public support for the proposed toll was approximately 20 percent.
- If the decision to toll the road is reversed, then maintenance revenue will need to come from the NLTF.



You will likely receive other tolling proposals

- You will also likely receive other tolling proposals – for example, Ōtaki to North of Levin and Takitimu North Stage One in Tauranga. We will advise you on these proposals to aid your decision-making.

Medium term opportunities and choices



There are some challenges in the tolling system

- We are keen to discuss your objectives and thinking about the role of tolling. In terms of priorities for reform, there are some things you may wish to consider:
 - **Existing policy settings are strained:** Currently, tolling policy focuses on providing a supplementary source of revenue to accelerate the construction of new roads that would otherwise be delayed. Tolling, coupled with financing, has previously played an integral role in the business case for a road. However, there is interest in using tolls as an additional revenue source, even when the construction costs of the road are fully funded.
 - **Administrative costs are an ongoing issue:** The necessary systems to support tolling consume a relatively high portion of overall revenue. Exploring opportunities for efficiencies may be beneficial.
 - **Selecting the right roads for tolling is critical:** Focusing on roads with high traffic volumes that offer substantial travel time savings is often key to the success of a toll road project. Tolling roads with relatively low traffic volumes and offering only marginal time savings generally do not provide good value for money and can undermine project benefits.
 - **Scope for legislative alignment exists:** There are three sets of tolling provisions in New Zealand legislation, but only the LTMA provisions are used. We may be able to simplify the system and make tolling more attractive by designing one comprehensive set of provisions.
 - **Local authorities do not use the current system:** The legislation allows tolling on local roads and State Highways, but some regional/local attempts have not been successful. Takitimu Drive in Tauranga is an example (more information on the next page).
- Road pricing encompasses a broad range of tools that can vary depending on the objectives. We are interested in discussing your road pricing priorities and highlighting potential enabling and streamlining legislative opportunities (e.g., the need for new congestion charging legislation, and/or the possibility of extending current tolling framework).

Tolling – current status, opportunities and choices

October 2023



Northern Gateway: In 2005, the Crown loaned \$158 million to supplement funds available for the project in the National Land Transport Fund (\$180 million), enabling the project's construction to be accelerated by ten years. Tolling was introduced to repay the Crown loan.

In 2021/22, the total loan balance (including interest) amounted to \$204 million, with the total toll revenue collected since 2009 being \$115 million. During 2021/22, toll revenue reached \$9.9 million (excluding GST), while approximately \$4.2 million was collected to pay for administration. Interest costs on the loan amounted to \$5.9 million, with an interest rate of 2.85 percent.

The tolling equipment and setup costs accounted for \$28 million.

The road spans a length of 7.5 kilometres, with tolls set at \$2.60 for a light vehicle and \$5.20 for a heavy vehicle for a one-way journey. The road, when untolled, had a benefit-cost ratio (BCR) of 2.05. Implementing tolls on the road resulted in a BCR ranging from 1.4 to 1.7, with the reduction primarily attributed to increased costs associated with the tolling infrastructure and a decrease in benefits due to traffic diversion.



Tauranga Eastern Link: In 2010, Waka Kotahi borrowed \$107 million from the Crown to expedite the construction by approximately seven years, and tolling was implemented as a means to repay the loan.

During 2021/22, toll revenue amounted to around \$5.5 million, with an additional \$2.6 million collected to cover administration costs. The interest costs on the loan reached \$4.8 million, and the loan balance remains at \$107 million.

The expenses associated with tolling equipment and setup totalled \$19 million.

The road stretches over 23 kilometres, with tolls set at \$2.30 for a light vehicle and \$5.60 for a heavy vehicle for a one-way trip.

When untolled, the road had a BCR ranging from 1.7 to 2.2. The introduction of tolls on the road resulted in a BCR of 1.4.



Takitimu Drive in Tauranga (also known as Route K): In 2003, the Tauranga City Council borrowed funds to construct the road as a toll road, incurring a cost of \$44 million. Initially, a manual collection system was in place, but the revenue collected did not cover the collection and financing costs of the road.

In 2015, approximately \$65 million from the National Land Transport Fund was used to acquire the road, including the interest on the loan, from the Tauranga City Council. The revenue generated from tolls is being used to reimburse the National Land Transport Fund for the road's purchase.

During 2021/22, toll revenue amounted to approximately \$6.4 million per year, with \$3.2 million allocated for administrative expenses. Waka Kotahi's setup costs, which included electronic tolling equipment, amounted to \$6 million.

The road spans a length of 6.8 kilometres, with toll rates set at \$2.10 for a light vehicle and \$5.40 for a heavy vehicle for a one-way journey. Public reports suggest that when the road was initially constructed it had a BCR below 1.

Road User Charges - current status, opportunities and choices

1

October 2023



What it is

Road User Charges are distance, weight and axle-based charges paid by all vehicles not subject to fuel excise duty (currently, heavy and non-petrol-powered vehicles).

Financial cost recovery is the focus of the road user charges system.



Revenue Statement

RUC is a reliable and sustainable source of revenue.

As RUC is based on distance travelled it is a more sustainable revenue source compared to taxes based on fuel use (like excise)

In the 2021/22 financial year RUC contributed \$1.9 billion in revenue to the NLTF out of a total of \$4.2 billion in revenue. Of this, 800,000 light RUC vehicles contributed \$700 million, while 190,000 heavy vehicles (including trailers towed by heavy vehicles) contributed \$1.2 billion. Administration and collection fees are approximately 1.3 percent of revenue.



Status of this tool

The proportion of the fleet subject to road user charges is growing, and with the uptake of battery electric vehicles it is anticipated much of the fleet will be paying RUC in the future.

Immediate issues and decisions required



Light EVs are set to become subject to RUC in 2024, and heavy EVs in 2026

- Light EVs will become **subject to RUC on 1 April 2024**, which we note is Easter weekend. We expect bringing light EVs into RUC will generate approximately \$55-86 million in the first 12 months after the end of the exemption.
- The current exemption for Heavy EVs expires on 31 December 2025. You can decide whether this RUC exemption extension should go ahead.



Risks

- We consider that most light EVs weighing less than one tonne should pay RUC. While this is the right choice, there is a risk that some of these vehicles (mopeds, motorcycles) will face much higher costs than their petrol counterparts. We consider any market distortion risk to be low, as there are very few of these vehicles in New Zealand and purchase costs are currently a much higher barrier.
- There is also a risk that some of these vehicles weighing less than one tonne are not fitted with distance recorders (odometers) meaning that RUC cannot be assessed and collected accurately. We are investigating this issue with Waka Kotahi to determine the size of any problem.
- When the exemption ends, plug-in hybrid vehicles (PHEVs) will be liable for both RUC and excise duty on any petrol purchased. In the interim, owners will be able to claim refunds for excise duty, which is a manual and time-consuming process. We propose to amend the Road User Charges Act 2012 to enable a partial rate to be established and remove the ability to claim refunds. You have indicated a willingness to progress this change urgently to have the partial rate in place before 1 April 2024.

Potential broader changes



Moving all vehicles to RUC

s 9(2)(f)(iv)



Road User Charges - proposed changes to the RUC system

2

October 2023



Matters consulted on

In early 2022, we consulted on a range of possible changes to RUC System:

Including EVs in the RUC system

Different elements of this were consulted on, with general understanding that users of the roads should help pay.

Using RUC to recover external costs

This included potential changes to allow RUC rates to recover costs not directly related to the construction and maintenance of infrastructure. Examples of this include the cost of emissions.

Improving the RUC system

This was a range of proposed improvements to the functioning of the RUC system, focused on improving the collection and administration of RUC and the use of RUC to influence the national vehicle fleet.

Technical amendments to the Act

A range of technical or operationally focused changes to improve the administration of the RUC system.

More information on these is in the report-back of submissions.



Proposed changes

- Removing the current requirements to display or carry a RUC label – reducing overall costs to administer RUC.
- Giving NZTA the ability to use historical RUC rates for a RUC assessment, broader discretion in RUC assessments review, and better access to third party records – to improve enforcement actions.
- To transition compressed natural gas and liquefied petroleum gas powered vehicles into the RUC system – to remove the refund administration currently required.
- Exempting vehicles travelling for Certificate of Fitness purposes from paying RUC because these vehicles are mostly used off-road.
- Amending Road User Charges Regulations to:
 - Realign some RUC weight bands that became distorted when the Vehicle Dimensions and Mass Rule was changed in 2017 and remove some concession type licences.
 - Amend the RUC rates for the adjusted bands so they are proportional to other set rates.
 - simplify the definition of all-terrain cranes and remove their RUC exemption.



Potential Issues

Removing the requirement to display or carry RUC labels will modernise the system, but requires substantial IT updates

s 9(2)(f)(iv)

Some of the proposals included in the Bill were met with negative responses from the sector.

The proposal to widen Waka Kotahi's access to third party records was opposed by some in the sector. s 9(2)(f)(iv)



Next steps

1. Drafting of the Bill.
2. NZTA to commence its communications.

Indicative timeframes for the legislation process

Congestion Charging - current status, opportunities and choices

October 2023

s 9(2)(f)(iv)

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THE OFFICIAL INFORMATION ACT 1982



Document 18

20 December 2023

OC231041

Hon Simeon Brown

Action required by:

Minister of Transport

Monday, 29 January 2024

FREIGHT AND SUPPLY CHAIN BRIEFING

Purpose

Following your recent meeting with the New Zealand Council of Cargo Owners (NZCCO), you requested advice on the freight and supply chain sector, and in particular the Port of Tauranga Ltd's consent application to extend its terminal, green shipping corridors, and the extent of engagement between the Ministry and the sector.

Key points

- Since you met with NZCCO, the Environment Court has provisionally granted resource consent to the Port of Tauranga Ltd for part of its planned container wharf extension, subject to further matters being addressed to the satisfaction of the Court. The additional capacity that will be enabled by the wharf extension is vital for increasing productivity at the port and managing increased freight volumes.
- The Ministry and Maritime New Zealand (MNZ) are supporting early work on enabling alternative fuels for specific international shipping routes to or from New Zealand, known as "green shipping corridors". This work will support our economic connectivity as New Zealand exporters face increasing expectations from customers to address supply-chain emissions. A pre-feasibility study by an independent international research centre on an Australia-New Zealand corridor will be completed in early 2024. The Ministry will engage with the sector on progressing this work.
- This briefing also covers some other Ministry work that may be of interest, including refreshing the National Freight Demand Study to get better data on our freight and supply chain system, a technical feasibility study into the Manukau Harbour's suitability as a future location for a large-scale port, and a commissioned business case into establishing a large dry dock and marine maintenance facility at Northport.
- Officials would like to discuss your priorities for the freight and supply chain sector next year to make sure we understand your policy preferences. The Ministry's previous work in developing a national freight and supply chain strategy, including industry's key priorities, will provide a good basis for this conversation. This will also enable the Ministry to resume industry engagement on a freight and supply chain work programme.

Recommendations

We recommend you:

- 1 **indicate** if there are any freight and supply chain matters where you would like further advice. Yes / No

Siobhan Routledge

Siobhan Routledge
Acting Deputy Chief Executive

..20/12/2023...

Hon Simeon Brown
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
Marian Willberg, Manager Freight and Supply Chain	s 9(2)(a)	
Siobhan Routledge, Acting Deputy Chief Executive		✓

FREIGHT AND SUPPLY CHAIN BRIEFING

- 1 Following your meeting with the New Zealand Council of Cargo Owners (NZCCO) on Thursday 7 December, you asked for advice on the freight and supply chain sector, and in particular the Port of Tauranga's consent application to extend its terminal; green shipping corridors; and the extent of engagement with the sector.
- 2 This briefing also provides you with an overview of key priorities identified through discussion with industry as part of the developing the New Zealand Freight and Supply Chain Strategy. We are keen to engage with you in the New Year on your priorities for this sector. This briefing serves as a scene setter for future discussions.

New Zealand's freight and supply chain system is critical to the country's economic potential

International trade is predominantly shipped, with air freight moving higher value goods.

- 3 New Zealand's international trade relies on ports, which move 99 percent of the country's trade by volume and around 80 percent by value, as well as playing an important role in moving freight between regions. Container trade is concentrated in Tauranga (39 percent of container volumes), Auckland (22 percent) and Lyttleton (14 percent). Tauranga is also the largest bulk export port. Annex 1 maps New Zealand's supply chain system and illustrates the import and export value of each port.
- 4 Air freight moves 1 percent of the country's trade by volume, but this is 20 percent of the country's trade by value. Auckland handles 85 percent of air freight, Christchurch 14 percent and Wellington 1 percent.

Domestic freight is multi-modal with road, rail and coastal shipping each playing a role.

- 5 When it comes to New Zealand's domestic freight, road freight delivered 75 percent of freight by tonne-km and 93 percent by volume in 2017/18. Coastal shipping accounted for around 13 percent of the national freight task by tonne-kilometres and 1.6 percent by volume. Rail carried around 12 percent by tonne-kilometres and around 6 percent by volume. Domestic air freight carried less than a percent.
- 6 These proportions reflect the relative strengths of each mode. Rail and shipping typically carry freight very long distances, with rail well suited for moving goods between major centres. Coastal shipping tends to support the movement of bulk commodities such as cement, as well as containerised goods. These modes are constrained to routes served by existing port and rail infrastructure.
- 7 Road freight can serve almost any location in the country and is more responsive to shifting needs as its scheduling is more flexible. Road freight tends to be localised with around 77 percent moved within the region from which it was sourced.

While the freight and supply chain system is industry-led, government can support the sector to become more competitive and productive.

- 8 While New Zealand's freight sector is market-led and highly competitive, government plays multiple roles in the supply chain. It is an operator (through interests in KiwiRail, and to an extent New Zealand Post and Air New Zealand), builds and maintains

crucial arterial infrastructure, provides regulatory settings for the market and sets the parameters within which it operates (e.g., setting rules on heavy vehicle weights limits).

- 9 Industry, through its input to the Freight and Supply Chain Strategy developed in 2023, have identified areas where government action could support the sector with a view to maintaining New Zealand's economic productivity and connectivity. This particularly reflects some medium-term challenges industry has identified, including a more complex geopolitical environment and the possible challenges this results in for trade; population growth and increasing densification and how this affects freight routes through our cities; climate change; and new technologies. We attach summaries of the Freight and Supply Chain Strategy and public submissions as Annex 2 and Annex 3, respectively. This input from industry will serve as a good starting point for discussions with you in the New Year on your policy preferences for our work programme in this area.

The Port of Tauranga has received interim consent to expand its capacity

- 10 Since your request for this briefing, the Environment Court has provisionally granted resource consent to the Port of Tauranga Ltd (POTL) for part of its planned container wharf extension, subject to further matters being addressed to the satisfaction of the Court. The Court has requested some further information before reaching a decision on two further parts of the consent application.
- 11 As New Zealand's largest export port, POTL plays a critical role in New Zealand's freight and supply chain system. However, Infrastructure New Zealand has predicted that, without expansion, the port will reach the limits of its capacity by 2025. The Court has provisionally approved consent for a 285-metre wharf extension and associated dredging. POTL is currently handling around 1.2 million twenty-foot equivalent unit (TEU) containers per year, out of a total capacity of 1.5 million TEUs. The wharf extension is intended to provide capacity for up to an additional 1 million TEU. The Court is still considering consent for a 1.8-hectare reclamation at Sulphur Point; and a 2.9 hectare reclamation on its Mt. Maunganui wharves.
- 12 More generally, the sector sees the ongoing uncertainty on the future of major ports (e.g., whether POTL would be able to expand, and whether the Port of Auckland will move) as creating delays in necessary investment and reducing productivity. Stakeholders have argued for different roles for government to address this uncertainty. The Ministry has begun to consider what changes, if any, are appropriate in this highly commercial environment, with both national and regional interests at play and many regulatory frameworks involved.

The Ministry is supporting early work on green shipping corridors

- 13 The Ministry and MNZ are supporting early work to support use of alternative fuels for specific international shipping routes to or from New Zealand, known as "green shipping corridors". New Zealand's economic potential depends on the long-term reliability of the supply of high-quality shipping services. Our distance from most of our key export markets, and the fact that we are at the tail end of global shipping routes, means we need to work hard to be an attractive destination for shipping

services. Enabling use of alternative fuels in New Zealand in the future will help to ensure we remain an attractive shipping destination into the future.

- 14 Our work in this area sits under the Clydebank Declaration, which New Zealand signed at the 2021 UN Framework Convention on Climate Change Conference of the Parties. Signees collectively seek to establish zero-emissions shipping on six key trade routes by 2025, with more by 2030.
- 15 During 2023, we contributed to a pre-feasibility study for an Australia-New Zealand green shipping corridor by the independent Maersk McKinney Moller Centre for Zero Carbon Shipping. This included a November 2023 workshop with ports, exporter and shipping company representatives, including NZCCO. Discussions covered the potential alternative fuels (including likely production, volumes, transportation and storage) and possible shipping routes.
- 16 The pre-feasibility study will be completed during the first quarter of 2024. The Ministry plans to engage with the sector next year to determine whether and how this work can be progressed. While this should be led by industry, the Ministry is likely to play a convening role to help coordinate this work. We are hearing from stakeholders that they would value some sort of “pathway” to help industry make decisions and manage risks. We will need to link more closely with the Ministry of Business, Innovation and Employment around alternative fuels and the Ministry of Foreign Affairs and Trade.
- 17 The Ministry has also commissioned research from Concept Consulting into domestic regulatory barriers to low emissions shipping. This research is due in April 2024, and, depending on its findings, could highlight regulatory barriers to address.

The Ministry engages regularly with the freight and supply chain sector, but could always do more

- 18 The Ministry places a high priority on engaging with stakeholders working in different parts of the supply chain. The supply chain is complex and interconnected, so it is valuable to hear from a range of perspectives.
- 19 Sector engagement has fluctuated at times. There was very intense engagement during COVID-19 through regular online meetings to keep industry updated on regulation changes and addressing significant disruptions. There was also frequent engagement with industry during the development of the New Zealand Freight and Supply Chain Strategy, and its preceding issues paper, under the previous Government. Engagement has been quieter following the launch of the strategy in August 2023 and in the lead up to the general election.
- 20 Similarly, MNZ engages regularly with the sector, including NZCCO. During the height of the COVID-19 pandemic, MNZ (and the Ministry) engaged directly with NZCCO through regular meetings. This has now returned to a more issues-based engagement, with NZCCO’s interests covered by port representatives at MNZ’s monthly Maritime Industry Forum. The New Zealand Transport Agency (NZTA) also engages regularly with the sector through several freight forums. These forums operate at national, regional, and local levels and cover strategic, tactical and operational issues.

- 21 As noted above, we are keen to discuss your priorities in the area of freight and supply chain and see an agreed work programme as a good platform to strengthen our engagement with the sector.

The Ministry is working on a number of other freight and supply chain matters

- 22 Some other areas we wanted to highlight for you at this time are our work on data, the Manukau feasibility study, the Northport dry dock, and regulatory barriers to highly productive heavy vehicles. We can provide further information on these areas, or other matters of interest, as required.

We are exploring the need for improved freight and supply chain system data.

- 23 The Ministry is exploring how better data on the New Zealand freight and supply chain system could support ports and all other modes of freight – road, rail, shipping, and air freight – to improve productivity and efficiency. There are gaps in the data available to government, local government and the sector on how freight moves, which corridors deliver the greatest value, where our vulnerabilities are, and how all of this might change over time.
- 24 The Ministry has begun refreshing the National Freight Demand Study (NFDS) – an analysis of current and future freight movements – as one way to address these gaps. The NFDS was last updated in 2017/18. Stakeholder engagement has identified that the NFDS is used and valued by NZTA, KiwiRail, local government and the private sector. The wide use of the NFDS has also exposed areas for improvement and information gaps that exist within the study.
- 25 Stage 1 of the refreshed NFDS is identifying and evaluating options to expand the scope of the study (for example to analyse the value of freight flows as well as freight tonnage; to include intra-regional and urban freight, which were not part of the earlier studies; take advantage of data sources such as telemetry and GPS, which have been less well used in the earlier studies; and consider whether we can move to live updates rather than static snapshots). This is progressing with NZTA input and engagement with other government agencies and the sector as both potential data providers and users of the NFDS. Stage 1 will end in April 2024.
- 26 Stage 2 will be a full update of the NFDS, if required. This will form part of the evidence base for future work on the freight and supply chain. This will be critical evidence to support more productive use of existing infrastructure and prioritising investment in critical corridors.

Work is underway on the technical feasibility of Manukau Harbour as a future port location.

- 27 The Ministry has not taken a position on whether the Port of Auckland Limited should remain in its current location on the Waitematā Harbour. The previous government did note in 2019 that the Port of Auckland was not viable as the Upper North Island's key import port over the long term.
- 28 The Ministry has commissioned a technical feasibility study into whether the Manukau Harbour would be suitable as a future location for a large-scale port. The study will not address commercial feasibility, environmental and cultural assessments or

consenting. We expect to receive the completed study in the first half of 2024 and will subsequently provide you advice on proposed next steps, if any.

The Ministry initiated a business case exploring a dry dock at Northport in 2023.

- 29 In relation to Northport in Whangārei, the Ministry commissioned a business case into establishing a large dry dock and marine maintenance facility capable of taking vessels up to 250 metres. Currently New Zealand's larger vessels (e.g., Cook Strait ferries; two Navy vessels) must cross to Australia or Singapore to access dry dock facilities. This has wide ranging consequences: reduced service frequency, security implications, foregone revenue due to time away (the trip to Singapore takes 28 days) and increased fuel costs (a return sailing to Singapore costs around \$1.4 million).
- 30 The sector has advocated for a larger dry dock for many years and considers it a critical piece of infrastructure. Northport included the proposal in its port expansion strategy – *Vision for Growth* – in 2015 on the basis of acting as a landlord. We understand Northport has paused progressing the project due to complexities with consenting and it is actively seeking support from Government to overcome these.
- 31 We note that the coalition agreement with New Zealand First agreed to progress this matter further through a detailed business case. The Ministry is ready to provide advice to you on next steps, as appropriate.

The trucking industry is seeking a review of regulatory barriers to highly productive heavy vehicles, including low emissions trucks

- 32 New Zealand's trucking industry, including both National Road Carriers and Ia Ara Aotearoa Transporting New Zealand, have asked the Ministry and NZTA to prioritise reviewing existing heavy vehicle regulations. Heavier vehicles can generally carry more freight, increasing productivity.
- 33 New Zealand's regulatory environment incentivises trucks that are relatively heavy (for greater efficiency) but with relatively lower axle weights (to reduce damage to roads and highways) compared to other markets.¹ This divergence from international standards can mean that New Zealand industry faces higher costs purchasing heavy vehicles that meet our specific vehicle regulations. This is particularly so for low and zero emissions trucks that tend to be heavier than their diesel counterparts.
- 34 Any regulatory changes in this area would need to be balanced against the increased wear and tear on roads and bridges from heavier vehicles and associated higher maintenance costs. In the New Year, we would like to discuss your views on progressing a review in this area.

¹ For example, New Zealand's maximum single axle weight is 7.2 tonnes, although trucks can weigh over 50 tonnes. In Europe, the maximum single axle weight is typically 10 tonnes, with maximum truck weight of 40-44 tonnes.

Annex 1: New Zealand freight and supply chain network

Our road, rail, maritime, and air connections

- Road
- Rail
- Coastal shipping
- 1,000,000 tonnes
- 2,000,000 tonnes
- 3,000,000 tonnes
- Airfreight hub
(size relates to total export and import value)
- Seaport
(size relates to total export and import value)

This map is only intended as an indicative illustration of the size and complexity of the freight task. The road and rail data is based on the National Freight Demand Study 2017/18. Changes since this time are not included. Port and airport (weight and value) statistics from Statistics New Zealand. This map does not show domestic airfreight flow, intermodal hubs, and other important pieces of infrastructure. We are working to include this in future versions.



Aotearoa New Zealand Freight and Supply Chain Strategy – Overview

June 2023



Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa | New Zealand freight & supply chain issues paper

Summary of submissions made through the public consultation process (April – June 2022)

Te Manatū Waka Ministry of Transport is leading the development of the New Zealand freight and supply chain strategy which seeks to identify what is needed to optimise the system in the coming decades.

As preliminary work we developed an issues paper after extensive engagement with a broad range of stakeholders. The purpose of the issues paper was to set out the strategic context for changing the way we do things and to hone in on the most important areas of focus as we develop the long-term strategy.

The Ministry ran a public consultation process to gain feedback on the issues paper from April to June 2022. This is a summary of the feedback we received. We would like to thank all the individuals and organisations who took the time to send us their views.

Key themes in the feedback

Government has a role as we prepare the supply chain for the future.

Submitters agreed there is a role for government in the supply chain system – although views differed as to whether direct intervention or industry enablement was the correct approach to different issues. Government was seen as having one or all of the following roles: investor, regulator, overall system steward. Many felt that government was the only entity that could take a whole-of-system view. Government also has a role as the sole entity able to influence international relations, negotiate better market access, and meaningfully effect change in international bodies such as the International Maritime Organisation (IMO) and the United Nations.

Government needs to signal its long-term plans for investment in supply chain infrastructure.

Many submitters said that a long-term infrastructure investment plan with broad, high level political support, was needed to give the industry certainty for their own plans. This would include planning private infrastructure around future government investment in utilities and transport nodes, providing certainty of future capability needs for construction companies, and allow local

government to make more informed and joined up investments through their own regional transport and unitary plans. Co-investment was also identified as an area where government could make a difference including as a way to meet its Tiriti o Waitangi commitments to Māori while accelerating economic development, with positive sentiment from across the industry towards the Ruakura freight hub development.

Strong interest in port reform.

Many submitters desired some sort of review or reform of the current port system. Ideas included: reviewing the ownership model, competition settings, and moving towards a hub and spoke model for our ports. Some submitters felt that the shift towards the optimal port model would happen naturally through the market over time, others felt that a national port plan and regulatory reform was needed to achieve change.

Improved ability to transfer between modes.

There was support for an intermodal freight system, enabled by hubs that would allow cost effective, quick and flexible transfers between modes and drive mode shift. Rail especially was identified as benefiting from intermodal hubs that reduce the number of times cargo has to be handled, with a number of stakeholders advocating for rail connections to ports, as these greatly enable freight hubs and inland ports due to rail's ability to move agglomerated volumes of cargo efficiently. Others suggested barriers included the low rate of containerisation of domestic cargo, which makes intermodal transfers a labour and time consuming process, and lack of data sharing between different modes and operators to enable seamless transfers.

Consenting and land-use issues are a constraint.

Consenting and spatial planning issues were a common concern, with the RMA reform regarded as crucial for the efficient operation of the supply chain. Constraints on port operations and congestion in freight corridors were common examples. Stakeholders want to see protection of key logistics routes and nodes, especially in urban areas that are expected to densify.

Build the workforce for the supply chain of the future.

There are labour concerns across the industry, with submitters in agreement that current conditions do not create enough workers across all skill levels, but there was a split between those who believe we should build our domestic capability and those who believe immigration should fill skills gaps. Some submitters believed that automation would replace workers in repetitive and unattractive tasks, and would allow greater utilisation of infrastructure, and safety improvements. However, there were concerns about equity and feasibility across the supply chain.

Improved data collection and availability.

There was support for more data collection, collation and sharing across the industry, to improve cooperation and collaboration without reducing competition.

There were different views on the role of government in the decarbonisation of the system.

There is a strong desire for government funding or co-funding to ensure the transition to a decarbonised freight sector happens equitably, and efficiently, without reducing the competitive nature of the freight sector. Many submitters said government should allow some flexibility to ensure New Zealand is not locked into a particular technology pathway in case it is superseded. They advised that if we want to lead in the decarbonisation of our transport system we will likely need to commit to a small number of alternate fuels and fund the provision of their supporting infrastructure. Cargo owners were also advocating for low emissions freight options to meet consumer expectations.

There is ambition for mode shift to rail, but not for all freight.

A number of submitters supported mode shift to rail, in line with the desire for greater intermodality. Others said that rail is unlikely to be competitive with road transport for certain commodities (small dimension, high value, and/or urgent), as well as for short distances and were concerned about double handling costs associated with using rail. There was also a view that rail is simply not resilient enough, being more vulnerable to seismic events. Other submitters felt that the structure of KiwiRail disincentivises greater mode shift to rail. [Note: some of these issues are currently being reviewed by the Ministry, Treasury and Waka Kotahi through the KiwiRail entity form review.]

International and coastal shipping face many changes.

International shipping to New Zealand is expected to develop into more of a hub and spoke model, although perspectives on the degree to which ports and volumes would consolidate, and the speed with which it would occur differed dramatically. There were some concerns about New Zealand's coastal shipping sector only recently having begun to grow again after decades of decline meaning that there may not be the domestic capacity to meet the required or desired mode shift.

Airfreight has an important role in moving high value cargo.

The perceived focus on volume instead of value in the issues paper was questioned by the airfreight sector, who felt that their role in the supply chain was understated as a result.

Overview

We received 83 submissions and around 500 pages of feedback from the following groups of stakeholders:



- Industry bodies and unions 25%
- Ports and airports 17%
- Central and Local government 15%
- Freight and courier 12%
- Individuals/other 12%
- Logistics and data services 8%
- Cargo owners 9%
- Iwi / Māori 2%

The list of submitters and copies of submissions can be viewed at www.transport.govt.nz/supplychain

Feedback v policy – this document summarises the views of submitters and does not represent government policy.



Te Kāwanatanga o Aotearoa
New Zealand Government