

Transport Sector Briefing to the Incoming Associate Minister

Introduction to Transport

May 2017

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Overview of this Briefing to the Incoming Associate Minister of Transport

Overview

The Government transport agencies have prepared this joint introductory briefing on the transport system. This briefing focuses on the:

- role and activities of the Government transport agencies
- role and responsibilities of the Ministers of Transport
- key levers for the Ministers to influence the operation of the transport system.

References to the role and powers of the Minister of Transport in this document include matters delegated to the Associate Minister where applicable.

Why transport is important to the economy and society

The Government is one part of the transport system

Government plays an important role in the transport sector. In addition to providing regulation for the sector, it is a major investor in land transport infrastructure and services.

The Government is one part of New Zealand's domestic and international transport system. Stakeholders in the transport sector are wide ranging, including private companies and individuals using transport for social and economic purposes, within New Zealand and internationally.

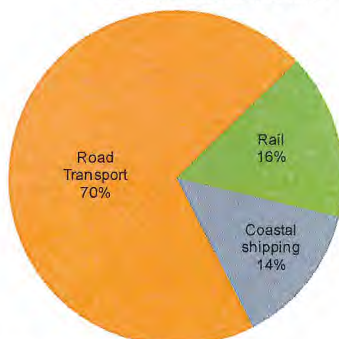
The transport system makes an important contribution to a thriving New Zealand and improving the welfare of its people. The goal of the Government transport agencies is for *the transport system to maximise economic and social benefits for New Zealand while minimising harm*. Each transport agency contributes to this goal in ways that are consistent with its purpose and statutory mandate.

Transport facilitates business activity

Transport is a critical component of daily life for all businesses and citizens. The transport system connects us, supporting New Zealand's \$34 billion per year tourism industry and linking businesses to their markets. Safe aviation and maritime systems provide the confidence necessary for international aviation and maritime lines to operate in New Zealand. The aviation sector is responsible for the movement of \$8 billion of exports annually, while more than \$43 billion of exports are moved annually by sea.

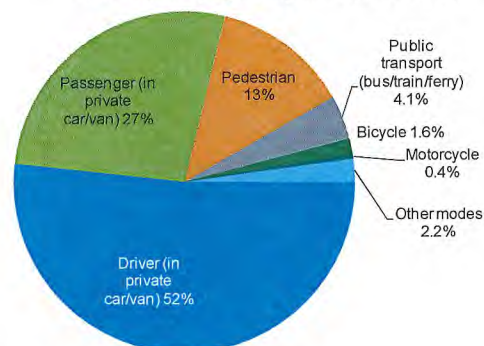
On the roading network, 23 billion tonne-kilometres of freight is moved each year, with a further 4.5 billion tonne-kilometres moved by rail. Light passenger vehicles travelled an estimated 33 billion kilometres in 2015, with cars accounting for 96 percent of all vehicle trips (motorcycle, car or public transport). Public transport (bus, train, ferry) provides 144 million trips annually.

Freight: Billion tonne-kms



Source: National Freight Demand Study - data 2012

Million hours per year by mode (2011–2014)



Source: Household Travel Survey

Transport facilitates social activity

In addition to its economic role, transport contributes to social connectivity and the leisure pursuits of New Zealanders. New Zealand has nearly 1 million recreational vessels, while 100 commercial jet boats and 270 whitewater rafts carry around 390,000 passengers on our inland waterways annually. New Zealand has around 5,000 registered aircraft and more than 10,000 pilots. Domestic aviation, private vehicle ownership, and public transport also play an important role in our social connectivity.

Investment in land transport

The Government has over \$60 billion of land transport assets, and will invest almost \$40 billion in the system over the next 10 years. Local government will spend \$10 billion in local road infrastructure and services over this period (with central government contributing \$10 billion to this). The land transport sector includes state highways, local roads, public transport, walking and cycling, and road policing.

The Ministers of Transport, the Ministry of Transport (the Ministry), and the New Zealand Transport Agency (NZTA) have responsibility to ensure that transport investment decisions support a thriving New Zealand. To do this, our focus needs to be on building a transport system that will not only serve New Zealand well in the short term, but also over the next 10, 20 and 30 years.

Transport impacts on the environment

Transport has negative environmental impacts that we must seek to minimise. Domestic transport is responsible for 17 percent of New Zealand's greenhouse gas emissions, as well as generating noise and air pollution. Transport sector agencies have a key role in preparing for and responding to significant emergencies, such as the Kaikoura earthquake and tsunami of 2016.

Transport has key links to health and safety

Transport activity is inherently risky to workers in the sector. Transport Crown entities have responsibilities for regulating health and safety in their respective sectors.

Despite substantial progress over the last 30 years, New Zealand still lags behind many other countries in road safety. Every year, about 300 people are killed on our roads and nearly 3,000 people are seriously injured. Annually, approximately 10,000 New Zealanders suffer minor injuries as a result of road crashes.

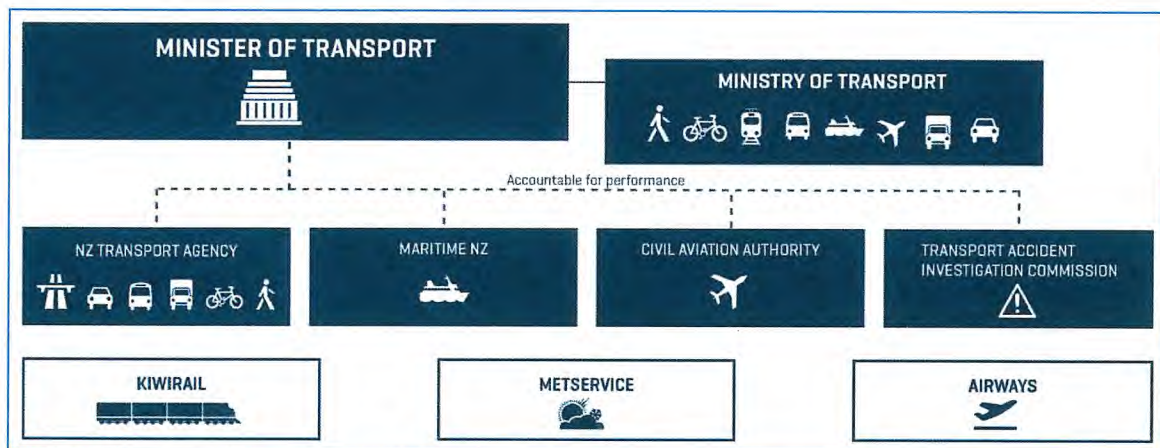
These numbers reflect lives lost and affected in what are mostly preventable crashes, but they do not show the effect of these crashes on families, the wider community and the health system.

Road crashes also have an economic impact – the total social cost of crashes in 2016 is estimated to be \$3.79 billion.

How the Government transport sector supports Ministers

To support Ministers to deliver their transport portfolio responsibilities, the sector has five specialist transport agencies - the Ministry and the four Crown entities: the Civil Aviation Authority (CAA), Maritime New Zealand (MNZ), the NZTA and the Transport Accident Investigation Commission (TAIC). In addition, there are three transport related State Owned Enterprises (KiwiRail, Airways Corporation of New Zealand Limited (Airways), and Metereological Service of New Zealand Limited (MetService)). Vote Transport provides Crown funding for KiwiRail and funding for services provided by MetService under contract to the Government.

Figure 1 – The Government transport sector



The Ministry is the principal adviser on transport policy and provides specialist transport policy advice and support. The Ministry will respond to the Minister's transport policy agenda, which will inform its work programme. The policy agenda may include both specific issues and more general approaches that Ministers want the sector to adopt.

The Ministry will also provide advice on the Crown entity Boards to assist in ensuring the Boards are accountable for their performance and deliver on the priorities of the Minister and Associate Minister. This supports Ministers to utilise the combined capabilities of the transport agencies to achieve their transport priorities.

How the Crown entity model supports Ministers

The Government's regulatory and operational functions within the transport sector are delivered through Crown entities with specialist functions. Crown entities are also legal entities in their own right.

Each Crown entity is governed by a Board of Directors appointed by the Minister of Transport. The Board is responsible for the performance of its Crown entity and is accountable to the Minister. The Ministry helps the Minister to set expectations and hold the Board to account. Boards in the transport sector exercise two main roles, which are to oversee¹ the:

1. exercise of regulatory powers by the Crown entity
2. business strategy and operation of the Crown entity on the Minister's behalf.

The major advantage of the Crown entity model is that it enables Ministers to engage the joint expertise of a number of Board members, which the Minister of Transport appoints, to exercise the governance role for their organisations. Ministers can have confidence that the board appointees will drive the performance of their organisations and be responsible for them.

Having the functions of the transport sector split into special-purpose Crown entities also provides for:

- greater efficiency from concentration on delivery of sector specific services
- clear identification with stakeholders from a specific sector
- specialised regulatory functions
- separation of policy and operation, regulatory, and legislative functions.

Ministers are able to set their expectations for the delivery of services from the CAA, MNZ, and NZTA Boards through letters of expectations. Ministers may direct the TAIC to hold an inquiry into an event, which does not meet the usual criteria for investigation.

Crown entities are instruments of the Crown and this should be reflected in the standards of behaviour amongst Board members and employees. Ministers are responsible to Parliament for the performance of the Crown entities, and they must report on all aspects of their activities transparently.

¹ Subject to the Director's statutory independence for MNZ and CAA.

Crown entity decision making

Crown entities operate with political neutrality and 'sufficient separation' to establish accountability and ensure there are no perceived or real conflicts of interest for Ministers. A decision to assign a Government activity or function to a Crown entity indicates that the function should be carried out with distance from the Government. For example, the NZTA has statutorily independent decision-making rights on the activities it undertakes, including infrastructure investment decisions.

Crown entities in the transport sector fall into two subgroups: Crown Agents (CAA, MNZ, and NZTA) and Independent Crown Entities (TAIC). Crown agents are obliged to "give effect to" Government policy intentions as they undertake their roles, while Independent Crown Entities are statutorily independent.

Crown entities as health and safety regulators

The CAA, MNZ and NZTA all have responsibilities under the Health and Safety at Work Act 2015 (HSWA) for regulating work in the aviation, maritime, and land sectors respectively. The lessons for New Zealand from work place disasters such as Pike River have significantly raised the expectations for health and safety regulators. This has necessitated an increased focus on health and safety and the implementation of more rigorous risk management approaches.

Crown entity functions within the transport system

The aviation, maritime and land transport Crown entities have broadly similar functions of regulatory and service delivery (the NZTA has an additional funding function for land transport). However, there are differences between their:

- asset base
- technology drivers
- stakeholders and service providers
- funding arrangements
- domestic and international system dimensions.

In particular, each Crown entity has the following responsibilities (further information on each of the Crown entities is provided on pages 21 to 28):

- The CAA is responsible for the regulation of civil aviation to ensure it is safe and secure. The New Zealand Aviation Security Service (Avsec), as a division of the CAA, has responsibilities for security at airports and air navigation facilities.
- The NZTA owns and operates state highways on behalf of the Crown; regulates land safety including rail operation, driver licensing, and motor vehicle registrations; co-funds with local government the provision and maintenance of local roads, public transport services, and walking and cycling infrastructure; and holds cross-modal responsibilities including investment in road policing, and land transport planning and research.
- MNZ is responsible for promoting a safe, secure, and clean maritime environment. It is also responsible for leading responses to major maritime incidents, and coordinating major maritime and aviation search and rescue missions, and some land-based missions through the Rescue Coordination Centre New Zealand.

In addition, New Zealand's international obligations require us to have an independent transport accident investigation agency. The TAIC enables New Zealand to meet this requirement. The TAIC is responsible for investigating significant aviation, rail, and maritime accidents and incidents to determine the circumstances and causes in order to prevent similar accidents, thus improving transport safety.

The CAA, MNZ, and the NZTA are required to give effect to the policy direction set by the Government. Crown entities operate according to the regulatory settings established in their empowering legislation and direction the Ministers provide, but retain independent responsibility for their own operation. The TAIC is slightly different, in that it has a higher level of independence, which reflects its role to investigate and make recommendations, rather than to implement regulation.

The current institutional arrangements support the effective and efficient operation of the transport system. The arrangements allow each Crown entity to act as a specialist and focus on the particular regulatory, service delivery and technical requirements of their individual transport mode. This arrangement enables Ministers to distance themselves from involvement in decision-making that relates to individual persons, organisations, or regions. At the same time, Ministers have appropriate mechanisms to influence the overall direction and performance of the Crown entities.

Sector coordination

The Government transport agencies have also established a number of mechanisms to support sector coordination and improved efficiency. These include taking a sector-wide approach to leadership and capability building.

The Ministry takes an active role to promote understanding of Government's priorities within the Crown entities, including the ongoing drive for improved agency performance. The transport sector has several initiatives that promote cross sector engagement.

Transport Sector Leadership Group

The Ministry chairs the Transport Sector Leadership Group, which is made up of the Ministry, the transport Crown entities and the three State Owned Enterprises. The purpose of the Group is to:

- provide leadership of joint initiatives that support effective operation of transport agencies, and the achievement of shared goals or outcomes for transport
- ensure a shared understanding of Government priorities or other wider developments relevant to the operation and performance of government transport agencies.

Transport sector collaboration and capability

Transport sector agencies have developed a Collaboration and Capability Strategy for the transport sector. The focus of this is to find innovative ways to improve the services they deliver to New Zealanders, with the key aim to reduce cost and be more efficient.

The Transport Sector Collaboration and Capability Strategy 2014-2018 is the result of the transport sector examining the way it works together, and how it can more cost effectively and efficiently deliver business services. The agencies involved are the CAA, the NZTA, MNZ, the Ministry, KiwiRail, MetService, Airways, and the local Council Controlled Organisation Auckland Transport.

Other sector and cross sector groups in the Transport sector

National Road Safety Committee

The National Road Safety Committee (NRSC) is a group of Government agencies with responsibilities for road safety. The NRSC developed, and is responsible for implementing, the Government's *Safer Journeys* strategy which guides New Zealand's efforts to improve road

safety from 2010 – 2020. More broadly, the NRSC is the principal forum for agencies to communicate, coordinate, and agree strategy on road safety issues.

The NRSC members include: the Ministry; NZTA; NZ Police; and the Accident Compensation Corporation. NRSC associate members include: Local Government NZ; the Energy Efficiency and Conservation Authority; the Ministries of Justice; Health; Education; and the Ministry of Business, Innovation and Employment.

New Zealand Search and Rescue Council

The New Zealand Search and Rescue (NZSAR) Council has a mandate from the Government to provide strategic governance and leadership to the New Zealand Search and Rescue sector. The NZSAR Council consists of the chief executives of departments with search and rescue responsibilities, and includes the Ministry, MNZ, CAA, Department of Conservation, NZ Police and the New Zealand Defence Force. The NZSAR Secretariat is accountable to the NZSAR Council, providing support services, policy advice, and assisting in delivering the NZSAR Council's strategy.

Intelligent Transport Systems (ITS) Leadership Group

The Ministry established an ITS Leadership Group, consisting of six public sector chief executives and six private sector chief executives and chaired by the Secretary for Transport (the Ministry's chief executive). The ITS Leadership Group, which meets quarterly, is focused on the potential benefits of ITS, especially in relation to Auckland and freight. It is considering how to take advantage of the partnership of the public and private sectors represented on the ITS Leadership Group to run trials of new technology.

Electric Vehicles Leadership Group

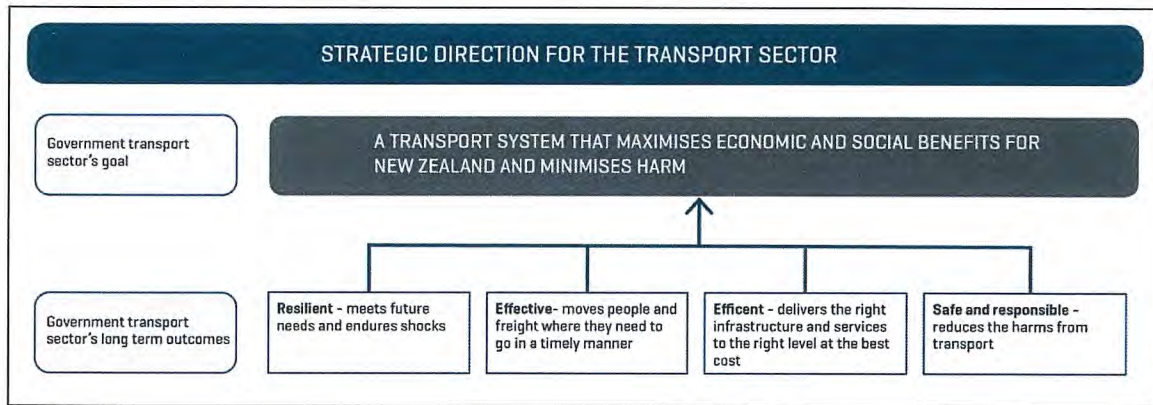
The Ministry convenes a leadership group established by the Minister of Transport with ten representatives from industry, local government, and relevant government agencies. The Electric Vehicles Programme Leadership Group acts as a conduit for information sharing between central and local government and industry; is a reference panel to test ideas and decisions before they are implemented; and provides strategic leadership to the Electric Vehicles Programme.

Long term outcomes for the Government transport agencies

The Government transport agencies' outcomes framework

In 2012, the Government transport agencies agreed a common outcomes framework for the sector (see figure 2 below). The outcomes framework provides transport agencies with an understanding of their long-term collective objectives within the overall system, and promotes a joined up transport sector.

Figure 2 - Transport agencies' long-term outcomes



Each transport agency has its own lower level interventions and initiatives through which it delivers on the four long-term outcomes. Those individual interventions reflect the statutory responsibilities of each agency and its broader role within the transport system.

How the transport agencies respond to the Government's and Minister's priorities

The Transport Ministers and their colleagues will have their own immediate priorities for the development and operation of the transport system. Subject to their statutory roles and functions, transport agencies are able to respond to these by adjusting the level of resource and priority applied across the four long-term outcomes. This enables the transport agencies to maintain their internal coherence (their purpose and role), whilst at the same time recognising and responding to the changing priorities of governments over time.

The Ministry has the greatest flexibility to adjust its focus across the four long-term outcomes through the setting of its annual policy work programme, where the key elements are agreed with the Minister of Transport. The Crown entities are statutorily independent and have less flexibility because of their statutory obligations and contractual arrangements.

Ministerial responsibilities and opportunities to influence the system

The Transport Ministers have a range of responsibilities, some of which they are required to undertake by law. These provide opportunities to influence the transport system to achieve the direction and outcomes that the Government wants.

Ministers are responsible for setting the policy direction for the Ministry and the Crown entities. Their decisions on the key elements of the Ministry's work programme, and its policy advice, provide an important foundation for the achievement of their objectives, along with five significant opportunities to influence the transport system:

1. Establishing the investment parameters for land transport
2. Setting the regulatory framework
3. Aligning the Crown entities work with Government priorities
4. Advocacy in international forums
5. Promoting New Zealand as a testbed for transport technologies.

Each of these opportunities is explained in more detail in the following pages. The Ministry is able to provide policy advice to support decision-making across all five of these areas.

Establishing the investment parameters for land transport

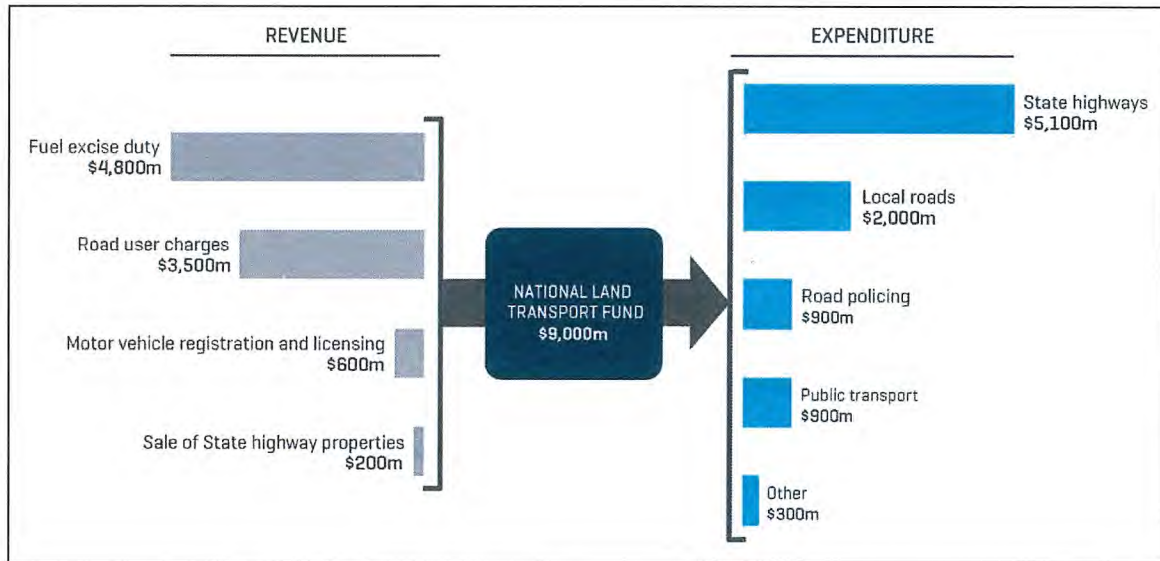
At a high level, the Minister is able to determine the parameters for investment in the land transport system, the levels of investment available for different kinds of activity, and how funding decisions are made. This is primarily expressed through the Government Policy Statement on land transport (the GPS).

The GPS is issued by the Minister, and reviewed at least every three years. The Ministry recently publicly consulted on the draft GPS 2018. The final document will be released in mid-2017 - well before it comes into effect on 1 July 2018, to allow for planning of expenditure to be undertaken by the NZTA and local authorities. The GPS enables the Minister to set priorities for more than \$3.74 billion of annual investment from the hypothecated² National Land Transport Fund (NLTF) over the next 10-year period, and to identify the Minister's expectations and desired results from funding decisions.

² Hypothecation is the direct allocation of all income from a tax or charge (for example, fuel excise duty or road user charges) for a particular purpose, for example to the NLTF for the funding of land transport activities.

Funds for the NLTF are collected primarily from taxes on petrol, road user charges on heavy vehicles and light diesel vehicles, and motor vehicle licensing fees. The Minister also recommends to Cabinet the rates at which funds will be collected from these sources. Figure 3 shows the revenue sources and expenditures from the NLTF.

Figure 3 - NLTF forecast revenue and expenditure, 2015/16 to 2017/18³



The GPS sets out how the Government’s land transport investment will be broadly allocated across activity classes, what results the Government expects to be achieved from this investment, and how the funding will be raised. The NZTA’s role is to decide on timing, form, and level of investment in specific projects that “give effect” to the GPS. The NZTA takes its specific investment decisions at a distance from Government. Regional Land Transport plans are developed by regional councils (including Auckland Council) and contain all road and public transport projects and services for which funding is sought from the NLTF. These are required to be “consistent” with the GPS.

From time to time events and opportunities arise where the Government wants to exercise more control over investment than is permitted through the NLTF. In these cases, the Crown is able to appropriate and direct additional funds through the usual Budget processes. An example includes the Accelerated Regional Roding package, which relates to the investigation, design and construction of regional state highway projects. This funding is appropriated to accelerate

³ Numbers have been rounded to the nearest \$100 million. The NLTF total does not equal the sum of individual revenue sources due to rounding. Expenditure often does not equal revenue in any year or over the short-term.

14 projects, including funding for five confirmed projects, for a further six projects subject to investigations, and funding of investigations for a further three.

Further information on land transport investment is provided in *Appendix A – Planning and funding the land transport sector*.

Setting the regulatory framework

The transport legislative framework (Acts, Rules and regulations) has an important role in shaping and developing the way the transport sector functions. In particular, the regulatory framework establishes, among other things, the:

- roles and functions of the transport Crown entities
- planning and funding arrangements for land transport
- role and powers of local authorities and road controlling authorities
- rules for access and use of transport modes
- compliance tools available to promote adherence to safety, security, and environmental requirements across the modes.

Transport Rules

Many policy decisions are implemented through changes to the transport regulatory framework. In addition to primary legislation, Rules cover use and access to transport. Transport Ministers are empowered⁴ to make these Rules through delegated responsibilities. Transport Rules contain detailed technical standards, requirements, and procedures governing the construction, maintenance, licensing, and operation of transport modes.

Rules are the most common form of delegated legislation for transport, and the responsible Minister is able to sign these into effect. In practice, Ministers of Transport have sought Cabinet consideration prior to signing rules which represent substantial policy changes, or which may

⁴ By the Land Transport Act 1998, Railways Act 2005, Civil Aviation Act 1990, and Maritime Transport Act 1994

have a significant impact on the sector. Any associated offences, penalties, fees and charges are specified through supporting regulation, and require Cabinet consideration.⁵

The Crown entities develop the majority of the transport Rules with the Ministry's involvement. The Ministry provides an annual Rules funding payment to the Crown entities, enabling them to investigate possible Rule changes and develop the Rules. The Ministry prepares an annual Rules programme to Ministers, so they can advise Cabinet of the Rules or amendments which are being considered.

Influencing the performance of Crown entities

The Minister can influence the performance of the Crown entities by appointing Board members that have the necessary range of skills and experience, by setting out their expectations of individual Crown entities, and by agreeing the Crown entities' business documents, such as the Statement of Intent. In addition, Ministers have the ability to provide guidance and support through the performance monitoring processes and meetings with Chairs and chief executives.

The key to making the Crown entity arrangements work is to ensure that Boards are competent. A strong Board will ensure the entity is governed well and the Crown entity is capable, well performing and aligned with ministerial priorities and perspectives. The Board engages specialist management staff to deliver services in accordance with their statutory roles and functions. This ensures each Crown entity provides the essential service delivery and performance outcomes to meet the needs of the transport sector.

Appointment of Chairs and Board members

The Minister is responsible for appointing or reappointing members to the Crown entity Boards. This provides an opportunity to appoint members who promote good governance and high performance.⁶

The Ministry provides support and advice on appointments, and has best practice guidance for the process of making Board appointments. The Ministry works closely with the Board Chair

⁵ For example, changes to the Vehicle Dimensions and Mass Rule, which were signed by the Associate Minister in November 2016, and anticipate the incoming Cabinet considering consequent amendments to the Land Transport (Offence and Penalty) Regulations 1999.

⁶ In relation to the TAIC, the Minister makes recommendations to the Governor General on the appointment of Commissioners, which also act as the governing board for the organisation. He appoints one of the Commissioners to be the Chief Commissioner, and another as the Deputy Chief Commissioner.

and the Minister to identify the skills required (partly to manage board composition), and potential candidates. The Ministry conducts the Board appointment process, including seeking nominations, short-listing, interviewing, and reference checking. Once this process is complete, the Ministry provides advice to help the Minister decide the final candidate, as well as the Cabinet paper and other paperwork to finalise the appointment.

Letter of expectations

The Minister's annual letter of expectations to each of the Boards of the Crown entities is an opportunity to communicate strategic direction for the Crown entities to focus on. It also provides the basis for the Crown entities to develop their Statement of Intent and Statement of Performance Expectations. The letters of expectation provide opportunities to express any governance or performance issues related to the Crown entity, and the expected approach to resolve these. The Ministry supports the preparation of these letters.

Statements of Intent and Statements of Performance Expectations

Each Crown entity is required to prepare a draft Statement of Intent and draft Statement of Performance Expectations (previously known as the Statement of Forecast Service Performance). The Minister has the opportunity to provide formal feedback before the documents are finalised. The Ministry will assist in reviewing the documents and will provide advice.

Statements of Intent are required to cover at least four financial years and describe what the Crown entity aims to achieve at a strategic level. The Statement of Performance Expectations sets out what actions the Crown entity will perform for the year and how it will finance these. The Minister's review and feedback on these documents help ensure that the proposed financial and non-financial performance of each Crown entity for the forthcoming year is appropriate.

Crown entity third party fees, charges, and levies

The Minister's recommendations to Cabinet on changes to the level of Crown entity fees, charges and levies are important opportunities to ensure that the Crown entities are delivering value for money. These are critical decisions that determine the capacity and capability that these agencies have to deliver their responsibilities. Unlike many government agencies, the key investment decisions are in effect made through the setting of fees, charges, and levies that will determine the revenue available to fund the cost of the entities.

The NZTA, the CAA, and MNZ together receive the majority of their operating revenue from more than 75 fees, charges, and levies on third parties, rather than through Vote funding. Across the agencies, approximately \$300 million per year is raised this way. The Minister has

responsibility for the rates at which these fees, charges, and levies are set, and for seeking Cabinet's agreement before recommending any changes to the fees to the Governor General.

A fee or charge must be set at a rate that only recovers the costs of providing the service or delivering the function (unless the entity is expressly authorised to do otherwise). In order to calculate proposed rates for fees and charges, each Crown entity needs to make future assumptions about the cost of providing its services and functions, and estimate the demand for them. This is done by making reasonable and logical assumptions based on the best information available, as well as taking into account any anticipated changes (such as inflation). A full review of these assumptions, revenues, and costs is undertaken every six years. In between the reviews, the Ministry monitors the memorandum accounts to ensure no significant over or under recovery occurs.⁷

A levy differs from a fee or a charge and is similar to a tax on a specific group (which is usually compulsory). Levies are charged to a particular group for a particular purpose, rather than to a specific individual for the provision of specific services or the delivery of specific functions. For example, the Maritime Levy is collected from all commercial vessels and foreign commercial vessels visiting New Zealand, and is used by MNZ to maintain important services that are critical to maritime safety (including vessel safety) and protection of the marine environment. The process for reviewing levies is similar to that for fees and charges and is undertaken every three years (except for the Oil Pollution Levy).

Performance monitoring

The Crown entities provide quarterly reports⁸ on their progress against their Statement of Intent and Statement of Performance Expectations. Following receipt of quarterly or six monthly reports, the Minister has an opportunity to provide feedback or direction through letters and meetings with the Crown entity Boards.

Advocacy in international forums

Advocacy in international forums provides Ministers with an opportunity to influence and represent New Zealand's interests in the development of international transport policy. It is important that New Zealand participates and is engaged in international forums to ensure global connections are retained. Ministers have a role to represent and advocate for New Zealand's

⁷ Three yearly reviews are in accordance with Office of the Auditor-General recommendations.

⁸ The TAIC reports six monthly rather than quarterly.

transport interests at a range of international forums. These forums also provide an important opportunity for New Zealand to learn from international experience.

International organisations

New Zealand is a member of the International Transport Forum (ITF). The ITF is an intergovernmental organisation within the Organisation for Economic Co-operation and Development (OECD), which aims to foster a deeper understanding of the role played by transport in the economy and in society. Ministers of Transport meet annually at the May Summit in Leipzig Germany. In 2016, the Associate Minister attended the Summit on 'Green and inclusive transport'. In 2017 the Summit will focus on the 'Governance of Transport'.

New Zealand is also a member at the Australian Council of Transport and Infrastructure Ministers. The Minister of Transport is responsible for attending the meetings and representing New Zealand's interests at these discussions. The Council is a forum on transport and infrastructure made up of Australian federal and state governments, and the New Zealand Government.

Further detail on international forums that affect the transport portfolio, including the International Maritime Organization and the International Civil Aviation Organization, is provided in Appendix B.

Air services negotiations

Under a global bilateral system, airlines are only able to operate scheduled international air services when an agreement is in place between the Governments involved. New Zealand currently has air services agreements in place with 80 States.

When a new agreement or an amendment to an existing agreement is required, the Ministry will provide advice, and will negotiate on New Zealand's behalf. The Government's International Air Transport Policy Statement guides the Ministry's approach to air services negotiations.

The relevant Minister is responsible for seeking Cabinet's agreement to hold the negotiations, and for confirming the outcome with Cabinet once the text of a new or amended agreement has been negotiated. Negotiations are generally held to remove specific restrictions, which may be preventing airlines from operating a particular service, or to provide new opportunities, which may be useful to airlines in the future.

Promoting New Zealand as a testbed for transport technologies

Fast-developing technologies such as connected and automated vehicles have great potential to contribute towards a safer and more efficient transport system for New Zealand.

While a lot of testing is occurring overseas and on test tracks, testing vehicles in New Zealand will improve our understanding of how these technologies respond to our environment, and will allow our transport sector to gain skills in deploying and managing new technology. Trials also enable different kinds of emerging and innovative technology to be socialised with the public, and for the public to provide feedback.

The emerging technologies are part of a multi-billion dollar industry. Attracting leading transport businesses to develop and test their technologies in New Zealand brings with it significant direct investment. It also brings opportunities to build a transport technology ecosystem providing New Zealand with sizeable potential future economic opportunities.

Recognising the potentially significant benefits of ITS technologies, the Government released its ITS Action Plan in 2014. This is a cross-Government programme of work, which aims to create the necessary building blocks and remove barriers to enable ITS technologies to be tested and deployed in New Zealand. These building blocks include having a supportive regulatory framework, necessary infrastructure, and appropriate standards and guidance.

Ministers of Transport have often used their platform as Minister to promote New Zealand as a destination where foreign companies can come and test their products in a real world environment.

The government transport sector

This section provides an overview of the roles and functions of the Government agencies involved in the transport sector. Figure 4 shows how the transport sector works and the relationships between the agencies involved.

In addition to the government transport sector, local government (regional councils and territorial authorities) own and manage transport infrastructure, develop local transport policy and provide public transport services within their own areas of responsibility. The private sector also makes a significant contribution to the operation of the transport modes and impacts on the achievement of the Government's policy outcomes.

The government transport sector

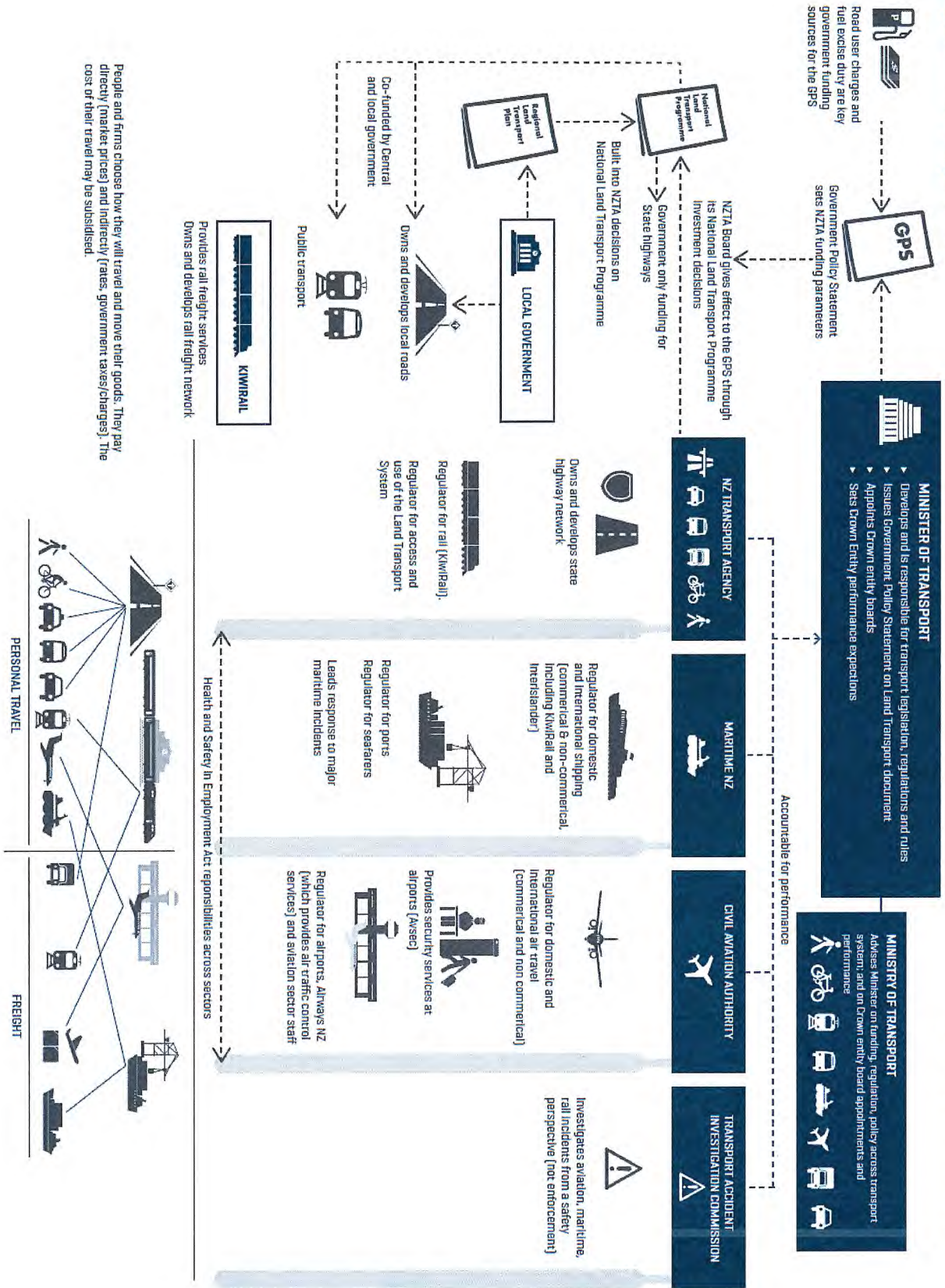


Figure 6 - The government transport sector

The Ministry of Transport

The Ministry is the Government's principal adviser on transport policy. The Ministry advises Government on all issues relating to transport and the regulatory framework that supports it. We are focused on maximising the economic and social benefits to New Zealand from transport and minimising its harm. This requires us to maintain a good base knowledge of the transport sector, along with an understanding of the factors that will affect transport in the future and their implications for Government policy and investment decisions. The Ministry also advises the Government on the funding and governance of the transport Crown entities.

The Ministry has three key functions:

Policy advice: the Government will invest almost \$40 billion in transport over the next decade. The Ministry enables the Government to align its investment decisions and objectives in order to maximise its return. The Ministry also facilitates more open and efficient markets, and mitigates the safety and environmental harms that the system creates through regulatory design.

- **Crown entity governance and accountability:** the transport Crown entities are the Government's key regulators in the transport system. The Ministry supports Ministers to appoint Boards and set expectations for the Crown entities, and the Ministry monitors actual performance to support the accountability relationship between Ministers and Boards.
- **Sector leadership and stewardship:** the Ministry leads the transport agencies in sector-wide coordinated action, and engages with the sector to develop a shared future direction for the transport system. Through its stewardship role, the Ministry looks ahead to better understand the factors that might influence transport over the next 20 to 30 years. The Ministry is engaging with stakeholders on the future of transport, and is supporting Government to make the best decisions now as we shape our future transport system.

In addition to our key roles in policy, regulation and Crown entity oversight, the Ministry's other functions include:

- representing New Zealand at international transport forums
- licensing international airlines operating to and from New Zealand
- negotiating air service agreements
- operating the Milford Sound/Piopiotahi Aerodrome
- overseeing the Crown's interest in joint venture airports
- administering a contract with the MetService to provide a public weather warning and forecast service
- refunding fuel excise duty (contracted to the NZTA).

Although the Ministry plays a critical role in the transport sector, it is a relatively small organisation with a budget of \$30 million per annum and approximately 130 staff. A Performance Improvement Framework review in 2014 confirmed that the Ministry is a well

performing organisation, and is focused on improving the quality of its policy advice. The Ministry will undertake a further Performance Improvement Framework review in 2017.

The Civil Aviation Authority

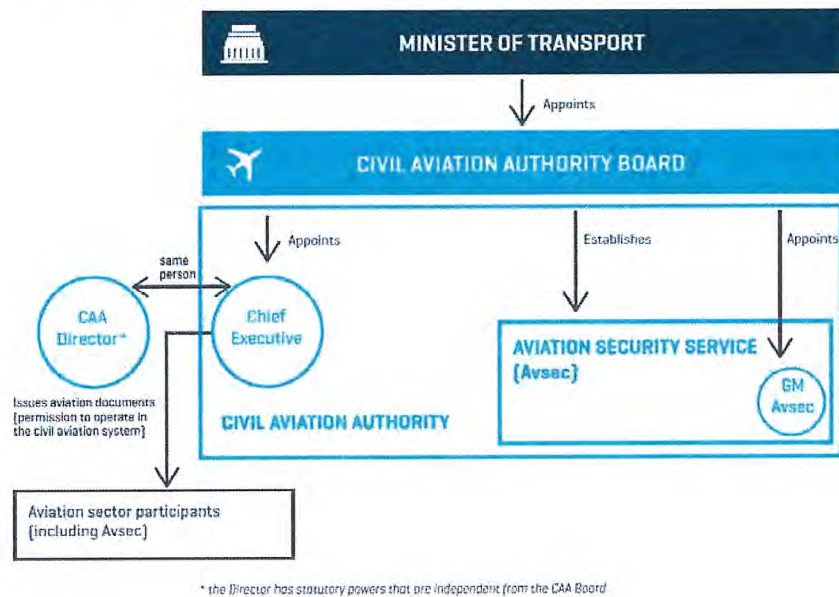
The CAA is a Crown entity with two distinct roles:

- first as a regulatory authority for civil aviation safety and security under the Director of Civil Aviation
- second as an aviation security service provider at airports (through the Aviation Security Service - Avsec) under the General Manager of Avsec.

The Director of Civil Aviation has independent statutory authority to control entry into the civil aviation system (by granting aviation documents), and monitor and enforce regulatory requirements.⁹ The governance structure of the CAA is provided in figure 5 below.

The CAA has 251 regulatory staff and 845 security staff (this includes Avsec). It has an operating budget of approximately \$119 million.

Figure 5 – The CAA’s governance structure



⁹ For example, the Director is not accountable to the Minister of Transport or the CAA Board when he/she issues an aviation document to operator X, removes an aviation document from operator Y, or takes action against operator Z for breach of civil aviation rules.

Core functions

The primary objective for the CAA is set out in the Civil Aviation Act 1990. It is responsible for carrying out 'safety, security and other functions in a way that contributes to the aim of achieving an integrated, safe, responsive and sustainable transport system' (Civil Aviation Act 1990 s72AA). The CAA does this through five core functions:

1. Policy and Rules

The CAA works to ensure that New Zealand's civil aviation system:

- is robust and responsive to the continually changing aviation community
- is respected internationally
- provides an appropriate level of safety and security for the New Zealand public.

Civil aviation in New Zealand has minimum standards for safety and security that must be met by participants. The standards are set out in the civil aviation Rules, which are made by the Minister of Transport (or in some cases by the Associate Minister of Transport).

2. Education and safety promotion

The CAA works to support civil aviation participants with aviation safety publications, courses, seminars and advice. Safety education focuses on the greatest safety concerns. The CAA's aim is to influence attitudes, change behaviour and encourage aviation participants to operate well above safety minimums.

3. Certification and licensing

The CAA uses certification and licensing to control entry and exit to the New Zealand civil aviation system. To operate within the civil aviation system, an individual or organisation must be granted an aviation document. Aviation documents include: a pilot licence, operating certificate, aircraft registration, engineer licence, air traffic control licence, or aerodrome certificate.

4. Monitoring and investigation

The CAA monitors compliance with safety and security standards, investigates and analyses accidents and incidents, and carries out corrective action and enforcement. The CAA's monitoring role includes inspecting and auditing participants in the civil aviation system. It assesses the level of risk that each operator poses to aviation safety. The level of risk is used to determine the amount of monitoring each operator receives.

The CAA also administers the provisions of the Health and Safety at Work Act 2015 for aircraft in operation. It provides information and guidance, conducts workplace inspections, audits health and safety management systems, and investigates workplace accidents and concerns.

The CAA may undertake enforcement when aviation participants operate outside the rules and standards.

5. Security service delivery

Avsec is jointly responsible with the NZ Police for security at security-designated airports and air navigation facilities. All departing international passengers are screened for prohibited items and dangerous goods. All departing domestic passengers on aircraft with 90 or more seats are also screened.

Avsec screens airport workers, provides access control to restricted areas and undertakes perimeter patrols to ensure prompt interception of persons unlawfully in security areas. This includes protecting places and equipment used to aid air navigation.

Avsec contributes to New Zealand's national approach to counter-terrorism capability by participating in cross-agency planning and evaluation activities. Avsec also provides a maritime security response (Avsec have the capacity to screen cruise ships if required) and works in conjunction with other government agencies on high-profile events that could be targets for terrorism. Avsec can provide other security services at the request of the NZ Police or as required by the Government.

Other matters to note

The CAA recently underwent a triennial funding review for the regulatory functions to determine the level of funding for the next period.

Health and Safety

Under section 191 of the HSWA, the CAA is the designated agency for health and safety about:

- work to prepare an aircraft for imminent flight
- work on board an aircraft for the purpose of imminent flight or while in operation
- aircraft as workplaces while in operation.

A dedicated Health and Safety Unit leads the CAA's regulatory responsibilities and functions under the HSWA. The Authority is also responsible for enforcing the Hazardous Substances and New Organisms Act 1996 on aircraft.

Maritime New Zealand

MNZ is the national regulatory, compliance, and response agency for the safety, security and environmental protection of coastal and inland waterways. It is responsible for promoting a safe, secure, and clean maritime environment for all commercial and recreational activities on the water, and minimising the impact of maritime incidents and accidents on New Zealand and its people.

MNZ has 203 staff and a consolidated operating budget of \$55 million.

The maritime sector in New Zealand is complex, diverse, and a major contributor to - and enabler of - the New Zealand economy. With New Zealand almost totally reliant on shipping to carry international trade, a fishing industry that generates annual export earnings of \$1.74 billion, an expanding offshore sector, a vibrant charter boat, ferry and adventure tourism sector, a large marine manufacturing industry, and nearly one million recreational vessels, its importance cannot be underestimated.

To achieve a safe, secure and clean maritime environment, MNZ strives to be a professional, evidence based, intelligence-led and risk focused regulatory, compliance and response agency by reducing risk in the maritime domain. MNZ has three key responsibilities identified below.

1. Regulation

MNZ helps to develop and maintain the international and national safety, security, and environmental protection regulations that govern the operation of vessels, ports, and offshore installations in New Zealand waters. In practice this involves:

- engaging with and influencing multiple international bodies to ensure New Zealand interests are clearly represented and shape the development of global maritime regulation in ways that align with New Zealand's economic, social and environmental objectives
- contributing to international agreements on common safety, security and environmental protection standards that are essential to ensure the smooth functioning of international shipping and trade; and translating the international agreements New Zealand adopts into workable domestic legislation
- undertaking maritime domain assessments and policy investigations to ensure New Zealand's maritime regulatory framework remains relevant, robust and responsive
- administering 40 maritime rules and 28 marine protection rules including a large number that give effect to over 30 maritime and marine protection international conventions and protocols adopted by New Zealand.

2. Compliance

MNZ supports, encourages and requires operator compliance with those regulations by:

- providing accessible and timely information and assistance to the maritime community to manage the risks they face and their legal obligations; and to develop the systems they can use to manage risk
- licensing and certifying seafarers and commercial maritime operations, including maritime training institutions
- auditing operators and service providers such as port companies and ship surveyors and taking actions that incentivise and assist compliance (improvement notices, imposing conditions, detentions etc)
- investigating incidents to try to stop them happening again

enforcing the regulations, to hold people to account for their actions (for example through civil or criminal proceedings, revocation of documents or prosecution).

3. Response

MNZ provides a national land, sea and air search and rescue coordination service and manages the development, maintenance and delivery of national maritime incident response services including:

- providing a 24 hour national land, sea and air search and rescue coordination service
- leading New Zealand's responses to significant maritime incidents and emergencies, including the management of oil pollution/spills
- maintaining New Zealand's coastal navigation aids to shipping (principally coastal lights) and operating the national 24 hour maritime distress and safety radio service
- administering the emergency locator beacon detection network for land, sea and air and managing the development and improvement of national maritime incident response capabilities.

The New Zealand Transport Agency

The NZTA is responsible for investing the NLTF, delivering land transport services and managing the land transport network as set out in the Land Transport Management Act 2003 (LTMA).

The NZTA provides a whole-of-system view to land transport planning, investment, and delivery (including operations and maintenance). Focusing on one integrated transport system ensures land transport investments across the regions balance local benefits with national strategic priorities. It also enables the NZTA to ensure value for money in NLTF investment. This is achieved by maximising the value of the current network and activities, and ensures that further capital and operational investment is directed into those areas that provide the greatest value to customers and citizens.

In response to the rapid changes happening globally in land transport, and the need to ensure the NZTA is well positioned to meet future challenges, the NZTA has recently refreshed its organisational strategy, operating model and structure. The new operating model will be in effect 3 July 2017.

NZTA has approximately 1400 staff with an operating budget of \$300 million.

The NZTA's role

The LTMA sets out the role and functions of the NZTA and the instruments that define the relationship between Ministers and the NZTA, including the GPS.

The LTMA sets out the NZTA's statutorily independent functions, which include (among other things) the approval of procurement procedures, determining whether particular activities are to be included in a National Land Transport Programme (NLTP) – the NZTA's response to the GPS – and deciding which activities qualify for payments from the NLTF.

The NZTA's functions under the LTMA

The NZTA contributes to the land transport network through its four main functions:

1. Planning function

The NZTA works to integrate land use and transport planning and to prioritise investment to achieve a future fit land transport system which provides smarter, safer travel connections and better levels of service for customers.

The planning function enables the NZTA to influence the development of an integrated multi-modal transport system, which contributes to New Zealand's economic growth and productivity improvements, ensures value for money in investments and supports regional and community outcomes.

2. Investment function

The NZTA works to make investments that collectively represent optimal value for money, and deliver on the Government priorities set through the GPS. The NZTA works to ensure this investment contributes to economic growth and productivity improvements and positive social and environmental outcomes for New Zealand.

In addition, the NZTA works with local councils to co-invest in local roads, public transport, walking and cycling services and infrastructure, and transport operation centres to improve network efficiency. Investment in the Road Policing Programme is managed by the NZTA on behalf of the Government.

3. State highway management function

The state highway network is one of New Zealand's most important pieces of economic infrastructure. The state highway network is 13 percent of New Zealand's total road network, but it carries almost 50 percent of the vehicle traffic and nearly three quarters of the kilometres driven by heavy vehicles. The NZTA operates the network as part of the overall transport system and takes a whole-of-life approach to optimise this asset. The NZTA also works to improve the experiences of customers on state highways and provide levels of service according to road function, which reflect the needs and expectations of different customers such as freight operators, commuters, tourists and businesses.

4. Regulatory function

The NZTA's work under this function includes licensing, registration and enforcement activities, and the provision of information to customers. The NZTA is also the rail safety

regulator on behalf of Government. The NZTA is responsible for managing the driver licensing system and issues around 250,000 driver licenses annually. It also manages the registration and annual licencing of motor vehicles, with over 6.3 million motor vehicle licence transactions each year. The NZTA is working to increase the level of online interactions and transactions across all services, as it seeks to capture the benefits offered by digital technology and innovation into its activities.

The Transport Accident Investigation Commission

TAIC was established to assist New Zealand to comply with its international aviation obligations¹⁰ of ensuring independently conducted safety-focused accident investigations. This role has since expanded to include investigation of rail and maritime accidents. TAIC investigations are conducted to prevent similar occurrences, rather than to apportion blame or liability. TAIC is an independent Crown entity with the powers of a Commission of Inquiry.

The four-member Board (with a fifth position currently vacant) employs a chief executive.¹¹ The chief executive employs 29 staff to support the Board, including 17 specialist investigators (including the Chief Investigator of Accidents) and 12 staff to support TAIC investigations and Crown entity accountability and governance functions. TAIC is Crown funded with an annual budget of \$5.639 million for 2016/17.¹² TAIC's target for 2016/17 is to complete 20-25 domestic inquiries and assist 4-8 overseas jurisdictions' inquiries with a New Zealand connection.

Although TAIC is part of the transport sector, it is independent of other public sector organisations and the Government in the conduct of its inquiries.

TAIC has three key elements to its role, identified below.

1. Purpose

To determine the circumstances and causes of aviation, rail and maritime accidents and incidents (occurrences) with a view to avoiding similar occurrences in the future, rather than to ascribe blame.

¹⁰ The Convention on International Civil Aviation (*ICAO Convention*), particularly Annex 13 which relates to independently-conducted safety-focused accident investigations.

¹¹ As required by the Transport Accident Investigation Act 1990, Schedule, Clause 21.

¹² Back down to \$5.530m for 2017/18, settling to a baseline from 2018/19 and onwards of \$5.520m per year.

2. Functions

TAIC's principal function is to investigate aviation, rail and maritime occurrences. To that end, in the case of each occurrence, it must:

- decide whether to investigate based on whether there are significant implications for transport safety or if there are likely recommendations that would improve transport safety
- coordinate and direct the investigations it initiates, coordinate with other States with participation rights, and decide which other parties (if any) should be involved in its investigations
- consider evidence gathered by investigators, advice from experts, and the submissions of consulted people and organisations; and hold private or public hearings
- publish its findings and recommendations.

3. Powers

The Commission has broad investigative powers under the Transport Accident Investigation Commission Act 1990, including the power of entry and inspection and the power to seize, remove and protect evidence. It also has powers under the Commissions of Inquiry Act 1908, including the power to require a person to produce any papers, documents, records or things, or to summons any person to appear before its Commissioners. Evidence the Commission gathers (including witness interviews) is protected from general disclosure except for the purposes of the investigation.

Transport State Owned Enterprises

There are three transport-related State Owned Enterprises - Airways, KiwiRail, and MetService. The State Owned Enterprises aim to operate as successful businesses and be profitable and efficient, in a similar fashion to businesses that are not owned by the Crown. State Owned Enterprises have two shareholding Ministers, the Minister of Finance and the Minister of State Owned Enterprises.

Airways Corporation of New Zealand Limited (Airways)

Airways provides air navigation services, which enable safe, reliable and efficient air transport within New Zealand airspace, and across the Pacific Oceanic Flight Information Region, one of the largest airspace regions in the world.

The air navigation service provider is regulated by the CAA and provides its service in line with civil aviation rules and international standards. Airways is focused on keeping pace with

international technology developments while providing an economic return on investment to the Government.

It is also contracted by the CAA to provide Aeronautical Information Services (information for pilots).

Airways has created innovative best-in-class traffic management systems which enable airlines operating in New Zealand to achieve optimal efficiency while delivering those services at a price in the lowest quartile globally.

Airways is a profitable State Owned Enterprise. It has reported a net operating profit after tax of \$23.2 million for the year ended June 2016, 54 percent up on the prior year, and paid a \$9 million dividend to its shareholder, the New Zealand Government, an increase from \$4 million in the previous year. Airways is fully self-funded primarily through fees and charges for its services.

Airways is working with the CAA on the implementation of the National Airspace and Air Navigation Plan (the Plan) through the New Southern Sky programme, from 2014 to 2023. The Plan is a 10-year programme to modernise New Zealand's aviation system.

Airways is certified by the CAA to provide air navigation and flight information services at airports. To ensure this relationship functions without undue influence, there is a separation of role and responsibility between the responsible Minister, the Ministers of Finance and State Owned Enterprises as shareholders, the CAA as regulator, and Airways as service provider.

New Zealand Railways Corporation (KiwiRail)

KiwiRail is responsible for operating freight and passenger services on 3500 kilometres of rail network and three interisland ferries. KiwiRail also provides the rail network for Auckland and Wellington metro rail services.

KiwiRail's core purpose is to move people and freight, and to cooperate with other players in the sector to create integrated transport solutions for customers. KiwiRail is focused on efficient freight movements (via rail and ferry) and contributing to the Government's growth agenda by helping customers to be more competitive. Every tonne of freight moved by rail results in a 66 percent reduction in carbon emissions, hence KiwiRail is well placed to support its customers and the wider transport sector in achieving New Zealand's greenhouse gas emission reduction targets.

The Minister's responsibility for KiwiRail covers the regulation of its operation through transport Rules. Responsibility for its funding and business decisions sit with the shareholding Ministers, although the Minister of Transport may be involved in these issues from time to time, if funding is provided through Vote Transport. The NZTA is responsible for enforcing the regulations to ensure the safe operation of KiwiRail.


Meteorological Service of New Zealand Limited (MetService)

MetService provides a wide range of weather information services and data to government, business, and directly to the public, to enable mitigation of weather-related risks.

MetService is contracted by the Ministry to deliver New Zealand's National Meteorological Service function, which includes provision of weather forecasts and warnings to support public safety both in New Zealand and in parts of the Southwest Pacific; marine forecasts and warnings for New Zealand coastal waters and large parts of the South Pacific and Southern Ocean; meteorological data exchange with other World Meteorological Organization Member States; and representation of New Zealand at the World Meteorological Organization (a United Nations Specialised Agency).

With regard to the transport sector, MetService provides specialised weather information services to the NZTA for some of the more weather-sensitive parts of the state highway system. MetService also provides commercial weather services for domestic and international aviation, and supports the CAA in meeting New Zealand's obligations to the ICAO. These latter obligations include operation of the Wellington Volcanic Ash Advisory Centre, one of nine such centres worldwide.

MetService obtains 58 percent of its revenue from services provided to the industry, media, retail, aviation and energy sectors in New Zealand and overseas. This activity is supported by international offices operating under the wholly-owned MetraWeather brand, and by a 49 percent share in NZ oceanographic specialist company MetOcean Solutions Ltd.

 The contract with the Ministry for public good weather forecasting services represents the remaining 42 percent of its revenue.

Withheld
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The Ministry works to support the Minister's interest to ensure the required services are provided at an appropriate cost. The Government's shareholding Ministers are responsible for the financial viability of MetService as an entity.

Local government

Local government has a significant role in the transport sector through its funding and planning roles, in accordance with the LTMA.¹³ Local government is responsible for local road development and maintenance, planning and contracting for public transport services, and walking and cycling infrastructure and initiatives. In most cases, these activities are co-funded with the NZTA from the NLTF.

Regional Transport Committees are responsible for developing Regional Land Transport Plans, which set out their proposed transport activities for inclusion in the NZTA's NLTP.

¹³ Local government also has statutory obligations under various other Acts.

There are 16 Regional Transport Committees, which include representatives from all the councils in a region and the NZTA. Regional councils provide local subsidies for public transport and services. City and district councils are responsible for providing and managing their local roads.

Auckland Transport

Auckland Transport was created in 2010 as a Council Controlled Organisation when Auckland Council was established as a Unitary Authority. The Board of Auckland Transport is the Regional Transport Committee for the Auckland region, with the local road functions of a city or district council and the public transport functions of a regional council. The Board includes a representative of the NZTA.

Aviation and maritime

Some councils have a partial ownership interest in ports and airports, as shareholders in port or airport companies including CentrePort in Wellington, which is owned by Wellington Regional Council and Horizons Regional Council.

In the maritime sector, local councils are responsible for ensuring port and harbour safety and the provision of navigation services. Local councils also have a role in oil pollution response activities.

Vote Transport

Vote Transport at the October Baseline Update 2016 totals \$4.6 billion for 2016/17.

Appropriations in Vote Transport by recipient – explained subsequently

	2016/17 \$m
Roading	
National Land Transport Programme	3,466
Loans	793
Funding from the Crown	110
Rail	246
Crown entities	42
Other	59
Departmental funding	33
Total	\$4,749

Land Transport revenue

Road tax revenue (from fuel excise duty, road user charges, and motor vehicle registration licensing fees) is forecast to be \$3.6 billion in 2016/17. The majority is hypothecated to the NLTF, \$300 million to Vote Police for road policing, and \$9.7 million to search and rescue activities.

Roading - NLTP and other road funding

	2016/17 \$m
Road tax revenue appropriated	
Operating	2,022
Capita	1,444
<i>Sub total</i>	3,466
Crown appropriations	
Capital – cash flow management loan	500
Capital – project loans	293
Other	110
Total	\$4,369

The road tax revenue collected is appropriated by legislation to deliver the NLTP in line with the current GPS. In addition, there is some short-term funding from the Crown for roading, which takes the form of loans and grants.

The NLTP is a 3-year programme. To allow the NZTA flexibility to manage cash flow pressures over the year, the Crown has approved a short-term loan facility, shown in the previous table, to be repaid from future road tax revenue. The loan balance may not exceed \$250 million at any one time, but because the funding can be repaid and redrawn during the year, the loan is appropriated at \$500 million per year to represent drawdowns only.

The project loans of \$282 million are for the reinstatement of Christchurch roads (\$120 million) and the Auckland Transport Package (\$55 million). The other operating funding relates mainly to the Regional state highways programme (\$55 million), and Urban Cycleways Programme (\$54 million).

Rail - funding to KiwiRail Group

	2016/17 \$m
Capital – support for the rail freight business	191
Capital – land sales	42
Other projects	13
Total	\$246

Since 2009/10, the Government has committed \$1.4 billion to the KiwiRail Turnaround Plan.

Land sales reflect the proceeds of land sales by KiwiRail that are retained in the business. It is not new cash from the Crown.

Other funding is mainly for Wellington metro rail (\$9 million). The balance is for public policy and safety projects.

Crown entities

Appropriation	2016/17 \$m
Maritime New Zealand	19
Transport Accident Investigation Commission	6
Civil Aviation Authority (including the Aviation Security Service)	8
New Zealand Transport Agency	8
Total	\$41

The NZTA figure above excludes funding paid into the NLTF, and represents other appropriations from the Crown for additional activities. The figures include some capital expenditure.

Other

Appropriation	2016/17 \$m
MetService — weather forecasts and warnings	22
SuperGold card concessions	28
Bad debt provision — Motor vehicle and road user charges	5
Search and rescue agencies from road tax revenue (non MNZ)	3
Membership of international organisations	0.7
Joint venture airport funding	1
Rena/ Maritime oil response	0.1
Total	\$59.8

Departmental outputs

Appropriation	2016/17 \$m
Policy advice and related outputs Multi Category Appropriation	31.6
Search and Rescue Permanent Legislative Authority	1.2
Milford Sound / Piopiotahi aerodrome operation	0.2
Fuel excise duty refund administration	0.9
Total	\$33.9

Appendix A – Planning and funding the land transport sector

Each transport mode works in a different way. The following sections provide an overview of the key aspects of the operation of those modes.

Planning

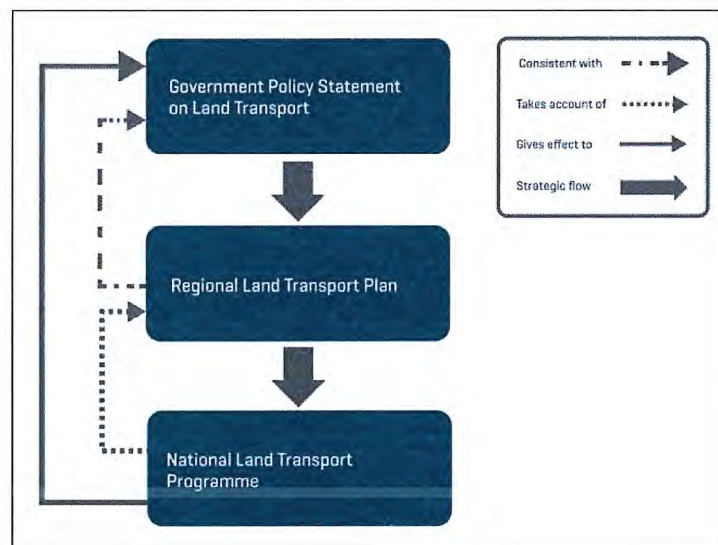
Over \$3.74 billion is spent through the NLTF each year. This investment is accompanied by a further \$1 billion of local government investment. The Government Policy Statement on Land Transport (the GPS) sets out the strategy for this investment and the results the Government wants to achieve from it over the next 10 years.

The GPS is the main lever to communicate what the Government wants to achieve in land transport, and how it expects to see funding allocated between types of activity (for example, roading, public transport, road safety) across the land transport system. The GPS describes:

- what the Government wishes to achieve from its investment in land transport through the NLTF
- how it will achieve this through particular areas of investment known as activity classes (for example, road policing, state highway improvements)
- how much funding will be provided
- how the funding will be raised.

Regional Land Transport Plans developed by local government must be consistent with the GPS. The NLTP takes account of the Regional Land Transport Plans, but overall, must give effect to the GPS. Figure 6 shows how these planning documents work together.

Figure 6 – Relationship between GPS and land transport planning documents



Informing expenditure

Following release of the GPS, Regional Land Transport Plans are prepared by the relevant Regional Transport Committees (and, in Auckland, by Auckland Transport). The Regional Land Transport Plans set out what transport outcomes the region seeks over the next 10 years, in a way that is consistent with the GPS.

The NZTA then uses Regional Land Transport Plans to develop the NLTP. The NLTP sets out what specific projects will be funded from the NLTF, and what priority each activity has.

The decisions made in the NLTP are guided by the priorities, policies and funding ranges set out in the GPS. In this way, the GPS influences how funding is allocated and managed.

Figure 7 shows the strategic flow of the draft GPS 2018 and how the GPS provides the direction from Government objectives to planning and funding of the land transport network.

Figure 7 – The strategic flow of the GPS



Funding

Revenue for land transport comes mostly from motorists through fuel excise duty (petrol tax), road user charges on diesel vehicles, and vehicle licensing charges. The Land Transport Management Act 2003 (LTMA) hypothecates (ring-fences) this revenue through the NLTF for investment in land transport. Councils also contribute to the cost of their land transport activities from rates and borrowing, in what is known as the 'local share'. About half of Council land transport expenditure is matched by grants from the NLTF.

The operating costs of public transport are funded through the NLTF¹⁴, council funding, and fares. The LTMA enables regional councils to set standards for public transport services to be provided in their regions and helps them and the NZTA obtain the value for money from subsidised services.

¹⁴ With some funding from Crown appropriations (for example, the SuperGold card subsidy).

Appendix B – Roles and responsibilities by mode

Road - including walking and cycling

The Government fully funds the state highway network, including associated walking and cycling infrastructure, through the NLTF. The NZTA is responsible for construction and maintenance of state highways.

Local roads and associated walking and cycling infrastructure are the responsibility of 74 local councils with funding from local and central government.

The NZTA is responsible for allocating NLTF investment between the state highway system it provides and the local road and public transport systems managed by local government, within the guidance provided by the GPS.

The Government sets the rules by which users can access and use the roading network. This includes driver, operator and licensing standards, and motor vehicle safety and environmental standards.

Walking is a key part of most transport journeys, although footpaths generally do not receive an investment contribution from the NTLF. Cycling makes up around 1.4 percent of travel journeys. The Urban Cycleways Programme (UCP), which was announced in 2014 by the Prime Minister, is providing \$100 million funding for cycleways over a four year period.

Figure 8 shows the use of each mode in 100 km, per year. Both modes contribute to initiatives to improve health and physical activity and reduce emissions.

Figure 8 – 100 million km travelled per year, by mode

Travel Mode	2003-06	2004-07	2005-08	2006-09	2007-10	2008-11	2009-12	2010-13	2011-14
Car/van driver	290.6	296.2	299.9	302.2	294.4	287.4	291.3	295.4	303.7
Car/van passenger	150.7	148.1	148.4	149.8	149.2	142.7	146.7	145.0	148.5
Pedestrian	7.4	8.0	7.9	8.1	7.8	7.8	7.7	7.7	7.8
Cyclist	2.6	2.6	3.0	2.8	3.5	3.1	3.4	3.0	3.1
Motorcyclist	2.5	2.4	2.6	1.9	2.4	2.4	2.7	2.8	2.5
Public Transport									
Bus	12.1	11.5	10.4	10.9	11.5	12.7	12.1	11.4	11.2
Train	4.0	3.9	3.3	3.3	3.3	3.2	2.7	3.5	3.9

Public transport

The Government is responsible for the regulation of how public transport services are provided and funded. The majority of public transport services are provided by the private sector under contract to local councils. The Government co-funds local public transport services and infrastructure through the NLTF.

Separate Government funding is provided for the SuperGold card travel concession scheme, which enables cardholders to travel free on off-peak public transport services. Capital investment in Wellington and Auckland metro rail is funded by annual Crown appropriations.

Maritime

The Government's key maritime role is to promote a safe, secure, and clean maritime environment. The Ministry focuses on understanding port productivity issues, improving public information on maritime and freight transport, and improving the safety of the maritime sector.

New Zealand ports are entirely or majority owned by local government. Northland Port Corporation (Whangarei), Port of Tauranga, Lyttelton Port Company, PrimePort Timaru, and South Port (Bluff) are listed on the New Zealand Stock Exchange, with local authorities retaining majority shareholdings (50 percent in the case of PrimePort). The remaining nine ports that provide international services are fully owned by the local authorities.

The majority of New Zealand's maritime sector comprises domestic fishing, charter, adventure tourism, and other non-cargo-carrying activities. Coastal sea freight is transported on a mix of New Zealand and internationally operated ships, and makes up 14 percent of New Zealand's domestic freight. International ships can carry domestic cargo between New Zealand ports as long as the port visits are part of their international trip (trans-shipping).

Foreign ships are permitted to carry coastal cargo during their transit around New Zealand while on an international voyage.

Aviation

The Government's role in aviation is to ensure the safe, secure, and effective operation of the aviation sector. The Ministry is responsible for the provision of policy advice to enable the Government to undertake this role. The Ministry is also responsible for the economic regulation of international airlines, and providing advice on aviation matters.

Ownership and investment in aviation infrastructure and services is a mix between the private sector, State Owned Enterprises, and council or Crown shareholdings or interests. Airports are generally operated as corporatised companies with councils as the major shareholders. The Crown retains up to 50 percent shareholdings in Dunedin, Hawkes Bay and Christchurch airports. The Crown has a 100 percent shareholding in air traffic services provided by Airways Corporation NZ, a State Owned Enterprise. The Crown also has a majority shareholding (53 percent) in Air New Zealand. Treasury manages these interests on behalf of the shareholding Ministers.

The Ministry administers the Crown's interest in six regional airports (Whangarei, Whakatane, Taupo, New Plymouth, Whanganui, and Westport) which are operated as joint ventures between the Crown and local councils. The Crown fully owns the Milford

Sound/Piopiotaahi aerodrome in the Fiordland National Park. The Ministry manages the day-to-day operation of this aerodrome on the Government's behalf.

The Ministry is currently reviewing the Government's ownership structure at Milford Sound /Piopiotaahi aerodrome and is finalising the transfer of the Crown's interest in New Plymouth Airport to the New Plymouth District Council.

International aviation is a highly regulated industry. All scheduled international air services must be operated in accordance with an air services agreement negotiated between its home government and the government of the country it wishes to operate to. Among other things, these agreements set out the routes that can be flown and the capacity that can be operated on flights between, beyond, and in some cases within the countries involved.

The Ministry negotiates New Zealand's international air services agreements. Negotiations are held in accordance with New Zealand's International Air Transport Policy. This policy recognises the economic benefits of 'open skies' agreements, which remove as many restrictions on airlines as possible.

New Zealand has around eighty bilateral air services agreements, including with all of our major trading partners. More than half of these meet the standard criteria of an 'open skies' agreement.

New Zealand is also party to a multilateral open skies air services agreement, known as the Multilateral Agreement for the Liberalisation of International Air Transport (the MALIAT). This agreement has had limited uptake, however it has proven to be effective in managing our air services relationships with its other parties, which include Singapore, Chile, Brunei, the Cook Islands, Samoa, and the United States.

The Minister has authority for licensing New Zealand's international airlines. The Secretary for Transport acts as the licensing authority for international airlines from countries in which 'open skies' air services agreements have been put in place, under delegation.

Appendix C – Security, emergency management, and search and rescue functions

Security

New Zealand is party to the Convention on International Civil Aviation and the Minister of Transport is responsible for New Zealand's participation in the Convention. New Zealand's obligations include having a comprehensive safety and security regime based on the standards and recommended practices prescribed in annexes to the Convention by the International Civil Aviation Organization.

New Zealand's safety and security regime is established through legislation and Rules. Avsec provides the majority of the security requirements at New Zealand airports. Similarly, in the maritime sector, New Zealand has adopted the International Ship and Port Facility Security Code (ISPS Code). This code provides a comprehensive set of measures to enhance the security of ships and port facilities. Through legislation, MNZ is responsible for ensuring that the provisions of the ISPS Code are complied with by:

- international trading ports in New Zealand
- commercial freight and passenger vessels visiting New Zealand.

On 13 October 2014, the Prime Minister announced an increase in New Zealand's general terrorist threat level from Very Low to Low. Following this, the Ministry undertook a review of domestic aviation security measures.

While we are not aware of any imminent threats to domestic aviation security, it was appropriate to check our existing domestic aviation security settings appropriately reflect the changing threat and risk environment.

Emergency management

The transport sector is vulnerable to shocks and major events that disrupt services. The sector plans for future needs and emergencies, and is able to respond quickly to failures that disrupt or damage infrastructure.

The Ministry has a role to improve the transport system's preparedness for, and management of, shocks and major events through its policy advice to Government and its work across the Government transport sector. The Ministry Chairs the Transport Emergency Management Coordination Group and manages the Transport National Emergency Response Plan (Response Plan). In a significant emergency, the Ministry activates the Response Plan and coordinates the transport agency responses.

Cross government, emergency management exercises are held regularly to ensure departments and management systems are efficient and are able to respond effectively. Exercise Tangaroa was held in September 2016 to contribute to readiness for a tsunami scenario with less than three hours warning before hitting the nearest New Zealand coastline.

Search and rescue

New Zealand's 30 million km² Search and Rescue (SAR) Region, the world's third largest, extends from the South Pole to the southern border of the Honolulu region, including Norfolk, Tonga, Samoa, and Cook Islands.

Collectively, the SAR sector comprises approximately 12,000 people from a wide variety of public, non-government and commercial organisations of whom around 95 percent are volunteers. Last year the sector saved 195 lives, rescued 730 and assisted a further 1014 people. These actions averted \$712 million in social costs to NZ with a 30:1 cost benefit ratio on the Government's investment.

The NZSAR Council, established by Cabinet in 2003, has a mandate from Government to provide strategic governance and leadership to the SAR Sector and advice to Ministers. The Council consists of the chief executives of departments with SAR responsibilities and includes the Ministry, MNZ, CAA, Department of Conservation, NZ Police, New Zealand Defence Force and an independent member.

The Ministry receives funding for and hosts the NZSAR Secretariat. The Ministry may also provide independent search and rescue policy and funding advice.

Either the NZ Police or the Rescue Coordination Centre (which is an operating group within MNZ) coordinates SAR operations. The responsible coordinating authority will request the use of search and rescue assets depending on the requirements of the operation. A wide variety of organisations may participate in search and rescue operations, including the Department of Conservation, LandSAR, Coastguard NZ, Surf Life Saving NZ, rescue helicopters, NZ Police, commercial vessels, NZ Defence Force and a variety of smaller organisations or assets.

The search and rescue sector's revenue comes from a variety of sources including: Crown funding through Vote Transport and hypothecated funding collected under the LTMA (which recognises the fuel excise duty paid by recreational mariners). Commercial sponsorship, local fundraising, community grants and the Lotteries Grants Board also provide funding to the wider sector. The overall annual Government investment in search and rescue varies according to operational activity, but is generally around \$23 million.

Appendix D – International organisations

International Transport Forum (ITF)

The ITF at the Organisation for Economic Co-operation and Development is an intergovernmental organisation with 57 member countries. It also acts as a strategic think tank for transport policy and organises an annual summit of Ministers. The ITF is governed by a secretariat, with the presidency revolving annually among member countries.

Australian Transport and Infrastructure Council

The Council is an Australian based organisation that brings together Australian federal and state, and New Zealand Ministers with responsibility for transport and infrastructure issues, as well as the Australian Local Government Association. The Council is part of the wider Council of Australian Governments organisation, which is the peak intergovernmental organisation in Australia. The Council provides New Zealand with an opportunity to gain lessons and advice that assist the development of transport and infrastructure in New Zealand. The Council usually meets twice a year. In advance of the Minister's attendance, the Ministry will provide briefings on any agenda items relevant to New Zealand. The Ministry is also engaged in the Council through its attendance at the officials' level sub-group (Transport and Infrastructure Senior Officials' Committee).

International Civil Aviation Organization (ICAO)

ICAO is a United Nations specialised agency that establishes standards and recommended practices for global aviation. New Zealand is a member of ICAO and participates in meetings that develop international standards and recommended practices and associated guidance material. New Zealand is audited periodically by ICAO to determine how well we (New Zealand Inc.) comply with ICAO's standards and recommended practices, which result in a revised "Level of Effective Implementation" score. Audit findings often include possible recommendations to change statutory settings as well as Rules, and address issues of concern to the Ministry, CAA and TAIC.

New Zealand has an obligation to comply with ICAO's standards and recommended practices (unless it finds it impracticable to do so). New Zealand has the obligation to notify ICAO of any difference between New Zealand rules and the international standards and recommended practices. New Zealand's approach is to adopt ICAO standards and recommended practices for both the international and domestic aviation sectors, as major safety risks would be created if different procedures and standards were to apply.

International Maritime Organization (IMO)

IMO is a United Nations agency that sets standards for the safety, security, and environmental performance of international shipping. Its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented. New Zealand is currently a signatory to 34 maritime conventions that apply to maritime safety, security, and marine protection matters. New Zealand became a signatory to the International Convention for the Control and Management of Ships' Ballast Water and Sediments in January 2017.

The primary IMO maritime safety convention is the International Convention for the Safety of Life at Sea (SOLAS). New Zealand, as a signatory to this Convention, has very clear obligations - including being bound to have a comprehensive set of safety and security regulations based on the principles prescribed by them. New Zealand engages with the IMO in the development of conventions and implements those to which New Zealand is a party.

The principal international maritime convention for the protection of the environment is the International Convention for the Prevention of Pollution from Ships (MARPOL), to which New Zealand is a signatory. MARPOL includes regulations aimed at preventing and minimising pollution from ships - both accidental pollution and that from routine operations.

International Labour Organization (ILO)

ILO is a United Nations agency that brings together Governments, employers and workers representatives of 187 member States, to set labour standards, develop policies and devise programmes promoting decent work. In 2016, New Zealand became party to the Maritime Labour Convention, which entered into force for New Zealand on 9 March 2017. The Maritime Labour Convention supersedes nine conventions to which New Zealand is a party, and that apply to conditions of work and employment on ships.

Asia Pacific Economic Cooperation (APEC)

New Zealand is a member of the Asia Pacific Economic Cooperation (APEC), and of the Transportation Working Group. Transport Ministers meet annually, to discuss current issues and how their economies can work to address them.

The Transportation Working Group of APEC meets biannually to work towards trade liberalisation and facilitation in the transport sector, economic and technical assistance, and capacity building.

World Forum for Harmonization of Vehicle Regulations (WP 29)

WP29 is a permanent working party in the institutional framework of the United Nations, of which New Zealand became a member in 2002. It works as a global forum allowing open discussions on motor vehicle regulations. The forum works on regulations covering vehicle safety, environmental protection, energy efficiency and theft-resistance.

