



7 December 2023

OC231015

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 11 December 2023

FURTHER INFORMATION ON VOTE TRANSPORT INITIATIVES EXPECTED TO BE CONSIDERED IN THE MINI BUDGET

Purpose

This briefing provides information on Vote Transport reprioritisation initiatives that are likely to be considered as part of the Mini Budget, to support you in your discussions at Cabinet on 11 December 2023.

Key points

- To ensure a more disciplined and sustainable approach to Crown spending, the Government has committed to deliver a Mini-Budget before Christmas which will focus on returning funding for policies identified in the 100 Day Plan and other significant reprioritisation opportunities.
- Treasury has indicated that at least two Vote Transport initiatives will be considered by Cabinet as part of the Mini Budget:
 - Returning funding from the **Clean Car Discount scheme** (\$50 million operating now, with further to come through Budget 2024 once the policy has wrapped up and it is clear what the remaining sum is). Cabinet has already agreed to disestablish the scheme and return the \$50 million [CAB-23-MIN-0471 refers], so the Mini Budget Cabinet paper will merely reflect this decision.

And EITHER:

- Reversing Crown funding allocated to **Let's Get Wellington Moving (LGWM)** in the previous government's draft Government Policy Statement on Land Transport (GPS) 2024 (\$525 million operating and \$355 million capital)
- OR
- Reversing the full Crown grant associated with the **Strategic Investment Programme (SIP)** in the previous government's draft GPS 2024 (\$841 million operating and \$1,544 million capital).
- Reversing partial (LGWM) or full Crown funding for the SIP s 9(2)(g)(i)

s 9(2)(g)(i)

However, returning this funding as part of the Mini Budget does allow the Government to begin from a clean slate when agreeing funding for the new GPS 2024.

- There are two additional 'significant reprioritisation opportunities' for Vote Transport that Treasury have proposed to the Minister of Finance:
 - Reversing Budget 2023 changes to Community Connect, i.e. half price public transport fares for under 25 year olds and free fares for under 13 year olds. This isn't in the Government's 100 Day Plan, but was identified in the National Party Fiscal Plan that was endorsed by coalition partners. If you choose to cancel this policy, funding from 2024/25 onwards could be returned now (approximately \$265 million operating) with potential further funding in the 2023/24 financial year returned through Budget 2024, depending on the timing of the policy ceasing and the costs associated with wind up of the policy.
 - Returning \$500 million of Climate Emergency Response Fund (CERF) funding allocated to GPS 2024. The previous government agreed in-principle to \$7,600 million of funding for their draft GPS 2024 from a combination of funding sources¹ [CAB-23-MIN-0352 refers]. As you will be issuing a new draft of GPS 2024, with different investment priorities and a different funding mix, you could choose to return elements of the previous government's GPS funding package now, and prepare your new GPS funding package from a clean slate.
- The final 'significant reprioritisation opportunity' identified by the Ministry of Transport and Treasury (which we note has not been included in Treasury's advice to the Minister of Finance due to uncertainty on the timing of decisions) is funding associated with ceasing work on the Auckland Light Rail (ALR) project. We understand that Cabinet is expected to agree to stop work on the ALR project at its 18 December 2023 Cabinet meeting [OC230966 refers]. Similar to stopping the Clean Car Discount, Cabinet will consider returning a portion of funding now (\$98 million capital) while retaining a buffer of \$33.6 million operating expenditure to support wrap up of the project. Once wrap up is complete, any remaining funding can be returned to the centre through Budget 2024. You may wish to discuss with the Minister of Finance whether the return of capital funding is reflected in the Mini Budget Cabinet paper, or if financial decisions are instead taken on 18 December 2023 outside of the Mini Budget process. The draft Cabinet paper on ALR which is currently with your office for ministerial consultation is drafted on the basis that the ALR capital appropriation is returned to the centre outside of the Mini Budget process.
- If the options above are not considered as part of the Mini Budget, you can still make decisions on these items at a later time. For instance, you could choose to utilise them in Budget 2024 as reprioritisation options to offset any funding requested for Vote Transport (e.g. funding for critical cost pressures and / or investment priorities in GPS 2024).

¹ Funding sources included: \$500 million from the CERF, \$300 million to be hypothecated from safety camera and traffic infringement fines, \$2.4 billion as a Crown grant, \$3.1 billion from a Crown loan, and \$1.3 billion from a 4 cents per annum increase to Fuel Excise Duty and Road User Charges.

BUDGET SENSITIVE

- Where appropriate, you could also use reprioritisation opportunities to contribute to your Vote Transport baseline savings proposal required by the Minister of Finance.
- Once decisions are taken by Cabinet on 11 December 2023, the Ministry will provide further advice to you on the implications of the Mini Budget on both the baseline savings proposal and options for a Vote Transport Budget 2024 package.
- Please see **Annex 1** for a summary of each of the above significant reprioritisation options, including advice on risks and implementation considerations.

Recommendations

We recommend you:

- 1 **note** that on Monday 11 December 2023, Cabinet is expected to consider a Mini Budget package that returns funding for policies identified in, or associated with, actions in the Government's 100 Day Plan
- 2 **note** that Treasury has signalled at least two Vote Transport initiatives are likely to be included in the Mini Budget: returning funding from the Clean Car Discount and either funding associated with Let's Get Wellington Moving in GPS 2024 or funding for the entirety of the Strategic Investment Programme in GPS 2024
- 3 **note** that you also have options to suggest returning funding associated with other actions in the 100 Day Plan, such as reversing recent changes to Community Connect and immediately returning funding from 2024/25 (approximately \$265 million), returning CERF funding allocated to GPS 2024 (\$500 million), and / or returning funding for Auckland Light Rail strategic land acquisition (\$98 million)
- 4 **note** that any reprioritisation opportunities that are not included in the Mini Budget can still be used through Budget 2024 to offset funding for your investment priorities / address critical cost pressures
- 5 **note** that the Ministry of Transport will provide you with further information on the implications of the Mini Budget on both the baseline savings proposal and Budget 2024.



David Wood
Deputy Chief Executive, Investment & Monitoring

08/12/2023

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

Approved

Declined

Seen by Minister

Not seen by Minister

Overtaken by events

BUDGET SENSITIVE

Comments

Contacts

Name	Telephone	First contact
David Wood, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓
Jess Edlin, Principal Adviser, Investment		

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 1: SIGNIFICANT REPRIORITISATION OPPORTUNITIES FOR CONSIDERATION BY CABINET AS PART OF THE MINI BUDGET

Summary of significant reprioritisation opportunities

Reprioritisation option	OPEX savings	CAPEX savings	TOTAL
Returning funding for the Clean Car Discount scheme	50.000	-	50.000
Reversing Crown funding allocated to Let's Get Wellington Moving OR	525.000	355.000	880.000 OR
Reversing Crown funding for GPS 2024 (option 1 – Crown grant funding)	841.000	1,544.000	2,385.000
Reversing Crown funding for GPS 2024 (option 2 – CERF funding)	500.000	-	500.000
Reversing Budget 2023 changes to Community Connect	265.212	-	265.212
Stopping Auckland Light Rail	-	98.000	98.000

Detailed advice on implementation considerations and risks associated with returning funding for identified initiatives

Returning funding for the Clean Car Discount scheme						
Description	On 4 December 2023, Cabinet agreed to end the Clean Car Discount scheme, including both rebates and charges, from 11.59pm on 31 December 2023.					
Implementation considerations	<ul style="list-style-type: none"> You will seek Cabinet's approval to introduce and pass a Bill, under urgency, to end the Clean Car Discount by 31 December 2023. 					
Risks	<ul style="list-style-type: none"> Implementation risk: Motor vehicle traders will be required to update labels on all vehicles for sale, which will lead to significant demand on the label generator database. There is a risk that, if there are issues with the label generator over this period, motor vehicle traders may not be able to comply with the new requirements. The Energy Efficiency and Conservation Authority (EECA), who provide the label generator, will work to prevent any technical issues from occurring over this period. Compliance risk: There is also a risk of trader non-compliance, given the speed at which they will need to update the labels on vehicles and information for vehicles for sale online. To mitigate this risk, officials will undertake proactive communications to vehicle traders notifying them of the label changes and encouraging compliance with the updated regulations. Emissions reduction risk: The discontinuation of the Clean Car Discount scheme is expected to result in a total cumulative increase in emissions of approximately 1,100 to 2,200 Kt CO₂-e by 2050. However, based on current modelling, removal of the Clean Car Discount scheme is not expected to affect achievement of the transport sector's contribution to the first emissions budget. The development of the second emissions reduction plan will be an opportunity for Ministers and Cabinet to make decisions on the cross-sector policy mix to achieve the second emissions budget and to consider the impact of other policies such as increased roll out of an EV charging network. 					
Operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Removing the Clean Car Discount	\$50 million	-	-	-	-	\$50 million
Please note that the \$50 million returned to the centre on 4 December 2023 is only an initial contribution. \$120.3 million remained in Crown appropriations for the Clean Car Discount as at 31 October 2023, so up to \$70 million may be able to be returned to the centre through Budget 2024 once the scheme has wound up completely.						

BUDGET SENSITIVE

Reversing Crown funding allocated to Let's Get Wellington Moving						
Description	<p>You have committed to withdrawing central government from Let's Get Wellington Moving (LGWM). As part of this withdrawal, specific projects associated with the programme could be stopped or re-scoped.</p> <p>LGWM is a partnership between NZTA, Greater Wellington Regional Council (GWRC) and Wellington City Council (WCC). The approximate funding split across the programme is 60:40 between NZTA (to be funded from the NLTF) and GWRC/WCC, confirmed in a 'Relationship and Funding Agreement'. Decisions about central government's participation rest with the NZTA Board, but given developments since LGWM was initiated Crown funding is likely to be critical to delivering its State Highway and Mass Rapid Transit components. We recently provided separate advice (OC230960 refers) about disestablishing LGWM by mutual agreement among NZTA, GWRC and WCC.</p>					
Implementation considerations	<ul style="list-style-type: none"> While the NZTA Board has ultimate decision making rights over how it wishes to allocate the NLTF, the Crown can influence these decisions with the level of funding that is provided to NZTA to implement GPS 2024. At present the State Highway and Mass Rapid Transit components of LGWM over the 2024-2027 period have an \$880 million allocation within the GPS 2024 'Strategic Investment Programme'. The Crown can reverse the in-principle decision that funds the Strategic Investment Programme – this would be straightforward to implement. Funding for local LGWM projects has not been included in the below table. Many of these projects, such as the Golden Mile and Thorndon Quay / Hutt Road, have already had funding approved by the NZTA Board and WCC. 					
Risks	<ul style="list-style-type: none"> Any funding returned to the centre would need to be considered with respect to manifesto commitments to deliver the second Mount Victoria Tunnel. The Wellington region is growing, and that growth is likely to lead to further expectations about central government funding for the region's transport needs (particularly in the absence of LGWM). 					
Operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Withdrawing support for LGWM	-	130.000	165.000	230.000	-	525.000
Capital savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Withdrawing support for LGWM	-	86.000	102.000	167.000	-	355.000
<p>Please note that given LGWM is not a Crown-led programme of works, the funding that could be returned is not funding specifically allocated to LGWM. Rather, it is a subset of the previous government's funding to enable the Strategic Investment Programme through GPS 2024, and this option would reduce the Crown grant that the previous government agreed in-principle to provide.</p>						

Reversing Crown funding for GPS 2024						
Description	<p>As you are intending to issue a new draft of GPS 2024, with different investment priorities and a different funding mix, you could choose to return elements of the previous government's GPS funding package (which included a \$2.4 billion Crown grant and \$500 million of CERF funding) now, and prepare your new GPS funding package from a clean slate.</p>					
Implementation considerations	<ul style="list-style-type: none"> The Crown can reverse the in-principle decisions that funded GPS 2024 – this would be straightforward to implement (i.e. a Cabinet paper). The Ministry will then provide you with advice on the quantum of funding, and relevant potential funding sources, to progress the investment priorities and flagship projects in your revised GPS 2024 draft. 					
Risks	N/A					
Operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL

BUDGET SENSITIVE

Returning operating grant for GPS 2024	-	191.000	265.000	385.000	-	\$ 841.000 million
Returning CERF funding for GPS 2024	-	166.700	166.700	166.700	-	\$500 million
Capital savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Returning capital grant for GPS 2024	-	271.000	399.000	874.000	-	\$1,544.000 million

Reversing Budget 2023 changes to Community Connect						
Description	A decision could be taken to reverse recent Budget 2023 changes to Community Connect, namely removing free public transport for 5-12 year olds and half price public transport for 13-24 year olds. This was a reprioritisation option signalled in the National Party Fiscal Plan.					
Implementation considerations	<ul style="list-style-type: none"> Policy decisions would be required to end or change the subsidy levels (including consultation with NZTA and local government). Subsidies could be removed relatively quickly, though we note from recent changes to Community Connect that there is complexity in adjusting IT systems. Public transport fare changes can be very confusing for the public, and local government would need to increase their communications and customer support during the transition. The funding agreement between the Ministry of Transport and NZTA, and the agreements between NZTA and Public Transport Authorities, commit to a minimum of 3 months' notice before ending Community Connect subsidies. Therefore if this option is taken, we would recommend that Cabinet agree to return funding from 2024/25 onwards immediately, but retain funding in 2023/24 to ensure an appropriate buffer for wind up costs, and return any residual funding through Budget 2024. 					
Risks	<ul style="list-style-type: none"> s 9(2)(g)(i) Although emissions impacts are not an explicit intended outcome of public transport subsidies, further analysis may be useful to understand the extent to which these subsidies materially affect uptake of public transport - as this could have implications for Emissions Reduction Plan sub target 1 for Transport: <i>reducing total km travelled by the light feet by 20% by 2035 through improved urban form and providing better travel options, particularly in our largest cities.</i> 					
Estimated operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Free public transport for 5-12 year olds and half price for 13-24 year olds	-	65.303	65.303	67.303	67.303	265.212

Stopping Auckland Light Rail	
Description	On 18 December 2023, Cabinet will be asked to agree to immediately cease work on ALR, and disestablish ALR Limited (ALR Ltd).
Implementation considerations	<ul style="list-style-type: none"> There is currently \$98 million capital funding and \$33.6 million operating funding that remains unspent and could be returned to the centre; however, there are wrap up costs associated with ending ALR. We propose returning the \$98 million of capital funding now, noting that the true level of operating funding that can be returned to the centre will be determined once wrap-up is complete. Factors that will influence the quantum of funding remaining include the speed at which disestablishment progresses, and the nature of termination clauses in the contracts held by ALR Ltd. Shareholding Ministers are seeking Cabinet's authorisation to implement this decision.

BUDGET SENSITIVE

Risks	<ul style="list-style-type: none"> • s 9(2)(g)(i) • It is critical that the IP from the project is returned to the Ministry of Transport so it can inform future mass rapid transit work. 					
Capital savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Returning remaining funding for strategic land acquisition	\$98 million	-	-	-	-	\$98 million

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA



8 December 2023

OC231040

Hon Simeon Brown

Minister of Transport

VOTE TRANSPORT FISCAL CLIFFS AND COST PRESSURES

Purpose

This aide memoire responds to your request for information on Vote Transport fiscal cliffs and cost pressures.

Key points

- The following attachment provides information on five fiscal cliffs for Vote Transport (defined as situations where the Crown has committed to fund an initiative in full, but only partial funding has been approved thus far) and nine further cost pressures that have or may eventuate.
- Please note that some of the initiatives identified have been signalled for inclusion in Budget 2024, but not all will require immediate attention. The Ministry of Transport will provide you with further advice on Budget 2024 before Christmas, including options available to mitigate or manage fiscal cliffs and cost pressures through:
 - scaling, deferring, phasing, or stopping initiatives
 - use of alternative funding sources.
- Two items in the summary of fiscal cliffs and cost pressures relate to investment in rail. Given the complexity and magnitude of investment signalled for rail, we will also provide you with advice before Christmas on rail cost pressures and priorities.

Contacts

Name	Telephone	First contact
Tim Herbert, Manager, Investment	s 9(2)(a)	✓
Jess Edlin, Principal Adviser, Investment		
Abby McRoberts, Adviser, Investment		

Attachments

Fiscal cliffs and cost pressures on committed projects in Vote Transport

Fiscal cliffs and cost pressures on committed projects in Vote Transport

Part 1: Fiscal cliffs

We have defined a 'fiscal cliff' as a situation where either the government:

- has committed to fund an initiative or programme in full, but only partial funding has been approved
- has provided time-limited funding to address an ongoing cost pressure, and additional Crown funding is expected to be sought to address this.

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
<p>Rail Network Investment Programme (RNIP)</p> <p>The Rail Network Investment Programme (RNIP) 2021 sets out a three-year investment programme and a ten-year investment forecast for planned network maintenance, management, renewal, and improvement works on the national rail network. The RNIP is delivered by KiwiRail and funded predominantly by the Crown and the National Land Transport Fund (NLTF). The 2021 RNIP focusses on funding the freight network, with most metropolitan rail improvements and renewals having been funded through several bespoke arrangements (see later entry on metropolitan rail networks).</p> <p>The previous government approved funding for the Crown share of the first five years of the RNIP (21/22 – 25/26) but funding for the remaining five years (26/27 onwards) has not been approved.</p> <p>s 9(2)(f)(iv)</p>	Operating	529.970	443.940	338.300	-	-
		s 9(2)(f)(iv)				
<p>North Island Weather Events – state highway and local road response, recovery and resilience</p> <p>The North Island Weather Events (Cyclone Gabrielle and the Auckland Anniversary Floods) caused significant damage to the state highway (SH) and local road (LR) networks in affected areas. Further works are required to return the network to a functional state and build in additional resilience (should Ministers support this).</p> <p>The previous government approved time-limited funding for SH and LR response and recovery works and some minor resilience improvements, noting that additional funding would be required. Time-limited funding was approved as costs remained uncertain and claims from local</p>	Operating	453.600	42.000	-	-	-
	Capital	278.000	135.000	-	-	-
	Operating	s 9(2)(f)(iv)				

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
councils were yet to be received. NZTA has now undertaken further work on strategic rebuild options and received additional information on likely local council requests that have informed current estimates of the further funding required. Note: You have been provided further advice on cyclone recovery (OC230822 refers).	Capital	s 9(2)(f)(iv)				
<p>Civil Aviation Authority (CAA) liquidity facility</p> <p>CAA is currently reliant on a level of Crown funding (the ‘liquidity facility’) to maintain its core functions, as levy revenue is insufficient to meet its necessary costs. The need for Crown funding emerged when COVID-19 restrictions reduced passenger numbers significantly and led to a drop in associated levy revenue.</p> <p>The CAA is completing a funding review, s 9(2)(f)(iv)</p> <p>s 9(2)(f)(iv)</p> <p>The previous government provided one year of liquidity facility funding to CAA at a time (i.e. Budget 2023 approved funding for 23/24). Therefore, additional Crown funding is required through Budget 2024 to maintain CAA s 9(2)(f)(iv)</p> <p>Note:</p> <ul style="list-style-type: none"> The \$91.777 million represents a full year of support for CAA, but the amount of Crown funding required may reduce if a) the funding review is implemented before 1 July 2025, and / or b) liquidity facility funding from Budget 2023 is not fully utilised and can be transferred to 2024/25 to offset costs. Maritime New Zealand (MNZ) has also relied on Crown funding to maintain its core functions since COVID-19 emerged. MNZ is completing a funding review with a new funding model expected to come into effect on 1 July 2024. If this process is delayed, additional Crown funding may be required to maintain MNZ until the new funding model comes into effect. 	Operating	72.053	-	-	-	-
	Operating	-	91.777	-	-	-
<p>Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations</p> <p>In Budget 2023, the previous government agreed to increase CAA’s allocation from the Working Safer Levy to support it to fulfil its increased HSWA delegations. However, funding was only</p>	Working Safer Levy	4.000	1.200	1.200	1.200	1.200

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
<p>sought for one year (23/24) to align with liquidity facility funding that was also approved through Budget 2023. CAA will seek additional funding through Budget 2024 from the Working Safer Levy to fund this uplift s 9(2)(f)(iv) MBIE, who manages the Levy, is aware of this uplift and has made provision for the funding request.</p> <p>Note: Funding approved from the Working Safer Levy (comprised of revenue collected from businesses) does not impact operating or capital allowances and is therefore fiscally neutral to the Crown.</p>	Working Safer Levy	-	2.800	s 9(2)(f)(iv)		
<p>Implementing GPS 2024</p> <p>We are in the process of re-drafting GPS 2024 to align with your priorities, which requires forecasting the cost of delivering the Transport for the Future programme. While the three-year cost of the programme aligns with funding agreed in principle by the previous government for their Significant Investment Programme (SIP), funding beyond 2026/27 to complete the construction of initiatives included in GPS 2024 was never agreed. As such, funding beyond 2026/27 for your Transport for the Future programme is also unresolved at present and is considered a fiscal cliff.</p>	Operating	-	191.000	265.000	385.000	-
	Capital	-	271.000	399.000	874.000	-
	Operating & Capital (division unclear)	-	-	-	-	s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA

BUDGET-SENSITIVE

Part 2: Cost pressures

We have defined a 'cost pressure' as a situation where either:

- the government has approved funding for an initiative at its original cost envelope, but the total cost to deliver the initiative or service has since increased due to external factors
- an entity outside of central government that delivers services the Crown has an interest in has identified cost pressures and seeks Crown support to address them.

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
<p>Metropolitan rail networks (Auckland and Wellington)</p> <p>A substantial programme of work is required to renew ageing assets on the Auckland and Wellington metropolitan rail networks to deliver reliable and resilient passenger rail services, and to fund the ongoing maintenance of these assets. These works include:</p> <ul style="list-style-type: none"> Completion of existing renewals work programmes - s 9(2)(f)(iv) [redacted] [redacted] Auckland's Rail Network Rebuild (RNR) s 9(2)(f)(iv) [redacted] [redacted] have experienced cost escalations and cannot be completed within the current funding allocated. Urgency is being placed on securing funding to complete the Auckland programme to support Day One operation of the City Rail Link. Backlog of deferred renewals - approximately \$1 billion over the next ten years Since the RNR s 9(2)(f)(iv) [redacted] work programmes were commissioned and the 2021 RNIP was agreed, KiwiRail's asset management maturity has notably improved and they now have a detailed understanding of asset conditions and the work required to improve and maintain the rail network at a resilient and reliable level. KiwiRail estimates the cost of getting both the Auckland and Wellington networks up to the expected level of service is approximately \$1 billion over the next ten years. Local share shortfall - s 9(2)(f)(iv) [redacted] over the next three years Auckland Transport (AT) and Greater Wellington Regional Council (GWRC) 	Operating	206.000	103.000	3.000	-	-
	Operating	s 9(2)(f)(iv) [redacted]				

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
<p>are required to fund their share of metro network maintenance and renewals, which are detailed in the Network Management Plans developed by KiwiRail. However, since 2022/23, both councils have signalled that they are unable to afford their share as costs have escalated beyond what AT and GWRC consider to be affordable. KiwiRail are seeking Crown support to bridge the funding gap for the councils, noting that costs will continue to increase in future as more rail assets are added to the metro network, requiring ongoing maintenance.</p> <p>Additional funding from Budget allowances and/or the National Land Transport Fund (NLTF), alongside further negotiations with Auckland Transport and Greater Wellington Regional Council on reasonable contributions, may be required to complete these works.</p>						
<p>New Zealand Upgrade Programme (NZUP)</p> <p>NZUP includes several roading and rail projects for which NZTA and KiwiRail are delivery agencies. Current Crown investment in NZUP transport projects is \$8.928 billion. Cost pressures have been identified on several NZUP projects and the current programme cannot be delivered within the existing funding allocation.</p> <p>Completing the programme as currently scoped will require an estimated s 9(2)(f)(iv) additional Crown investment.</p>	Capital	1,492.000	1,734.000	1,244.000	778.000	548.000 (no outyears)
	Capital	s 9(2)(f)(iv)				
<p>[COMMERCIAL-SENSITIVE]</p> <p>Project iReX (Interisland Resilient Connection)</p> <p>This is a KiwiRail project to replace the existing InterIslander fleet with two large ferries and undertake associated landside redevelopment. The previous government approved total Crown funding of \$735 million (including \$300 million in tagged contingency (TC)) for iReX. In September 2023, the previous government agreed in-principle to provide an additional \$750 million for iReX, however this was not formally approved or included in the Crown’s fiscal forecast.</p>	Capital	116.299	142.121 (TC)	145.335 (TC)	12.544 (TC)	
	Capital	1,476.000				

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
<p>In November 2023, KiwiRail advised that further cost escalation and increase in required contingency has occurred, increasing total project costs to an estimated \$2.954 billion. To meet total project costs the government would need to formally approve the \$750 million (agreed in-principle by the previous government) and an additional \$726 million (to meet the now \$1.476 billion funding shortfall).</p> <p>On Monday 11 December, Cabinet will consider to either proceed with iReX (increasing the iReX tagged contingency) or stop work (providing no further Crown funding. If work is stopped, the KiwiRail Board will likely seek to resolve its obligations under iReX including cancelling the ferry contracts.</p>						
<p>Ground-Based Navigation Aids (GBNAs) for aviation safety</p> <p>In Budget 2022, the previous government approved funding for Airways NZ to deliver five ground-based navigation aids (GBNAs) that are used to safely recover aircraft as an emergency alternative to GPS navigation across mainland New Zealand. The full suite of GBNAs are required to achieve the minimum operating network requirements, and ensure the resilience needs identified in the Cabinet-approved 2014 National Airspace and Air Navigation Plan (NAANP) are met.</p> <p>The funding approved in Budget 2022 is no longer sufficient to fund all five GBNAs due to significant increases in manufacturing costs and civil works.</p>	Operating	0.400	0.400	0.400	0.400	0.400
	Capital	10.000	-	-	-	-
	Operating	-	-	-	-	-
	Capital	-	-	4.900	2.700	0.100

s 9(2)(f)(iv)

PROMPTLY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
CAA has indicated that the funding in tagged contingency will no longer be sufficient to implement the package. Work is underway to determine the additional funding required.						
Auckland Transport Alignment Project (ATAP) The GPS 2021 was developed with the expectation that the ATAP, along with the previous government's other priorities, could be funded from the NLTF to the value of \$16.3 billion over 10 years. Cost pressures and increases to the scope of the programme mean that ATAP projects can no longer be delivered within the original funding contributions expected from the NLTF and Auckland Council. The \$6 billion approximate capital funding shortfall relates to the draft 2024 programme (the Auckland Integrated Transport Plan). This plan is a 30+ year plan, however costs shown relate to the next ten year phase only. It includes business case funding requirements but not implementation estimates, for example Waitematā Second Harbour Crossing business case costs are included, but not the funding construction. s 9(2)(f)(iv)	Operating	ATAP projects to date have been funded by a mix of NLTF, Crown and local share funding				
	Capital					
	Operating	TBC				
	Capital	6,000.000				
s 9(2)(i)	Operating	s 9(2)(i)				
	Operating	s 9(2)(i)				
	Operating	s 9(2)(i)				

BUDGET-SENSITIVE

Initiative	Approved funding (\$m) Further funding required (\$m)					
	Operating or Capital	23/24	24/25	25/26	26/27	27/28 & Outyears
s 9(2)(i)						
Fuel Excise Duty reduction policy wash-up NZTA are seeking funding to address an NLTF revenue shortfall issue associated with the conclusion of the FED 25 cents per litre reduction policy. Cabinet had agreed to top up the NLTF to account for the anticipated shortfall in revenue as a result of the FED reduction policy, however Customs' revenue recognition policy resulted in FED revenue earned at the discounted rate being recognised in the 2023/24 period. Given the multi-year appropriation that held funding for the policy had concluded on 30 June 2023 and all funding returned to the centre, there was no funding available from 1 July 2023 to reimburse NZTA for the lost revenue.	Operating	-	-	-	-	-
	Operating	32.000	-	-	-	-
Coastguard NZ and Surf Life Saving NZ critical cost pressures In Budget 2020, Coastguard NZ and Surf Life Saving NZ received funding to ensure that maintenance of critical frontline prevention and rescue services to reduce New Zealand's drowning toll. However, increasing volume, price and wage pressures have meant that both organisations are now forecasting ongoing deficits and have limited options to absorb these pressures without a reduction in frontline services, ultimately risking the potential loss of life.	Operating	15.145	15.145	15.145	15.145	15.145
	Operating	-	13.671	15.112	16.606	18.255

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA



15 December 2023

OC231056

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 18 December 2023

RETURNING AND REALLOCATING TRANSPORT CHOICES FUNDING

Purpose

To confirm the process for dealing with \$124.1 million of uncommitted funding from the Transport Choices programme including returning \$83.4 million of funding to the Crown and options for reallocating the remaining \$40.7 million to local road maintenance activities.

Key points

- NZ Transport Agency Waka Kotahi (NZTA) provided you advice on the Transport Choices programme and options for returning non-committed funding to the Crown [BRI-2921 refers]. NZTA advised that \$124.1 million of uncommitted funding could be returned without impacting inflight projects, but proposed \$40.7 million of this be retained for additional recommended projects.

Reallocating \$40.7 million to local road maintenance activities

- You have asked if \$40.7 million from Transport Choices could instead be reallocated to local authorities to invest in local road maintenance activities. To do this, the funding would first need to be removed from the Transport Choices appropriation (as the scope of this appropriation specifies the funding can only be used for walking, cycling and public transport projects), and then appropriated into a new or existing appropriation with a scope that allows for expenditure on local road maintenance.
- The simplest way to reallocate this funding would be to seek Cabinet's approval to remove the \$40.7 million from the Transport Choices appropriation and reallocate this to GPS 2024 and the National Land Transport Fund (NLTF). This could be done through the Draft GPS 2024 Cabinet paper, expected to be considered in February 2024, where you will seek Cabinet's agreement to the new GPS 2024 funding package (of which the \$40.7 million reprioritisation would be one component).
- The allocation of this funding to local road maintenance activities can be operationalised by increasing the lower and upper bands of the local road maintenance activity class by \$40.7 million (either in one financial year or spread across three). By increasing the lower band, \$40.7 million more can be spent on local road maintenance than otherwise might have if this funding was not provided.

BUDGET SENSITIVE

- An alternative option is to reallocate the \$40.7 million outside of the NLTF (and by proxy, GPS 2024). We consider this an inferior option as it would require NZTA to stand up a bespoke process to consider and monitor projects, for what is a relatively small amount of funding in the context of the NLTF. Allocating the \$40.7 million to the NLTF enables NZTA to use its existing National Land Transport Programme (NLTP) processes to prioritise and allocate the funding to local authorities in the normal manner.

Returning the remaining \$83.4 million to the Crown

- We recommend you return the remaining \$83.4 million of uncommitted Transport Choices funding to the Crown through the Budget 2024 process, rather than in the Draft GPS 2024 Cabinet paper.
- Returning the \$83.4 million in Budget 2024 will enable you to present this as a reprioritisation opportunity to offset funding for specific transport cost pressures and / or new spending initiatives that constitute your Vote Transport Budget 2024 package. Returning the \$83.4 million in the Draft GPS 2024 Cabinet paper could mean the saving is 'lost' as it is separated from Cabinet's decision to approve Budget 2024 initiatives for transport.

Next steps

- If you confirm you are comfortable with this approach, we will incorporate this into future GPS 2024 and Budget 2024 advice.
- Treasury has confirmed they are comfortable with this approach.

Recommendations

We recommend you:

- 1 **confirm** you are comfortable with the proposed approach for reallocating and returning uncommitted Transport Choices funding (reallocating \$40.7 million to local road maintenance activities through GPS 2024 and returning \$83.4 million in Budget 2024).

Yes / No



David Wood
Deputy Chief Executive, Investment & Monitoring

15 / 12 / 2023

Hon Simeon Brown
Minister of Transport

..... / /

Minister's office to complete:

- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

BUDGET SENSITIVE

Comments

Contacts

Name	Telephone	First contact
David Wood, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓
Abby McRoberts, Adviser, Investment		

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA



21 December 2023

OC231061

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 15 January 2024

BUDGET 2024: DEVELOPMENT OF A VOTE TRANSPORT BUDGET PACKAGE AND BASELINE SAVINGS PROPOSAL

Purpose

This briefing provides you with an overview of Budget 2024 expectations and process, including advice on the development of a permanent baseline savings proposal, and development of your Vote Transport Budget package. We seek your direction on the initiatives that you would like to progress through Budget 2024.

Key points

- Our understanding is that there are three core outputs required for Budget 2024: a baseline savings proposal, a package of Vote Transport Budget initiatives, and reprioritisation opportunities (to offset the cost of any cost pressures / new spending initiatives included in your Budget package).

Baseline savings proposal

- The Ministry of Transport (the Ministry) expects you will receive a revised savings target from the Minister of Finance in the coming days. Ahead of receiving a revised baseline savings target, the Ministry has worked with transport agencies to identify the consequences associated with reducing baseline funding.
- We believe there is <\$9 million per annum available that could be returned without impacting the delivery of core services. Difficult policy choices to scale or stop specific transport initiative/s will likely be required to make up any remaining savings required. The alternative option is to seek permission from the Minister of Finance to have recent reprioritisation decisions from the Mini Budget recognised as part of your baseline savings proposal (i.e. banking the savings that were achieved from ending the half price public transport fares for under 25 year olds and free fares for under 13 year olds policy).

Vote Transport Budget 2024 initiatives

- We understand that the Minister of Finance is considering inviting two transport cost pressures for consideration in Budget 2024: Civil Aviation Authority (CAA) liquidity facility (for CAA to maintain viability as a going concern until their funding review is implemented) and North Island Weather Events: Local Road recovery funding.

- Transport agencies have identified several additional cost pressures and fiscal cliffs that you could choose to include in your Budget 2024 package. Information on each initiative, including alternative funding options and risks associated with funding not being provided, are outlined in this briefing. We seek an indication of which initiatives you would like transport agencies to progress or not.

Reprioritisation opportunities

- We expect any Budget 2024 initiatives you propose (beyond those invited by the Minister of Finance) will need to be accompanied by savings initiatives. Alternatively, reprioritisation opportunities can be used to fulfil the baseline savings target.
- The Ministry has identified seven existing initiatives which if scaled or stopped could provide up to s 9(2)(f)(iv) We seek an indication of which savings initiatives you would like to pursue further and the Ministry to provide you further advice on.

Recommendations

We recommend you:

- 1 **note** that officials will meet with you in mid January 2024 to discuss your investment priorities and agree the initiatives and reprioritisation opportunities that you would like to see developed for Budget 2024.



David Wood
Deputy Chief Executive, Investment & Monitoring
 21 / 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
David Wood, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓

BUDGET 2024: DEVELOPMENT OF A VOTE TRANSPORT BUDGET PACKAGE AND BASELINE SAVINGS PROPOSAL

Context

- 1 The Budget process is your opportunity to seek and / or reprioritise Crown funding to deliver your strategic objectives and priorities with respect to transport.
- 2 On 11 December 2023, Cabinet agreed to return funding for initiatives identified in the 100 Day Plan as part of a Mini Budget. For Vote Transport, this involved returning / reversing \$1,340 million OPEX and \$355 million CAPEX of previous funding decisions¹ [CAB-23-MIN-0490 refers].
- 3 At the same meeting, Cabinet agreed the Budget 2024 strategy which outlines the parameters for the full Budget process. The Ministry does not have visibility of what has been agreed as we are yet to receive the formal Budget guidance from Treasury, but we understand there are likely to be three outputs required for Budget 2024 that we will support you to submit to the Minister of Finance:
 - 3.1 A **baseline savings proposal** that permanently reduces Crown expenditure by a specified amount.
 - 3.2 A **Budget package for Vote Transport** consisting of initiatives invited for submission by the Minister of Finance and any additional bids that you would like to submit for consideration (as long as they are funded through reprioritisation within baselines).
 - 3.3 **Reprioritisation opportunities** to offset the cost of Budget bids that have not been explicitly invited into the Budget process, but that you wish to submit for consideration.
- 4 Treasury has advised that portfolio Ministers will receive a letter from the Minister of Finance in the week beginning 18 December 2024, outlining:
 - 4.1 a new baseline savings target for each Vote
 - 4.2 cost pressures that you have been invited to submit in your Budget package
 - 4.3 timeframes for the submission and consideration of Budget initiatives and your baseline savings proposal.
- 5 To give context to the letter you receive from the Minister of Finance, this briefing provides you with an update on the work the Ministry has undertaken to date on the outputs described in paragraph 3, and provides options for the development of a Vote Transport budget package.

¹ Cabinet agreed as part of the Mini Budget to return \$50m OPEX for the Clean Car Discount, \$525m OPEX and \$355m CAPEX for Let's Get Wellington Moving, \$500m OPEX funding from the National Land Transport Fund, and \$265m OPEX to end free public transport for 5-12 year olds and half price public transport for 13-24 year olds.

- 6 We will meet with you in mid January 2024 to seek your direction on the Budget bids that you would like to progress for development, and the reprioritisation opportunities that you would like to explore further.

Baseline savings proposal

- 7 The Government has set clear expectations that Crown expenditure must reduce from 2024/25 to put downward pressure on inflation, and support a return to surplus.
- 8 Treasury has issued initial guidance on the parameters for the baseline savings exercise. Savings must be permanent, and the first port of call must be consultancy and contractor spend. Savings should primarily come from operating expenditure, and should not create cost pressures, or impact the delivery of frontline services, legal requirements, or government priorities.
- 9 The focus on operating expenditure presents a challenge for the transport sector as our operating funding represents a smaller percentage of our Vote (57%) compared with other Votes such as Business, Science and Innovation (83%) and Education (89%). Therefore, there are proportionately fewer areas where savings could come from. Also, a significant portion of our operating expenses are driven by our capital expenditure. Reducing operating expenditure may jeopardise the delivery of projects funded through capital expenditure.
- 10 The previous government had instructed Vote Transport to reduce expenditure by 2% (\$15.23 million) based on an eligible baseline of \$761 million. We understand that the Minister of Finance will seek to increase the savings target by, on average, an additional 6.5% and potentially amend the eligible baseline expenditure to better align with the Government's fiscal goals.
- 11 We welcome reconsideration of the eligible baseline expenditure for two reasons:
- 11.1 the \$761 million baseline includes a significant proportion of time limited funding (57%) which does not count towards the savings proposal, and therefore places a greater burden on the remaining eligible ongoing appropriations to meet the savings target
- 11.2 the \$761 million baseline appears to include \$42 million of funding that meets Treasury's exclusion criteria. For instance, it appears to include funding from sources that cannot be used to provide savings to the Crown (i.e. from Section 9 of the Land Transport Management Act (2003) and the Health and Safety at Work Levy), and appropriations that are offset against the National Land Transport Fund (NLTF) Permanent Legislative Authority (PLA)². Treasury has excluded PLAs from the baseline savings proposal.
- 12 In anticipation of potential changes to the parameters for the baseline savings exercise, the Ministry has worked with agencies to gather information on the consequences of reducing eligible appropriations by up to 10%. We are developing three savings scenarios to ensure you have flexibility to determine the savings proposal that best meets your objectives for transport.

² This includes \$21 million for RUC refunds and bad debt provisions for Waka Kotahi NZ New Transport Agency (NZTA).

- 13 Early insights from the modelling of our three scenarios are summarised as follows (please note that these scenarios all assume a baseline savings target of 10%, or \$76.1 million per annum):

Scenario scope	Insights from early modelling
<p><i>Scenario 1: Strict application of Treasury guidance</i></p> <p>This scenario only uses ongoing OPEX, to demonstrate the consequences of applying the current Treasury guidance to Vote Transport's baseline.</p>	<p>In this scenario, there are only 10 appropriations that are in-scope which primarily include agency head office funding. Reaching a 10% savings target (\$76.1 million per annum) would require an 80–100% reduction in funding for all 10 appropriations.</p> <p>This illustrates the need to include CAPEX and time-limited funding in our savings proposal to avoid a significant reduction in the size and capabilities (or critical failure) of the Ministry and transport agencies.</p>
<p><i>Scenario 2: Proportional implementation of the savings target across agencies</i></p> <p>This scenario considers the impact on each agency if we proportionally distribute the savings target based on the funding in scope for each agency. Both OPEX and CAPEX are included, as well as ongoing and time-limited funding.</p>	<p>There are 35 appropriations in scope of this scenario. We would expect smaller agencies with Crown funding (i.e. the Ministry, CAA, Maritime New Zealand (MNZ) and the Transport Accident Investigation Commission) to have insufficient funding to deliver core functions, as this scenario requires reductions of 10-40% for policy and administration appropriations.</p> <p>Policy decisions would be required for agencies with significant Crown project funding (i.e. NZTA and KiwiRail) to meet their portion of the savings target. Given the multitude of projects underway, there is greater discretion for Ministers to choose how the target would be met without impacting the delivery of core functions from each agency.</p>
<p><i>Scenario 3: Prioritisation by criticality assessment across the vote</i></p> <p>This scenario uses a prioritisation framework to determine the distribution of savings amongst appropriations that causes the least impact to the Vote. Both OPEX and CAPEX are included, as well as ongoing and time-limited funding.</p>	<p>Scenario 3 also includes 35 appropriations and is the preferred scenario to pursue.</p> <p>Based on the information we have from agencies on areas where funding could be returned and application of our prioritisation framework, we believe there will likely be <\$9 million per annum of funding that could be returned while still maintaining delivery of core functions.</p> <p>The remaining ~\$67 million p/a required to meet the target would need to be met through policy decisions to scale or stop specific projects and return the associated funding.</p>

- 14 The Ministry will provide you with fulsome advice on the baseline savings proposal in January 2024 once our new target has been released and Treasury has updated their guidance. However, we note there may be opportunity to utilise recent reprioritisation decisions to support you in achieving your target without significantly impacting delivery of priorities or core functions.

Savings from public transport subsidies could be included in the Vote Transport baseline savings proposal

- 15 As mentioned in paragraph 2, the Government agreed to return \$1,695 million from Vote Transport through the Mini Budget process. A further \$98 million CAPEX has been returned for Auckland Light Rail at the 18 December 2023 Cabinet meeting. These recent choices, and funding associated with each choice, are outlined in the table below.

BUDGET SENSITIVE

Initiative	23/24	24/25	25/26	26/27	27/28 & outyears	TOTAL over four years (\$m)
Stopping the Clean Car Discount	50	-	-	-	-	50 OPEX
Exiting the Crown's contributions to Let's Get Wellington Moving	-	130	165	230	-	525 OPEX 355 CAPEX
Ending free Public Transport for 5-12 year olds and half price Public Transport for 13- 24 year olds	-	65	65	67	67	265 OPEX
Return funding – National Land Transport Fund	-	166	167	167	-	500 OPEX
Return funding – Auckland Light Rail Strategic land acquisition	98	-	-	-	-	98 CAPEX

- 16 As demonstrated by our initial modelling of scenarios 1 and 2, we are unlikely to be able to achieve our baseline savings target for Vote Transport through reduction of departmental and / or 'back office' expenditure alone. It is likely that further decisions to scale or stop existing policies will be necessary.
- 17 Given the significant amount of funding outlined in the table above that has already been returned to the centre, you may wish to test with the Minister of Finance whether the decisions with financial impacts in 2024/25 onwards can count towards the Vote Transport savings exercise.
- 18 We understand that at the time Mini Budget decisions were taken, no stipulations were made about whether these savings can be used for baseline savings targets. If permissible, this would mean funding returned for public transport subsidies would contribute to the Vote Transport savings target (all other funding in the table above either only relates to 2023/24, or will be sought again as part of the funding package for your new GPS 2024).

Developing a Budget package for Vote Transport

- 19 The Government has been explicit that rebuilding the New Zealand economy will require greater fiscal discipline and, subsequently, limited growth in Crown expenditure. For Budget 2024, this means operating and capital allowances will be constrained and tightly targeted, with the Minister of Finance controlling the submission and consideration of Budget bids through an invite-only process. If Ministers wish to submit additional initiatives for consideration, these may need to be accompanied by reprioritisation options to offset costs (see Annex 3: Summary of additional reprioritisation opportunities for more details on potential Vote Transport options).
- 20 While we are yet to receive the letter from the Minister of Finance detailing the initiatives that are invited for submission, we understand from Treasury that two initiatives are strong contenders for consideration:
- 20.1 **Civil Aviation Authority liquidity facility funding** (up to \$91.2 million – this is funding to ensure CAA continues as a going concern until their funding review is implemented and they can return to cost recovery)

BUDGET SENSITIVE

20.2 **North Island Weather Events: Local Road funding** § 9(2)(f)(iv) depending on the Government's appetite to provide long-term certainty to local councils on rebuilding roads damaged during the North Island Weather Events).

21 As outlined in the previous information we provided you on cost pressures and fiscal cliffs for Vote Transport [OC231040 refers], there are at least 14 pressures that are over and above the two initiatives identified in paragraph 20. Not all of these pressures require decisions now, but the Ministry does advise that some are urgent enough to merit consideration for inclusion in your Budget 2024 package for Vote Transport.

22 Below we provide a summary of the financial decisions that are required before Budget 2024 (and may count against the Budget allowances), the initiatives that we understand will be invited for submission by the Minister of Finance, and the initiatives that the Ministry recommends you consider progressing through Budget 2024.

Initiative – agency	\$m sought over four years	Recommendation
<i>Funding decisions required before Budget 2024</i>		
Government Policy Statement on land transport (GPS) 2024 – Ministry on behalf of NZTA	5,244 (plus 3,080 loan)	Subject to further advice in January 2024.
Completing Auckland's Rail Network Rebuild § 9(2)(f)(iv) – KiwiRail	§ 9(2)(f)(iv) (of which \$65m is considered urgent / needed by February 2024)	§ 9(2)(f)(iv) fund the urgent component through reprioritisation, submit the remainder through Budget 2024, § 9(2)(f)(iv)
<i>Cost pressure initiatives likely to be invited for submission by the Minister of Finance</i>		
Civil Aviation Authority liquidity facility funding – CAA	91	Progress through Budget 2024
North Island Weather Events: Local Road recovery funding – NZTA	§ 9(2)(f)(iv)	Progress through Budget 2024
<i>Additional initiatives the Ministry recommends progressing in Budget 2024</i>		
Maintaining Critical Frontline Prevention and Safety Services at Existing Levels – Ministry on behalf of NZ Search & Rescue	64	Progress through Budget 2024
Ground-Based Navigational Aids – Ministry on behalf of Airways NZ	8	Progress through Budget 2024, or defer to a future Budget round
Health and Safety at Work Act Delegations – CAA	§ 9(2)(f)(iv)	Progress through Budget 2024 (note this is fiscally neutral to the Crown as funding is from Working Safer Levy)
New Zealand Upgrade Programme cost pressures – Ministry on behalf of NZTA and KiwiRail		Progress as a placeholder

Future of Rail – Rail Network Investment Programme – KiwiRail	s 9(2)(f)(iv)	Progress as a placeholder
Metropolitan Rail Network Management Plans and Backlog Renewals – KiwiRail		Progress as a placeholder
Severe Weather / Emergency Response Readiness, Resilience, and Recovery - Ministry on behalf of NZ Search & Rescue	27	Progress as a placeholder

- 23 Please note that detailed information on each initiative, including risks and alternative funding sources or mitigating strategies, is provided in **Annex 1**. This Annex also includes information on initiatives proposed by transport agencies that the Ministry recommends could be deferred to a future Budget round or declined in full, depending on your priorities.
- 24 When we meet with you in the new year, we will seek your direction on the initiatives that you wish for us to develop as your formal Budget 2024 package. Your decisions on the *additional* initiatives selected (i.e. anything beyond the bids that are invited by the Minister of Finance) will dictate the level of reprioritisation we will likely need to submit alongside the Budget 2024 package.
- 25 For completeness, we are also aware of six additional issues that may become cost pressures (or require technical adjustments) in 2023/24. Please see **Annex 2** for further detail. Most of these issues will be able to be addressed through means other than a Vote Transport Budget bid. We will advise you on each of these matters as they progress, including whether Crown funding through Budget 2024 is an appropriate option to consider.

Additional reprioritisation opportunities

- 26 In addition to the savings made in the Mini Budget, the Ministry has identified additional initiatives that could be stopped or scaled to provide savings for reprioritisation. These initiatives could either (a) be submitted to the Minister of Finance as a savings initiative to offset funding for initiatives in your Vote Transport Budget package, or (b) form part of the Vote Transport baseline savings proposal.
- 27 The Ministry has identified seven potential savings initiatives which could provide up to s 9(2)(f)(iv). This includes the \$124.1 million operating you have indicated you intend to remove from the Transport Choices programme and return to the Crown [OC231056 refers].
- 28 The table below includes a summary of each initiative and the Ministry's recommendation. Further information on each initiative, implementation considerations and risks are provided in **Annex 3**.
- 29 We seek an indication of which savings initiatives you are interested in pursuing. The Ministry recommends all initiatives are explored further, but in some cases only recommends removing funding if it is to be reprioritised towards a high priority initiative in the same area (e.g. reprioritising funding from road resilience to essential road cyclone recovery works).

BUDGET SENSITIVE

Initiative	Max. possible savings (\$m) over four years	Recommendation
Returning uncommitted Transport Choices funding	124 OPEX	Submit as a savings initiative (as per your previous direction)
Scaling work to improve resilience of the rail network post-North Island Weather Events	181 OPEX	<p>Explore further, to reprioritise towards higher priority works on the rail network</p> <p>This funding approved in National Resilience Plan (NRP) Phase 2 is to support resilience improvements on damaged sections of the rail network. Although there is long-term benefit in investing in resilience, there are several cost pressures on the rail network that require attention in Budget 2024.</p> <p>We recommend this option is only explored further if reprioritised funds are to enable essential rail works to go ahead.</p>
Scaling the Retaining and Recruiting Bus Drivers initiative	s 9(2)(f)(iv)	<p>Explore further, consider advice on a scaled package</p> <p>The bus driver shortage that existed when this funding was approved by the previous government has eased for now. The Budget 2023 funding is uncommitted, and work is underway to determine the activities funding that should be prioritised for investment (e.g. wage or working environment improvements).</p> <p>As this work is underway, we recommend you consider advice on what improvements could be implemented within a scaled package (e.g. a \$20 million reduction).</p>
<p>s 9(2)(f)(iv)</p> <p>PROACTIVE RELEASED BY WAKA MINISTRY OF TRANSPORT</p>		

Removing coal hopper wagons from the Future of Rail Rolling Stock Investment	48 CAPEX	<p>Explore further, discuss with the Minister for Resources</p> <p>Over previous Budgets, KiwiRail received Crown funding to procure new coal hopper wagons for its rolling stock fleet. s 9(2)(i)</p> <p>_____</p> <p>_____</p> <p>If you are interested in pursuing savings in this area, we recommend you discuss this with the Minister of Resources, to ensure alignment between this decision and the Government's mining licensing policies.</p>
s 9(2)(i)		

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 1: SUMMARY OF POTENTIAL VOTE TRANSPORT BUDGET 2024 INITIATIVES (AND PRE-BUDGET DECISIONS)

Table 1 provides you with a summary of decisions with significant financial implications that are required ahead of the Budget 2024 (and therefore could be progressed as pre-Budget commitments), and an overview of the two cost pressures that we anticipate will be invited for submission by the Minister of Finance. This is followed by two tables on potential Vote Transport Budget 2024 initiatives:

- Table 2 provides detail on initiatives that the Ministry recommends you seek to progress through Budget 2024. The Ministry has previously provided you with advice on cost pressures and fiscal cliffs across Vote Transport [OC231040 refers] but not all of the identified pressures / cliffs need to be addressed immediately. Table 2 primarily represents cost pressures or fiscal cliffs where the Crown has an interest in maintaining the functions, services, or outcomes expected from the proposed investment, and decisions are required within the next financial year. Please note that reprioritisation options may be required to offset the cost of these initiatives given they have not been specifically invited by the Minister of Finance.
- Table 3 provides detail on initiatives proposed by transport agencies which the Ministry recommends could be deferred to a future Budget round (in instances where outcomes align with Government priorities), or declined if viable alternative funding sources exist, or outcomes do not align with Government priorities.

When you meet with officials in mid January 2024, we will seek your direction on which of the initiatives from Tables 2 and 3 you would like to progress through Budget 2024.

Cost pressures prioritisation framework

You will note that for cost pressures initiatives included in the below tables, the Ministry has provided an indicative prioritisation using our cost pressures prioritisation framework. The framework ranks initiatives based on two criteria:

- The magnitude of risk to achieving outcomes / meeting obligations (i.e. critical, high, medium, or low) associated with not receiving funding.
- The categorisation of a pressure as either a statutory obligation, contractual obligation, ministerial priority, or 'other'. This categorisation reflects the level of choice Ministers will have in funding, or not funding, a cost pressure (i.e. applying scaling or deferring). For instance, a statutory obligation must be fulfilled to the level of service specified by legislation, whereas a ministerial priority can be funded to the level of service that Cabinet is comfortable accepting.

Table 1: Funding decisions required before Budget 2024, and initiatives anticipated to be invited for submission

Initiative	Agency	Funding sought (\$m)					Mitigations / alternate funding sources available	Ministry comment
		24/25	25/26	26/27	27/28	TOTAL		
<i>Funding decisions required before Budget 2024</i>								
Government Policy Statement on land transport 2024 This is funding to fill the gap between expected revenue and forecast expenditure for your new GPS 2024. Please see below three rows for greater detail on the funding sources anticipated to constitute your GPS funding package.	Ministry (on behalf of NZTA)	See below	See below	See below	See below	See below	Subject to further advice in January	We have developed a new draft GPS 2024 for your consideration. Based on your feedback, we will develop a Cabinet paper that seeks additional funding to deliver your priorities. This needs to be agreed in February to ensure time for consultation on the updated draft before the release of the Final GPS in June 2024. The three components of the GPS funding package outlined below are as per our understanding of your fiscal plan.
1. Crown grant (operating)		180.000	480.000	720.000	720.000	2,100.000		Income to replace the Fuel Excise Duty/Road User Charge increases proposed by the previous government
2. Crown grant (capital)			3,144.000			3,144.000		This is composed of s 9(2)(f)(iv) to confirm the previous government's 'in-principle' capital contribution to the GPS 2024 and s 9(2)(f)(iv) to replace the previous government's 'in-principle' contributions to the GPS 2024.
3. Crown loan			3,080.000			3,080.000		As per previous funding structure.

<p>Completing Auckland's Rail Network Rebuild s 9(2)(f)(iv)</p> <p>This initiative seeks funding to address pressures associated with the Rail Network Rebuild (RNR) programme in Auckland (\$159m), s 9(2)(f)(iv)</p> <p>These programmes of work address urgent track and infrastructure renewals on assets that have reached end of life, and support improved train control operations and maintenance productivity.</p> <p>The most pressing need is \$65m for RNR, which is critical for Day 1 operations of the City Rail Link. The rest of the funding is urgent but not as time critical.</p> <p>The RNR s 9(2)(f)(iv) deferred renewals work programmes are a subset of the overall work required to lift the rail network to appropriate operational standards. Over the next 10 years, the cost of maintaining and renewing the rail network is expected to increase due to a) KiwiRail having identified an even greater volume of deferred renewals s 9(2)(f)(iv) and b) new rail assets coming online which require ongoing maintenance. KiwiRail is seeking further funding to begin addressing these deferred renewals (see <i>Metropolitan Rail Network Management Plans and Backlog Renewals</i> bid in Table 2).</p>	<p>KiwiRail</p>	<p>s 9(2)(f)(iv)</p>					<p>Yes.</p> <p>The scope of s 9(2)(f)(iv) the RNR s 9(2)(f)(iv) work programmes have been approved by the NZTA Board, and the costs associated with each are included in the forecasts for GPS 2024 funding (signalled in the row above).</p> <p>s 9(2)(f)(iv)</p>	<p>You have a choice to either:</p> <p>a) Fund through GPS 2024, and not submit through Budget 2024 s 9(2)(f)(iv)</p> <p>OR</p> <p>b) Fund through reprioritisation and submit to Budget 2024 Reduce the GPS 2024 funding package by s 9(2)(f)(iv) utilise reprioritisation opportunities to address the \$65m urgent costs for RNR, and progress the remaining s 9(2)(f)(iv) of cost pressures through Budget 2024.</p> <p>We will provide further advice to you on RNR options in the new year.</p>
<p><i>Cost pressure initiatives we anticipate will be invited for submission by the Minister of Finance</i></p>								
<p>Civil Aviation Authority liquidity facility funding</p> <p>Liquidity support for up to one year is required to enable the CAA to undertake its core statutory functions. In response to the disruption of COVID-19, the previous government agreed in 2020 to provide Crown funding to CAA to maintain viability as a going concern and meet the costs of its core functions, until a planned return to cost recovery is implemented. It is anticipated that the earliest date of implementation for CAA's funding review is 28 February 2025. The funding reflected in the subsequent column represents up to twelve months of financial support for CAA, but this figure can be reduced if a) the funding review is implemented before 1 July 2025, and / or b) liquidity facility funding from B23 is not fully utilised and can be transferred to 2024/25 to offset costs.</p>	<p>CAA</p>	<p>91.177</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>91.177</p>	<p>Partially.</p> <p>Partial mitigation. Pressure may reduce if:</p> <ul style="list-style-type: none"> Funding review is implemented before 1 July 2025 CAA does not need to fully utilise B23 liquidity facility funding and funding can be transferred to 2024/25. <p>Alternate funding source. The Crown could choose to provide CAA with a loan rather than a grant. However, this would require a further increase in levies than what is currently proposed through the funding review, and is likely to be met with resistance from the sector.</p> <p>s 9(2)(f)(iv)</p>	<p>Progress through Budget 2024</p> <p>The Ministry considers this cost pressure to be critical, to ensure the CAA continues to meet statutory obligations. We will continue to support the CAA to progress the funding review as rapidly as possible, to minimise the total funding sought over the 2024/25 period.</p>
<p>North Island Weather Events: Local Road recovery funding</p> <p>Further works are required to return the road network to a functional state following damage as a result of the 2023 North Island Weather Events (Cyclone Gabrielle and Auckland Floods). This includes local road recovery works, for which there is an expectation that Crown funding will be provided to cover some of the costs.</p> <p>Recovery funding to date has been paid out at an average Crown share of 68% of the total cost (with a higher Crown share paid in East Coast regions than in Auckland, for example). The previous government approved some funding for local road recovery works in September 2023 from the National Resilience Plan (NRP) contingency. Funding was provided only for claims or indicative claims from local councils received by NZTA at that time. When this funding was approved, the previous government noted further funding would be sought in the next NRP funding round once NZTA received further claims from councils.</p> <p>NZTA is expected to continue to receive claims from local councils and requires additional Crown funding to meet the expected Crown share of these works.</p>	<p>NZTA</p>	<p>s 9(2)(f)(iv)</p>					<p>Partially.</p> <p>Alternative funding source: National Resilience Plan (NRP) contingency. If this initiative received funding from the NRP contingency, there would be no need to seek funding from the Budget 2024 operating allowance. It is not clear how the NRP will function under the new Government and if there will be further funding rounds.</p> <p>The NLTF is not a credible alternative funding source for this work due to the current oversubscription of the fund.</p>	<p>Progress through Budget 2024</p> <p>The Ministry considers this a credible cost pressure, as a lack of Crown funding certainty will stall or stop works to repair damaged local roads.</p> <p>The Ministry will work with NZTA in the new year to refine these costs. We await further instruction on if a further NRP funding round will occur.</p>

Table 2: Potential initiatives the Ministry recommends progressing through Budget 2024

Initiative	Agency	Funding sought (\$m)					Cost pressure prioritisation (if applicable)	Mitigations / alternate funding sources available	Ministry recommendation
		24/25	25/26	26/27	27/28	TOTAL			
<i>Cost pressures</i>									
<p>Maintaining Critical Frontline Prevention and Safety Services at Existing Levels</p> <p>In Budget 2020 Coastguard New Zealand (Coastguard) and Surf Life Saving New Zealand (SLSNZ) received funding to ensure the maintenance of critical frontline prevention and rescue services to reduce New Zealand's drowning toll. However, increasing volume, price and wage pressures have meant that both organisations are now forecasting ongoing deficits and have limited options to absorb these pressures without a reduction in frontline services, ultimately risking the potential loss of life.</p> <p>Additional funding would ensure the following services continue to be provided to protect New Zealanders in, on or around our waters:</p> <ul style="list-style-type: none"> assistance to recreational boat users including on-water safety services, boating education programmes, community initiatives, critical marine communications, and safety and information services proactive beach lifeguarding and essential emergency rescue services, public education beach safety programmes, education, training, and development. 	Ministry (on behalf of NZ Search & Rescue)	13.671	15.112	16.606	18.255	63.644	Other	<p>Limited. These NGOs already seek alternative non-Crown funding (e.g. from lotteries, gambling trusts and donations), but there are many challenges with this approach:</p> <ul style="list-style-type: none"> sources are highly contestable with no certainty of securing new funding it is starting to 'dry up', the eligibility criteria is narrowing, and funding on offer is generally focused on a specific purpose, and unlikely to cover all related costs. (Coastguard has a strike rate of four applications being at least partly successful out of every 10 it prepares) successful fundraising requires a skilled professional, but SLSNZ has none approvals are often time limited, creating planning complexity and limiting resource redeployment as circumstances change <p>Scaling. You could choose to scale this initiative to minimise the fiscal impact to the Crown, noting that this would likely come with a reduction in output.</p>	<p>Progress through Budget 2024</p> <p>The services that Coastguard and SLSNZ provide have a net benefit to New Zealanders that is significantly greater than the funding invested (average government funding through this source for both organisations over the last three years is ~\$15m per annum).</p> <p>During the year ended 30 June 2023:</p> <ul style="list-style-type: none"> there were no drownings between the flags when SLSNZ patrols were in place SLSNZ undertook 30,954 preventative actions that helped to keep 465,528 people safe Coastguard undertook 2,170 non-search and rescue incidents and bought 6,300 people home safely. <p>While there are challenges modelling the true counterfactual (i.e. the number of people that would have died or been injured in the absence of intervention from Coastguard or SLSNZ), even the prevention of two deaths over 2022/23 would ensure a positive benefit cost ratio based on the \$13.3m Value of a Statistical Life.</p> <p>Maintaining these services at current levels is a vital element in the control of New Zealand's high drowning toll (compared to Western nations such as Australia, Canada and the UK).</p>
<p>Ground-Based Navigational Aids (GBNAs)</p> <p>This initiative seeks funding for Airways to deliver three of five Crown-funded ground-based navigation aids (GBNAs) that pertain to the minimum operating network used to safely recover aircraft as an emergency alternative to GPS navigation across mainland New Zealand.</p> <p>In Budget 2022, Airways NZ received \$10 million (CAPEX) and \$1.2 million (OPEX) from the Crown to purchase five GBNAs that would complete the minimum operating network. Due to significant increases in manufacturing costs and civil works, funding is now only sufficient to procure two GBNAs.</p> <p>The full suite of GBNAs are required to meet the resilience needs identified in the Cabinet-approved 2014 National Airspace and Air Navigation Plan (NAANP), and ensure the minimum operating network is completed.</p>	Ministry (on behalf of Airways NZ)	-	4.900	2.700	0.100	7.700	Other	<p>Limited. The Ministry has considered loan funding, however the five GBNA locations being addressed are primarily used by non-commercial and low-performance aircraft, including emergency medical services and military aircraft. Given these users do not have the ability to fully fund the GBNAs, utilisation of a loan would mean asking participants that aren't using the system to pay for the assets.</p> <p>Airways NZ is implementing the remainder of the minimum operating network on a user-pays basis.</p>	<p>Progress through Budget 2024, or defer to a future Budget round</p> <p>Declining the initiative would mean the minimum operating network is not complete and flights in regions without a GBNA would have a heightened risk of becoming lost / crashing if their GPS navigation fails.</p> <p>Deferring the initiative would come with risks as the current contract offer is set to expire in March 2024. Such risks include uncertainty in pricing, delivery lead time, and equipment model (the supplier is planning a transition to a newer model in the next 2 years which may come with interoperability and performance risks).</p> <p>Note while there is not a legal obligation on the Crown to complete the minimum operating network immediately, there would likely be a social expectation.</p>
<p>Health and Safety at Work Act (HSWA) Delegations</p> <p>In Budget 2023, CAA received an uplift of \$2.8m for pressures associated with their HSWA activities, but this funding was provided for the 2023/24 financial year only to align with the Crown's provision of liquidity facility funding. s 9(2)(f)(iv)</p> <p>Please note that HSWA funding is cost neutral to the Crown. MBIE has already made provision for this uplift in the HSWA levy – the Budget process is just the mechanism through which the decision is formalised. s 9(2)(f)(iv)</p>	CAA	2.800					Statutory obligation	<p>Limited.</p> <p>The designation could be terminated, and the work returned to WorkSafe. However, this would not reduce HSWA levy funding overall, it would only affect which organisation receives it, and there would be an efficiency and effectiveness impact because WorkSafe does not have a specialist aviation team.</p>	<p>Progress through Budget 2024</p> <p>This is only a technical adjustment and is cost neutral to the Crown.</p>

<p>New Zealand Upgrade Programme (NZUP) Cost Pressures</p> <p>This initiative seeks funding to address cost escalations on a number of NZUP projects that are in the delivery and business case phases - \$1,560 million (P95) for NZTA-led projects, and s 9(2)(f)(iv) for KiwiRail-led projects. Ministers will need to consider options to progress NZUP, including removing / descope initiatives to fit within the current funding envelope, or providing additional funding to deliver the intended benefits.</p> <p>Note: You received advice from NZTA [BRI-2919 refers] on:</p> <ul style="list-style-type: none"> Deferring decisions on the 'South Auckland Package – Drury urban arterials' and the 'Canterbury package – Rolleston and Brougham projects. Shifting two projects (Whangārei to Port Marsden, and the Manukau to Takaanini Road Access and Safety initiative) out of NZUP and into the Roads of National Significance programme. <p>If you choose to progress with NZTA's recommendations, this will result in a transfer of cost pressures from NZUP to the Roads of National Significance programme (i.e. pressures signalled here will remain).</p>	<p>Ministry (on behalf of NZTA and KiwiRail)</p>	<p>s 9(2)(f)(iv)</p>	<p>Ministerial priority</p>	<p>Yes. Joint Ministers could choose to de-scope or reprioritise funding between initiatives to manage costs within the existing NZUP funding envelope.</p>	<p>Progress this cost pressure in Budget 2024 as a placeholder</p> <p>We note that almost all NZUP projects have been identified as priorities for the Government, but existing funding is not sufficient to complete them. The Ministry and the Treasury will provide joint Ministers with options to progress NZUP, including descope and / or reprioritising projects to offset pressures across the programme, or seeking Budget 2024 funding to deliver the full programme.</p>
<p><i>Fiscal cliffs</i></p>					
<p>Future of Rail – Rail Network Investment Programme</p> <p>This initiative seeks to deliver a resilient and reliable national rail network by providing baseline funding for the maintenance and renewals of the network s 9(2)(f)(iv) (this relates to the Metropolitan Rail Network Management Plans and Backlog Renewals initiative below).</p> <p>The previous government chose to fund the RNIP one year at a time through each Budget round (FY2021/22-2025/26 have been funded thus far) but KiwiRail requires s 9(2)(f)(iv) early investment to enter into contracts to continue the maintenance programme for the rail network.</p> <p>In the absence of funding, KiwiRail advises that unplanned outages will increase in frequency, including loss of service/s and closure of lines to enable regulatory and safety compliance. This would result in reduced volumes on rail which could add pressure (and cost) on the roading network, and disrupt NZ's supply chain.</p>	<p>KiwiRail</p>	<p>s 9(2)(f)(iv)</p>	<p>N/A</p>	<p>Limited.</p> <p>Partial alternative funding source: as part of GPS 2024, you could signal to NZTA that you would like them to increase the level of investment in the rail activity class (which funds RNIP). However, the Ministry does not recommend this as a viable alternative as it would require either:</p> <ul style="list-style-type: none"> a reprioritisation of funding away from essential transport services (such as public transport operations), local road maintenance or improvements, or even from the Roads of National Significant programme, or additional Crown funding to deliver GPS 2024. <p>Scaling option: you could scale this bid to one year of funding (2026/27), noting that additional funding will be sought in future Budget rounds, dependent on your decisions about your rail priorities.</p>	<p>Progress as a placeholder while the Ministry undertakes further work with KiwiRail and NZTA to understand the sequencing of maintenance and renewals works on the rail network, and clarify which components (if any) of the RNIP initiative is critical to secure now versus in future Budget rounds</p> <p>You have choices about how you could use the rail network for freight and passenger services, and each choice will have implications for the level of maintenance (and associated cost) that is required to operate the network. The Ministry will work with KiwiRail to provide you further advice on scenarios for rail investment (i.e. what investment would be required to ensure a resilient and reliable metropolitan rail network, freight network, or both).</p>
<p><i>Other</i></p>					
<p>Metropolitan Rail Network Management Plans and Backlog Renewals</p> <p>This initiative seeks s 9(2)(f)(iv) funding to begin lifting the Auckland and Wellington metropolitan rail networks to a fit for purpose state. It includes:</p> <ul style="list-style-type: none"> Funding to address the backlog of renewals that have been identified by KiwiRail through their recent detailed review of the rail network. The review indicated that an additional s 9(2)(f)(iv) is required over the next s 9(2)(f)(iv) to lift the Auckland and Wellington network to a fit for purpose state. An initial investment of s 9(2)(f)(iv) is required to begin critical works on assets that currently have operational restrictions in place (such as speed restrictions) to mitigate safety risks. Please note that these deferred renewals are in addition to the current RNR s 9(2)(f)(iv) of work that are experiencing cost pressures. s 9(2)(f)(iv) to fund the expected local share shortfall of Auckland and Wellington metropolitan rail network maintenance from 2024/25 s 9(2)(f)(iv) to meet expected levels of service and minimise service disruption. Both Auckland Transport and Greater Wellington Regional Council state that they are unable to afford their share of the rail network maintenance costs. Without this investment, restrictions on services will likely be required to maintain safety. 	<p>KiwiRail</p>	<p>107.700 s 9(2)(f)(iv)</p>	<p>N/A</p>	<p>Partially.</p> <p>Partial mitigation through efficiencies: it is unclear whether KiwiRail will have the market capacity to undertake the full backlog of deferred renewals while also progressing RNR, s 9(2)(f)(iv) and general RNIP maintenance on the rest of the network. There may be opportunities to explore efficiencies which the Ministry will provide you further advice on.</p> <p>Alternate funding source: Depending on your priorities for rail going forward (i.e. whether the whole network is lifted to a reliable and resilient state, or if you wish to prioritise the metropolitan rail network and / or specific aspects of the freight network), there may be opportunities to reprioritise funding within KiwiRail baselines to support metro maintenance and renewals. This could include reprioritising funding from within RNIP, or from North Island Weather Event rail resilience funding.</p>	<p>Progress as a placeholder while the Ministry undertakes further work with KiwiRail and NZTA to understand the sequencing of maintenance and renewals works on metropolitan rail</p> <p>The metropolitan rail networks in Auckland and Wellington have the highest use of all rail lines, and preventative maintenance and asset management is needed to avoid reliability and network performance impacts on commuters.</p> <p>We note that it is currently unclear who is accountable for funding the backlog of deferred renewals. We also note that the local council affordability issue will continue beyond the s 9(2)(f)(iv) of funding sought (because adding new rail services to the network, such as CRL, increases maintenance volumes and therefore cost). The Ministry is undertaking a review of the Metropolitan Rail Operating Model to advise you on the appropriate funding model for maintenance and renewals on the metro network.</p>

PROACTIVELY RELEASED BY MINISTRY OF TRANSPORT TEMANATU WAKA

<p>Severe Weather / Emergency Response Readiness, Resilience, and Recovery</p> <p>This initiative seeks funding for four NGOs (Coastguard NZ, NZ Land Search and Rescue, Surf Life Saving NZ, and Amateur Radio Emergency Communications) to be able to respond effectively and safely during severe weather events and emergencies, including:</p> <ul style="list-style-type: none"> targeted severe weather event training allowing better informed risk and operational decision making in new environments appropriate personal protective equipment (PPE) establishing regionally based equipment and provision caches to allow for swift deployments and quicker responses by skilled responders who can operate independently for at least 48 hours developing regional coordination to account for the greater interagency collaboration needed between all agencies the replacement of assets destroyed/damaged during recent severe weather events so that services can continue to be delivered. 	<p>Ministry (on behalf of NZ Search & Rescue)</p>	<p>19.205</p>	<p>2.656</p>	<p>2.386</p>	<p>2.359</p>	<p>26.606</p>	<p>N/A</p>	<p>Partially.</p> <p>Alternate funding source 1: Depending on the recommendations of (and subsequent Cabinet decisions on) the <i>Government inquiry into the response to the North Island severe weather events</i>, s 9(2)(f)(iv)</p> <p>Alternate funding source 2: As this initiative relates to search and rescue activities, it could be considered for funding under Section 9 of the Land Transport Management Act 2003. However, given significant fiscal constraints on the NLTF, any funding approved from Section 9 that is above the forecast Section 9 expenditure in the 2024-2027 NLTP period could have an impact on the deliverability of committed programmes and projects.</p>	<p>Maintain in Budget 2024 as a placeholder until Government Inquiry is complete</p> <p>As severe weather events are now part of New Zealand's reality, it is important for NGOs to be in a state of readiness and preparation. This funding would enable their personnel (most of whom are unpaid volunteers) to operate competently to support New Zealanders in trouble needing rescue services.</p> <p>Funding these NGOs will contribute to community recovery from severe weather events – item 6 in the Coalition Government's 100-day plan.</p> <p>Note: the ongoing government inquiry into the response to the North Island severe weather events was due to make an interim report in December 2023 s 9(2)(f)(iv) with a final report to Cabinet in March 2024. Given uncertainty around the timing of the inquiry and Budget 2024 processes, agencies were encouraged to submit placeholder Budget initiatives until the inquiry is complete.</p>
--	---	---------------	--------------	--------------	--------------	---------------	------------	---	---

PROACTIVELY RELEASED
MINISTRY OF TRANSPORT TE MANATū TRANSPORTA

Table 3: Initiatives proposed by transport agencies that the Ministry recommends could be deferred or declined

Initiative	Agency	Funding sought (\$m)					Cost pressure prioritisation (if applicable)	Mitigations / alternate funding sources available	Ministry recommendation	
		24/25	25/26	26/27	27/28	TOTAL				
<i>Cost pressures</i>										
s 9(2)(f)(iv)										
<p>Fuel Excise Duty Reduction Policy Wash-up</p> <p>NZTA is seeking funding on a principled basis to address a NLTF revenue shortfall issue associated with the conclusion of the Fuel Excise Duty (FED) 25cpl reduction policy.</p> <p>The previous government agreed to top up the NLTF to account for the anticipated shortfall in revenue as a result of the FED reduction policy. Customs' revenue recognition policy has resulted in FED revenue earned at the discounted rate being recognised in the 2023/24 period, but the conclusion of the multi-year appropriation means that there is no funding available in 2023/24 to reimburse NZTA for the lost revenue.</p> <p>NZTA has signalled that funding the lost revenue would help to mitigate potential cash flow issues in 2023/24, in the event that works undertaken exceed the NLTF revenue available for the remainder of the 2021 National Land Transport Programme period.</p>	NZTA	32.000	-	-	-	32.000	MEDIUM	Other	<p>Yes. The NZTA Board can manage works and associated expenditure in 2023/24 to ensure that spend does not exceed available NLTF revenue. This may result in some works proposed for the second half of 2023/24 being slowed or deferred if they are at risk of overspending; however, we understand that capacity constraints are already affecting delivery and the NLTF may instead underspend in 2023/24. In this scenario, not funding the cost pressure would have no impact in 2023/24, but the revenue shortfall would roll over into 2024/25 instead. NZTA would need to find efficiencies to manage the impact on agreed NLTP projects.</p>	<p>Defer or decline</p> <p>Given current fiscal constraints for the Crown and the availability of short term mitigation options, the Ministry recommends that this cost pressure could be deferred.</p> <p>You could also decline the cost pressure, in which case you may wish to set expectations with NZTA that they find efficiencies over the 2024-27 NLTP period to manage the shortfall.</p>
<i>New spending</i>										
s 9(2)(f)(iv)										

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT
 TE MANATU WAKA

s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 2: ISSUES THAT MAY BECOME COST PRESSURES IN 2023/24

1 Cost escalations across transport continue to impact the delivery of agreed functions, services, and projects. In some cases the Ministry is able to reprioritise within baselines to meet immediate needs (for instance, the Ministry is exploring the option to use departmental OPEX in 2023/24 to fund \$30,000 of cost escalations on the Crown's *Membership of International Organisations* appropriation as membership fees have increased). However, cross-subsidisation is not always appropriate, and the limited size of the Ministry's departmental appropriation restricts our ability to address pressures as they occur.

2 The following five issues are reasonably significant in cost and have the potential to require Crown intervention before the end of 2023/24:

2.1 Maritime New Zealand liquidity facility (<\$20 million in 2024/25)

Maritime New Zealand (MNZ) may require funding to maintain viability as a going concern in 2024/25 if their funding review is unable to be implemented before 1 July 2024. Please refer to OC230985 for the draft Cabinet paper that seeks to progress implementation of changes to maritime levies, thereby avoiding Crown funding being required in 2024/25.

2.2 Milford Airport (<\$5 million over four years)

Milford Airport is now a qualified Aerodrome which includes a materially higher cost profile to ensure adherence to its new regulatory responsibilities. Whilst this cost can be passed on to consumers in the long run, short to medium term cost pressures have arisen due to lower landing volumes and the time it takes to increase landing fees.

2.3 s 9(2)(i)



2.4 s 9(2)(f)(iv)



2.5



- 3 Most of these issues may be able to be addressed through means other than a Vote Transport Budget bid. We will advise you on each of these matters as they progress, including whether Crown funding could be sought through Budget 2024.
- 4 For completeness, we are also aware of a technical issue that may need to be resolved in advance of Budget 2024 decisions:
 - 4.1 **Clean Car Standard Technical Adjustment** - The Clean Car Standard policy involves the issuing of charges and credits to the importer of vehicles based on whether vehicle CO2 emissions are above or below the current specified standard. Credits can be offset against future charges and transferred between importers but do not entitle the holder to cash reimbursement from the Crown. The Crown has been accounting for the net charges issued under the scheme, but auditors have determined that a gross approach is more appropriate. The new approach requires recognition of all credits and charges issued and an appropriation of approximately \$50 million per annum (ongoing) is required to provide authority at the point that credits are issued. Seeking this appropriation does not represent a change to the expected fiscal impact of the scheme.
- 5 This issue is not classified as a cost pressure as it is likely to be fiscally neutral to the Crown, but as with the previous issues identified, we will provide separate advice on this matter to ensure it is managed before Budget 2024.

PROACTIVELY RELEASED BY MANATU MANA

ANNEX 3: SUMMARY OF ADDITIONAL REPRIORITISATION OPPORTUNITIES

This Annex outlines Vote Transport initiatives that could be scaled or stopped to create headroom for other transport investments in Budget 2024 or be included in the transport baseline savings proposal. The Ministry seeks an indication of which potential savings initiatives you are interested in pursuing.

*Total funding that may be available for reprioritisation**

	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL (\$m)
Operating	s 9(2)(f)(iv)					
Capital						
TOTAL						

*This includes the \$124.1 million operating you have indicated you intend to remove from the Transport Choices programme and return to the Crown [OC231056 refers]. As you have already provided direction on this, Transport Choices is not included in this Annex.

Scaling work to improve resilience of the rail network post-North Island Weather Events						
Description	<p>In 2023, KiwiRail received funding from the National Resilience Plan (NRP) to carry out minor resilience improvements on affected sections of the rail network. The rationale is to complete these resilience improvements whilst reinstatement works are underway.</p> <p>KiwiRail advise some funding has been spent to date on make safe works, other physical works, estimating and design. Remaining funding that has not yet been spent or committed through contracts could be reprioritised.</p>					
Implementation considerations	<ul style="list-style-type: none"> Costs have been incurred to date to set up the necessary infrastructure and staffing to deliver the rail network reinstatement and improvements work programme. KiwiRail advise that some costs incurred for these purposes would not be able to be returned. 					
Risks	<ul style="list-style-type: none"> Without the resilience improvement works, the resilience of these lines will remain poor, meaning the lines are more likely to be affected by future weather events and will be more costly to repair. Future impact of weather events will have adverse effects on rail movement and local communities (i.e. line closures). 					
Ministry recommendation	<p>Explore further, to reprioritise towards higher priority works on the rail network</p> <p>There is merit in investing in resilience and improving resilience is a priority for the Government. However, there are several cost pressures on the rail network that require attention, and this is a viable reprioritisation opportunity to address these cost pressures. Reprioritising from this initiative is one option to address the Auckland Rail Network Rebuild (RNR) \$159 million funding shortfall.</p>					
Operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	TOTAL
Scaling work to improve resilience of the rail network post-North Island Weather Events	180.700	-	-	-	-	Up to 180.700

BUDGET SENSITIVE

Scaling the Retaining and Recruiting Bus Drivers initiative						
Description	<p>This initiative provides co-funding to implement measures aimed to increase the recruitment and retention of bus drivers. Funding was approved in Budgets 2022 and 2023. NZTA manages the provision of funding to Public Transport Authorities (PTAs), who provide a local share funding contribution (at normal funding assistance rates).</p> <p>All Budget 2022 funding is committed through funding agreements and has supported increases in base wages to at least \$28 an hour in most regions. Budget 2023 funding has not yet been committed through funding agreements and is intended to support further increases in base wages, split shift allowances, penal rates and working environment improvements (such as rest facilities).</p> <p>Since funding was approved, the number of bus drivers in New Zealand has increased substantially and the bus driver shortage has been addressed. In early 2023, the bus driver shortage peaked at approximately 900 drivers and by August 2023 had decreased to almost zero.</p> <p>Ministers could choose to scale this initiative to fund fewer of the activities intended to be supported by the Budget 2023 funding s 9(2)(f)(iv)</p>					
Implementation considerations	<ul style="list-style-type: none"> Returning non-committed funding would require a change in appropriations and no changes to existing funding agreements with PTAs. If some but not all the Budget 2023 funding was removed, consensus would need to be reached on which improvements to prioritise for investment with the remaining funding. Members of the National Public Transport Workforce Steering Group (the Steering Group), which includes representation from the Ministry, NZTA, PTAs, operators and driver unions have considered which improvements tagged for the Budget 2023 funding should be prioritised for investment. Parties have different views on which improvements are higher priority, with PTAs favouring working environment improvements (i.e. one-off costs) and unions favouring the wage-related improvements. 					
Risks	<ul style="list-style-type: none"> The planned improvements to bus driver terms and conditions are unlikely to be implemented without this Crown co-funding. PTAs are expected to be unwilling to fund these in full. Given funding constraints, there is no guarantee the National Land Transport Fund (NLTF) could cover the Crown share. A factor outside of Transport's remit that could affect the number of bus drivers is if the Accredited Employer Work Visa transport sector agreement, which has allowed migrants to be recruited as drivers at \$28 p/h with a two-year residency pathway, is not extended next year. The transport sector agreement played an important role in reducing the driver shortage. Returning uncommitted funding could still be negatively perceived by bus drivers and seen as the Government cancelling commitments previously made. There is a risk a bus driver shortage re-emerges if pay and conditions are not sufficiently attractive to retain and recruit drivers. A shortage of drivers would impact the provision and use of public transport services, which could have significant negative social and economic impacts. 					
Ministry recommendation	<p>Explore further, consider advice on a scaled package</p> <p>The case for Crown investment in bus driver wages and conditions was driven by the bus driver shortage, which has dissipated for now. As there is work underway to determine which improvements the Steering Group deems the highest priority for investment, we recommend you consider advice on what improvements could be prioritised and implemented within a scaled package (e.g. a \$20 million reduction).</p>					
Operating savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears	TOTAL
Scaling the Retaining and Recruiting Bus Drivers initiative	s 9(2)(f)(iv)					

s 9(2)(f)(iv)



PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

BUDGET SENSITIVE

Removing coal hopper wagons from the Future of Rail Rolling Stock Investment						
Description	<p>In Budgets 2019 – 2022, KiwiRail received Crown funding to procure new rolling stock (locomotives, wagons, and in-cab Train Control Safety Systems) and replace assets that had or would soon reach the end of their useful lives.</p> <p>Some of this funding is not yet committed through contracts, including approximately \$48 million CAPEX for 140 coal hopper wagons which have not yet been procured.</p> <p>The following factors mean it is uncertain if the Crown investment in the coal hopper wagons is necessary:</p> <ul style="list-style-type: none"> • KiwiRail has not received commitments from its mining customers of their long term need for these coal hopper wagons, due to uncertainty around mining under the previous government. • One coal mine that would have utilised these wagons, the Ohai Coal Mine, closed in September 2021. • The intention is for these wagons to be used to transport biomass in the future - however KiwiRail holds no forward contracts for use of these wagons for moving biomass. s 9(2)(i) <p>Ministers could choose to remove all or some of the \$48 million and inform KiwiRail that the Crown investment in the coal hopper wagons will be stopped or scaled.</p>					
Implementation considerations	<ul style="list-style-type: none"> • The need for these wagons is closely linked to decisions taken by the Government on mining licenses. Should the Government provide new direction to the mining industry that is different to that of the previous government, customers may be willing to confirm their long-term demand for these wagons. 					
Risks	<ul style="list-style-type: none"> • If the hopper wagons are not procured and demand for hopper wagons (for coal or biomass) does eventuate in future years, KiwiRail will not have the necessary rolling stock to meet demand. Wagons take time to procure and build therefore if purchased once demand has increased beyond current capacity may not be available for several years. 					
Ministry view	<p>Explore further, discuss with the Minister for Resources</p> <p>If you are interested in pursuing savings in this area, we recommend you discuss this initiative with the Minister for Resources to ensure alignment between this decision and the Government's mining policies.</p>					
Capital savings	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	TOTAL
Removing coal hopper wagons from the Future of Rail Rolling Stock Investment	-	48.000	-	-	-	Up to 48.000

s 9(2)(i)



PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA



AIDE MEMOIRE: ADDITIONAL BUDGET 2024 INFORMATION

To: Hon Simeon Brown, Minister of Transport
From: David Wood, Deputy Chief Executive, Investment and Monitoring
Date: 25 January 2024
OC Number: OC240036

Summary

1 On Tuesday 23 January, your Office requested additional information on several Vote Transport initiatives. This was in response to a spreadsheet sent to your Office containing the appropriations considered in scope of the Initial Baseline Exercise (IBE). Included in this aide memoire are answers to your Office's questions.

Question 1: Why are Clean Car Standard Operating costs (\$47.4 million over four years) not paid for by users?

- 2 To help gain industry acceptance of the Clean Car Standard, the Crown agreed to meet all administration and establishment costs. However, these settings could be reconsidered. As requested, the Ministry will provide you further advice on this and the scheme's charging regime will be provided as part of our work to review the Standard.
- 3 Funding provided currently is \$11.84 million per annum. The New Zealand Transport Agency (NZTA) has advised that the estimated cost to administer the Standard is less than this and that \$2.8 million per annum can be returned without impacting the delivery of the scheme. The Ministry recommends this funding is returned in the Initial Baseline Exercise.
- 4 In 2023, \$1.6 million in net revenue flowed into the National Land Transport Fund (NLTF) from the imposition of the Standard's charges. Net inflows occur where vehicle suppliers do not meet the annual CO2 targets, either across the vehicles they import or through buying emission credits from other importers. The charge revenue is considered land transport revenue and used to fund projects that lower emissions in the transport system [CAB-21-MIN-0004 refers]. This decision was taken on the basis of advice from the vehicle industry that they would prefer to see the charge revenue used for this purpose.

Question 2: Why is there \$7.7 million appropriated (over four years) for Community Connect when the Government recently cancelled parts of this scheme?

- 5 Through Budget 2023, the previous government agreed to expand the Community Connect programme to include free public transport fares for 5–12-year-olds and half-

fares for 13–24-year-olds. In the 2023 Mini Budget, the Government agreed to remove these concessions and formally returned funding for the public transport *concessions*, but administration funding was not returned at this time. The expectation has been that associated administration costs are returned in the Budget 2024 process.

- 6 The Ministry proposes returning the administration funding through the Initial Baseline Exercise. NZTA has indicated that approximately \$5.7 million (over four years) could be returned. The remaining funding in the appropriation will be used to fund the administration of the remaining elements of Community Connect (half-fares for Community Services Cardholders).

Question 3: Regarding the ‘Membership of International Organisations’ appropriation, please provide a list of the relevant organisations.

- 7 The three international organisations the Ministry holds memberships with (on behalf of the Crown, for which this appropriation is used to pay membership fees) are: World Meteorological Organization (WMO), International Civil Aviation Organization (ICAO), International Maritime Organization (IMO).

Question 4: Regarding the ‘Land Transport Regulatory Services’ appropriation, are these activities user pays?

- 8 NZTA’s regulatory function is funded via three sources: fees and charges paid by users of the system, Crown funding, and land transport revenue (under Section 9(1A) of the Land Transport Management Act 2003).
- 9 In their 2023/24 Statement of Performance Expectations (SPE), NZTA are forecasting to collect fees and charges of \$226.5 million (revenue is likely to be higher in 2024/25 as changes to fees and charges that came into effect in October 2023, part way through 2023/24). When undergoing a fee and funding review, Crown entities apply transport regulatory funding principles¹ to their services and regulatory activities, which generally recommend the Crown as the appropriate funding source for a small number of activities with broad, indirect or very widely distributed outcomes (such as Ministerial Servicing or Crash Analysis). The Crown may also choose to subsidise specific services or programmes. See Table 1 below for a breakdown of Crown funding for NZTA’s regulatory function.

Table 1: Contents of the Land Transport Regulatory Services Crown appropriation

	\$000			
	24/25	25/26	26/27	27/28
Driver Licencing Improvement Programme	4,300	4,050	4,050	4,050
Crash analysis	775	775	775	775
Older driver subsidy (provides a partial subsidy to license renewal costs for drivers over 75 years of age)	1,445	1,445	1,445	1,445
Drug and alcohol assessment costs	1,030	1,030	1,030	1,030
Driver licence stop orders	75	75	75	75
Ministerial servicing by the New Zealand Transport Agency	548	548	548	548
Total	8,173	7,923	7,923	7,923

¹ In sum, these are: (1) Funding supports system objectives, (2) Funding model is sustainable, (3) Risk exacerbators and beneficiaries pay, principally focussed on the main risk exacerbators, (4) User pays for services, but incentives and important, (5) Crown funding is limited to certain functions.

- 10 For completeness, Table 2 below summarises the funding approved for the NZTA regulatory function under Section 9(1A) of the Land Transport Management Act 2003. As this funding is provided under permanent legislative authority (PLA) it was excluded from the list of appropriations previously provided to you and was not included when calculating the Vote Transport eligible baseline.
- 11 Funding for 'the efficient and fair collection of the costs of specific activities' is used to fund NZTA's regulatory oversight of groups that represent a merit good (for example language translation service providers for driver licensing) or for which NZTA deemed it inefficient to charge these groups directly (including Class 2-5 and P endorsement license holders) ^{s 9(2)(f)(iv)}

Table 2: Section 9(1A) funding approved for NZTA regulatory activities

	\$000			
	24/25	25/26	26/27	27/28
Oversight of the regulatory function	20,400	20,300	11,000	11,000
Funding the efficient and fair collection of the costs of specific activities	13,800	13,900	-	-
Loan repayment for rectification costs loan	670	670	670	670
Total	34,870	34,870	11,670	11,670

Question 5: What activities are funded from the 'Public Transport Bus Decarbonisation' appropriation and what is the likely impact of reducing this appropriation by 25% or 50%?

- 12 In January 2021, the previous government announced it would require only zero emission public transport buses to be purchased from 2025 and target complete decarbonisation of the public transport bus fleet by 2035. Subsequently, in Budget 2022 the previous government approved funding for NZTA to support Public Transport Authorities (PTAs) to decarbonise their bus fleets. This is a multi-year appropriation with approximately \$14 million p.a. of funding approved until 2033/34.
- 13 Currently there are over 2600 buses delivering public transport services across New Zealand, with 80% located in Auckland, Wellington and Christchurch. Of these 2600 buses, 300 are electric.
- 14 NZTA has committed \$18.2 million to specific bus decarbonisation projects for PTAs. This includes:
- 14.1 \$10.8 million for Greater Wellington Regional Council to invest in depot and charging infrastructure
 - 14.2 \$6.1 million for Environment Canterbury to bring forward the expansion of its electric bus fleet
 - 14.3 \$308,000 for Taranaki Regional Council to help procure an electric bus
 - 14.4 \$1.0 million for studies including electricity grid demand study, zero emission bus economics study, guidance on bus depot electrification and guidance on local electricity markets.

- 15 Removing 25% or 50% of the remaining funding that is uncommitted would reduce funding available for PTAs to bid for in future rounds. As the exact investments will depend on what PTAs are interested in co-investing in, it cannot be said with certainty what activities would not proceed. For illustrative purposes, a 25% reduction (equating to approximately \$3.5 million p.a.) could see around seven fewer buses and associated charging infrastructure purchased. A 50% reduction would double these reductions.
- 16 If the funding available in future rounds is reduced, PTAs may instead seek funding from the NLTF to progress decarbonising the bus fleet as part of the next NLTP. This would put pressure on the NLTF and a similar level of investment is not guaranteed.
- 17 If you were to reduce the funding, it would be appropriate to consider whether the Government wishes to continue with the current direction towards decarbonised buses or to refocus the policy, and as required, issue new direction.

Question 6: What is the likely impact of reducing the 'Retaining and Recruiting Bus Drivers' appropriation by 25% or 50%?

- 18 In Budget 2022, the previous government approved \$61 million to co-fund initiatives with PTAs that improve the recruitment and retention of bus drivers. Budget 2023 provided an additional \$49.3 million over three years to implement further improvements.
- 19 All Budget 2022 funding is committed through funding agreements. Budget 2023 funding has not yet been committed and is intended to support activities like further increases in base wages, split shift allowances, penal rates and working environment improvements (such as rest facilities).
- 20 Members of the National Public Transport Workforce Steering Group, which includes representation from the Ministry, NZTA, PTAs, operators, and driver unions, have considered which improvements tagged for the Budget 2023 funding should be prioritised for investment. Parties have different views on which improvements are higher priority, with PTAs favouring working environment improvements (i.e. one-off costs) and unions favouring wage-related improvements.
- 21 Scaling the Budget 2023 funding by 25% or 50% would reduce the funding available for co-funding improvements with PTAs. Direction from Ministers as to which improvements to prioritise would be required. For example, remaining investment could be focussed on working environment improvements (protection screens and rest facilities) rather than wage improvements.
- 22 As with the Public Transport Bus Decarbonisation initiative, with reduced Crown funding available PTAs may instead seek funding from the NLTF to progress improvements as part of the next NLTP, putting pressure on the NLTF.

Contacts

Name	Telephone	First contact
David Wood, DCE, Investment and Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA



9 February 2024

OC240075

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 12 February 2024

BUDGET 2024 – PROPOSED VOTE TRANSPORT PACKAGE FOR SUBMISSION

Purpose

This briefing provides you with information on your Vote Transport Budget 2024 package (including a baseline savings proposal, invited initiatives, the Capital Pipeline Review), and additional reprioritisation opportunities. Your feedback is sought on the package. This will be discussed at your meeting with officials on Monday 12 February.

Key points

- There are several components to Budget 2024. Your Vote Transport Budget 2024 package (which comprises a baseline savings proposal, invited initiatives and Capital Pipeline Review) must be submitted to Treasury by **1pm Friday 16 February 2024**.
- The Ministry has prepared a baseline savings proposal which provides \$154.541 million in operating savings over four years (exceeding your Vote Transport target of \$154 million over four years). However, this proposal assumes that a \$5.4 million shortfall is addressed through either requiring NZTA to utilise existing section 9 funding to cover Clean Car Standard operating costs in 2024/25, utilising surplus operating funding from Auckland Light Rail or counting the New Zealand Transport Agency's (NZTA's) National Land Transport Fund (NLTF) efficiency dividend towards the savings target.
- You have been invited to submit two initiatives for new funding in Budget 2024 (Civil Aviation Authority Liquidity Funding and North Island Weather Events (NIWE) Road Response, Recovery and Rebuild). The Ministry supports the submission of both initiatives, noting there are risks and scaling opportunities.
- The Capital Pipeline Review is an opportunity for you to review capital investments underway in Vote Transport, examine where cost pressures exist and consider where savings can be made to address these pressures. Several NZTA and KiwiRail initiatives are to be considered in the Capital Pipeline Review. The Ministry will provide you fulsome advice on the capital investments in Vote Transport on Wednesday 14 February, to support your submission to Treasury.
- You have permission to manage cost pressures or fund new initiatives that have not been specifically invited into the Budget process, so long as these are funded through

internal reprioritisation (that is in addition to the baseline savings target). These can be confirmed through the technical Budget process, for which submissions are due on 18 March. Of the eleven Vote Transport initiatives we have previously signalled to you as viable candidates for Budget 2024 funding, there are two that the Ministry recommends could be funded through reprioritisation (and one that can be addressed through a technical adjustment).

Recommendations

We recommend you:

- 1 **provide** feedback on the Vote Transport Budget 2024 package (including the baseline savings proposal, invited initiatives and Capital Pipeline Review) and additional reprioritisation opportunities at your meeting with officials scheduled for 1pm on Monday 12 February 2024. Yes / No
- 2 **discuss** a potential transition to a user-pays model for Clean Car Standard operating costs at your meeting with officials. Yes / No
- 3 **indicate** if you would like the Ministry to provide your Office with copies of all Budget 2024 outputs (including initiative templates, savings templates and supporting material) before submitting to Treasury. Yes / No



David Wood
Deputy Chief Executive, Investment & Monitoring
 9 / 02 / 2024

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, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓

BUDGET 2024 – PROPOSED VOTE TRANSPORT PACKAGE FOR SUBMISSION

The Minister of Finance has invited you to submit several Budget 2024 outputs by 16 February 2024

- On 21 December 2023, you received a letter from the Minister of Finance outlining the approach to and core components of Budget 2024. You received a further letter from the Minister of Finance on 25 January 2024 containing additional information on the process for capital investments. Requirements for each Budget 2024 component are summarised below.

Table 1: Summary of Budget 2024 components

Budget 2024 component	Requirements
Baseline savings proposal	You must identify options to meet the Vote Transport baseline savings target, a reduction of \$38.5 million per annum in operating funding from 2024/25 (an average of 7.5% of eligible baseline funding over the forecast period).
Targeted policy savings initiatives	The Ministry of Transport (the Ministry) must consider savings associated with the following action in the 100-day plan: 'Stopping work on Auckland Light Rail'.
Invited initiatives	You have been invited to submit the following initiatives for new funding in Budget 2024: <ul style="list-style-type: none"> Civil Aviation Authority Liquidity Funding North Island Weather Events (NIWE) Road Response and Recovery
Capital Pipeline Review	The Capital Pipeline Review includes several sub-components: <ul style="list-style-type: none"> A review of capital investments underway in Vote Transport, to identify where scaling or stopping an initiative could provide capital savings for reprioritisation. Treasury has invited seven New Zealand Transport Agency (NZTA) and eight KiwiRail initiatives for review. An invitation to seek additional funding for capital investments experiencing cost pressures. To be considered, agencies must confirm their approach for mitigating future cost pressures and propose the current cost pressure could be addressed with the capital savings identified above. An invitation to submit new capital initiatives critical to the delivery of core public services or to meeting commitments in the Government's Coalition Agreements. For initiatives to be considered, they must have been previously signalled to Treasury through the quarterly reporting process and have a Cabinet approved business case.
Additional reprioritisation opportunities	Ministers are able to reprioritise funding within their Vote to address cost pressures within the Vote. The reprioritisation can be confirmed through the technical Budget process, for which submissions are due to Treasury on 18 March.

- 2 Your Vote Transport Budget 2024 package (which comprises all initiatives and associated templates for the baseline savings proposal, invited initiatives and Capital Pipeline Review) must be submitted to Treasury by **1pm Friday 16 February 2024**. You must also send a letter to the Minister of Finance summarising the Vote Transport package.
- 3 This briefing provides you with advice on each output of your Budget 2024 package, including options to mitigate identified risks. We seek your agreement to submit the relevant Budget bid templates and letter to the Minister of Finance, subject to any feedback that you may have.

Baseline savings proposal

- 4 In December 2023, the Minister of Finance confirmed the baseline savings target for Vote Transport of \$38.5 million per annum, 7.5% of a \$513 million eligible baseline. You are required to submit a proposal of individual savings initiatives to fulfil this target, which can include both departmental and non-departmental operating funding. The Minister of Finance expects the focus of the savings proposal to be low value programmes, programmes that do not align with the Coalition Government's priorities and non-essential back-office functions including contractor and consultant spend.
- 5 Identifying savings of this magnitude in Vote Transport has been challenging due to the limited ongoing operating funding available in the Vote. For this reason, the Ministry has considered a wide range of options to meet the Vote Transport target, to ensure savings are realised without significantly impacting the delivery of core functions or programmes that are priorities for the Government.
- 6 Working with agencies, the Ministry has taken the following approach to developing the Vote Transport savings proposal:
 - 6.1 Identifying ongoing savings within Ministry and transport agency baselines that will drive efficiency in operations and expenditure. This includes identifying where surplus funds exist, then applying consistent reductions to baselines to reflect the expectation that all agencies have a focus on efficiency.
 - 6.2 Providing options to scale or stop programmes that are Crown funded and do not align with the Coalition Government's priorities for transport. The Ministry has reviewed all programmes funded by the previous government, assessed their alignment with the Coalition Government's priorities, and identified where uncommitted funding is available to be returned.
 - 6.3 Frontloading the \$38.5 million per annum savings target across the forecast period to ensure that savings of \$154 million total over four years is identified. This approach more closely aligns with the diminishing operating funding profile of Vote Transport, whilst still ensuring ongoing savings are provided.
 - 6.4 Exploring revenue options that could replace existing operating funding. Treasury has advised that revenue options can be used to meet required savings if the revenue proposal is well developed and replaces existing Crown funding (i.e. shifting from Crown-funded to user-pays models).

The Ministry has prepared a draft baseline savings proposal in line with your feedback

- 7 The table below provides a summary of the draft baseline savings proposal. **Annex 1** provides further detail on the savings initiatives within the proposal, including both agency views on risks, impacts and implementation considerations.

Table 2: Draft Vote Transport baseline savings proposal (reflecting the Ministry's recommended approach in paragraph 14.1)

Category	Savings proposed (\$m)				
	24/25	25/26	26/27	27/28	Total
Agency baseline reductions	s 9(2)(f)(iv)				
Programmes					
Total	38,099	50,706	35,731	30,008	154,541
Target	38.500	38.500	38.500	38.500	154.000
Remainder	-401	12,206	-2,769	-8,492	541

The primary risk with the draft savings proposal is the intended reduction in funding for Clean Car Standard (CCS) operating costs

- 8 At your request, the Ministry has worked with NZTA to consider the feasibility of a 50% reduction in NZTA's CSS operating costs. NZTA has advised that the maximum reduction it could manage is 42% (a \$5 million per annum reduction), which represents the lowest level of funding NZTA requires to administer the CCS scheme in its current form. Additional information from NZTA on the existing CCS funding and FTE, its proposed 42% reduction and associated risks is provided in **Annex 2**.

In addition, the Ministry has considered the necessary steps for CCS operating costs to be funded through user pays

- 9 The Ministry has considered the appropriate process and feasible timeframe for implementing a user pays model for funding CCS operating costs. Comprehensive advice from the Ministry is provided in **Annex 2**.
- 10 In sum, further work is required to determine how costs would be distributed between the approximately 3,169 vehicle importers that are required to comply with the CCS. This includes considering potential charge structures, completing a Cost Recovery Impact Statement (CRIS), consulting with the vehicle industry, seeking Cabinet decisions and potentially undertaking legislative change. For this reason, the Ministry's view is implementation of a user pays model by 1 July 2024 is not viable.
- 11 The Ministry considers it is feasible for this work to be completed and a user pays model implemented by July 2025 (**Annex 2** includes a proposed timeline). If you wish to progress with the user pays model, you could choose to remove 100% of the Crown funding appropriated for CCS Operating costs from 2025/26 onwards, with the expectation that a user pays model will be implemented before the end of 2024/25. If this is done, there is a risk that delays in process mean NZTA does not have sufficient funding to administer the CCS once Crown funding ceases.

- 12 NZTA has advised developing a user pays model is possible within this timeframe, although it would require funding to scope, design and build the necessary digital solution.

Even with the proposed reductions in CCS operating costs, there is a shortfall in the savings target of \$5.4 million. There are several options for meeting this shortfall.

- 13 With a 50% reduction in CCS operating costs in 24/25 and a 100% reduction from 2025/26 (assuming a user pays model is implemented), a \$5.4 million shortfall in the baseline savings target remains.
- 14 The Ministry has identified three options for your consideration to make up the shortfall in savings.

14.1 **Reprioritisation of NZTA regulatory Section 9 funding to fund Clean Car Standard operations in 2024/25 [recommended option]** – NZTA receives funding under section 9(1A) of the Land Transport Management Act 2003 to support its regulatory function (\$34.87 million in 2024/25). In this option, you could remove 100% of Crown funding for CCS Operating Costs from 24/25 and inform NZTA that you expect it to reprioritise within its section 9(1A) funding to cover these costs. If you wish to pursue this option, the Ministry suggests you seek advice from NZTA on the risks and consequences of this option. Note: the Ministry has reflected this option in Table 2 above.

14.2 **Request permission to use Auckland Light Rail wash-up operating expenditure.** There is potentially § 9(2)(f)(iv) available to be returned to the Crown from Auckland Light Rail Limited (ALR Ltd) once operations are substantively wound up, § 9(2)(f)(iv) financial year and therefore within the forecast period for the baseline savings exercise. You would need to seek permission from the Minister of Finance to count these savings towards your baseline savings proposal, as this initiative was previously explicitly excluded. Please see the *Targeted policy savings initiatives* section below for more information on this option.

14.3 **Use the § 9(2)(f)(iv) per annum NZTA efficiency dividend that is already included in the GPS 2024 funding package.** The Ministry has factored a § 9(2)(f)(iv) § 9(2)(f)(iv) per annum efficiency dividend into GPS 2024. In this option, you could seek permission from the Minister of Finance to count these savings towards your baseline savings proposal (noting that this efficiency dividend, and revenue options proposed in GPS 2024, mean an OPEX grant is not required for GPS 2024).

Action for Minister: Please confirm if you are comfortable with submitting the baseline savings proposal identified in Table 2 above **AND** confirm which additional savings option you would like us to progress to make up the shortfall in our savings target.

Targeted policy savings initiatives

- 15 In her 21 December 2023 letter to you, the Minister of Finance noted that she expects the Ministry to consider if there are savings associated with stopping work on Auckland Light Rail suitable for consideration in Budget 2024. Any funding identified through this process would need to be returned to the Crown as a targeted policy

savings initiative and would not be permitted to count towards our baseline savings proposal.

- 16 We understand that the letter from the Minister of Finance was originally intended to be delivered a week prior (i.e. the week commencing 11 December 2023). The delay resulted in a mismatch of commissioning, as on 18 December 2023 Cabinet formally agreed to stop work on Auckland Light Rail, disestablish ALR Ltd, and return \$98 million in CAPEX appropriated for strategic land acquisition. As this CAPEX funding had already been returned to the Crown by the time the Minister of Finance’s letter was sent to you, Treasury informed the Ministry it does not need to complete a Budget 2024 targeted policy savings template for stopping Auckland Light Rail.
- 17 The Ministry is working with ALR Ltd to substantially wind-up operations by 31 March 2024. The current estimate is up to § 9(2)(f)(iv) savings could be returned to the Crown once the wind-up is substantively complete (accounting for the remaining appropriated funding and ALR Ltd’s cash on hand). The exact amount of OPEX savings from ALR Ltd will not be confirmed until wind up is complete, but there are multiple avenues you can use to return or reprioritise savings, depending on the financial year that savings relate to (see Table 3 below).

Table 3: Options for returning / reprioritising remaining Auckland Light Rail savings

Financial year	Option 1 Return funding to the centre at year end	Option 2 Reprioritise funding through technical Budget process	Option 3 Return funding through the baseline savings proposal
2023/24	You could return all identified savings to the centre at year end and close the Multi-Year Appropriation for Auckland Light Rail.	You could utilise the technical Budget process to reprioritise savings towards Vote Transport pressures that are yet to be addressed.	Funding in 2023/24 is outside the scope of the baseline savings exercise. You would utilise option 1 or 2 for savings in this financial year.
2024/25	This would generate additional savings for the Crown to redistribute as required.	Please see <i>Additional reprioritisation opportunities</i> section for more information.	As mentioned in paragraph 14.2 above, you could request permission from the Minister of Finance to use savings in 2024/25 § 9(2)(f)(iv) for your baseline savings proposal, noting that we are no longer taking part in the targeted policy savings process.

Action for Minister: Please confirm how you would like to treat identified savings for ALR Ltd.

Invited initiatives

- 18 You have been invited to submit two initiatives for new funding in Budget 2024. These are:

18.1 **Civil Aviation Authority Liquidity Funding.** This initiative seeks § 9(2)(f)(iv) maintain operations before its funding review is

complete s 9(2)(f)(iv) This includes \$91.2 million to address the forecast gap between its 2024/25 costs and revenue and s 9(2)(f)(iv)

18.2 **North Island Weather Events (NIWE) Road Response and Recovery (revised title for submission: 'North Island Weather Events (NIWE) road Response, Recovery and Rebuild')**. This initiative seeks s 9(2)(f)(iv)

for recovery, response and rebuild¹ works on the state highway and local road networks damaged in the NIWEs. The Minister of Finance's invitation for this initiative did not specify rebuild activities, however Treasury has confirmed there is scope to include these in the bid.

- 19 The Ministry supports both initiatives being submitted to the Minister of Finance for consideration. Below is more detail on the Ministry's view, key risks, and scaling opportunities, for your consideration.

Maintaining and Effective Safety and Security Aviation Regulator

- 20 The Ministry supports the provision of Crown funding to CAA for this purpose. This is in line with how CAA has been supported since the emergence of COVID-19 when it's funding review was delayed. Crown funding is the most appropriate funding source to address the operating deficit s 9(2)(f)(iv) The Ministry suggests that the provision of further funding is accompanied by an expectation that CAA takes the necessary steps to complete the funding review on time s 9(2)(f)(iv)

- 21 The Ministry considers there are viable scaling options for this initiative that would limit the draw on Crown allowances. We suggest you raise these with the Minister of Finance in bilateral discussions and/or revisit these before the Budget 2024 package is approved by Cabinet:

- 21.1 **Carrying forward CAA's forecast underspend against the liquidity facility in 23/24.** CAA is expecting to underspend against the liquidity facility in 2023/24 by approximately \$45 million, due to levy revenue exceeding forecast levels. If Ministers approve the 2023/24 underspend to be carried forward to 2024/25 (as has been done in previous years), CAA's Budget 2024 initiative can be decreased by the corresponding amount. To ensure the Budget initiative includes sufficient funding, the Ministry suggests the estimated underspend is confirmed before the Budget 2024 package is considered by Cabinet and funding sought be updated accordingly.

21.2 s 9(2)(f)(iv)

¹ NZTA uses the following definitions for different phases of NIWE investment: response (immediate response for public safety and/or to provide vital access, recovery (reinstatement of a robust network to current resilience standards, consistent with previous/adjacent levels of service), rebuild (reinstatement with improved levels of service).

s 9(2)(f)(iv)

NIWE Road Response, Recovery and Rebuild

- 22 The Ministry supports this initiative. Funding appropriated is not sufficient to complete the necessary works to return affected state highways and local roads to pre-NIWE service levels. Crown funding remains the appropriate funding source as there is insufficient discretionary funding in the National Land Transport Fund (NLTF) to fund NIWE works without significantly comprising other NLTF-funded maintenance works.
- 23 The provision of Crown funding for local road works s 9(2)(f)(iv) is consistent with how NIWE works have been funded to date and how NZTA provides NLTF funding to councils to deliver emergency works in normal settings (i.e. an NLTF contribution is provided at a higher funding assistance rate (FAR) than normal, typically 71-95%). If no further Crown funding is provided for local roads, it is highly likely councils will be unable to carry out these necessary works within their own budgets and temporary assets in place will eventually fail.
- 24 Similarly, if no further funding is provided for state highway recovery works (\$609 million CAPEX sought over four years), temporary assets installed in the recovery phase will eventually fail and require emergency replacement. Undertaking recovery works now will ensure there are safe, permanent connections for communities.

s 9(2)(f)(iv)

PROACTIVELY PREPARED BY NIWA
MINISTRY OF TRANSPORT

28

s 9(2)(f)(iv)

Action for Minister: Please confirm if you are comfortable with submitting both invited initiatives to the Minister of Finance.

Capital Pipeline Review

29 The Capital Pipeline Review is an opportunity for you to review capital investments underway in Vote Transport, examine where cost pressures exist and consider where savings can be made to address these pressures. In her 25 January letter to you, the Minister of Finance identified several NZTA and KiwiRail initiatives that Treasury expects to be considered in the Capital Pipeline Review (see table below).

Table 4: Vote Transport initiatives invited into the Capital Pipeline Review

NZTA initiatives	KiwiRail initiatives
New Zealand Upgrade initiatives: <ul style="list-style-type: none"> • Melling Intersection (Riverlink) • Ōtaki to North of Levin • Queenstown Package • SH1 Whangārei to Port Marsden Highway Safety Improvements • Canterbury Package • Papakura to Drury 	<ul style="list-style-type: none"> • Rail Network Investment Programme (first 5 years of funding for Rail Network) • Rail Network Growth Impact & Auckland Metro Remediation • National Resilience Plan - minor improvements to rail lines to increase resilience and reliability • Wellington Metro Upgrade Programme III • Wellington Metro Upgrade Programme IV • Rail Network Investment Programme - Public Transport Infrastructure • Northern Package - Whangārei to Otiria

30 The Ministry supports examining the capital investments in Vote Transport and considering your options to prioritise areas in line with your priorities and where there are cost pressures that if not addressed would impact delivery, cost or service quality.

31 NZTA and KiwiRail have completed savings templates for the initiatives invited into the Capital Pipeline Review for submission to Treasury. Given the condensed timeframes, there has been insufficient time for the Ministry to provide a portfolio view of these investments and consider these against other significant programmes in the transport sector including the Government Policy Statement on land transport 2024 (GPS 2024) and the Road of National Significance (RoNS) programme.

32 To meet Budget 2024 deadlines, the Ministry recommends you submit all savings templates completed by NZTA and KiwiRail to Treasury, acknowledging that these reflect the agencies' view on prioritisation within their areas.

33 On Wednesday 14 February, the Ministry will provide you further advice on the Vote Transport capital pipeline and a proposed high-level prioritisation of investments. If

you agree with the Ministry's advice, this can be submitted to Treasury as supporting material on Friday 16 February.

- 34 The Ministry will continue to develop advice on the Vote Transport capital pipeline to support you at your Budget 2024 bilateral discussion with the Minister of Finance (likely to take place in mid-March).

Additional reprioritisation opportunities

- 35 As the Minister of Finance outlined in her 21 December 2023 letter, cost pressures and new spending initiatives seeking new Crown funding can only be submitted for consideration by Cabinet if they are specifically invited into the Budget process.

- 36 Treasury has since clarified that agencies are still allowed to propose options to manage cost pressures or fund new initiatives that haven't been specifically invited into the Budget process, as long as:

36.1 these are funded through internal reprioritisation or by taking active choices to stop or scale programmes

36.2 funding set aside for reprioritisation is in addition to any savings already ring-fenced to meet the baseline savings target.

Of the eleven Vote Transport initiatives we signalled to you as viable candidates for Budget 2024 funding, there are three initiatives that the Ministry considers could be funded through reprioritisation (and one that can be addressed through a technical adjustment)

- 37 On 21 December 2023, we provided you with advice on cost pressures, fiscal cliffs and new spending initiatives across Vote Transport that had been signalled by agencies as candidates for Budget 2024 funding (OC231061 refers). Of the 17 initiatives originally proposed, the Ministry recommended that 11 should be considered for funding through Budget 2024.

- 38 Three of the initiatives we identified in our December advice were subsequently invited for submission through Budget 2024 by the Minister of Finance, or signalled to be agreed prior to Budget 2024. These initiatives are:

38.1 GPS 2024 funding package (pre-commitment against Budget 2024)

38.2 Civil Aviation Authority Liquidity funding, and

38.3 North Island Weather Events Road Response and Recovery funding.

- 39 Following an expansion of the scope of the Capital Pipeline Review process, a further four initiatives identified in our December 2023 advice were able to be submitted for consideration, including:

39.1 Completing Auckland's Rail Network Rebuild s 9(2)(f)(iv)

39.2 New Zealand Upgrade Programme cost pressures

39.3 Future of Rail – Rail Network Investment Programme

39.4 Metropolitan Rail Network Management Plans and Backlog Renewals.

40 This leaves three initiatives that could be considered as candidates for funding through reprioritisation, and one initiative that can be addressed through Budget 2024 as a technical adjustment:

40.1 Maintaining Critical Frontline Prevention and Safety Services at Existing Levels (\$63.644 million OPEX over four years)

This funding is to address volume, price and wage pressures for Coastguard New Zealand (Coastguard) and Surf Life Savings New Zealand (SLSNZ) who provide critical frontline prevention and rescue services to reduce New Zealand’s drowning toll. Both entities are forecasting ongoing deficits and have limited options to absorb pressures without a reduction in frontline services, ultimately risking the potential loss of life.

40.2 Ground Based Navigational Aids (\$7.7 million CAPEX over four years)

This funding would be for Airways NZ to purchase three GBNAs (thereby completing the minimum operating network) that safely recover aircraft as an emergency alternative to GPS navigation across mainland New Zealand.

40.3 Severe Weather / Emergency Response Readiness, Resilience and Recovery (\$26.606 million OPEX over four years)

This funding would be for four NGOs (Coastguard, NZ Land Search and Rescue, SLSNZ, and Amateur Radio Emergency Communications) to improve their capability and capacity to respond to future severe weather events and emergencies through specialised training, provision of appropriate personal protective equipment, establishing regional equipment caches, and improving regional coordination. A significant proportion of this funding (\$15.4 million in 2024/25) is for the replacement of buildings and other assets that were destroyed / damaged during the North Island Weather Events. Given their coastal position, many of these assets were not able to be insured. Please note that this initiative relates to the Government inquiry into the response to the North Island severe weather events, which is due to be considered by Cabinet in March 2024. s 9(2)(f)(iv)

40.4 Health and Safety at Work Act (HSWA) delegations s 9(2)(f)(iv)

This initiative seeks to address a fiscal cliff in the Civil Aviation Authority’s funding for HSWA delegations. This initiative is fiscally neutral to the Crown. The Ministry of Business, Innovation and Employment has already made provision for this uplift within the HSWA Levy – the Budget process is just the mechanism through which the decision is formalised.

41 The Ministry has identified up to \$168 million OPEX and \$38 million CAPEX that you could use for reprioritisation to address the residual pressures mentioned above:

Table 5: Operating funding that could be used for reprioritisation

BUDGET SENSITIVE

Initiative	Estimated* OPEX funding available (\$m)	Ministry comment
<i>Agency underspends in 2023/24</i>		
Ministry of Transport	~8.000	Underspends are due to a combination of turnover related to the Ministry's restructure, and explicit decisions to delay recruitment while we confirmed the Government's priorities.
Maritime New Zealand (MNZ)	~14.000	s 9(2)(f)(iv) MNZ indicated that they anticipate returning \$14 million of liquidity facility funding to the Crown in 2023/24, provided their funding review is implemented by 1 July 2024.
<i>Programme underspends in 2023/24</i>		
Recruiting and Retaining Bus Drivers	~13.000	Even though funding for this initiative from 2024/25 onwards is proposed to be returned to the Crown through our baseline savings proposal, there is also an underspend in 2023/24 that can be utilised for reprioritisation.
Public Transport Bus Decarbonisation	s 9(2)(f)(iv)	s 9(2)(f)(iv) underspend in 2023/24 that can be utilised for reprioritisation.
<i>Residual funding associated with projects that have been stopped or scaled</i>		
Auckland Light Rail operating funding	s 9(2)(f)(iv)	As mentioned in paragraph 17, early estimates suggest there is potentially s 9(2)(f)(iv) available to be returned from the wind up of ALR. You could utilise part of this funding for your baseline savings proposal, and reprioritise (or return) the remainder.
Clean Car Discount	~10.000	Following the end of the Clean Car Discount Scheme, early estimates suggest there may be up to \$6 million available for reprioritisation (or return) in 2023/24 once final rebates and redundancies have been paid out.
Community Connect –residual concessions funding	~34.000	As part of the Mini Budget on 11 December 2023, Cabinet returned all concession funding from 2024/25 related to the 'half price under 25 year olds and free under 13 year olds' Community Connect policy. The Ministry is working with NZTA and Public Transport Authorities to wind up this policy, but we anticipate that not all funding remaining in 2023/24 will be required.
Transport Choices	34.000	As per your direction on 15 December 2023, NZTA will be returning \$124.1 million of uncommitted Transport Choices funding (OC231056 refers). Given the National Party Fiscal Plan assumed that \$90 million of Transport Choices funding would be reprioritised towards the Supercharging EV Infrastructure policy, this leaves \$34 million available for reprioritisation towards priorities of your choice.

BUDGET SENSITIVE

BUDGET SENSITIVE

Approximate total	§ 9(2)(f)(iv)	
-------------------	---------------	--

* Please note that these estimates have a moderate degree of uncertainty given we are only 60% of the way through the financial year.

Table 6: Capital funding that could be used for reprioritisation

Initiative	Estimated CAPEX funding available (\$m)	Ministry comment
Removing (or scaling) funding appropriated for coal hopper wagons	~38.000 (assumes \$10m retained for rolling stock contingency)	We note that KiwiRail have also identified this as a reprioritisation opportunity that they would like to utilise to fund the shortfall in Rail Network Investment Programme funding.

42 While there is still uncertainty at this point about the true quantum of funding that will be available for reprioritisation, the Ministry is confident that there is sufficient leeway to address at least some of the residual pressures mentioned in paragraph 40. We suggest that you consider progressing the following reprioritisation options:

Table 7: Ministry recommendations for reprioritisation

Residual pressure	\$m recommended to be funded through reprioritisation	Rationale
Maintaining Critical Frontline Prevention and Safety Services at Existing Levels	63,644 OPEX Fully fund through reprioritisation	Maintaining these services at current levels is a vital element in the control of New Zealand's high drowning toll (relative to Western nations).
Ground Based Navigational Aids (GBNAs)	7,700 CAPEX Fully fund through reprioritisation	This funding would ensure the minimum operating network for GBNAs is complete. If unfunded, flights in regions without a GBNA will be at heightened risk of becoming lost / crashing if their GPS fails.
Severe Weather / Emergency Response Readiness, Resilience and Recovery	Defer to await decision on inquiry	§ 9(2)(f)(iv) However, you have full discretion to suggest funding part, or all, of this initiative now if it is a priority for you.
Health and Safety at Work Act Delegations	- No new funding required	This initiative can be progressed through the technical Budget process and will be fiscally neutral to the Crown.

43 Any remaining funding allocated to 2023/24 that is not used for reprioritisation can then be returned to the centre at the end of the financial year.

44 We note that our recommended approach implies that we would return funding in 2023/24 to be reallocated across future financial years. Treasury has advised us that

we are permitted to suggest such options, even though this may have a negative impact on the operating balance before gains and losses (OBEGAL) position. The rationale for this view is that the significant level of revenue funding proposed through the GPS 2024 funding package (i.e. increases to Motor Vehicle Registration fees, and increases to Fuel Excise Duty and Road User Charges from 2027) exceeds the level of funding sought for reprioritisation to address identified pressures, thereby resulting in a net positive impact on OBEGAL. Ultimately, the Minister of Finance will determine whether she is comfortable with this approach.

Mechanism for seeking Cabinet agreement to reprioritise funding within baselines

- 45 The technical Budget process is the avenue through which you may seek to progress reprioritisation of funding within baselines. This is a process parallel to the annual Budget which enables Cabinet to consider fiscally neutral adjustments outside the scope of joint Ministers decision making delegations (e.g. establishing new multi-year appropriations, or changes to the scope of an appropriation).
- 46 If you indicate that you would like us to pursue either of the above reprioritisation options, we will include these in our 8 March 2024 briefing to you on technical initiatives sought through Budget 2024. This will also include advice on genuine fiscally neutral adjustments (such as the uplift to CAA's HSWA levy funding).

ACTION for Minister. Please confirm which reprioritisation options you would like us to progress or provide further information on.

Next steps

- 47 We will meet with you at 1pm on Monday 12 February, as part of the weekly officials meeting, to seek your feedback on the proposed Vote Transport Budget 2024 package. In particular, we seek an indication of your comfort with / preferences for the following:
 - 47.1 Submitting the baseline savings proposal as drafted, and your preferred approach for addressing the remaining shortfall
 - 47.2 Treating OPEX savings from ALR Ltd in Budget 2024
 - 47.3 Submitting the invited initiatives
 - 47.4 Reprioritising underspends and scaling of programmes to address unfunded pressures.
- 48 The Ministry will provide you fulsome advice on the capital investments in Vote Transport on Wednesday 14 February, to support your submission to Treasury.
- 49 Following submission, you will be invited to have a bilateral discussion with the Minister of Finance on the Vote Transport baseline savings proposal and Budget initiatives. The Ministry will provide you advice to support this discussion.

ANNEX 1: BASELINE SAVINGS PROPOSAL – DETAILED BREAKDOWN

Agency	Appropriation (app.)	Total funding in app over four years (\$'000's)	Recommended reduction (\$ '000's)					% reduction of total	Comment from impacted agency on risks	Comment from Ministry of Transport
			24/25	25/26	26/27	27/28	Total rec. reduction			
Agency baseline reductions										
Ministry of Transport	Ministry of Transport (Policy and Back-office Advice) – Efficiency Return	215,097	2,793	2,708	2,627	2,627	10,755	5%	<p>To deliver the proposed savings, the Ministry has reduced its establishment by a net of 24 roles through a recent restructure, with a further 5-6 roles being removed by 30 June 2024. In addition to this, the Ministry will reduce its consultant and contractor spend and continue to reduce roles from its establishment to operate within these targets.</p> <p>We note that operating at this funding level will mean the Ministry is unable to assume any substantive new functional responsibilities without additional funding and/ or substantive prioritisation of its existing responsibilities and work programme.</p> <p>Likely impacts include:</p> <ul style="list-style-type: none"> - Less timely and quality policy advice covering a more limited range of areas - Reduced delivery of official correspondence - Less emphasis and proactive work on the administration and maintenance of the regulatory and investment systems, creating potential risks of regulatory gaps and reduced value for money from the Vote. 	Consistent reduction of 5% to agency baselines (excluding third party funded activities).
New Zealand Transport Agency	New Zealand Transport Authority Regulatory Services (Policy and Back-office Advice) – Efficiency Return	15,492	194	194	194	194	775	5%	<p>No direct impact. NZTA are working to identify the possible indirect impact of this, in particularly noting that the impact on them will be cumulative across the savings proposal. This will result in higher NZTA overheads to be recovered from all funding sources. (e.g. NLTF and regulatory), with flow-on impacts to the activities/outcomes these funding sources would otherwise have secured. There could also be a minor impact on the number of older drivers renewing their licenses, but we expect this impact would be relatively minimal given it would only increase by a correspondingly minimal amount (i.e ~5% of \$13).</p>	<p>Consistent reduction of 5% to agency baselines.</p> <p>The Ministry's view is that this level of reduction would be manageable within NZTA's baseline. You may wish to write to the MNZ board to set an expectation that efficiencies sought through the Initial Baseline Exercise are not to be cross subsidised.</p>
s 9(2)(f)(iv)										
	Improving Resilience of the Roding Network – Operating Costs (Back-office) –	4,000	200	200	200	200	800	20%	<p>Funding reduction reduces the programme management support by one FTE from 2024/25 – 2027/28 (and future outyears), though this is subject to amendment. Funding reduction will reduce the level of oversight and management of the Crown Resilience programme by NZTA and reduce the level of service to the Ministry of Transport and Treasury with respect to progress and outcome reporting.</p> <p>This reduction in FTE may influence timeliness of reporting or reporting quality but should not affect deliverability of interventions by local authorities.</p>	The Ministry is comfortable with NZTA's position that the Improving Resilience of the Roding Network initiative can be delivered with one fewer FTE.

BUDGET SENSITIVE

	Efficiency Return										
	Community Connect Programme Services (Policy and Back-office Advice) – Return of funding for wound-back scheme	7,684	1,683	1,719	1,719	1,719	6,839	89%	<p>These savings will arise from the reduction in the forecast numbers for Concessions for Community Services Cardholders (CSC), and the end of the Under 25 half-price fares and Free transport for under 13-year-olds on 30 April 2024.</p> <p>NZTA have suggested an adjusted savings amount (\$5.924 total) as the previous reduction suggested does not cover the agreed 2% overhead administration charge that will arise from the CSC and Total Mobility Concessions, which total \$22m per annum. 2 percent of this is \$440,000 per annum. This 2 percent administration charge is included as part of the signed funding agreement between the Ministry of Transport and NZTA.</p>	<p>Greater reduction due to part of the programme being stopped in Mini Budget.</p> <p>The Ministry believes that \$6.8m should be returned as this was administration funding approved in B23 for a scheme that has now been stopped (via the Mini Budget in December 2023).</p> <p>We believe that retaining 11% of appropriated funding is consistent to administer the existing scheme as it was before this was expanded.</p> <p>We consider that the 2% administration charge included in the funding agreement is something that can be amended. This funding agreement is currently being updated and so we recommend proceeding with the savings identified (rather than NZTA's suggested numbers).</p> <p>Should further funding be required, it could be found by re-prioritising within the Community Connect MCA.</p>	
Maritime New Zealand	Maritime Regulatory and Response Service (Policy and Back-office Advice) – Efficiency Return	41,996	525	525	525	525	2,099	5%	<p>Impacts will be on:</p> <p>Maritime security:</p> <ul style="list-style-type: none"> - The removal of 1 Maritime Security Advisor position (funded through Budget 23) that forms a key part of the frontline regulatory role on ports (e.g. assessing port security plans, risk assessment, exercises) as well as managing emerging risks and threats. - s 6(a) <p>Maritime operational policy advice:</p> <ul style="list-style-type: none"> - The removal of 2 regulatory operational policy roles and associated costs – a Principal Advisor and a Senior Advisor who are: updating complex and outdated maritime rules to reduce costs for operators, increase productivity, enable innovation, and deliver better outcomes. - Will impact on priority regulatory work that supports Government priorities, fixing the out-of-date rule set and our ability to work with new technologies. The sector are expecting rule changes and we will be further limited in delivering changes as a result of reducing capacity in our regulatory policy function. <p>MNZ will not take any savings from two components of this appropriation (Search and Rescue Coordination and Safety Infrastructure and Marine Protection services), as reductions here would impact their ability to provide 24/7 search and rescue coordination.</p>	<p>Consistent reduction of 5% to agency baselines.</p> <p>The Ministry's view is that this level of reduction would be manageable within MNZ's overall baseline. There is a risk that MNZ may try to utilise levies to cross subsidize the loss of Crown funding, thereby failing to achieve the efficiencies intended by this exercise. You may wish to write to the MNZ board to set an expectation that efficiencies sought through the Initial Baseline Exercise are not to be cross subsidised.</p>	
Civil Aviation Authority	Civil Aviation and Maritime Security (Policy and Back-office Advice) – Efficiency Return	9,365	158	118	96	96	468	5%	<p>CAA do not plan to remove any activities in this appropriation as these are statutory or international obligations or would create cost pressures for other agencies. The functions that could be impacted by a reduction in Crown funding are: reduced capacity for Ministerial servicing, policy advice for CAA and other agencies such as MBIE and HSWA, and potentially reduced international engagement (NZ's input into the costs and development of rules and process). CAA have also signalled potential capacity issues to support Maritime Security at Ports.</p> <p>s 9(2)(f)(iv)</p>	<p>Consistent reduction of 5% to agency baselines.</p> <p>The Ministry's view is that this level of reduction would be manageable within CAA's overall baseline . There is a risk that CAA may try to utilise levies to cross subsidize the loss of Crown funding, thereby failing to achieve the efficiencies intended by this exercise. You may wish to write to the CAA board to set an expectation that efficiencies sought through the Initial Baseline Exercise are not to be cross subsidised.</p>	
Total agency baseline reductions			s 9(2)(f)(iv)								

BUDGET SENSITIVE

Programmes									
New Zealand Transport Agency s 9(2)(f)(iv)									
Retaining and Recruiting Bus Drivers Funding – s 9(2)(f)(iv)	65,200	s 9(2)(f)(iv)					<p>This work is designed to help make bus driving more attractive and therefore improve the recruitment and retention of drivers to reduce the chances of another bus driver shortage. These issues will still be discussed through the Bus Driver Conditions Steering Group but it is likely that progress will stall. The proposed savings reduction would shift the burden of costs to councils and PTAs, who are unlikely to chose to fund this and therefore no progress will be made towards these outcomes.</p> <p>s 9(2)(f)(iv) reduction in un-committed project funding will descope Tranche 2 (focused on penal rates and split shifts), which is likely to be welcomed by operators, but not by unions. s 9(2)(f)(iv)</p> <p>Potential impact on recruitment and retention of drivers leading to increased chances of another bus driver shortage, with flow-on impacts to wider public transport usage.</p>	<p>Policy decision based on Minister's direction. s 9(2)(f)(iv)</p> <p>The Ministry recommends that this matter is discussed with the Minister of Climate change prior to any decision being made to reduce funding for this initiative, and that if funding is reduced for this initiative, the initiative is removed from the Emissions Reduction Plan. In accordance with previous advice, the Ministry notes that the Government has a legal obligation to meet the Emissions Budgets and will need to demonstrate it has considered impact of removing this initiative (including how Emissions Budgets will be met in the absence of this initiative).</p>	
Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	47,368	11,842	11,842	11,842	11,842	41,447	100%	<p>In this package we propose that a user pays model be perused and that in the interim NZTA re-prioritise existing regulatory funding to a scaled operating model. NZTA advise that there would be trade-offs associated with this re-prioritisation but require more time to work through specific impacts.</p> <p>NZTA have proposed a 42% reduction in appropriation funding, which represents the lowest level of funding NZTA requires to administer the scheme in its current form. To reduce costs further (i.e. 50%), the scope of CCS would need to be reviewed, requiring a change in Policy or a directive from the Ministry of Transport (the Ministry).</p> <p>Risks with reducing funding include; not having the required funding to upkeep the system, risk of major disruption to the Import Industry, reputational risk if the system failed, no allowance for staff growth or remuneration increases</p>	<p>Policy decision based on Minister's direction. Work is under-way on implementing a user-pays model by July 2025 to fully fund this.</p> <p>This policy decision would stop crown funding and transition to a user pays system. Further advice on Clean Car Standard expenditure (including FTE numbers) and initial advice on options to review the funding model is attached in Annex 2</p>
KiwiRail s 9(2)(i)									

									s 9(2)(i)	
Total programmes			s 9(2)(f)(iv)							

	Recommended reduction (\$ '000's)				
	24/25	25/26	26/27	27/28	Total rec. reduction
Total	38,099	50,706	35,731	30,008	154,541
Target	38,500	38,500	38,500	38,500	154,000
Variance	-401	12,206	-2,769	-8,492	541

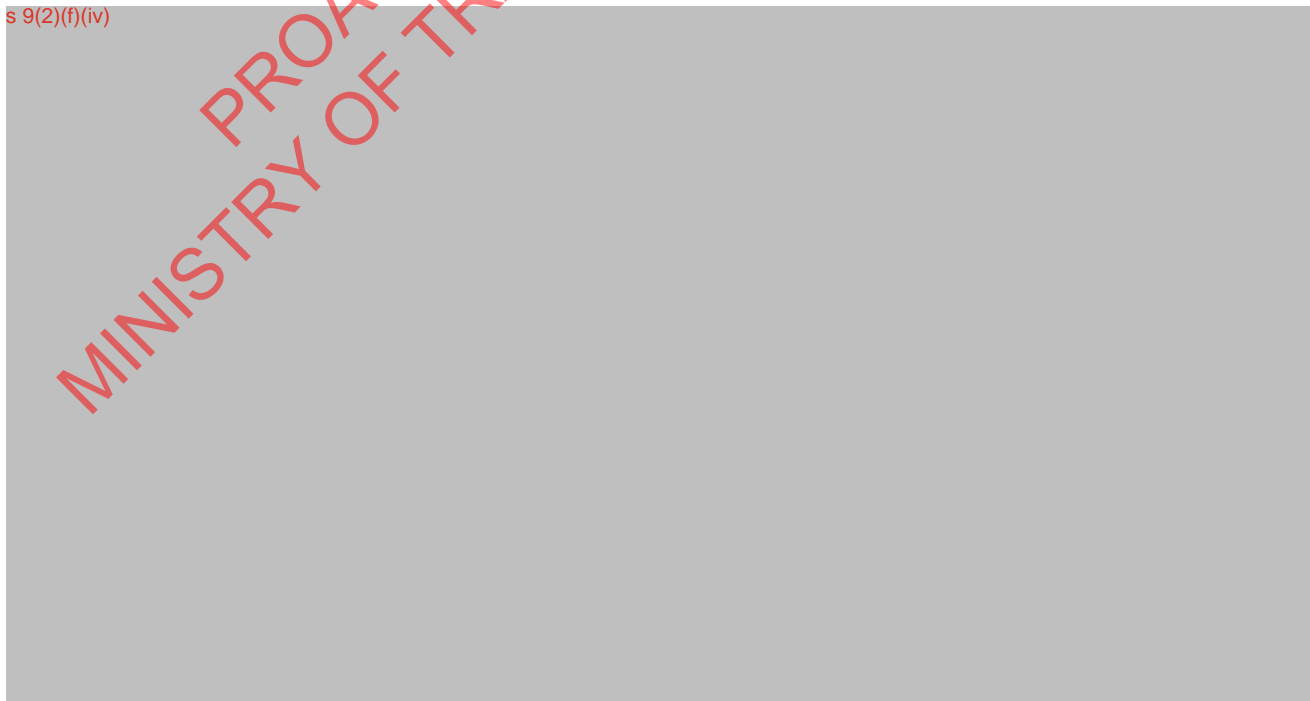
PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 2: ADVICE ON CLEAN CAR STANDARD COSTS AND USER PAYS OPTION

Further information on Clean Car Standard Funding and Scaling Options

- You previously directed the Ministry to provide advice on:
 - The impact and feasibility of reducing the cost of administering the Clean Car Standard Scheme by 50% of current appropriated funding levels,
 - What the current funding is used for (including a breakdown of FTE supporting the Scheme), and
 - The implementation of a user pays model
- The below provides the FTE and funding breakdown requested, and NZTA's views on a minimum level of funding for the Scheme
- NZTA have advised that it would not be possible to sustainably deliver the Scheme for less than \$6.8m per annum (a 42% reduction in funding).
- NZTA would implement this scaling through reducing contingency and personnel costs. s 9(2)(f)(iv)
s 9(2)(g)(i)
A breakdown of existing funding compared to NZTA's proposed scaled model is shown below:

s 9(2)(f)(iv)



BUDGET SENSITIVE

- A breakdown of FTE currently employed to work on the Scheme, plus the proposed model is shown below:

Function	Current	Proposed
Operations provide front line support, manage system issues & proactive work with industry e.g. industry engagement.	17	s 9(2)(f)(iv)
Vehicle emissions team manage technical aspects of the scheme like validating Import documentation e.g. ensuring emissions data is correct & monitoring of fraudulent activities.	7	
Performance & Compliance performance reporting & analytics and monitoring regulatory compliance.	5	
Regulatory (Border Entry)	1	
Engagement & Partnerships	1	
Commercial and Corporate	1	

Further advice process for implementing a user pays model

- Recovering the administration costs from the vehicle industry has the potential to increase efficiency and contain costs
- The Ministry's view is it would be feasible to implement a user pays model by mid 2025.

Status quo and potential changes to the CCS

- Currently there are 3,169 vehicle importers that are required to comply with the CCS. These range from largescale importers with established vehicle brands to small operators focused on online car importation.
- Any proposed design shift to a user- pays model will have to work for all importers with a strong element of co-design with the vehicle industry. While there may be criticism from the sector that the shift to user-pays is already decided, the structuring of how the costs will be recovered across importers will be of high interest.

-

How a shift to a user pays model could be made

- There is a potential pathway towards implementing a user pays model for the Clean Car Standard (CCS). This involves:

BUDGET SENSITIVE

- After an analysis of the implications of moving to a user pays model and engaging with the sector on potential costs, moving to a fully user pays model from July 2025 when Crown funding ends.
- If required, a Bill to amend the Land Transport Act 1998.
- After careful consideration it is unlikely to be viable to move towards a scaled option from July 2024 via Budget night legislation. It will take time to develop policy options regarding potential fees of a user-pays system. A Cost Recovery Impact Statement (CRIS) would also need to be completed. Given the high level of interest the industry will show, thorough consultation will be required. Cabinet decisions on next steps would be required, along with potential legislative change. It is not feasible to achieve this by 1 July 2024. The policy development of a user-pays model can be undertaken alongside the existing review of the CCS emissions targets and any subsequent legislative change related to a user-pays model could be included in a Bill to amend the CCS emissions targets.

s 9(2)(h)



Proposed timeframe for implementing a user pays model

February 2024	<ul style="list-style-type: none"> ● Minister discusses approach to implementing user-pays Clean Car Scheme (CCS) with officials ● Officials engage with vehicle industry on the review of the CCS emissions targets. This could include discussion on a potential user pays option. ● Officials begin policy analysis with Waka Kotahi on design and implementation of a user pays system
March	<ul style="list-style-type: none"> ● Officials engage with domestic vehicle industry on user pays model, alongside review of CCS emissions target
s 9(2)(f)(iv)	
June	<ul style="list-style-type: none"> ● Minister receives draft Cabinet paper on CCS targets, which includes seeking agreement to move to a user-pays model
July	<ul style="list-style-type: none"> ● Minister receives policy approval Cabinet paper, regulatory impact statement (RIS), Cost Recovery Impact Statement (CRIS) and climate impact of policy assessment (CIPA) ● Cabinet policy decisions

s 9(2)(f)(iv)



PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA



14 February 2024

OC240117

Hon Simeon Brown
Minister of Transport

Action required by:
Friday, 16 February 2024

CAPITAL PIPELINE REVIEW

Purpose

This briefing provides you with further advice on capital programmes within Vote Transport and recommendations from the Ministry as to how initiatives could be treated in the Budget 2024 Capital Pipeline Review.

Key points

- The Budget 2024 Capital Pipeline Review is an opportunity to review capital investments underway in Vote Transport, examine where cost pressures exist and consider where savings can be made to address these pressures. Treasury has invited several NZTA and KiwiRail initiatives into the Capital Pipeline Review.
- There are significant cost pressures in the transport capital pipeline, some of which will need to be addressed in Budget 2024. The Ministry recommends the focus of Budget 2024 is on addressing the most critical cost pressures in the transport pipeline. Specifically, the Ministry recommends:
 - providing for cost pressures that if not addressed are likely to lead to service failure
 - progressing priority projects that are in the construction phase and considering stopping projects that have not yet started as viable savings opportunities
 - preserving optionality by ensuring key programmes have a sufficient level of funding to progress necessary works until a new direction can be issued.

Proposed treatment of roading projects in Budget 2024

- The Ministry partially supports NZTA's proposal to seek no new funding for New Zealand Upgrade Programme (NZUP) in Budget 2024 and manage cost pressures within the existing funding envelope. The Ministry notes that further options to address cost pressures could be generated by stopping project/s in planning / pre-implementation phases.
- The Ministry supports seeking Budget 2024 funding for North Island Weather Events (NIWE) roading works, with securing funding to complete the response and recovery phases being the first order priority.

- The Ministry notes that the current Roads of National Significance (RoNS) included in the draft GPS 2024 is a significant programme of works. The draft GPS makes provision for RoNS to be funded from the State Highway Improvements activity class.

s 9(2)(f)(iv)

Proposed treatment of rail projects

- To preserve optionality whilst the Government confirms its priorities for rail and address pressing risks on the metropolitan rail network, the Ministry recommends the following funding (from reprioritisation) is provided to KiwiRail:
 - s 9(2)(f)(iv) to support a credible 2024-27 Rail Network Investment Programme (RNIP)
 - s 9(2)(f)(iv) to complete the Auckland Rail Network Rebuild s 9(2)(f)(iv) and one-year of funding for 'catch up' renewals and Auckland and Wellington Network Management Plans local share funding shortfalls.
- KiwiRail has identified s 9(2)(f)(iv) in savings from existing rail projects, of which the Ministry considers s 9(2)(f)(iv) is suitable to address the above pressures. This leaves a shortfall of s 9(2)(f)(iv) that the Ministry recommends is covered using savings from the additional reprioritisation opportunities included in last week's Budget advice [OC240075 refers].
- If you are comfortable with the Ministry's recommendations, your agreement is sought to submit this briefing to Treasury, alongside the Capital Pipeline Review templates, by 1pm Friday 16 February.

Recommendations

We recommend you:

- | | | |
|---|--|----------|
| 1 | agree for all Capital Pipeline Review templates completed by NZTA and KiwiRail to be submitted to Treasury by 1pm Friday 16 December | Yes / No |
| 2 | agree for this briefing to be submitted to Treasury alongside the templates referenced above | Yes / No |
| 3 | note the Ministry will provide your Office a copy of your Budget 2024 submission letter on the morning of Friday 16 February for review and signature | |

David Wood
Deputy Chief Executive, Investment & Monitoring

14 / 2 / 2024

Hon Simeon Brown
Minister of Transport

..... / /

BUDGET SENSITIVE

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, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

CAPITAL PIPELINE REVIEW

Budget 2024 includes a Capital Pipeline Review

- 1 On 25 January 2024, you received a letter from the Minister of Finance outlining the process for capital investments¹ in Budget 2024, which includes three components:
 - 1.1 **Capital Pipeline Review:** A review of capital investments underway to identify where scaling or stopping an initiative could provide savings for reprioritisation. Treasury has invited seven New Zealand Transport Agency (NZTA) and eight KiwiRail initiatives for review.
 - 1.2 **Capital investment cost pressures:** An opportunity to seek additional funding for capital investments experiencing cost pressures. To be considered, agencies must confirm their approach for mitigating future cost pressures and propose how the current cost pressure could be addressed with the savings identified above.
 - 1.3 **Capital investment new spending initiatives:** An opportunity to submit new capital initiatives critical to the delivery of core public services or to meeting commitments in the Government's Coalition Agreements. For initiatives to be considered, they must have been previously signalled to Treasury through the quarterly reporting process and have a Cabinet approved business case.
- 2 All outputs for the Capital Pipeline Review must be submitted to Treasury by 1pm Friday 16 February.
- 3 NZTA and KiwiRail have completed savings, cost pressure and new spending templates for the Capital Pipeline Review for submission to Treasury. A list of these templates is provided in **Annex 1** (copies of the templates were provided to your Office last week). These templates reflect the agencies' view on prioritisation within their areas.
- 4 This briefing provides you with a Ministry of Transport (Ministry) view on the Capital Pipeline Review initiatives. This includes recommendations for how cost pressures could be addressed through Budget 2024. The Ministry's recommendations are informed by a rapid assessment and high-level prioritisation we have undertaken this week. A three-factor prioritisation framework was used which included: project status (pre-planning, planning, delivery, complete), alignment with Government priorities (high, medium, low) and benefit-cost-ratio / value judgement (high as >2, medium as 1-2, low as <1). Individual project assessments are provided in **Annex 2**.
- 5 If you support the Ministry's recommendations, we suggest you submit a copy of this advice to Treasury alongside the Capital Pipeline Review templates on 16 February, to be considered by Treasury's Budget 2024 Investment Panel².

¹ Due to the treatment of Crown funding in Vote Transport, here 'capital investments' refers to both capital and operating funding. Capital funding is typically used to fund transport assets that are owned by the Crown (e.g. the construction and maintenance of the state highway network). However, Crown funding into the rail network is typically operating funding. Treasury has invited a mix of capital and operating funded projects for consideration in the Capital Pipeline Review.

² In the week commencing 19 February, Treasury's Budget 2024 Investment Panel will review Capital Pipeline Review materials and provide advice to the Minister of Finance.

There are significant cost pressures in the transport capital pipeline, some of which will need to be addressed in Budget 2024

- 6 Officials previously briefed you on the cost pressures in the land transport system [OC230611 refers] and at the time of preparing that briefing signalled investments in the land transport system exceeded \$280 billion³. Decisions made by the Government, such as stopping Auckland Light Rail, have brought down the signalled level of investment to ~\$200 billion.
- 7 Even with these decisions, there remains a gap between signalled investment and approved funding with less than half of the funding required approved. Numerous projects are unaffordable within current funding settings (both Crown and National Land Transport Fund (NLTF) funding) and undeliverable within proposed delivery timeframes and current market capacity.

The Ministry recommends the focus of Budget 2024 is on addressing the most critical cost pressures in the transport pipeline

- 8 Noting the tight fiscal environment, it is not feasible to address all cost pressures on projects in the capital pipeline in Budget 2024. Also, as the Government is yet to confirm its priorities for all areas of the transport capital pipeline, it would be premature to fund all cost pressures before considering the alternative options available (e.g. if rescoping or stopping work is most appropriate). For these reasons, the Ministry suggests the focus of Budget 2024 is on:
 - 8.1 Providing for cost pressures that if not addressed are likely to lead to service failure.
 - 8.2 Progressing priority projects that are in the construction phase and considering stopping projects that have not yet started as viable savings opportunities.
 - 8.3 Preserving optionality by ensuring key programmes have a sufficient level of funding to progress necessary works until a new direction can be issued.
- 9 Utilising the prioritisation framework described in paragraph 5 and the three principles noted above, the Ministry has reached the following recommendations (summarised in Tables 1 and 3, with additional commentary provided under these).

Recommended approach for roading projects

Table 1: Proposed treatment of roading projects in the Capital Pipeline Review

Initiative	NZTA recommendation	Ministry recommendation
<p>New Zealand Upgrade Programme (NZUP)</p> <p>NZTA advises there is between \$0.5-1.5 billion in cost pressures on the programme.</p>	<p>Seek no new funding in Budget 2024 and manage within existing \$6.5 billion funding envelope by:</p> <ul style="list-style-type: none"> • Prioritising completion of projects in construction and significant projects in procurement. 	<p>Note the risks associated with NZTA's proposed approach, explore further options (including stopping projects in planning / pre-implementation phase)</p> <p>The Ministry partially supports NZTA's proposed approach. The Ministry</p>

³ The \$280 billion of investments are proposed to be funding from a range of different sources including Crown, NLTF and Local Government contributions.

BUDGET SENSITIVE

	<ul style="list-style-type: none"> Deferring decisions to proceed on projects in pre-implementation phase s 9(2)(f)(iv) Removing two projects from NZUP (Whangārei to Port Marsden Safety Improvements and South Auckland Package – Manakau to Takaanini Road Access and Safety) to instead be considered for NLTF funding through the GPS 2024 RoNS programme. 	<p>supports removing the two projects from NZUP as these are expected to be superseded by projects in similar areas in RoNS. s 9(2)(f)(iv)</p> <p>An alternative approach proposed by the Ministry is to consider stopping a/some project/s in the planning phase and reprioritise funding for these to address cost pressures on projects underway.</p>
<p>North Island Weather Events (NIWE) works</p> <p>There is insufficient funding appropriated to complete the state highway and local road response, recovery or rebuild phases.</p>	<p>Seek Crown funding in Budget 2024 of:</p> <ul style="list-style-type: none"> s 9(2)(f)(iv) for local road response and recovery \$0.609 billion for state highway recovery s 9(2)(f)(iv) for state highway rebuild 	<p>Seek Crown funding for NIWE works (as an invited initiative)</p> <p>The Ministry supports the provision of Crown funding for this purpose. The first order priority is completing the response and recovery phases.</p> <p>The counterfactual of no Crown funding being approved is that NLTF funding would need to be used, significantly impacting the delivery of essential maintenance activities and potentially other priorities in GPS 2024 including RoNS (see below).</p>
<p>Roads of National Significance (RoNS) programme</p> <p>A new programme of works within the draft GPS 2024.</p>	<p>N/A – has not been raised in Budget 2024 as a savings or cost pressure.</p>	<p>Retain GPS 2024 indicative allocation, note interdependencies with above pressures</p> <p>The State Highway Improvements activity class in the draft GPS provides funding of between \$3.8 billion and \$6.3 billion over 2024-27 which will be used to fund improvements to the state highway network, including the RoNS projects. If there is insufficient Crown funding for NIWE and NZUP projects, there is a risk these are prioritised for NLTF funding, reducing the level of funding available for RoNS.</p>

New Zealand Upgrade Programme (NZUP)

10 NZTA has identified a total cost pressure on its projects within NZUP of between \$0.5-1.5 billion. In December 2023, NZTA provided advice to Joint Ministers outlining its proposed approach for managing these cost pressures within the existing \$6.54 billion funding envelope [BRI-2919 refers] and has included this same approach in its Capital Pipeline Review templates. NZTA proposes:

10.1 Continuing with the planned scope for projects in procurement. These projects are the Queenstown Package, Papakura to Drury, Melling and Ōtaki to north of Levin.

10.2 s 9(2)(f)(iv) Projects

in pre-implementation phase including South Auckland Package - Waihoehoe Road and SH22 Drury upgrades and the Canterbury Package.


- 10.3 Removing two projects from NZUP and reprioritising the funding allocated to these to address cost pressures on other NZUP projects. These projects are Whangārei to Port Marsden Safety Improvements (with a funding allocation of \$270 million) and South Auckland Package – Manakau to Takaanini Road Access and Safety (with a funding allocation of \$375 million). The intention is for these projects to instead be considered for NLTF investment as part of the RoNS programme.
- 10.4 Of note, NZTA has already taken the decision (in September 2023) to reprioritise the \$375 million from South Auckland Package – Manakau to Takaanini Road Access and Safety to Ōtaki to north of Levin.
- 11 The Ministry is partially supportive of NZTA's proposed approach. The Ministry supports NZTA's proposal to remove the two projects noted above from NZUP, as it is likely that related projects will be included in RoNS (as per the current draft GPS) which would supersede these existing NZUP projects.
- 11.1 RoNS includes a new state highway connection between Whangārei and Port Marsden, which will deliver a modern road with improved safety considerations. This limits the rationale for carrying out safety improvements on the existing road.
- 11.2 RoNS also includes the Mill Road project, which would service a similar area as the South Auckland Package - Manakau to Takaanini Road Access and Safety project, but with an increased scope. The Ministry will need to undertake further analysis in the coming weeks on how the South Auckland package will be impacted by Auckland Council decisions on its development strategy.
- 12 However, there are risks with NZTA's proposed approach that the Ministry wishes to flag:
- 12.1 NZTA notes that the projects in procurement (paragraph 10.1) are less advanced and less certain from a cost perspective, with further funding requirements flagged by NZTA. Experience across NZUP is that projects have consistently exceeded cost estimates including P95 level and the Ministry considers it would be prudent to budget for worst case scenarios across these projects.
- 12.2 ^{9(2)(f)(iv)} 
- 13 An alternative approach for Ministers to consider is to rescope or stop any NZUP projects in the pre-implementation phase to generate savings. Using the three-factor prioritisation framework, projects in planning phase are the most appropriate candidates (noting all NZUP projects have been scored as having high alignment with Government priorities). These projects are listed in Table 2.

Table 2: NZUP roading projects in the pre-implementation phase

Project Name	Funding Allocation (\$m)	Cost Pressure (\$m)
SH2 Melling Efficiency and Safety Improvements	s 9(2)(i)	s 9(2)(i)
Ōtaki to North Levin		
Papakura to Drury		
South Auckland Package		
Whangārei to Port Marsden Highway safety improvements	270	
Canterbury Package	s 9(2)(i)	
SH1-29 Intersection Improvements		
Takitimu North Link Stage 2	57 (P50)	

- 14 While there are risks to scaling or stopping projects (e.g. potential legal issues and costs and implications for partner investments), this option would provide savings for addressing cost pressures on other projects, s 9(2)(f)(iv)

North Island Weather Events (NIWE)

- 15 As indicated in the Budget 2024 advice provided to you last week [OC240075 refers], the Ministry supports NZTA’s NIWE initiative being considered in Budget 2024. The first order priority for additional funding is response and recovery works, to ensure these phases can be completed. The second order priority is funding for state highway rebuild.
- 16 Crown funding remains the appropriate funding source for NIWE works as there is insufficient discretionary funding in the National Land Transport Fund (NLTF) to fund NIWE works without significantly comprising other NLTF-funded maintenance works and potentially other priorities in GPS 2024 including RoNS.

Roads of National Significance (RoNS)

- 17 The Roads of National Significance programme includes projects on some of New Zealand’s most essential state highways, and when complete, will reduce congestion, improve safety, support housing development to address New Zealand’s ongoing housing crisis, boost economic growth, and provide a more resilient roading network.
- 18 RoNS will be delivered over multiple GPS periods, and will need to make use of alternative delivery models, and a broader range of funding options and financing models. Whilst alternative delivery models, and financing will reduce the funding required to deliver RoNS in the short term, additional funding will still be required to cover any repayments.

Recommended approach for rail projects

- 19 **Note:** You have been provided separate, comprehensive advice on rail cost pressures and the proposed treatment of rail initiatives in Budget 2024 [OC240125 refers]. We suggest considering these briefings in parallel.

Table 3: Proposed treatment of rail projects in the Capital Pipeline Review

Initiative	KiwiRail recommendation	Ministry recommendation
<p>Rail Network Investment Programme</p> <p>Funding appropriated and included in the draft GPS 2024 is insufficient to maintain the RNIP until decisions on rail investment can be made.</p>	<p>Seek s 9(2)(f)(iv) to deliver the RNIP in line with the previous Government’s rail direction and address inflationary cost pressures.</p> <p>Propose s 9(2)(f)(iv) of this be met through reprioritisation from stopping some programmes underway.</p> <p>Please note this proposal assumes:</p> <ul style="list-style-type: none"> a \$120 million p.a. NLTF contribution, whereas the draft GPS 2024 includes \$20 million p.a. that KiwiRail can reprioritise all savings identified within baselines towards their priorities (see paragraph 24 for a further explanation on this). 	<p>Provide KiwiRail s 9(2)(f)(iv) in reprioritisation to support a credible 24-27 RNIP, until new direction for rail is agreed</p> <p>The Ministry proposes allocating s 9(2)(f)(iv) of the reprioritisation recommended by KiwiRail to deliver the RNIP. This would provide KiwiRail baseline funding for the RNIP s 9(2)(f)(iv) enabling it to produce a credible RNIP for 24-27.</p> <p>In the next 12 months the Ministry suggests further work is done to confirm the Government’s priorities for rail, s 9(2)(f)(iv)</p>
<p>Metropolitan Rail Networks</p> <p>Current metropolitan (metro) rail works are experiencing cost pressures and KiwiRail has identified further ‘catch up’ renewals required to lift the standard of the network.</p>	<p>Submit cost pressure initiatives for the following:</p> <ul style="list-style-type: none"> \$159.2 million for the Auckland Rail Network Rebuild (RNR). This includes works worth completing before City Rail Link (CRL) opens to enable the benefits of CRL to be realised. s 9(2)(f)(iv) s 9(2)(f)(iv) for Auckland and Wellington Network Management Plans (NMPs) local share shortfalls s 9(2)(f)(iv) for ‘catch up’ renewals in Auckland and Wellington 	<p>Provide KiwiRail s 9(2)(f)(iv) in reprioritisation to complete Auckland RNR, s 9(2)(f)(iv) and address metro pressures in 24/25</p> <p>The Ministry considers completing Auckland RNR s 9(2)(f)(iv) to be the highest priority for funding in Budget 2024.</p> <p>Not funding the catch-up renewals and local share shortfall for Auckland and Wellington NMPs risks network deterioration, service disruption and operating restrictions. The Ministry recommends one year of funding is provided for these works (\$22.7 million for NMPs, \$85 million for catch up renewals). This will help preserve optionality until the Metropolitan Rail Operating Model (MROM) review is completed. s 9(2)(f)(iv)</p>

Both the RNIP and metropolitan rail provide benefits to New Zealanders

- 20 The RNIP fixes and maintains thousands of kilometres of track and associated infrastructure (e.g. signals, tunnels and bridges) that ensure a resilient and reliable network for both rail freight and passenger services throughout New Zealand.
- 21 Rail freight is an important part of New Zealand’s supply chain, moving 18 million tonnes of freight each year (13% of Net Tonne Kilometres, and transporting 25% of exports). It supports productivity and business growth, and reduces emissions (relative to road freight), road maintenance, congestion and road deaths. This is estimated to generate \$2.1 billion in economic value each year.
- 22 Metro rail also provides substantial value to New Zealanders – each year over 22 commuter trips are made in Auckland and Wellington and more than 900,000 tourists use metro rail services.

23 You will have choices over the level of service expected from rail (including whether there are more cost-effective modes of transport that the Crown could utilise) and the relative prioritisation between freight and metro going forward, depending on the benefits you consider most valuable.

Reprioritisation within Vote Transport could be used to address the most urgent rail cost pressures

24 As noted in Table 3, KiwiRail has identified s 9(2)(f)(iv) in savings from existing rail projects listed below.

24.1 Reprioritising National Resilience Plan (NRP) funding approved for minor resilience improvements to lines damaged in the NIWEs (saving \$180.7 million operating)

24.2 Not proceeding with the purchase of coal hopper wagons (saving \$38 million capital)

24.3 s 9(2)(i)

24.4 s 9(2)(f)(iv) s 9(2)(f)(iv)

25 The first three reprioritisations have been raised with you previously in Budget 2024 advice [OC231061 refers]. However s 9(2)(f)(iv) in savings are accounted for elsewhere in your Budget 2024 package:

25.1 The s 9(2)(i) is included in the Vote Transport baseline savings proposal

25.2 The Ministry has recommended \$7.7 million of the \$38 million capital funding from coal hopper wagons is reprioritised to support the purchase of Ground Based Navigation Aids (GBNAs) for aviation.

26 s 9(2)(f)(iv) s 9(2)(f)(iv)
s 9(2)(f)(iv)
s 9(2)(f)(iv)

27 Should you agree to KiwiRail's proposed reprioritisations, accounting for the \$13.45 million in savings allocated elsewhere in the Budget 2024 package, this leaves

s 9(2)(f)(iv) in savings available for reprioritisation (\$180.7 million operating and capital).

28 The s 9(2)(f)(iv) is almost sufficient to fund the Ministry's recommended s 9(2)(f)(iv) for the RNIP and s 9(2)(f)(iv) for metropolitan rail pressures s 9(2)(f)(iv) total⁴. There is a shortfall for s 9(2)(f)(iv). Options to address this shortfall include:

28.1 **Utilising additional savings identified elsewhere in Vote Transport, raised in previous Budget advice** (Ministry preferred option). The Ministry has identified approximately \$154 million in operating savings outside of the baseline savings exercise that can be used to address pressures in Vote Transport, and recommends \$63.644 million of this is used to maintain critical frontline (drowning) prevention and safety services [OC240075 refers]. This leaves approximately \$90 million in savings of which some could be used to address this s 9(2)(f)(iv) shortfall for rail.

28.2 **Providing no funding for Auckland RNR s 9(2)(f)(iv), pursue funding instead through GPS 2024.** As investments in public transport, these cost pressures could be funded from the NLTF, if prioritised by the NZTA Board s 9(2)(f)(iv). If RNR s 9(2)(f)(iv) cost pressures were funded from the NLTF, the Ministry's proposed Budget 2024 investment in rail would reduce to s 9(2)(f)(iv), which is well within the s 9(2)(f)(iv) in savings identified.

28.3 **Seeking Crown funding.** Noting the operating allowance is constrained, you could highlight to the Minister of Finance that significant savings identified has been identified (that can cover 90% of these proposed costs) and seek funding from the operating allowance to address the remaining 10%.

Other projects to be aware of

29 City Rail Link (CRL) is currently forecast to be completed in November 2025. CRL is currently fully funded and on track to meet delivery timeframes. There has been no indication of delays and/or cost overruns s 9(2)(f)(iv)

Officials are aware that some rail level crossings will need to be removed to get the full benefits of CRL s 9(2)(f)(iv)

The full details and costings are not yet known, but the current indications are that rail level crossings removals will be funded through the NLTF and contributions from Auckland Transport.

30 You have signalled a commitment to continuing with a reduced scope for the Additional Waitamatā Harbour Connections project. This project is still in the business case process, with the indicative business case having been completed last year. Additional funding for the detailed business case is not yet confirmed.

⁴ The Ministry's working assumption is that although operating funding is required to address these pressures, demonstrating that equivalent savings have been made (across both operating and capital funding) could be used to justify to the Minister of Finance why justify why equivalent total investment should be made to address these pressures.

Next steps

- 31 All outputs for the Capital Pipeline Review must be submitted to Treasury by 1pm Friday 16 February. If you are comfortable with the Ministry's recommendations, your agreement is sought to submit this briefing to Treasury, alongside the Capital Pipeline Review templates.
- 32 Following submission, you will be invited to have a Budget bilateral discussion with the Minister of Financ. The Ministry will provide you advice to support this discussion.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 1: LIST OF CAPITAL PIPELINE REVIEW TEMPLATES

NZTA templates

Budget 2024 Cost Pressure initiative for:

- New Zealand Upgrade Programme (NZUP)

Budget 2024 Capital Pipeline Review Savings initiative for:

- NZUP

Separately, NZTA has developed a Budget 2024 New Spending template for:

- North Island Weather Events (NIWE) Road Response, Recovery and Rebuild

KiwiRail templates

Budget 2024 New Spending initiative for:

- Rail Network Investment Programme (RNR)

Budget 2024 Cost Pressure initiatives for:

- Auckland's Rail Network Rebuild (RNR) s 9(2)(i)(iv)
- Metropolitan Rail Backlogs and Network Management Plans (NMPs)

Budget 2024 Capital Pipeline Review Savings initiatives for:

- Rail Network Investment Programme (First 5 Years)
- Auckland's Rail Network Growth Impact Management (RNGIM) and Rail Network Rebuild
- North Island Weather Events (NIWE) – Rail Resilience Improvements
- Wellington Metro Upgrade Programme III (WMUP III) – Catch Up Renewals
- Wellington Metro Upgrade Programme IV – Unlocking Capacity and Improving Resilience
- RNIP - Public Transport Infrastructure
- NZUP - Whangārei to Otiria and Wellington Infrastructure projects
- Hopper Wagons s 9(2)(i) Reprioritisation

ANNEX 2: INDIVIDUAL PROJECT ASSESSMENTS

The below tables summarise the projects that have been included in the Capital Pipeline Review. We have highlighted projects in grey, that the Ministry see as opportunities for reprioritisation. The material in the below tables have been prepared at pace and will need to be reviewed to ensure the information is accurate and complete.

Before any savings can be realised, the Ministry will need to work with relevant agencies to fully understand the implications of stopping projects.

New Zealand Upgrade Programme (NZUP) roading projects

Project	Current cost (\$m)	Cost pressure (\$m)	Total Cost (\$m)	Status	Alignment to Gov't priorities	BCR / Value judgement
NZUP SH1 Whangarei to Port Marsden H'way Safety Improvements	270	-	270	Planning	High	Medium (1-2)
NZUP O Mahurangi - Penlink	s 9(2)(i)			Delivery	High	Medium (1-2)
NZUP South Auckland Package				Planning	High	Medium (1-2)
NZUP SH1 Papakura to Drury				Planning	High	High (>2)
NZUP Northern Pathway Westhaven to Akora	51	1	52	Completed		Unknown/ Not applicable
NZUP SH1-29 Intersection Improvements	s 9(2)(i)			Planning	High	Unknown/ Not applicable
NZUP Takitimu North Link Stage 1				Delivery	High	Medium (1-2)
NZUP Takitimu North Link Stage 2	57	-	57	Planning		Medium (1-2)

BUDGET SENSITIVE

Project	Current cost (\$m)	Cost pressure (\$m)	Total Cost (\$m)	Status	Alignment to Gov't priorities	BCR / Value judgement
NZUP SH58 Safety Improvements - Stage 2	s 9(2)(i)			Delivery	High	Low (<1)
NZUP SH2 Melling Efficiency & Safety Imp	s 9(2)(i)			Planning	High	Medium (1-2)
NZUP Otaki to North of Levin	s 9(2)(i)			Planning	High	Medium (1-2)
NZUP Canterbury package	s 9(2)(i)			Delivery	High	High (>2)
NZUP Queenstown Package (prev. Grant Rd)	s 9(2)(i)			Planning	High	High (>2)

North Island Weather Events (NIWE) roading projects

Project	Current cost (\$m)	Cost pressure (\$m)	Total Cost (\$m)	Status	Alignment to Gov't priorities	BCR / Value judgement
s 9(2)(f)(iv)					High	Unknown/ Not applicable
State Highway Recovery	567	609	1,176	Delivery	High	Unknown/ Not applicable
State Highway Rebuild	s 9(2)(f)(iv)				High	Unknown/ Not applicable

⁵ Note: this does not include the s 9(2)(f)(iv)

BUDGET SENSITIVE

Rail projects

Project	Current cost (\$m)	Cost pressure (\$m)	Total Cost (\$m)	Status	Alignment to Gov't priorities	BCR / Value judgement
RNIP - PT	s 9(2)(i)			Delivery	High	Unknown/ Not applicable
Rail Network Investment Programme (first 5 years of funding for Rail Network)				Delivery	Medium	Unknown/ Not applicable
Rail Network Investment Programme - last 5 years of 10 for Rail Network				Pre-planning	Low	Unknown/ Not applicable
Rail Network Growth Impact & Auckland Metro Remediation				Delivery	High	s 9(2)(i)
Wellington Metro Upgrade Programme III				Delivery	High	Unknown/ Not applicable
Wellington Metro Upgrade Programme IV				Delivery	High	Unknown/ Not applicable
National Resilience Plan - minor improvements to rail lines to increase resilience and reliability				Delivery	Medium	Unknown/ Not applicable
Rolling Stock	1,700			Delivery	Medium	Unknown/ Not applicable
s 9(2)(i)					Low	Unknown/ Not applicable
s 9(2)(f)(iv)					High	s 9(2)(i)
Wiri to Quay Park - Third Main	318			Delivery	High	

BUDGET SENSITIVE

BUDGET SENSITIVE

Project	Current cost (\$m)	Cost pressure (\$m)	Total Cost (\$m)	Status	Alignment to Gov't priorities	BCR / Value judgement
Papakura to Pukekohe	359	60	419	Delivery	High	s 9(2)(i)
Drury Rail Stations	495	74	569	Planning	High	
Wellington Railway Station Safety	244	s 9(2)(i)		Planning	High	Unknown/ Not applicable
Wairarapa Rail Upgrades				Planning	High	Unknown/ Not applicable
Capital Connection Carriage Refurbishment	27			Completed		
Whangarei to Otiria	90			Delivery	High	Unknown/ Not applicable
s 9(2)(f)(iv)					High	Unknown/ Not applicable
Ashburton Freight Hub	2.5		2.5	Delivery	High	Unknown/ Not applicable

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

BUDGET SENSITIVE



8 March 2024

OC240209

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 11 March 2024

BUDGET 2024 BILATERAL MEETING ADVICE

Purpose

This briefing provides you with advice on your Vote Transport Budget 2024 package and talking points to support your Budget bilateral meeting with the Minister of Finance, scheduled for 2.30pm on Monday 11 March 2024.

Key points

- Budget bilateral meetings are an opportunity for you to advocate for your Vote Transport investment priorities, and negotiate the initiatives (and associated funding) that will be included in the final Budget 2024 package. You will meet with the Minister of Finance for half an hour on Monday 11 March 2024, to discuss the 26 initiatives included in your significant Budget package, and the reprioritisation options you are considering for your technical Budget package.
- The Ministry of Transport (the Ministry) suggests that you focus on the following:
 - **Initial Baseline Exercise:** confirm the savings initiatives that comprise your proposal. s 9(2)(f)(iv)
This initiative was included on a principled basis, but the Ministry agrees that the risks and costs associated with operationalising these savings outweigh the benefits to the overall baseline savings proposal. You will still achieve your baseline savings target of \$154 million over four years without this initiative.
 - **North Island Weather Events Response, Recovery and Rebuild:** seek funding for rebuild options given the potential for efficiencies in investment that reduce the draw on Crown funding in the long term.
 - **Civil Aviation Authority liquidity facility:** propose scaling options, including requesting support to carry forward underspends of \$45 million to offset the funding request for 2024/25, s 9(2)(f)(iv)
 - **Capital Pipeline Review:** test appetite to utilise reprioritisation of baseline funding to address immediate metropolitan rail pressures, and preserve optionality for investment in the Rail Network Investment Programme.

BUDGET SENSITIVE

- **Technical Budget:** seek support to reprioritise up to \$223.894 million of savings to address residual cost pressures in Vote Transport, including maintenance of existing Surf Life Saving NZ and Coastguard NZ services, addressing cost escalations on the purchase of Ground Based Navigational Aids, and funding for rail related pressures.
- We also seek your agreement, in principle, to utilise Clean Car Standard revenue generated in this financial year to cover the New Zealand Transport Agency's costs associated with administering the Clean Car Standard scheme in 2024/25 while further work is undertaken to transition to a user-pays model.
- In addition to the submitted Vote Transport Budget 2024 package, we understand you are interested in considering options for funding emergency towage vessels in the Cook Strait. The Ministry will provide you with an initial summary and assessment of options to consider for a potential late Budget bid by Friday 15 March. Depending on the option you wish to proceed with, there may be sufficient funding available from reprioritisation to fund this (in full or in the short term). s 9(2)(i) [redacted]
[redacted]
[redacted]
[redacted] We will provide you with additional talking points on this initiative by midday Monday 11 March 2024 in case you intend to raise this with the Minister of Finance at your Budget bilateral.

Recommendations

We recommend you:

- | | | |
|---|---|----------|
| 1 | <p>agree in principle that Clean Car Standard operating costs in 2024/25 be funded at a reduced level of \$6.9 million, via a Section 9(1A) funding request to reprioritise Clean Car Standard revenue</p> | Yes / No |
| 2 | <p>s 9(2)(f)(iv) [redacted]</p> | Yes / No |

David Wood
Deputy Chief Executive, Investment & Monitoring

8 / 3 / 2024

Hon Simeon Brown
Minister of Transport

..... / /

- Minister's office to complete:**
- | | |
|--|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Seen by Minister | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events | |

Comments

Contacts

Name	Telephone	First contact
David Wood, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓

Attachments

Attachment 1: Budget 2024 Vote Transport package

Attachment 2: Budget 2024 rail portfolio view

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

BUDGET 2024 BILATERAL MEETING ADVICE

Summary of the Vote Transport Budget 2024 package

- 1 The Budget 2024 process requires portfolio Ministers to submit two packages of initiatives for consideration:
 - a) a **significant Budget package**, which includes initiatives seeking new Crown funding (whether this be for new initiatives or cost pressures), and initiatives that identify savings to be returned to the centre
 - b) a **technical Budget package**, which includes changes to appropriations that are technical in nature (i.e. fiscally neutral) and cost pressure initiatives that were not invited into the significant Budget process but are proposed to be funded through reprioritisation of baseline expenditure.
- 2 On 16 February 2024, you submitted your Vote Transport significant Budget package comprised of the following:

Budget track	No. of templates	OPEX (\$m over four years)	CAPEX (\$m over ten years)	TOTAL (\$m)
Initial Baseline Exercise	11	(154.541)	-	(154.541)
Invited new spending / cost pressures	2*	s 9(2)(f)(iv)		
Capital Pipeline Review	9 savings	(180.700)	(38.000)	(218.700)
	3 pressures	s 9(2)(f)(iv)		
	1 new capital			
TOTAL	26			

* Note we have not included GPS 2024 as this was not an invited new spending initiative, but decisions on funding will be pre-commitments against Budget 2024.

- 3 Please note the above table represents total funding proposed by agencies; it is not a recommendation from the Ministry or yourself that all requested funding should be approved by the Crown.
- 4 In addition to the significant Budget package, you will be required to approve a package of initiatives for consideration through the technical Budget process, which is due in CFISnet on 20 March 2024. The Ministry has provided separate advice on this, outlining options to utilise underspends to address Vote Transport cost pressures that were excluded from the significant Budget process [OC240213 refers].

Budget bilateral meeting

- 5 On Monday 11 March 2024, you will be meeting with the Minister of Finance for your first Budget bilateral discussion. Budget bilaterals are an opportunity for you to

negotiate with the Minister of Finance the initiatives that you would like to see included in the Crown's final package for Budget 2024.

- 6 This briefing provides you with an overview of the options and risks associated with each Budget track, the Ministry's view on the recommended level of funding to support through the Budget process, and suggested talking points / Q&As for your discussion with the Minister of Finance (please see **Annex 1**). We have also attached an updated version of the *Budget 2024 Vote Transport package* summary A3s in case you wish to use this at the Budget bilateral to guide discussion (please see **Attachment 1**).

Initial Baseline Exercise

- 7 In her 21 December 2023 letter, the Minister of Finance set a baseline savings target for Vote Transport of \$38.5 million per annum, which represents a 7.5% reduction to an eligible operating baseline of \$513 million.
- 8 You have submitted a baseline savings proposal that identifies \$154.541 million of savings through a combination of agency baseline reductions and reductions to Crown-funded programmes, thereby marginally exceeding the Vote Transport savings target of \$154 million over four years (\$38.5 million per annum). Please see **Annex 2** for a summary of the eleven initiatives included in your proposal.
- 9 The eligible operating baseline included significant one-off funding which created challenges to identifying ongoing savings of \$38.5 million (noting that this represents a real reduction of 15.2% by 2027/28 rather than 7.5%). To address this, savings have been distributed unevenly over the forecast period (i.e. greater savings delivered in earlier years, with ongoing savings of \$30 million per annum) to align with the diminishing baseline funding profile for Vote Transport. In real terms, ongoing savings of \$30 million per annum represents an 11.6% reduction to in-scope appropriations by 2027/28.
- 10 Consistent with the intent of the Initial Baseline Exercise, your savings proposal consists exclusively of genuine savings for the Crown and does not count savings related to the Government Policy Statement on land transport 2024 (GPS 2024). If you include the revenue¹ and efficiency expectations² associated with the draft GPS 2024 (which subsequently eliminate the need for \$716 million of operating grant funding currently included in Crown forecasts), savings from Vote Transport far exceed the target set, and ongoing savings increase to \$130 million per annum.
- 11 Below we provide information on residual risks associated with the Vote Transport baseline savings proposal that you may wish to discuss with the Minister of Finance.

Clean Car Standard administration costs in 2024/25

- 12 In line with your direction, the baseline savings proposal suggests returning 100% of Crown funding associated with Clean Car Standard (CCS) operating costs, with the

¹ The draft GPS 2024 proposes increasing the Motor Vehicle Registration licence fee by \$50 over two years, and increasing Fuel Excise Duty and Road User Charges by 12c from 1 January 2027.

² The draft funding package for GPS 2024 assumes that the New Zealand Transport Agency reduces overhead expenditure by 7.5%, [§ 9\(2\)\(f\)\(iv\)](#)

expectation that operating costs are recovered on a user pays basis from 1 July 2025 at a significantly reduced level of expense.

13 Assuming all Crown funding for CCS operations is returned from 1 July 2024 and the user pays model comes into effect on 1 July 2025, this creates a funding gap for CCS operating costs in 2024/25.

14 The New Zealand Transport Agency (NZTA) has advised that it could scale operating costs by a maximum of 42% (e.g. reducing from \$11.8 million to \$6.9 million), which represents the lowest level of funding required to administer the scheme in its current form.

15 As outlined in previous advice [OC240075 refers], the Ministry recommended investigating reprioritisation of existing Section 9(1A) regulatory funding to address CCS operating costs in 2024/25. NZTA receives funding under Section 9(1A) of the Land Transport Management Act 2003 to support its regulatory function; currently there is \$34.87 million approved for 2024/25.

16 NZTA has since advised that any reprioritisation of Section 9(1A) regulatory funding would compromise the delivery of core regulatory functions, and increase the risk of regulatory failure reoccurring (which was the driver for approving the Section 9(1A) funding in the first place). s 9(2)(g)(i)

Given time constraints and limited information on the variation in risks and trade offs from NZTA, the Ministry has been unable to validate the true impact of reprioritising Section 9(1A) funding.

17 As an alternative, NZTA has suggested utilising existing CCS revenue that is generated from importer fees exceeding credit offsets in any given month. As of February 2024, the CCS scheme has generated \$5.5 million of revenue. Even with a conservative assumption that revenue continues to accumulate at a rate of \$350,000 per month, this would generate \$6.9 million of CCS revenue by year end, which will automatically be added to the National Land Transport Fund (NLTF). This level of funding would be sufficient to cover CCS operating costs in 2024/25, and could be redirected to fund such costs through a Section 9(1A) funding request approved by yourself and the Minister of Finance.

18 The Ministry supports the use of CCS revenue to cover short term CCS operating expenses, and notes that the current expectation that CCS revenue is spent on 'green projects' would be fulfilled given the purpose of the scheme is to incentivise behaviour change through increasing availability of low and zero emissions vehicles.

19 Subject to your agreement in principle to use this funding for operating costs in 2024/25, we can develop financial recommendations that draw down funding from the NLTF in 2024/25 through Section 9(1A). s 9(2)(f)(iv)

Public transport programme reductions

20 The Vote Transport baseline savings proposal includes the return of uncommitted Crown funding for s 9(2)(f)(iv) public transport initiatives:

a) **Retaining and recruiting bus drivers** – short term co-funding to support increases in base wages, split shift allowances, penal rates, s 9(2)(f)(iv)

b) s 9(2)(f)(iv)

21 We anticipate that work on retaining and recruiting bus drivers may slow down or even cease in the absence of Crown investment. PTAs are expected to be unwilling to fund these improvements in full, and while PTAs would be able to seek funding from the NLTF Public Transport Services activity class (up to \$2.31 billion in the draft GPS 2024) for further improvements to wages and conditions, the imperative for the NZTA Board to consider such improvements has weakened given we are no longer experiencing a national bus driver shortage.

22 We also note that the Minister of Immigration is seeking agreement from Cabinet to implement targeted changes to the Accredited Employer Work Visa. This includes seeking agreement to shut down the work to residence pathways for bus drivers under the transport sector agreement. s 9(2)(g)(i)

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

24 We note that there is sufficient headroom within the Public Transport Services activity class to consider improvements to wages and conditions, but this would be subject to NZTA Board decisions.

25 s 9(2)(f)(iv)

26

27 s 9(2)(f)(iv) NZTA has advised that PTAs are anticipating increases to fares due to:

- a) rising operational costs (e.g. fuel and wages, contract costs to cover operator investment in new fleet and infrastructure)
- b) the need for increased user contributions to go towards the continued upkeep and growth of public transport services, and

- c) an anticipation of less central government funding from the NLTF being available for public transport services.

s 9(2)(f)(iv)

Invited new spending and cost pressure initiatives

- 32 Given significant pressures on Budget allowances and the Government's commitment to fiscal sustainability, the Minister of Finance has restricted invitations for new spending and cost pressure initiatives to those considered most urgent.
- 33 On 21 December 2023, Vote Transport was invited to submit two new spending initiatives:
 - a) North Island Weather Events Response, Recovery and Rebuild (time limited funding)
 - b) Civil Aviation Authority liquidity funding (time limited funding).
- 34 While not a formal Budget initiative, we were also instructed to develop a placeholder bid template for GPS 2024 funding decisions, as funding agreed by Cabinet will impact Budget 2024 allowances. Based on the current draft funding package, we expect decisions on GPS 2024 to result in \$716 million operating currently committed

in forecasts to be returned to the Crown, and up to \$1.955 billion capital to be sought from the multi-year capital allowance.

- 35 Below we provide an overview of your two new spending initiatives and our advice on funding that we recommend be sought through Budget 2024.

North Island Weather Events Response, Recovery and Rebuild (time limited funding)

- 36 NZTA has submitted a new spending initiative that seeks § 9(2)(f)(iv) for the ongoing response, recovery, and rebuild of New Zealand’s state highway and local road network following the North Island Weather Events (NIWEs) in early 2023. Specifically, funding is sought for:

Initiative	\$m sought
Local road response and recovery	§ 9(2)(f)(iv)
State highway recovery	609
§ 9(2)(f)(iv) <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); opacity: 0.3; pointer-events: none;"> PROACTIVELY RELEASED BY MINISTRY OF TRANSPORT TE MANATU WAIKA </div>	

- 37 The Ministry is supportive of all funding being sought through Budget 2024 given the significant ongoing impact that the NIWEs have had on transport connectivity for affected communities. Existing temporary fixes remain susceptible to damage in future weather events, and access / service level restrictions impinge on economic productivity, well being and safety.

- 38 We note that due to local council resource constraints, local road response and recovery costings carry a high degree of uncertainty. This does not diminish the need for funding certainty to be provided, but you may wish to explore with the Minister of Finance whether there is appetite to appropriate short term funding now, § 9(2)(f)(iv)

- 39 § 9(2)(f)(iv)

s 9(2)(f)(iv)

40

41

42

43

Civil Aviation Authority Liquidity Funding (time limited funding)

44 The Civil Aviation Authority (CAA) has submitted a Budget bid for s 9(2)(f)(iv) operating funding in Budget 2024 which includes \$91.2 million to address the forecast gap between operating costs and levy revenue while the CAA funding review is underway, and s 9(2)(f)(iv)

45 The Ministry agrees that, based on current Border Executive Board (BEB) passenger and cargo volume forecasts, the CAA would have insufficient revenue to cover expenditure in 2024/25, and continuation of the liquidity facility is appropriate until CAA's expected return to cost recovery in 2025/26.

46 However, the Ministry recommends a scaled level of funding (\$46 million) is pursued for CAA for the following reasons:

a) CAA is forecasting an underspend of \$45 million in 2023/24 liquidity facility funding that could be carried forward to 2024/25 to offset operating costs.

b) s 9(2)(f)(iv)

s 9(2)(f)(iv)

47

48

49

50

51 If you support the scaled option proposed, we note there are mechanisms to further ensure that the draw on Crown funding is minimised. As has been done previously with the liquidity facility, you can place an expenditure cap on the CAA so that if its revenue performance better than expected over 2024/25 (or costs incurred are less than expected), Crown funding reduces by a commensurate amount. This will ensure expenditure is capped throughout 2024/25 and CAA uses levy revenue first.

Capital Pipeline Review

52 The Capital Pipeline Review (CPR) process has been established to test whether existing capital projects are aligned with Government priorities, have a strong focus on value for money, and are consistent with fiscal, agency and market capacity.

53 On 25 January 2024, the Minister of Finance invited Vote Transport to provide advice on seven NZTA capital projects (all related to the New Zealand Upgrade Programme)³ and eight KiwiRail projects⁴. Advice sought included:

³ Invited NZUP projects include: Melling Intersection (Riverlink), Ōtaki to North Levin, Queenstown Package, South Auckland Package, SH1 Whangārei to Port Marsden Highway Safety Improvements, Canterbury Package, and Papakura to Drury.

⁴ Invited KiwiRail projects include: Wairarapa Rail Upgrades, Rail Network Investment Programme (first 5 years of funding for Rail Networks), Rail Investment Growth Impact and Auckland Metro Remediation, National Resilience Plan – minor improvements to rail lines to increase resilience and reliability, Wellington Metro Upgrade Programme III, Wellington Metro Upgrade Programme IV, Rail

- a) *Savings opportunities.* If an initiative was invited as part of the CPR, they were required to complete a savings template to identify opportunities to scale, rephase, or stop projects.
- b) *Cost pressures.* Agencies were permitted to signal any cost pressures related to investments in delivery, including options to cover such costs through reprioritisation / savings.
- c) *New capital initiatives.* Agencies were also permitted to submit new capital initiatives for consideration if they are critical to delivering core public services or meeting Coalition Agreements.

54 Below we provide an overview of all initiatives submitted by both NZTA and KiwiRail in response to the invite from the Minister of Finance, and the Ministry's advice on funding that we recommend be sought through Budget 2024.

New Zealand Transport Agency

55 NZTA submitted one cost pressure template for NZUP signalling cost escalations s 9(2)(i) and one savings template outlining options to manage escalations within existing baseline funding s 9(2)(i)

56 You and the Minister of Finance met with NZTA, Treasury, and Ministry officials on 29 February 2024 to discuss NZUP, and have agreed to the following cost containment options proposed by NZTA:

- a) All projects in delivery and procurement, and two projects currently in pre-implementation,⁵ will be completed to their current scope s 9(2)(i)
- b) Two initiatives⁶ will be paused once pre-implementation is complete, and current funding associated with the projects will be retained as additional programme contingency for projects in paragraph 56a. This is anticipated to generate approximately \$0.190 billion of contingency. These two projects will only proceed to procurement if funding becomes available in future.
- c) Two paused projects⁷ will be removed from the NZUP programme (noting that the preferred scope of these projects may instead be considered as part of the Roads of National Significance programme), and funding reallocated across the NZUP programme to address pressures.

57 No additional Crown funding is therefore required for NZUP through Budget 2024, and the Minister of Finance has been clear that future cost escalations are to continue to be managed within baselines.

Network Investment Programme – Public Transport Infrastructure, and Northern Package – Whangārei to Otiria.

⁵ Pre-implementation projects include South Auckland Package – Waihoehoe Road, and Canterbury Package – Rolleston Upgrade.

⁶ Canterbury Package – SH76 Brougham St, and South Auckland Package – SH22 Drury Upgrade.

⁷ SH1 Whangārei to Port Marsden Highway, and South Auckland – Manukau to Takaanini Access and Safety.

KiwiRail

58 KiwiRail has submitted eleven initiatives to be considered through the Capital Pipeline Review:

- a) Eight **savings** templates (as required by the invite from the Minister of Finance) outlining potential savings of \$180.7 million OPEX, and \$38 million CAPEX.
- b) Two **cost pressure** initiatives requesting funding of s 9(2)(f)(iv) to address metropolitan rail pressures.
- c) One **new capital** initiative requesting baseline funding s 9(2)(f)(iv) for the Rail Network Investment Programme (RNIP). s 9(2)(f)(iv)

59

s 9(2)(f)(iv)

60



BUDGET SENSITIVE

Savings initiatives (\$m)	OPEX	CAPEX	TOTAL
North Island Weather Events (NIWE) – Rail resilience improvements	180.700	-	180.700
Coal Hopper Wagons	-	38.000	38.000
s 9(2)(f)(iv)			
TOTAL	s 9(2)(f)(iv)		

Ministry recommendation for investment in rail through Budget 2024

- 61 As mentioned in paragraphs 58b and 58c, KiwiRail is seeking s 9(2)(f)(iv) to address:
- a) **Cost pressure 1:** cost escalations related to Auckland’s Rail Network Rebuild (a programme of work to upgrade the Auckland rail network, in preparation for the opening of the City Rail Link) s 9(2)(f)(iv)
 - b) **Cost pressure 2:** s 9(2)(f)(iv) investment to begin addressing the backlog of deferred renewals on the metro rail network, and to cover the local share shortfall for Network Management Plans (NMPs) due to councils being unable and / or unwilling to contribute their funding share.
 - c) **New capital:** baseline funding for the RNIP, s 9(2)(f)(iv)
- 62 The Ministry’s recommended level of investment in rail pressures is described in the table below.

Rail pressure	Funding sought (\$m)	Ministry recommendation
Auckland’s Rail Network Rebuild (RNR) s 9(2)(f)(iv)	s 9(2)(f)(iv)	<p>Fund in full s 9(2)(f)(iv)</p> <p>The RNR programme s 9(2)(f)(iv) are addressing urgent track and infrastructure renewals and supporting improved train control operations. Both have increased in cost, by \$159 million for RNR (of which \$65 million relates to works critical for Day One operations of City Rail Link) s 9(2)(f)(iv)</p> <p>KiwiRail has sought funding from both the Crown and the NLTF to address the RNR s 9(2)(f)(iv) cost increases. These are likely to be a priority for the NZTA Board, but as the Crown cannot direct the Board to approve NLTF funding, there is a risk no funding is provided. s 9(2)(f)(iv)</p>
Metropolitan Rail Backlogs and Network Management Plans	s 9(2)(f)(iv)	<p>Fund one year (\$107.7 million)</p> <p>While these may not be works that the Crown would fund in the long term (particularly the NMP local share shortfall), continued underinvestment in metro maintenance and renewals has left</p>

		<p>the rail network in a fragile state. Without funding, there is a significant risk that line closures and speed restrictions will be required.</p> <p>Providing one year of funding ensures immediate service risks are managed, and preserves optionality ^{s 9(2)(f)(iv)} when the Ministry will have completed the Metropolitan Rail Operating Model (MROM) review, and you will be able to take decisions on your long term plans for metro funding. If you agree with this approach, we advise that clarity be provided to Greater Wellington Regional Council and Auckland Transport that Crown funding for their share of NMPs is a one off arrangement to find a practical way forward while long term affordability issues are worked through, and that they will be expected to pay their share in future.</p>
<p>Rail Network Investment Programme</p>	<p>^{s 9(2)(f)(iv)}</p>	<p>Fund \$200 million, but hold in tagged contingency.</p> <p>In late March 2024, KiwiRail will be providing you with advice on freight network investment scenarios. These scenarios will inform your decisions on the level of service you expect from KiwiRail, and consequently the funding that would be required to support that level of service. KiwiRail will then be required to deliver a new RNIP for 2024/25-2026/27 that reflects your priorities for rail and preferred level of investment.</p> <p>To ensure you have flexibility to take decisions on an appropriate level of funding, the Ministry recommends progressing a placeholder amount of \$200 million operating for RNIP. This would provide optionality to increase KiwiRail's total baseline funding for the RNIP from ~\$800 million to ~\$1 billion.</p> <p>^{s 9(2)(f)(iv), s 9(2)(i)}</p>

- 63 In total the Ministry recommends that ^{s 9(2)(f)(iv)} be provided to address rail pressures in Budget 2024. This could be achieved through progressing the ^{s 9(2)(f)(iv)} of rail savings options identified in paragraphs 58 and 59 (noting that this would require ^{s 9(2)(f)(iv)} of CAPEX funding associated with coal hopper wagons and ^{s 9(2)(f)(iv)} to be swapped for OPEX funding), supplemented by \$40.4 million of reprioritisation from agency underspends in 2023/24. Please see the **Technical Budget package** section for further explanation on reprioritisation of underspends.
- 64 Taken together, the Ministry's recommended approach for addressing metro and RNIP pressures mitigates the need for new Crown funding to be sought in Budget 2024. For more detailed advice on rail investments proposed through Budget 2024, please see **Attachment 2: Budget 2024 rail portfolio view**.

Technical Budget package

- 65 Alongside your significant Budget package (i.e. proposals relating to the Initial Baseline Exercise, invited new spending / cost pressures initiatives, and the Capital Pipeline Review), you will have the opportunity to submit a technical Budget package.
- 66 Traditionally the technical Budget process is used to make changes to appropriations that are technical in nature (i.e. establishing new multi year appropriations or fiscally neutral transfers between financial years). However, this year you are permitted to submit technical initiatives that have significant policy implications, providing they are funded through reprioritisation of baseline expenditure.
- 67 Our companion briefing, OC240213, provides fulsome advice on the technical Budget process, savings identified for reprioritisation, and options to utilise savings to fund residual Vote Transport cost pressures. For completeness we provide a summary of this advice below, given the reprioritisation opportunities identified are likely to be discussed at your Budget bilateral.

Funding potentially available for reprioritisation

- 68 The Ministry has identified at least \$223.9 million of savings that could potentially be utilised for reprioritisation towards Vote Transport cost pressures that were not invited through the significant Budget process.
- 69 We are confident that \$89.2 million of this funding is readily available for you to utilise, as there are no conditions attached to their use. However, at least \$134.7 million of identified savings either have prior agreement from Cabinet to be returned to the centre, or are tagged to fund other Government policies (specifically the Supercharging EV Infrastructure policy). Please see **Annex 5** for a breakdown of identified savings and their status.
- 70 You may wish to negotiate with the Minister of Finance the utilisation of the \$134.7 million 'at risk' savings, depending on the cost pressure initiatives and preferred level of investment that you wish to advocate for in the technical Budget process.

Ministry recommendation on use of reprioritised funding

- 71 The Ministry has analysed residual cost pressures across Vote Transport and identified four initiatives that are candidates for funding through reprioritisation. These initiatives, and our recommended level of funding, are as follows:

Cost pressure	Funding sought (\$m)	Funding recommended (\$m)	Ministry recommendation
Ground-Based Navigation Aids (GBNAs)	10.000	10.000	Fund in full
Maintain critical frontline prevention and rescue services at existing levels (Surf Life Saving NZ and Coastguard)	63.644	63.644	Fund in full

BUDGET SENSITIVE

Severe Weather Response, Resilience and Recovery	26.606	-	Defer Await Cabinet consideration of the government inquiry into the response to the North Island severe weather events, s 9(2)(f)(iv) We note that Section 9(1) funding is also a viable alternative funding source.
Rail Network Investment Programme	s 9(2)(f)(iv)	40.400	Fund at scaled level As outlined in paragraph 63, this funding would supplement existing rail reprioritisation funding, bringing RNIP funding in Budget 2024 to \$200m.
Total		114.044	
Scenario 1: Claim only readily available reprioritisation		(89.186)	Reprioritisation would be insufficient to fund all initiatives.
Difference		24.858	
Scenario 2: Claim all funds identified for reprioritisation		(223.894)	Reprioritisation would be sufficient to fund all initiatives, with \$109.85 remaining to potentially return to the centre.
Difference		(109.850)	

72 To fund these initiatives at the level recommended by the Ministry, you would need the Minister of Finance’s agreement to utilise \$24.858 million in savings from initiative/s we consider ‘at risk’. Given the quantum required, you may only need to seek her agreement to retain funding from one further reprioritisation initiative.

73 If you were able to retain all funds identified for reprioritisation, funding available would exceed the Ministry’s recommendations by \$109.85 million. You could:

- a) return this funding to the centre to offset the cost of your invited new spending Budget initiatives (i.e. CAA liquidity funding, or NIWE Response, Recovery and Rebuild funding), or
- b) increase funding allocated to the cost pressures identified above.

Next steps

74 Based on the outcomes of your meeting with the Minister of Finance, and any further discussions on the Vote Transport initiatives that are proposed for inclusion in the final Budget 2024 package, we will develop for your consideration:

- a) Financial recommendations that enable Cabinet to agree significant and technical funding decisions (due 16 April 2024).
- b) Estimates of Appropriations for 2024/25 with new or updated performance measures for any initiatives proposed to be approved in Budget 2024. Given transport is considered a ‘forecasting department’, Estimates of Appropriation will be due on 26 April 2024.

ANNEX 1: TALKING POINTS FOR EACH BUDGET TRACK

Initial Baseline Exercise

- 1 We have made significant savings in Vote Transport since the start of our term. We stopped several low priority initiatives in the Mini Budget, returning \$1.340 billion in operating funding and \$0.453 billion in capital funding.
- 2 In confirming the new draft GPS, we have been able to reduce the draw on Crown allowances and can return \$716 million operating to the centre. The draft GPS 2024 includes additional revenue for the NLTF of \$530 million over three years from increasing the Motor Vehicle Registration (MVR) fee and a further \$360 million over three years from planned increases to FED and RUC from January 2027.
- 3 Generating operating savings within Vote Transport has been challenging due to the limited ongoing operating funding available in the Vote, and a portion of this often being linked to capital projects. There is also a significant amount of time-limited funding in the Vote, which inflated the eligible base used to calculate my ongoing savings target.
- 4 My Vote Transport baseline savings proposal includes \$154.5 million of savings initiatives; a combination of reductions to agency baselines and Crown-funded programmes. This marginally exceeds the Vote Transport savings target of \$154 million over four years (\$38.5 million per annum), with savings distributed unevenly across years to reflect the diminishing baseline. It includes ongoing savings of \$30 million per annum, an 11.57% reduction to in-scope appropriations in 2027/28.
- 5 To meet the intent of the Initial Baseline Exercise, my savings proposal consists exclusively of genuine savings for the Crown and does not count savings related to GPS 2024.

Potential question from MoF	Response
<p>Your baseline savings proposal includes s 9(2)(f)(iv) [redacted] improvements to bus driver wages and conditions. Will work in these areas continue without this Crown funding?</p>	<p>In drafting GPS 2024, I have ensured there is sufficient funding in the Public Transport Services activity class (up to \$2.31 billion over 2024-27) to maintain existing public transport services. This includes continuing to fund bus driver wages at the increased rates supported with the committed Crown funding for bus driver wage improvements. Local councils can seek funding from this activity class for further improvements to wages and conditions, though funding would be subject to NZTA Board decisions.</p> <p>Similarly, local councils can seek funding from the NLTF Public Transport Services activity class s 9(2)(f)(iv) [redacted] with funding again being subject to NZTA Board decisions.</p>

<p>Why are you proposing significant scaling to Clean Car Standard (CCS) administration costs?</p>	<p>I support the user pays principle and consider it appropriate for vehicle importers subject to the CCS to pay for the administration of the scheme, rather than Crown funding.</p> <p>I have instructed the Ministry and NZTA to begin work on a user pays model that can be implemented by 1 July 2025. Reflecting my direction, I propose all Crown funding for administration is removed in Budget 2024.</p> <p>I want to incentivise NZTA to administer the CCS more efficiently. I expect the user pays model to generate less revenue than the costs incurred by the Crown to operate the scheme currently, and that NZTA will deliver the scheme with this reduced level of funding.</p>
<p>How will NZTA manage CCS administration costs in 2024/25 before a user pays model can be implemented?</p>	<p>I propose removing NZTA's Crown funding for CCS from 24/25 to meet my baseline savings target. As the user pays model will not be implemented until 25/26, I propose allowing NZTA to use revenue from the CCS fee to cover administration costs in 24/25.</p> <p>The aim of the CCS fee is to incentivise importers to increase the volume of low and zero emissions vehicles being imported, with fees on high emissions vehicles being offset by credits for low and zero emissions vehicles. However, if importers do not import sufficient low and zero emissions vehicles to offset their fees, revenue is generated for the CCS scheme. In 23/24 NZTA expects to receive \$6.9 million in fee revenue. This is treated as land transport revenue and used to fund 'green projects' from the NLTF, however it is a negligible amount in relation to the NLTF and not currently tagged to be spent on current or future NLTP projects.</p> <p>To do this, we will need to agree to allocate this funding for this purpose under s9(1A) of the LTMA.</p>
<p>s 9(2)(f)(iv)</p>	

<p>Do you have any additional savings that could be included in your proposal?</p>	<p>I expect there to be operating savings associated with winding up Auckland Light Rail Ltd, of which approximately s 9(2)(f)(iv) I intend to utilise this funding for reprioritisation to offset other Vote Transport cost pressures, but if you would prefer, this could contribute to my baseline savings proposal.</p> <p>s 9(2)(f)(iv)</p>
--	--

Invited new spending initiatives

North Island Weather Events Road Response, Recovery and Rebuild

- 6 Our government is committed to supporting communities impacted by the North Island Weather Events. A year on, communities are still dealing with the effects of these events, with transport connectivity limited and roads with temporary fixes remaining susceptible to damage in future weather events.
- 7 I note the programme of works to complete the response and recovery phases is large and allowances are constrained. The previous government did not provide sufficient funding to complete works necessary to bring the state highway and local road networks to pre-NIWE levels. NZTA has estimated the additional funding required in Budget 2024, however it has had to make some significant estimates for local road works. NZTA relies on information from councils, of which some are resource constrained and have not been able to provide more accurate costings. The fact these are estimates does not diminish the need for funding certainty now.

8 s 9(2)(f)(iv)

9

Potential question from MoF	Response
<p>What would the consequence be if funding for local road response and recovery is sought from the NLTF rather than new Crown funding?</p>	<p>The draft GPS 2024 assumes that Crown funding will be provided for NIWE works and there is no provision for these works in the activity class ranges.</p> <p>The Local Road Operations activity class has a funding range of \$800 million to \$1.5 billion over 2024-27 and NZTA forecasts approximately \$1.23 billion in local road operations (including planned maintenance on local roads across New Zealand, not including NIWE or emergency works), leaving insufficient headroom to also fund NIWE local road works.</p> <p>If no Crown funding is provided, NZTA will need to prioritise funding for NIWE above other activities proposed for the Local Road Operations activity class and across the National Land Transport Programme (NLTP). This could mean there is less funding available to respond to future emergency events and operational activities.</p>
<p>Funding is sought over several years. What would be the consequence of providing time-limited funding?</p>	<p>Providing time-limited funding would require NZTA to come back to the Crown in the future to seek the additional funding. Works are purposefully phased across several years to reflect expected market deliverability. We should not assume that the NLTF can pick up costs in future years (e.g. in the next GPS period).</p>

s 9(2)(f)(iv)

s 9(2)(f)(iv)

What would the consequence be if funding for state highway response and recovery and/or rebuild is sought from the NLTF rather than new Crown funding?

The draft GPS 2024 assumes that Crown funding will be provided for NIWE works.

Should Response and Recovery funding not be secured, works to restore the network would need to be funded by the NLTF, significantly compromising other NLTF-funded works or leaving the state highway and local road network in a substandard, vulnerable state.

s 9(2)(f)(iv)

Civil Aviation Authority liquidity funding

10 My priority is ensuring the Civil Aviation Authority's (CAA) reliance on Crown funding ends as soon as possible. CAA's funding review is underway and through this,

s 9(2)(f)(iv)

11 CAA is requesting s 9(2)(f)(iv) operating funding in Budget 2024, which includes \$91.2 million to address the forecast gap between operating costs and levy revenue and s 9(2)(f)(iv) I am recommending this is scaled to \$46.2 million, by allowing CAA to carry forward \$45 million of underspends against the liquidity facility in the current financial year s 9(2)(f)(iv)

12 s 9(2)(f)(iv)

13

s 9(2)(f)(iv)

14

15 We can place requirements on CAA's use of the \$46 million operation funding that ensures Crown funding is used only where necessary. We can place an expenditure cap on the CAA so that if its revenue performs better than expected over 2024/25, Crown funding provided reduces (as has been done previously with the liquidity facility). This will ensure expenditure is capped throughout 2024/25 and CAA uses levy revenue first.

Potential question from MoF	Response
<p>Given CAA has \$45 million in underspends from 2023/24, why do they need more funding in Budget 2024?</p>	<p>CAA's \$45 million underspend is a flow on effect of revenue performing better than forecast and recruitment for some vacancies proving more difficult than expected in the previous financial year (2022/23).</p> <p>CAA has used Border Executive Board (BEB) passenger and cargo volume forecasts to calculate its forecast revenue for 2024/25 (\$175.915 million). When compared to CAA's projected operating costs (\$275.549 million), a funding shortfall of \$91.177 million remains. The \$45 million underspend can address almost half of the funding shortfall but not all.</p>
<p>Are you confident that CAA will not be expanding their service levels through this initiative?</p>	<p>CAA has assured me it is not expanding its service levels with this funding.</p> <p>The Budget 2024 initiative assumes a 24/25 budget of \$275.5 million, which is \$20.5 million greater than it's 23/24 budget, reflecting the increase in costs CAA faces to maintain existing services. The increase is due to several factors including CPI adjustments to its software costs, building and airport leases and rents, insurance, and wage inflation.</p> <p>s 9(2)(f)(iv)</p>

s 9(2)(f)(iv)

Capital Pipeline Review

New Zealand Upgrade Programme and rail related pressures

- 16 We recently took decisions for NZTA to manage cost pressures within NZUP. My expectation is NZTA will now manage NZUP cost pressures within its existing funding envelope and will not seek further Crown support to complete the programme.
- 17 KiwiRail has identified significant cost pressures across its metropolitan and freight networks. My priority for Budget 2024 is ensuring sufficient funding is provided to avoid significant service disruption, whilst preserving optionality until we can confirm our priorities for rail. The cost pressures on the metro rail network are the most pressing and if we must prioritise, should receive funding first.
- 18 The Auckland Rail Network Rebuild (RNR) programme s 9(2)(f)(iv) are addressing urgent track and infrastructure renewals and supporting improved train control operations. s 9(2)(f)(iv) have increased in cost, by \$159 million for RNR (of which \$65 million relates to works critical for Day One operation of CRL) and s 9(2)(f)(iv)
- 19 KiwiRail has sought funding from both the Crown and the NLTF to address the RNR s 9(2)(f)(iv)
- 20 I also recommend that we provide one year of funding to address other metro pressures: network renewal backlogs (\$85 million) and Network Management Plans (NMPs; \$22.7 million) local share funding shortfall. These are not necessarily works I expect the Crown to fund in full in the long term, especially the NMPs local share shortfall. However, I do not see alternative funding sources and am concerned that if no funding is provided, services will be impacted (line closures and speed restrictions required) before we are able to confirm our metro rail priorities and preferred level of service going forward.
- 21 Providing one year of funding preserves optionality s 9(2)(f)(iv), when the Ministry of Transport will have completed the Metropolitan Rail Operating Model

review, and we will have better information to make long term decisions on metro funding.

22 KiwiRail is seeking s 9(2)(f)(iv) for the Rail Network Investment Programme (RNIP), s 9(2)(f)(iv) We need more time to confirm our priorities and preferred level of service for the rail freight network, so my priority for Budget 2024 is to maintain optionality whilst this further work is done.

23 I am receiving advice in late March on scenarios for operating the rail freight network at different levels of service, which will inform the contents of the new RNIP that I will need to consider and approve before the start of the next financial year. To ensure we have flexibility to take decisions on the appropriate level of funding, I suggest that we progress a placeholder contingency of \$200 million operating (funded through reprioritisation from rail projects and other underspends in Vote Transport) for the RNIP. Depending on the level of analysis I am presented with in late March 2024, I may want to front load funding so that activity in 2024/25 remains more similar to the activity levels over the past few years. s 9(2)(f)(iv)

24 My rail recommendations total s 9(2)(f)(iv) KiwiRail has identified s 9(2)(f)(iv) in reprioritisation opportunities (from NIWE rail resilience works, s 9(2)(f)(iv) and coal hopper wagons) that would fund 93% of my recommendations (I note a capital to operating funding swap would be required for some of the reprioritised funding to be used). I propose funding the \$40.4 million difference from reprioritisation in other areas of Vote Transport.

Potential question from MoF	Response
What would the consequence be if no Crown funding was provided for <u>metro rail</u> ?	In the absence of additional funding for renewals, given end-of-life assets on the Auckland and Wellington metro rail networks, KiwiRail will increasingly need to turn to putting in place operating restrictions to ensure safe operation on the metro rail network.
What would the consequence be if no additional Crown funding was provided for <u>RNIP</u> ?	KiwiRail already have ~\$800m available for future investments in the rail network. The additional funding reflects a judgement between giving KiwiRail enough funding certainty to revise their business plans in a timely manner, while signalling a lower level of funding long-term.

s 9(2)(f)(iv)

Technical Budget (i.e. reprioritisation)

- 25 I have identified \$223.9 million in underspends and additional potential savings in Vote Transport. I have considered all cost pressures and fiscal cliffs that remain within Transport and have prioritised those that are the most immediate and critical.
- 26 From this list, there are three initiatives I suggest are considered for funding via reprioritisation in Budget 2024:
- 26.1 Maintaining Critical Frontline Prevention and Safety Services at Existing Levels (funding for Coastguard and Surf Life Saving NZ) (\$63.6 million)
- 26.2 Ground-Based Navigational Aids (GBNAs) (\$10 million)
- 26.3 RNIP (\$40.4 million, alongside \$159.6 million reprioritised from other rail projects, to make \$200 million total).
- 27 After funding these initiatives there would be \$110 million remaining. This funding could be returned to the centre or used to offset the draw on the operating allowance from my invited initiatives.

Potential question from MoF	Response
What does the \$223.9 million in underspends and additional savings include?	<p>s 9(2)(f)(iv) is funding from stopping work on projects:</p> <ul style="list-style-type: none"> • Transport Choices • Clean Car Discount <p>There may be an additional \$30 million related to stopping work on Auckland Light Rail, but further decisions are required before a true figure can be confirmed.</p> <p>s 9(2)(f)(iv) is underspends in 23/24:</p> <ul style="list-style-type: none"> • Retaining and Recruiting Bus Drivers • Public Transport Bus Decarbonisation • Community Connect (CSC holders concession) • Ministry of Transport underspend <p>There may be an additional \$14 million for Maritime New Zealand (MNZ) liquidity facility underspends, but this will only be made available if MNZ's funding review is approved by Cabinet this week.</p>
Do any of these savings relate to our fiscal plan or Coalition Agreements?	<p>Our Supercharging EV Charging policy included a \$90 million reduction in the Transport Choices appropriation to fund EV charging investment. From stopping Transport Choices I have found \$149.9 million in savings, \$59.9 million more than we had assumed in our fiscal calculations.</p> <p>The Coalition Agreement with ACT states that robust cost benefit analysis will be done to inform our proposed investment. s 9(2)(f)(iv)</p> <p>_____</p> <p>_____</p> <p>_____</p>

	<p>s 9(2)(f)(iv)</p> <p>Our Fiscal Plan committed to ending funding for Auckland Light Rail. When we formally cancelled ALR in December 2023, we returned \$98 million capital to the centre. I expect there to be operating savings of approximately s 9(2)(f)(iv) once we wind up ALR Ltd. I intend to utilise this funding for reprioritisation to offset other Vote Transport cost pressures in my technical Budget package.</p>
<p>Why does the Crown need to support non-government organisations? (Coastguard, Surf Life Saving NZ)</p>	<p>Coastguard and Surf Life Saving NZ are funded from a mix of Crown funding, land transport revenue, fundraising and grants (gambling, lotteries). I am cognisant of ensuring providing further Crown funding does not increase these NGOs' reliance the Crown. I want to sure NGOs remain motivated to attract funding from other sources.</p> <p>If no funding is provided in Budget 2024, it is unlikely alternative revenue will be found (as demand for grants has increased and fundraising revenue decreased). This would impact service provision with a potential flow on effect to our drowning toll.</p>

PROACTIVELY RELEASED BY NATIWAKA
 MINISTRY OF TRANSPORT

BUDGET SENSITIVE

ANNEX 2: SUMMARY OF SAVINGS INITIATIVES

Agency	Title	Proposed savings (\$'000)					% reduction of total appropriation
		24/25	25/26	26/27	27/28	TOTAL	
<i>Agency baseline reductions</i>							
Ministry of Transport	Ministry of Transport (Policy and Back-office) – Efficiency Return	2,793	2,708	2,627	2,627	10,755	5%
New Zealand Transport Agency	New Zealand Transport Authority Regulatory Services (Policy and Back-office) – Efficiency Return	193	193	193	193	772	5%
	s 9(2)(f)(iv)						
	Improving Resilience of the Roothing Network – Operating Costs (Back-office) – Efficiency Return	200	200	200	200	800	20%
	Community Connect Programme Services (Policy and Back-office) – Return of funding for wound-back scheme	1,683	1,719	1,719	1,719	6,840	89% (but 100% of funding approved in Budget 2023)
Maritime NZ	Maritime Regulatory and Response Service (Policy and Security) – Efficiency Return	525	525	525	525	2,100	5%
Civil Aviation Authority	Civil Aviation and Maritime Security (Policy and Back-office) – Efficiency Return	158	118	96	96	468	5%
<i>Programme reductions</i>							
New Zealand Transport Agency	s 9(2)(f)(iv)						
	Retaining and Recruiting Bus Drivers Funding	s 9(2)(f)(iv)					
	Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	11,842	11,842	11,842	11,842	47,368	100%
KiwiRail	s 9(2)(i)						
TOTAL		38,099	50,705	35,730	30,007	154,541	

BUDGET SENSITIVE

s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

s 9(2)(f)(iv)



PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 5: POTENTIAL FUNDING AVAILABLE FOR REPRIORITISATION THROUGH THE TECHNICAL BUDGET PROCESS

Initiative	Operating savings \$m	Comments on surplus funds
<i>Readily available</i>		
Ministry of Transport	8.000	Underspend is due to a combination of turnover related to the Ministry's restructure, and explicit decisions to delay recruitment while we confirmed the Government's priorities.
Recruiting and Retaining Bus Drivers	17.100	Even though funding for this initiative from 2024/25 onwards is proposed to be returned to the Crown through our baseline savings proposal, there is also an underspend in 2023/24 available for reprioritisation.
Public Transport Bus Decarbonisation	s 9(2)(f)(iv)	s 9(2)(f)(iv) an underspend in 2023/24 available for reprioritisation.
Transport Choices (above that notionally tagged to in the Supercharging EV Infrastructure policy)	59.860	The Supercharging EV Infrastructure policy states that \$90 million of savings from Transport Choices will be reprioritised towards EV charging infrastructure. Stopping future Transport Choices projects has generated \$149.860 million in savings. We believe you can readily claim the \$59.860 million for reprioritisation.
Total readily available	s 9(2)(f)(iv)	
<i>Requiring negotiation</i>		
Transport Choices (amount specified in the Supercharging EV Infrastructure policy)	90.000	As noted above. The Coalition Agreement with ACT states that robust cost benefit analysis will be done to inform future investment in EV infrastructure. s 9(2)(f)(iv)
Community Connect (2023/24 underspends)	34.708	The Ministry is working with NZTA and PTAs to wind up this policy, but we anticipate that not all funding remaining in 2023/24 for concessions will be required. As per CAB-23-MIN-0490, this funding is intended to be returned to the centre.
Clean Car Discount	10.000	Following the end of the Clean Car Discount Scheme, estimates suggest there may be up to \$10 million available for reprioritisation (or return) in 2023/24 once wind up is complete. This number will be updated to reflect latest available information ahead of submission, but as with Community Connect, residual funding is intended to be returned to the centre.

BUDGET SENSITIVE

Auckland Light Rail	TBC	The wind up of ALR Limited is dependent on the disposal of land and Cabinet approval. It is anticipated there will be s 9(2)(f)(iv) funding available to be returned to the Crown ahead of the company closing, but further decisions are required before a final figure can be agreed. As per CAB-23-MIN-0496, any residual funding is intended to be returned to the centre.
Maritime New Zealand (surplus liquidity facility funding)	TBC	We recommend returning funding only if Cabinet approves MNZ's fee review. MNZ have indicated surplus funding available to return of up to \$14 million, subject to Cabinet approval of their updated fees and charges.
Total requiring negotiation	134.708	
Grand total	s 9(2)(f)(iv)	

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA

Attachment 1: Budget 2024 Vote Transport package

Overview of Budget bids submitted through each track and potential discussion points

The Crown Budget process typically involves portfolio Ministers submitting two packages of initiatives for consideration. The first is the significant Budget package (i.e. initiatives that request new Crown funding and reflect potentially significant policy decisions, whether these be cost pressures, new spending, or saving initiatives) and the second is a technical Budget package (i.e. appropriation changes outside the scope of CO 18(2) but which are technical in nature, such as establishing new multi year appropriations or fiscally neutral transfers between financial years). Budget 2024 is unique as the Minister of Finance has established a strictly invite-only process for the significant Budget package which limits the number of initiatives that can be considered for new Crown funding. However, the scope of the technical Budget process has expanded such that portfolio Ministers are permitted to request reprioritisation of baseline funding to address cost pressures or fund new initiatives even if these have not been invited through the significant Budget process.

The following A3s provide an overview of the three tracks for the significant Budget package (Initial Baseline Exercise, invited cost pressures / new spending initiatives, and the Capital Pipeline Review) and the technical Budget package, including the Vote Transport initiatives included in each track, and potential discussion points for the 11 March 2024 Budget bilateral.

Significant Budget package

1 Initial Baseline Exercise (savings)

Vote Transport was asked to identify operating savings of \$38.5 million per annum from 2024/25, (7.5% of eligible baseline funding). We have submitted 11 savings initiatives for consideration, representing \$154.541 million in savings over the forecast period (average of \$38.6 million per annum). Savings are distributed unevenly over the forecast period, and we have proposed ongoing savings of \$30 million per annum.

Operating savings submitted 16 February 2024

Initiatives	24/25	25/26	26/27	27/28	Total (\$m)
<i>Agency baseline reductions*</i>					
Ministry of Transport – Efficiency Return	2.793	2.708	2.627	2.627	10.755
NZTA Regulatory Services – Efficiency Return	0.193	0.193	0.193	0.193	0.772
s 9(2)(f)(iv)					
Improving Resilience of the Roding Network – Operating Costs – Efficiency Return	0.200	0.200	0.200	0.200	0.800
Community Connect Programme – Return of administration funding for wound-back scheme	1.683	1.719	1.719	1.719	6.840
Maritime Regulatory and Response Service – Efficiency Return	0.525	0.525	0.525	0.525	2.100
Civil Aviation and Maritime Security – Efficiency Return	0.158	0.118	0.098	0.096	0.468
<i>Programme reductions</i>					
s 9(2)(f)(iv)					
Retaining and Recruiting Bus Drivers Funding	s 9(2)(f)(iv)				
Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	11.842	11.842	11.842	11.842	47.368
s 9(2)(i)					
TOTAL	s 9(2)(f)(iv)				

Notes

* All agency baseline reductions proposed represent a 5% cut to relevant appropriations, except for: 'Improving resilience of the roading network' (20% cut, as signalled by NZTA), and the 'community connect programme administration funding' (100% reduction of admin funding associated with the 'half price public transport for under 25 year olds and free public transport for under 13 year olds' policy ending).

Discussion points

- Clean Car Standard operating costs will be funded via user pays from 2025/26. Costs in 2024/25 are proposed to be met through reprioritisation of land transport revenue generated by the Clean Car Standard scheme.
- Savings from s 9(2)(f)(iv) [redacted]. The Ministry s 9(2)(f)(iv) [redacted] recommend that this initiative be removed from the baseline savings proposal. We note this only reduces your savings by s 9(2)(f)(iv) [redacted] so you will still achieve your target of \$154 million over the forecast period.

2 Invited cost pressures and new spending initiatives

In her letter on 21 December 2023, the Minister of Finance invited you to submit two new spending initiatives: North Island Weather Events Road Response and Recovery (time-limited funding), and Civil Aviation Authority Liquidity Funding (time-limited funding).

NIWE Response, Recovery and Rebuild (time limited funding)

NZTA are seeking s 9(2)(f)(iv) [redacted] for the ongoing response, recovery and rebuild of the state highway and local road network. Please note the proposed funding would be sufficient to s 9(2)(f)(iv) [redacted].

Scaling options for NIWE initiative	OPEX	CAPEX	Total (\$b)
s 9(2)(f)(iv)			
Scaled option 2 (response and recovery funding only)	s 9(2)(f)(iv)	0.609	s 9(2)(f)(iv)

CAA Liquidity funding (time limited funding)

CAA are seeking s 9(2)(f)(iv) [redacted] in liquidity facility funding in 2024/25 which would provide s 9(2)(f)(iv) [redacted] to bridge the gap between revenue and cost while their funding review is agreed and implemented, and s 9(2)(f)(iv) [redacted]. There are options to reduce the quantum sought by a) allowing carry over of \$45 million in underspends from 2023/24, and b) considering alternate mechanisms s 9(2)(f)(iv) [redacted].

Discussion points

- Funding NIWE response and recovery is a priority to ensure transport connectivity in affected regions can be restored to pre-NIWE service levels. s 9(2)(f)(iv) [redacted]. We note local council cost estimates carry a high level of uncertainty, s 9(2)(f)(iv) [redacted].
- If your preference is for the CAA to consult (via their funding review) s 9(2)(f)(iv) [redacted] the CAA Budget bid can be reduced to s 9(2)(f)(iv) [redacted]. There are also mechanisms to limit the draw on Crown funding throughout 2024/25 by using the liquidity facility as an expenditure cap (i.e. if revenue performs better than expected, the draw on liquidity funding is reduced).

Significant Budget package, continued

Overview of Budget bids submitted through each track

3 Capital Pipeline Review

The Capital Pipeline Review (CPR) process is designed to ensure capital projects are aligned with Government priorities, have a strong focus on value for money, and better match fiscal, agency, and market capacity. Agencies with medium and high-risk investments in planning and delivery stages have been invited to submit three types of advice:

1. Review of investments to identify **reprioritisation** options. If an initiative is invited to be part of the CPR, agencies must complete a savings template for that initiative. This is the only compulsory part of the CPR.
2. If relevant, identification of **cost pressures** for investments in delivery, including options for how reprioritisation could cover any such costs.
3. Submission of **new capital initiatives** if initiatives are critical to delivering core public services or to meeting commitments made in Coalition Agreements.

On 25 January 2024, Vote Transport was invited to provide advice on seven NZTA capital projects (all related to the New Zealand Upgrade Programme)¹ and eight KiwiRail projects². This A3 provides details on the advice that was submitted for consideration on 16 February 2024, decisions taken to date, and the Ministry's recommendations to manage remaining pressures within baselines.

New Zealand Transport Agency

Initiative/s submitted	Savings	Cost pressures	New capital
New Zealand Upgrade Programme	None, but options provided	0.5-1.5 billion	-

Given all seven initiatives required of NZTA related to NZUP, one savings template and one cost escalation template was submitted for consideration outlining escalations of up to \$0.5-\$1.5 billion across the whole NZUP programme, and options to manage escalations within the existing **\$6.54 billion** of baseline funding. As per your discussion with the Minister of Finance on 29 February 2024, NZTA will manage cost escalations within baselines by:

Completing the following projects to their current scope <ul style="list-style-type: none"> O Mahurangi – Penlink Takitimu North Link Stage 1 SH58 Improvements Stage 2 SH1/29 Intersection Takitimu North Link Stage 2 route protection Canterbury Package – rural intersections, Halswell Queenstown Package (reduced scope) SH1 Papakura to Drury Melling Transport Improvements Ōtaki to north of Levin South Auckland Package – Waihoehoe Rd Canterbury Package – Rolleston upgrade 	Completing pre-implementation, then pausing until / if funding becomes available <ul style="list-style-type: none"> Canterbury Package – SH76 Brougham St South Auckland Package – SH22 Drury upgrade 	Removing projects, but consider progressing scope as part of RONs <ul style="list-style-type: none"> SH1 Whangārei to Port Marsden Highway South Auckland – Manukau to Takaanini Access and Safety
NZTA cost estimate to complete: \$6.35 billion	Retain balance of funding (i.e. funding allocated to construction) as additional programme contingency: ~\$0.19 billion	Reallocate funding within NZUP to address cost pressures (note: this has already been accounted for in cost estimate to complete)

KiwiRail

KEY = metro = freight

Initiative/s submitted	Total (\$m)
<i>Savings</i>	
Auckland's Rail Network Growth Impact Management (RNGIM) and Rail Network Rebuild	-
Wellington Metro Upgrade Programme III (WMUP III) – Catch Up Renewals	-
Wellington Metro Upgrade Programme IV – Unlocking Capacity and Improving Resilience	-
RNIP - Public Transport Infrastructure	-
Rail Network Investment Programme (First 5 years)	-
North Island Weather Events (NIWE) – Rail resilience improvements	(180.700)
NZUP - Whangārei to Otiria and Wellington Infrastructure projects	-
Hopper Wagons Reprioritisation	(38.000)
<i>Cost pressures</i>	
Auckland's Rail Network Rebuild (RNR) s 9(2)(f)(iv)	s 9(2)(f)(iv)
Metropolitan Rail Backlogs and Network Management Plans (NMPs)	
<i>New capital</i>	
Rail Network Investment Programme (RNIP)	s 9(2)(f)(iv)
TOTAL request for new Crown funding	

KiwiRail has submitted eleven initiatives to be considered through the Capital Pipeline Review:

- **SAVINGS:** eight initiatives (as required by the invite from the Minister of Finance) outlining potential savings of \$180.7 million OPEX and \$38 million CAPEX.
- **COST PRESSURES:** two initiatives requesting funding of s 9(2)(f)(iv) OPEX over four years.
- **NEW CAPITAL:** one initiative requesting baseline funding for the RNIP of s 9(2)(f)(iv) (note this includes s 9(2)(f)(iv), and assumes that KiwiRail will continue to receive a National Land Transport Fund contribution of \$120 million per annum).

In addition to the above, KiwiRail has identified further savings that could come from s 9(2)(f)(iv)

- **Prioritise addressing metro pressures given their economic impact s 9(2)(f)(iv)** The Ministry considers completing Auckland RNR (\$159.2 million - this includes works to enable day 1 operations of the City Rail Link) s 9(2)(f)(iv) to be the highest priority, followed by one year of funding for metro rail backlogs (\$85 million) and local share shortfall of NMPs (\$22.7 million) to preserve optionality and maintain services while a review of the Metropolitan Rail Operating Model is undertaken.
- **Seek a placeholder contingency of \$200 million for RNIP** which would provide you with the option to increase KiwiRail's total baseline funding for the RNIP from ~\$800 million to ~\$1 billion, if required, to align with your preferred rail network investment scenario (KiwiRail is providing you with scenarios in late March 2024). This would be funded through remaining rail reprioritisation funding (\$159.6 million), supplemented with \$40.4 million of additional reprioritisation from Vote Transport underspends (see options on next page).

¹Invited NZTA projects include the following NZUP projects: Melling Intersection (RiverLink), Ōtaki to North of Levin, Queenstown Package, South Auckland Package, SH1 Whangārei to Port Marsden Highway Safety Improvements, Canterbury Package, and Papakura to Drury.
²Invited KiwiRail projects include: Wairarapa Rail Upgrades, Rail Network Investment Programme (first 5 years of funding for Rail Networks), Rail Investment Growth Impact and Auckland Metro Remediation, National Resilience Plan – minor improvements to rail lines to increase resilience and reliability, Wellington Metro Upgrade Programme III, Wellington Metro Upgrade Programme IV, Rail Network Investment Programme – Public Transport Infrastructure, and Northern Package – Whangārei to Otiria.

Technical Budget package

Overview of Budget bids submitted through each track and potential discussion points

Context

As the Minister of Finance outlined in her 21 December 2023 letter, cost pressures and new spending initiatives seeking *new* Crown funding can only be submitted for consideration by Cabinet if they are specifically invited into the **significant Budget** process. However, Budget guidance released on 4 March 2024 states that agencies are still allowed to propose options to manage cost pressures through the **technical Budget** process, as long as:

- these are funded through internal reprioritisation or by taking active choices to stop or scale programmes
- funding set aside for reprioritisation is in addition to any savings already ring-fenced to meet the Initial Baseline Exercise savings target.

The technical Budget process is traditionally utilised to progress changes to appropriations that are technical in nature (i.e. establishing new multi year appropriations or fiscally neutral transfers between financial years), but this year we will be permitted to include technical initiatives that have significant policy implications, providing they are funded through reprioritisation of baseline expenditure.

This A3 provides an overview of funding potentially available for reprioritisation, and identifies residual Vote Transport pressures that you may choose to fund through this process.

Potential pressures to address through reprioritisation of funding

OPEX

Rail pressures

As mentioned on page 2, funding for metro pressures and RNIP

Surf Life Saving / Coastguard NZ pressures (\$63.6 million)

Funding to maintain frontline prevention and safety services at existing levels.

Severe weather / emergency response readiness (\$27 million)

Funding to improve response to future emergency events, and to replace / fix assets damaged during the NIWEs.

CAPEX

Ground Based Navigational Aids (\$10 million)

Funding for Airways NZ to complete the minimum operation network of GBNAs that safely recover aircraft as an emergency alternative when GPS navigation fails.

Discussion points

- The Ministry has identified \$89.2 million of 'readily available' savings that can be used for reprioritisation, and \$134.7 million of additional savings that may require negotiation with the Minister of Finance as previous Cabinet decisions or National policies have committed relevant underspends to be returned to the centre.
- The Ministry's investment panel has reviewed residual cost pressures and recommends that savings be utilised for the following purposes:
 - \$10 million for Ground Based Navigational Aids
 - \$63.6 million for Surf Life Savings NZ and Coastguard cost pressures
 - \$40.4 million for residual rail pressures, as outlined on page 2.
- Cabinet are expected to consider recommendations from the government Inquiry into the Response to the North Island Severe Weather Events later this month,

Potential funding available for reprioritisation

Initiative	Operating savings \$m	Comments on surplus funds
<i>Readily available</i>		
Ministry of Transport	8.000	Underspends are due to a combination of turnover related to the Ministry's restructure, and explicit decisions to delay recruitment while we confirmed the Government's priorities.
Recruiting and Retaining Bus Drivers	17.100	While funding for this initiative from 2024/25 onwards is proposed to be returned to the Crown through our baseline savings proposal, there is also an underspend in 2023/24 available for reprioritisation.
Public Transport Bus Decarbonisation	s 9(2)(f)(iv)	s 9(2)(f)(iv) underspend in 2023/24 available for reprioritisation.
Transport Choices (above that notionally tagged to in the Supercharging EV Infrastructure policy)	59.860	The Supercharging EV Infrastructure policy states that \$90 million of savings from Transport Choices will be reprioritised towards EV charging infrastructure. Stopping future Transport Choices projects has generated \$149.860 million in savings. We believe you can readily claim the \$59.860 million for reprioritisation.
Total readily available	s 9(2)(f)(iv)	
<i>Requiring negotiation</i>		
Transport Choices (amount specified in the Supercharging EV Infrastructure policy)	90.000	As noted above. The Coalition Agreement with ACT states that robust cost benefit analysis will be done to inform future investment in EV infrastructure. A CBA will be completed by November 2024. For this reason, we do not consider the policy investment ready for Budget 2024. The \$90 million Transport Choices funding could be returned to the centre or used for reprioritisation now.
Community Connect (2023/24 underspends)	34.708	The Ministry is working with NZTA and PTAs to wind up this policy, but we anticipate that not all funding remaining in 2023/24 for concessions will be required. As per CAB-23-MIN-0490, this funding is intended to be returned to the centre.
Clean Car Discount	10.000	Following the end of the Clean Car Discount Scheme, estimates suggest there may be up to \$10 million available for reprioritisation (or return) in 2023/24 once wind up is complete. This number will be updated to reflect latest available information ahead of submission, but as with Community Connect, residual funding is intended to be returned to the centre.
Auckland Light Rail	TBC	The wind up of ALR Limited is dependent on the disposal of land and Cabinet approval. It is anticipated there will be \$30 million of appropriated operating funding available to be returned to the Crown ahead of the company closing, but further decisions are required before a final figure can be agreed. As per CAB-23-MIN-0496, any residual funding is intended to be returned to the centre.
Maritime New Zealand (surplus liquidity facility funding)	TBC	We recommend returning funding only if Cabinet approves MNZ's fee review. MNZ have indicated surplus funding available to return of up to \$14 million, subject to Cabinet approval of their updated fees and charges.
Total requiring negotiation	134.708	
Grand total	s 9(2)(f)(iv)	

ATTACHMENT 2: Budget 2024 rail portfolio view

Metro

Current funding position

- Government funding of significant metro rail projects completed or approved over the last 6-8 years equates to ~\$1,600 million in Wellington, and ~\$4,800 million in Auckland.

KiwiRail Budget Request

- KiwiRail have put up bids for the metro networks totalling s 9(2)(f)(iv) comprising the following:

Metro rail Budget 2024 initiatives			
Initiative	\$ sought	Description	Ministry View
Rail Network Rebuild	\$159.2m	Allows KiwiRail to continue delivery of the Auckland Rail Network Rebuild (RNR) to ready the network for the City Rail Link (CRL).	These initiatives are a priority s 9(2)(f)(iv)
s 9(2)(f)(iv)			
Metropolitan Rail Backlogs and Network Management Plans	s 9(2)(f)(iv)	Funding to address the combination of previous underinvestment and council's unwillingness or inability to fully fund the KiwiRail-proposed maintenance programme, resulting in the networks being in a fragile state.	We recommend funding one year (\$107.7m) to improve metro reliability before the long-term funding arrangements can be reset as part of the Metropolitan Rail Operating Model (MROM) review.

s 9(2)(f)(iv)

Our view

- We are sympathetic to KiwiRail's requests and expect the Government will ultimately have to contribute at least this amount to the metro network to:
 - address urgent issues / maintain current service levels
 - meet service level expectations around the CRL opening, for example.
- Delaying this funding increases the chances of there being network disruptions and increases the ultimate cost.
- The RNRs s 9(2)(f)(iv) are signalled as priorities for the Government and reflected in the GPS. NZTA will finalise funding allocations within the Public Transport Infrastructure (PTI) Activity Class as part of the wider National Land Transport Programme (NLTP). Finalisation of the NLTP will occur following approval of the final GPS and receipt of Regional Land Transport Plans.
- s 9(2)(f)(iv)
- Seeking \$107.7m to fund additional renewals is a pragmatic approach to reduce risks of service disruptions over the next year until the MROM review reports back to you s 9(2)(f)(iv) with long term solutions around long-term costs and allocation between users and funders. s 9(2)(f)(iv)

Next Steps

- We have started the MROM Review to resolve the funding issue in the long term but suggest at least s 9(2)(f)(iv) to support metro rail through 2024/25. The s 9(2)(f)(iv) includes full funding for RNR (\$159.2m), s 9(2)(f)(iv) and one year of funding for backlogs and the local share shortfall of Network Management Plans (\$107.7m).
- If you agree to the approach to metro funding, it should be made clear to Councils that this is a one-off arrangement to find a practical way forward while longer term affordability is worked through and that councils will be expected to pay their share in the future.

ATTACHMENT 2: Budget 2024 rail portfolio view

Freight

KiwiRail Budget Request

- KiwiRail's Budget bid outlined a s 9(2)(f)(iv) rail freight network investment programme, which would allow it to implement a s 9(2)(f)(iv) Rail Network Investment Programme (RNIP).

• s 9(2)(f)(iv)

Current funding position and phasing options

- KiwiRail has current available funding of around \$800m for future investment in the rail freight network. There are options for how this funding can be phased that could be worked through in your approval of the next three-year RNIP 2024/25 – 2026/27.^

s 9(2)(f)(iv)

s 9(2)(f)(iv)

KiwiRail concerns

- KiwiRail are concerned about having a reduced level of funding certainty. We appreciate that longer-term funding certainty allows KiwiRail to more efficiently plan and run its business. However, more work is required before officials could advise on an appropriate long term funding level that would be consistent with the Government's transport priorities.
- We are aware that KiwiRail have some long term RNIP commitments of s 9(2)(f)(iv) KiwiRail have also built up plant and equipment, and a workforce of around 1,400 to work on the network infrastructure (both metro and freight). With less funding, we expect that the workforce at a minimum would need to be scaled back.

Our views on these concerns

- KiwiRail have had to operate with limited funding certainty in the past, and like any business, needs to be able to manage with uncertainty. KiwiRail should not have been planning on the expectation that cost increases would be automatically funded. We believe that with current available funding and appropriate phasing, KiwiRail would not need to make and implement substantive decisions about down-sizing its business immediately.
- In addition, around \$1.7b worth of new rolling stock is now coming on stream which should improve freight service levels. s 9(2)(f)(iv)

Next Steps

Savings proposal and our recommendations

- KiwiRail have offered up s 9(2)(f)(iv) of savings proposals to help fund its s 9(2)(f)(iv) RNIP request. We recommend that \$200m of savings is allocated to KiwiRail, resulting in circa \$1b funding envelope for the RNIP. The \$1b identified reflects a balanced judgement between giving KiwiRail enough certainty to revise their business plans in a timely manner, while signalling a lower level of funding long term.
- s 9(2)(f)(iv)
Ultimately the KiwiRail Board will decide what course of action it will take with respect to its business within any funding envelope and level of certainty provided at this juncture.
- Regardless of Budget decisions, KiwiRail will need to get your approval for the investment profile over the next three years (through RNIP 2024/25 – 2026/27). We understand KiwiRail is preparing a range of investment scenarios to discuss with you at the end of the month based on GPS signals and prior discussions with you.
- If you decide to frontload funding in the first year of the 2024/25 – 2026/27 RNIP, s 9(2)(f)(iv) we will provide you with a process, timeframes, and engagement programme to support this.



8 March 2023

OC240213

Hon Simeon Brown
Minister of Transport

Action required by:
Monday, 11 March 2024

VOTE TRANSPORT BUDGET 2024 TECHNICAL PACKAGE

Purpose

This briefing provides you with the Ministry of Transport's (the Ministry) recommendations regarding your Budget Technical package. Your feedback is sought on the package following discussion with officials and your Budget bilateral discussion with the Minister of Finance on Monday 11 March 2024, ahead of submission on Wednesday 20 March 2024.

Key points

- 1 We have provided you with advice to support the development of your Vote Transport Budget Technical Package. The due date for submission of this package to Treasury is **20 March 2024**.
- 2 Within this package, we recommend that you provide funding (from reprioritisation) for cost pressures within the Vote that are urgent and critical – Ground-Based Navigational Aids, Frontline (Drowning) Prevention Services, and the Rail Network Investment Programme. You have choices about how much funding to allocate across these pressures and we seek your feedback on these options to guide the development of our final submission.
- 3 We have identified funding available for return or re-prisonisation of \$223.894 million. This funding is sufficient to address cost pressures in line with our recommendations and still provide additional savings back to the centre or reallocate this funding to other priorities within the transport portfolio. Due to conditions imposed on the use of some of this surplus funding, permission is needed from the Minister of Finance to use these savings. We suggest you test this in your Budget bilateral discussions with her.
- 4 We have also proposed 10 technical initiatives that seek changes to appropriations to ensure our appropriation structures remain fit for purpose to support the delivery of transport projects. Such changes are routinely sought through the Technical Budget process as although they are technical in nature, they are outside the scope of what Joint Ministers can approve through baseline updates.

Recommendations

We recommend you:

- 1 **note** that your Budget Technical budget package must be submitted to Treasury by 1.00 pm Wednesday 20 March 2024.
- 2 **provide** feedback to officials regarding your preferences for reprioritisation and returning funding through the technical package Yes / No
- 3 **EITHER:**
 - 3.1 **approve** the submission of the Technical Initiatives listed in Annex 3 and 4 (which have no interdependencies with your re-prioritisation decisions) Yes / No
 - OR**
 - 3.2 **provide** feedback to officials regarding any initiatives you do not wish to progress or any amendments you wish to make Yes/ No



David Wood
Deputy Chief Executive, Investment & Monitoring
 8 / 3 / 2024

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, DCE, Investment & Monitoring	s 9(2)(a)	
Tim Herbert, Manager, Investment		✓
Earl Kavinta, Finance Consultant		

VOTE TRANSPORT BUDGET 2024 TECHNICAL PACKAGE

The Budget 2024 Technical Budget process provides an opportunity to propose reprioritisation options alongside traditional technical initiatives.

- 1 The Technical Budget process (Technical process) provides an opportunity to seek Cabinet approval for changes outside the scope of Joint Ministers' authority to approve through a baseline update, with such changes considered 'technical' in nature. Any decisions with significant policy implications are usually out of scope for the Technical Process and are considered through the Significant Budget process.
- 2 This year, the scope of the Technical process has been expanded. Ministers can propose reprioritisation initiatives within their Vote to fund cost pressures not invited into Budget 2024, even where these may be considered significant policy decisions. Treasury expects the focus to be on initiatives that are critical or urgent and funding to be limited to 2023/24 or 2024/25 only.
- 3 Where decisions are not urgent, the Treasury proposes these are not progressed in the Technical process and instead are considered by Joint Ministers through the October Baseline Update (OBU, with Cabinet delegating decision making abilities to Joint Ministers).
- 4 Your Transport submission for the Technical process is due to Treasury by **20 March 2024**.
- 5 The Ministry of Transport (the Ministry) recommends you use the Technical process to:
 - 5.1 reduce funding available for policies or functions that are not a priority or where there have been underspends in 2023/24 (set out in Table 1 on page 5)
 - 5.2 use a portion of this funding to address urgent and critical cost pressures within the Vote not otherwise invited into Budget 2024 or where there is expected to be insufficient funding to fund these in Budget 2024 (set out in Table 2 on page 7)
 - 5.3 propose five purely technical changes to appropriations necessary to give effect to earlier policy decisions or to provide appropriate mechanisms to enable the efficient alignment of funding with funded activities (refer **Annex 3**).
 - 5.4 propose five additional funding transfers which were deferred from the March Baseline Update (refer to **Annex 4**)
- 6 We seek feedback from you on the options and recommendations provided in this briefing. Following your feedback, we will prepare the relevant material for submission to the Treasury.

Interaction with the Significant Budget package

- 7 The significant Budget package includes initiatives seeking new Crown funding (for new spending and cost pressures), savings initiatives that return funding to the centre (including your baseline savings proposal), and the Capital Pipeline Review (which includes a mix of cost pressure, new spending, and savings initiatives).
- 8 We have made the following assumptions regarding the Significant Budget process when developing this Technical process advice:
- 8.1 Sufficient funding is provided for the Civil Aviation Authority (CAA) Liquidity Facility, North Island Weather Events Road Response, Recovery and Rebuild, and GPS 2024 initiatives from operating and capital allowances. If less funding is provided than what is sought, we assume adjustments can be made to operate within the funding provided or alternative funding sources used. Allowances for these initiatives have not been made in our Technical process recommendations.
- 8.2 The Ministry's recommendations for KiwiRail initiatives in the Capital Pipeline Review are followed (detailed further in OC240209). This includes providing s 9(2)(f)(iv) total operating funding to KiwiRail, including s 9(2)(f)(iv) of reprioritisation from other rail projects, leaving a gap of \$40.400 million. Although these pressures have been signalled through the Capital Pipeline Review, it is unclear whether new funding will be made available. We have provided options for you to address this \$40.400 million gap in this advice.
- 9 If these assumptions do not hold the Ministry may recommend changes to the technical Budget package before it is considered by Cabinet.

Funding available for return or reprioritisation

- 10 We have identified \$223.894 million available to return to the centre or reprioritise within the Vote. This is all operating savings in the current financial year (2023/24). The policies / initiatives that comprise this \$223.894 million are outlined in Table 1 below.
- 11 We have categorised funding available as either:
- 11.1 **Readily available (\$89.186 million).** We see no conditions that should restrict you from returning or reprioritising this funding.
- 11.2 **Requires negotiation (\$134.708 million).** These savings relate to previous Cabinet decisions to stop an initiative or were specified in pre-election materials (e.g. the 100-Day Plan or Fiscal Plan). For this reason, the Minister of Finance may not support you to reprioritise this funding within Vote Transport and instead require it be returned to the centre.
- 12 The total amount of savings has increased since we last briefed you (from \$154.000 million to \$223.894 million, OC240075 refers). Where savings have increased or decreased, this is noted in Table 1 with explanations why. We note these numbers remain subject to minor amendment before submission to Treasury (as we confirm final amounts with agencies).

BUDGET SENSITIVE

Table 1: Funding available for return or reprioritisation

Policy	Savings (\$m)	Conditions on use of funds
<i>Readily available</i>		
Ministry of Transport Departmental Funding (2023/24 underspend)	8.000	None. This funding represents underspends due to a combination of explicit decisions to delay engagement of staff and external advisers while we confirmed the Government's priorities and work programme and vacancies / turnover.
Retaining and Recruiting Bus Drivers (2023/24 underspend)	17.100 (Increased by \$4.000 million)	None. s 9(2)(f)(iv) [redacted] [redacted] [redacted] This number has increased due to better information from NZTA.
Public Transport Bus Decarbonisation (2023/24 underspend)	s 9(2)(f)(iv) [redacted]	None. s 9(2)(f)(iv) [redacted] [redacted] [redacted]
Transport Choices (amount above that specified in Supercharging EV Infrastructure policy)	59.860 (Increased by \$25.860 million)	The Supercharging EV Infrastructure policy states that \$90.000 million of savings from Transport Choices will be reprioritised towards EV charging infrastructure. Stopping future Transport Choices projects has generated \$149.860 million in savings. We believe you can readily claim the \$59.860 million difference for reprioritisation. This amount has increased following revision of the savings available. This now reflects your decision in BRI-2921 to allocate no funding to in-flight or other recommended projects.
Total readily available	s 9(2)(f)(iv) [redacted]	
<i>Requiring negotiation</i>		
Transport Choices (amount specified in the Supercharging EV Infrastructure policy)	90.000 (Was not included in the \$154.000 million previously)	As noted above. As per the Coalition Agreement with ACT, a cost benefit analysis (CBA) will be completed s 9(2)(f)(iv) [redacted] to inform decisions on the Supercharging EV Infrastructure policy. s 9(2)(f)(iv) [redacted] [redacted] Therefore, the \$90.000 million Transport Choices funding could be returned to the centre or used for reprioritisation now. Alternatively, you could place this funding in tagged contingency to be drawn down once the CBA is completed and Cabinet takes relevant decisions.
Community Connect (2023/24 underspends)	34.708	In the Mini Budget, Cabinet agreed to end free fares for 5-12 year olds and half-price fares for 13-24 year olds. A portion of this underspend relates to these concessions. Cabinet stipulated that all underspends remaining in 2023/24 for the Mini Budget initiative would be returned to the centre.

BUDGET SENSITIVE

Clean Vehicle Discount (surplus remaining at end of 2023/24)	10.000	In December 2023, Cabinet stopped the Clean Vehicle Discount and returned \$50 million from the operating grant (CAB-23-MIN-0471). Cabinet intended that all underspends remaining in 2023/24 would be returned to the centre.
Auckland Light Rail	TBC s 9(2)(f)(iv)	The disestablishment of Auckland Light Rail Limited is dependant on the disposal of the land and Cabinet approval. It is anticipated there will be \$30 million available for return to the Crown ahead of the company closing. As the exact amount to be returned is dependant on further decisions we do not recommend relying on this funding for reprioritisation. We can submit a placeholder initiative enabling funding to be returned once the amount is known.
Maritime New Zealand (surplus liquidity facility funding)	TBC (\$14.000 million previously signalled as potentially available)	MNZ has indicated a \$14.000 million underspend in 2023/24 that it will not seek to carry forward if Cabinet approves its funding review. Cabinet will consider the funding review again on 11 March 2024 and if agreed, we recommend you can return the \$14.000 million.
Total requiring negotiation	134.708	
Grand total	223.894	

Recommended use of reprioritised funds

- 13 In December 2023, the Ministry provided you a summary of fiscal cliffs and emerging cost pressures across the Vote (OC231040 refers). A summary of these is provided in **Annex 1**. Most cost pressures and fiscal cliffs are being progressed through the Budget 2024 process, have ceased, or we do not consider them critical to address in Budget 2024.
- 14 There are three cost pressures we suggest you consider for funding through reprioritisation. These are included in Table 2 below, with the Ministry's recommendation. Additional information on the initiatives, scaling options, alternative funding sources is provided in **Annex 2**.

Table 2: Recommended use of reprioritised funding

Cost pressure	Funding sought (\$m)	Funding recommended (\$m)	Ministry recommendation
Ground-Based Navigation Aids (GBNAs)	10.000	10.000	Fund in full. Note this request has increased from \$7.7 million as we confirmed final costs with Airways NZ.
Maintain critical frontline prevention and rescue services at existing levels	63.644	63.644	Fund in full. Note there are scaling options available.

BUDGET SENSITIVE

(Surf Life Saving NZ and Coastguard)			
Severe Weather Response, Resilience and Recovery	26.606	-	Do not include in Technical Package. Recommend deferring decision until Cabinet considers recommendations from the Government Inquiry into the Response to the North Island Severe Weather Events s 9(2)(f)(iv) Note Section 9(1) funding is a viable alternative funding source.
Rail Network Investment Programme	s 9(2)(f)(iv)	40.400	Provide \$40.4 million to bring total RNIP investment to \$200 million. \$159 million of this can be funded through reprioritisation from other rail projects. We recommend the \$40.4 million is provided from the other reprioritised funds available in Vote Transport.
Total		114.044	
Scenario 1: Claim only readily available reprioritisation		(89.186)	Reprioritisation would be insufficient to fund all initiatives.
Difference		24.858	
Scenario 1: Claim all funds identified for reprioritisation		(223.894)	Reprioritisation would be sufficient to fund all initiatives, with \$109.85 remaining to return to the centre or to allocate to other priorities in the transport portfolio.
Difference		(109.850)	

- 15 To fund these cost pressures at the level recommended by the Ministry, you will need the Minister of Finance's agreement to utilise \$24.858 million in savings from initiative/s we consider requiring negotiation. Given the quantum required, you may only need to seek her agreement to retain funding from one further reprioritisation initiative.
- 16 If you were able to retain all funds identified for reprioritisation, funding available would exceed the Ministry's recommendations by \$109.85 million. You could choose to return this to the centre or allocate funding to other priorities within the Vote.
- 17 If you were able to retain all funds identified for reprioritisation, funding available would exceed the Ministry's recommendations by \$109.85 million. You could choose to return this to the centre or allocate funding to other priorities within the Vote.
- 18 We understand you are interested in considering options for funding emergency towage vessels in the Cook Strait and other hazardous waterways, and that you intend on raising this with the Minister of Finance at your Budget bilateral meeting. The Ministry will provide you with speaking points to support you in this discussion by midday Monday 12 March. We then anticipate providing you with an initial summary and assessment of options by Friday 15 March. We are currently working with Treasury to confirm the final date for submitting a full bid for consideration in the Budget.

- 19 Depending on the option you wish to proceed with, there may be sufficient funding available from funds identified for reprioritisation for an initiative, particularly in the short-term. s 9(2)(i)
- 20 As noted in paragraphs 2 and 3, Treasury expects the focus of reprioritisation initiatives in the Technical process to be on critical pressures and funding limited to 2023/24 and 2024/25 only. It is also expected that urgent decisions are progressed in the Technical process and non-urgent decisions delayed until OBU.
- 21 The Ministry considers all three initiatives we are recommending providing funding for to be critical. We consider the GBNAs require an urgent decision (if funding is delayed, it is more likely costs will increase before Airways NZ can enter contracts for the GBNAs to be installed). The Maintain Critical Frontline Prevention and Rescue Services and RNIP initiatives are less urgent, however relevant agencies are seeking funding certainty as soon as possible to progress work accordingly.
- 22 The primary reason we recommend you progress these initiatives in the Technical process rather than waiting for OBU is because all reprioritised funds available are in the current financial year (2023/24). Whilst \$21.326 million is able to be carried forward automatically (as it is held in a Multi-Year Appropriation), you will not be able to retain the remaining \$211.020 million in savings post-1 July 2024 (unless Joint Ministers approved to carry all savings forward to 2024/25, which would require individual In-Principle Expense Transfers). To avoid losing the funds available, we recommend you progress these through the Technical process.

Technical budget initiatives

- 23 The Ministry has reviewed all appropriations in Vote Transport and identified several technical initiatives to put forward. The main reasons for the technical initiatives are:
- 23.1 to create appropriation structures that support effective and efficient delivery of transport projects, especially where flexibility may be required for the nature of the expenses that will be incurred (operating and capital costs) and the timing of that expenditure.
- 23.2 to resolve other technical accounting matters.
- 24 The Ministry has identified give technical initiatives through this review that it would like to submit as part of the Budget 2024 process (refer **Annex 3**).

Additional funding transfer requests

- 25 As part of the March Baseline Update (MBU) for Vote Transport, several appropriations change requests were excluded because they were either outside the scope of what Joint Ministers are delegated to approve during MBU, or where the

Ministry required more information to assess requests or were more appropriate to put forward as part of the Budget Technical update.

- 26 The proposed additional funding transfers are outlined in **Annex 4**.

Next steps

- 27 This item is scheduled for discussion at your weekly meeting with officials on Monday 11 March 2024 at 9:30 am.
- 28 You are also meeting with the Minister of Finance, later that same day at 2.30 pm to discuss the Vote Transport Budget Package. Material to support this engagement (including talking points on the technical budget package) has been provided separately (OC240209 refers).
- 29 Following these engagements, we request feedback from you on the Technical Budget package ahead of submission on **20 March 2024**.
- 30 Cabinet is due to consider the Budget package on **29 April 2024**. Ahead of this, we will provide you with financial recommendations to support Cabinet's decision making.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 1: SUMMARY OF COST PRESSURES AND FISCAL CLIFFS

Initiative	Status
<i>Cost pressures</i>	
Metropolitan rail networks (Auckland and Wellington) Completing the Auckland Rail Network Rebuild (RNR) s 9(2)(f)(iv) addressing backlog of deferred renewals, and addressing local share shortfall for Network Management Plans (NMPs)	Submitted in the Capital Pipeline Review The Ministry recommends providing s 9(2)(f)(iv) to metropolitan rail pressures in Budget 2024. This can be met through reprioritisation from other rail projects.
New Zealand Upgrade Programme	Submitted in the Capital Pipeline Review You and the Minister of Finance agreed for NZTA to manage NZUP cost pressures within its existing funding envelope, with an expectation that any future cost escalations are managed within baselines.
Project iReX (Interisland Resilient Connection)	No longer a cost pressure In December 2023, Cabinet agreed to not provide further funding for iReX. KiwiRail is in the process of winding down the project.
Ground-Based Navigation Aids (GBNAs) Additional funding is required for Airways NZ to install GBNAs at five airports for which cost recovery is not possible. Funding approved in Budget 2022 is no longer sufficient. GBNAs are used to recover aircraft as an emergency alternative to GPS.	Requires attention now, candidate for the Technical process
s 9(2)(f)(iv)	
Auckland Transport Alignment Project (ATAP)	Does not require attention in Budget 2024 Work on the Auckland Integrated Transport Plan (the next iteration of ATAP) is being scoped. Any decisions on Crown funding in this area are considered once the Plan is prepared.

BUDGET SENSITIVE

s 9(2)(i)	
<p>Fuel Excise Duty reduction policy wash up Funding sought to address a NLTF revenue shortfall issue associated with the conclusion of the FED 25 cents per litre reduction policy.</p>	<p>No longer a cost pressure NZTA is seeking to manage this pressure within existing NLTF funding in 23/24.</p>
<p>Coastguard and Surf Life Saving NZ critical cost pressures Funding sought for Coastguard and Surf Life Saving NZ to ensure maintenance of critical drowning prevention and rescue services.</p>	<p>Requires attention now, candidate for the Technical process</p>
<p>Severe Weather / Emergency Response Readiness, Resilience, and Recovery Funding sought to ensure search and rescue NGOs are prepared to respond in future severe weather events (through training, PPE and replacing destroyed assets).</p>	<p>Requires attention now, candidate for the Technical process</p>
Fiscal cliffs	
<p>Rail Network Investment Programme</p>	<p>Submitted in the Capital Pipeline Review, Technical process funding likely required The Ministry recommends providing \$200 million for RNIP in Budget 2024. \$159.6 million of this can be met through reprioritisation from other rail projects. We recommend the \$40.4 million difference is considered in the Technical process.</p>
<p>NIWE State Highway and Local Road Response, Recovery and Rebuild</p>	<p>New Spending initiative submitted</p>
<p>Civil Aviation Authority Liquidity Facility</p>	<p>New Spending initiative submitted</p>
<p>Civil Aviation Authority Health and Safety at Work Act (HSWA) Delegations To provide s 9(2)(f)(iv) uplift to CAA's funding from the Working Safer Levy. In Budget 2023, CAA was provided a one-year increase of \$2.8 million.</p>	<p>Requires attention now, candidate for the Technical process Funding is sought from the Working Safer Levy, therefore a decision to approve this increase would not impact the Crown operating allowance. MBIE (who oversees the Working Safer Levy) has made provision for the increased funding in the relevant memorandum account.</p>
<p>Implementing GPS 2024</p>	<p>New Spending initiative submitted The Minister of Finance is aware of the Crown funding required to deliver the draft GPS 2024.</p>

BUDGET SENSITIVE

ANNEX 2: DETAILED ADVICE ON COST PRESSURES FOR CONSIDERATION

Ground-Based Navigational Aids (GBNAs)

Funding sought over 4 years

\$10 million (CAPEX)

2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m
10.000 (exact split across years TBC)				

Ministry Recommendation	Fund in full through reprioritisation
Why is this considered critical or urgent?	Necessary to complete the Minimum Operating Network of GBNAs
What will this additional funding deliver?	<p>Two further Ground-Based Navigational Aids required to complete the Minimum operating Network (MON). GBNAs are used as an emergency alternative to GPS navigation across mainland New Zealand</p> <p>Airways are able to fund and cost recover the installation of all but five of the required GBNAs necessary to complete the network. In Budget 2022 funding was provided for the purchase of five GBNAs but due to cost escalations it will now only cover the purchase of three.</p>
Impacts and risks associated with not funding these pressures	<p>Airways would not be able to acquire and install all GBNAs required for the MON.</p> <p>This would leave the network incomplete and aviation operations (including emergency services and defence force operations) in the affected areas would be disrupted.</p> <p>The remaining GBNAs cannot be cost recovered from the sector due to low volumes in the areas the GBNAs would be situated.</p>
What has caused this cost pressure	Prices have increased since funding was provided
Additional comments	<p>Initially the funding gap was signalled at \$7.7 million but due to further cost escalations we recommend \$10 million is provided</p> <p>s 9(2)(i)</p> <p>An operating to capital swap would be required and that the associated capital injection to Airways would be managed through Vote Finance.</p>

**Maintain critical frontline prevention and rescue services at existing levels
(Surf Life Saving NZ and Coastguard NZ pressures)**

Funding sought over 4 years

\$63.644 million operating

2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m
-	13.671	15.112	16.606	18.255

Ministry Recommendation

Fund in full through reprioritisation

Why is this considered critical or urgent?

Service provision is already being eroded with service providers forecasting deficits for 2024/25 and beyond

What will this additional funding deliver?

This initiative seeks funding to address cost pressures faced by Coastguard NZ and Surf Life Saving NZ, NGOs delivering frontline water rescue and prevention services. Providing this funding in full does not remove the need for both organisations to fund raise and continue to seek alternative revenue sources.

The objective of Crown investment in this area is to reduce New Zealand's drowning toll. Specifically, this funding contributes to that objective through funding two NGOs (Coastguard New Zealand and Surf Life Saving New Zealand) to provide:

- assistance to recreational boat users requesting assistance including on-water safety services, boating education programmes, community initiatives, critical marine communications, and safety and information services.
- proactive beach lifeguarding and essential emergency rescue services, public education beach safety programmes, education, training, and development

Scaling options

The Ministry supports the use of re-prioritised funding to fund this request in full.

However, we consider that there are scaling opportunities available if you wish to reduce Crown investment through Budget 2024 whilst still enabling services to be delivered.

Funding only operating costs (\$32.147 million). We consider funding operating costs to be of highest priority as both organisations have little opportunity to re-prioritise without impacting their frontline service delivery. Those components seeking funding to address capital expenditure requirements could be declined, deferred or funded in part with a smaller risk of an immediate impact on service provision. Providing no additional funding for capital expenditure will reduce the funding sought by \$31.497 m over four years.

Provided time-limited funding: (\$28.783 for 2024/25 and 2025/26 only) Funding is being sought an on

ongoing basis. You may wish to provide time-limited funding to allow for sufficient time to consider long term revenue settings for the sector (noting the findings and recommendations of the [“Recreational Safety and Search and Rescue Review”](#) and to better align with the overarching Technical process guidance to fund only the most urgent and critical needs.

Impacts and risks associated with not funding these pressures

Providing no funding: NGOs would be unlikely to be able to attract sufficient fundraising revenue and service provision would be compromised.

Funding ongoing operating expenditure only may compromise sustainability of service provision through the erosion of assets.

Providing time-limited funding will make it more difficult for both organisations to acquire the resourcing needed and enter into long-term contracts necessary to enable service provision.

What has caused this cost pressure

Funding was provided in Budget 2020 but subsequent cost pressures and the challenges faced in attracting fund-raising and grant revenue mean that the funding is no longer sufficient to maintain critical frontline prevention and rescue services in line with the intent of the original funding

Additional comments

Funding this in full brings risk of increased sector reliance on Crown funding (as opposed to traditional revenue sources of fund-raising or grant revenue). We consider the funding requested will still require both NGOs to remain motivated to attract funding from other sources but recognises that such funding has become difficult to attract in recent years. Should Crown funding not be provided it is likely that sufficient alternative revenue will not be found, and service provision would be impacted (with the potential flow on impact to NZ’s drowning toll).

PROACTIVELY RELEASED BY THE MINISTRY OF TRANSPORT

Severe Weather Response, Resilience and Recovery

Funding sought over 4 years	<p>\$26.606 million operating</p> <table border="1" data-bbox="643 309 1358 450"> <thead> <tr> <th data-bbox="643 309 786 376">2023/24 \$m</th> <th data-bbox="786 309 930 376">2024/25 \$m</th> <th data-bbox="930 309 1074 376">2025/26 \$m</th> <th data-bbox="1074 309 1217 376">2026/27 \$m</th> <th data-bbox="1217 309 1358 376">2027/28 \$m</th> </tr> </thead> <tbody> <tr> <td data-bbox="643 376 786 450">-</td> <td data-bbox="786 376 930 450">19.205</td> <td data-bbox="930 376 1074 450">2.656</td> <td data-bbox="1074 376 1217 450">2.386</td> <td data-bbox="1217 376 1358 450">2.359</td> </tr> </tbody> </table>	2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m	-	19.205	2.656	2.386	2.359
2023/24 \$m	2024/25 \$m	2025/26 \$m	2026/27 \$m	2027/28 \$m							
-	19.205	2.656	2.386	2.359							
Ministry Recommendation	<p>Do not fund through reprioritisation.</p> <p>Although the Ministry supports this initiative, alternative funding sources exist.</p> <p>Await confirmation if s 9(2)(f)(iv) [REDACTED] following the Government Inquiry into the Response to the North Island Weather Events. s 9(2)(f)(iv) [REDACTED]</p>										
Background to the development of this initiative	<p>In June 2023, the previous government announced a Government Inquiry into the Response to the North Island Severe Weather Events (NIWE). The purpose of the inquiry is to determine if the design of New Zealand's emergency management system is appropriate to support readiness for and responses to further emergency events.</p> <p>The Department of Internal Affairs (DIA), who is supporting the Inquiry, advised relevant agencies to consider what additional funding they may need to be better prepared for future severe weather events. DIA has suggested that the Inquiry s 9(2)(f)(iv) [REDACTED]. DIA encouraged to submit placeholder initiatives for this funding into the Budget 2024 process until the Inquiry is completed. The Inquiry will release its findings on 26 March 2024</p> <p>The Ministry has identified four NGOs in the Vote Transport remit that provided services during the NIWEs that with additional funding, would be better prepared to respond to future events (Coastguard NZ, NZ Land Search and Rescue, Surf Life Saving NZ, and Amateur Radio Emergency Communications). These NGOs had to operate in contaminated floodwaters, and silt and hazard laden environments without the necessary assessments, training or equipment, and existing equipment, several buildings and structures were damaged</p>										
What will this funding deliver?	<p>Targeted severe weather event training for the NGOs personnel (most of whom are unpaid volunteers), appropriate PPE, establishing regional based equipment and provision caches and the replacement of assets destroyed in the NIWEs</p>										
Scaling options	<p>The Ministry supports this initiative, as severe weather events are now part of New Zealand's reality, and it is important for NGOs to be in a state of readiness and preparation to respond. There are options to scale this</p>										

	<p>initiative and the Ministry would recommend training, PPE, equipment caches and management / leadership are prioritised (reducing the request to \$13.576 million) over building repairs</p>
<p>Additional comments</p>	<p>s 9(2)(f)(iv) [redacted] [redacted] [redacted] there are alternative funding sources to consider:</p> <ul style="list-style-type: none"> <p>Section 9(1)(a) funding: S9(1)(a) allows Joint Ministers to approve land transport revenue for search and rescue activities. New S9(1)(a) funding requests are considered by Joint Ministers every three years, with the next review occurring later this year. This initiative could be submitted for consideration. Given the clear alignment with s9(1)(a), the Ministry recommends this option is pursued s 9(2)(f)(iv) [redacted] [redacted]</p> <p>Funding via reprioritisation: If the Minister of Finance allows you to utilise all savings the Ministry has identified, you will have sufficient funding for this initiative.</p>

PROACTIVELY RELEASED UNDER THE OFFICIAL INFORMATION ACT /
 MINISTRY OF TRANSPORT TIRI KAWA

ANNEX 3: TECHNICAL INITIATIVES

Title	Description	Details of Funding					
<p>Improving Resilience of the Roding Network – transfer funding between years</p>	<p>This initiative will transfer funding from 2023/24 to 2024/25 to reflect the delay and subsequent rephasing of works required to improve the resilience of the local road network, through investment in infrastructure, to minimise damage caused by climate change extreme weather events.</p> <p>It will also reflect the proper allocation of NZTA’s forecasted operating expenses and administration costs incurring, to deliver projects that improve the resilience of the state highway and local road network.</p>						
		<p>Improving Resilience of the Roding Network – Local Roads</p>	<p>2023/24 \$000</p>	<p>2024/25 \$000</p>	<p>2025/26 \$000</p>	<p>2026/27 \$000</p>	<p>2027/28 \$000</p>
		<p>Approved funding before Technical Update</p>	<p>1,000</p>	<p>37,500</p>	<p>19,000</p>	<p>19,000</p>	<p>19,000</p>
		<p>Total change to appropriation</p>	<p>(1,000)</p>	<p>1,000</p>	<p>-</p>	<p>-</p>	<p>-</p>
		<p>Total funding after Technical Update</p>	<p>-</p>	<p>38,500</p>	<p>19,000</p>	<p>19,000</p>	<p>19,000</p>
		<p>Improving Resilience of the Roding Network – Operating Costs</p>	<p>2023/24 \$000</p>	<p>2024/25 \$000</p>	<p>2025/26 \$000</p>	<p>2026/27 \$000</p>	<p>2027/28 \$000</p>
		<p>Approved funding before Technical Update</p>	<p>500</p>	<p>1,000</p>	<p>1,000</p>	<p>1,000</p>	<p>1,000</p>
		<p>Total change to appropriation</p>	<p>(500)</p>	<p>500</p>	<p>-</p>	<p>-</p>	<p>-</p>
		<p>Total funding after Technical Update</p>	<p>-</p>	<p>1,500</p>	<p>1,000</p>	<p>1,000</p>	<p>1,000</p>
<p>Rail – NZ Railways Corporation Equity Injection</p>	<p>This initiative seeks Cabinet’s delegation to the Ministers of Finance and Transport to approve funding transfers between the appropriations <i>Rail – NZ Railways Corporation Equity Injection</i> and <i>Rail – New Zealand Railways Corporation Equity Injection 2024-2029</i> to allow flexibility to reflect future changes to the equity</p>						
		<p>Rail– NZ Railways Corporation Equity Injection</p>	<p>2023/24 \$000</p>	<p>2024/25 \$000</p>	<p>2025/26 \$000</p>	<p>2026/27 \$000</p>	<p>2027/28 \$000</p>
		<p>Approved funding before Technical Update</p>	<p>70,604</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>-</p>
<p>Total change to appropriation</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p>-</p>		

BUDGET SENSITIVE

	<p>injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited, when figures are confirmed by Treasury's Commercial Performance team.</p> <p>There are currently two MYAs for the purpose of managing equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited</p> <p>The current MYA ends on 30 June 2024 and cannot be extended.</p>	<table border="1"> <tr> <td>Total funding after Technical Update</td> <td>70,604</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </table> <table border="1"> <thead> <tr> <th>Rail-- New Zealand Railways Corporation Equity Injection 2024-2029</th> <th>2023/24 \$000</th> <th>2024/25 \$000</th> <th>2025/26 \$000</th> <th>2026/27 \$000</th> <th>2027/28 \$000</th> </tr> </thead> <tbody> <tr> <td>Approved funding before Technical Update</td> <td>-</td> <td>51,000</td> <td>23,500</td> <td>21,500</td> <td>15,000</td> </tr> <tr> <td>Total change to appropriation</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total funding after Technical Update</td> <td>-</td> <td>51,000</td> <td>23,500</td> <td>21,500</td> <td>15,000</td> </tr> </tbody> </table> <p>Authorise the Ministers of Finance and Transport, acting jointly, to approve funding transfers between the appropriations <i>Rail-- NZ Railways Corporation Equity Injection</i> and <i>Rail-- New Zealand Railways Corporation Equity Injection 2024-2029</i> to allow flexibility to reflect future changes to the equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited.</p>	Total funding after Technical Update	70,604	-	-	-	-	Rail-- New Zealand Railways Corporation Equity Injection 2024-2029	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	Approved funding before Technical Update	-	51,000	23,500	21,500	15,000	Total change to appropriation	-	-	-	-	-	Total funding after Technical Update	-	51,000	23,500	21,500	15,000						
Total funding after Technical Update	70,604	-	-	-	-																																	
Rail-- New Zealand Railways Corporation Equity Injection 2024-2029	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000																																	
Approved funding before Technical Update	-	51,000	23,500	21,500	15,000																																	
Total change to appropriation	-	-	-	-	-																																	
Total funding after Technical Update	-	51,000	23,500	21,500	15,000																																	
<p>Auckland City Rail Link – Establishing a new Multi-Year Capital Appropriation</p>	<p>This initiative will establish a new four-year multi-year capital appropriation <i>Auckland City Rail Link 2024-2028</i> for the crown's share of the total project capital costs of the Auckland City Rail Link, utilising the underspends forecasted in the current <i>Auckland City Rail Link</i> MYA appropriation to provide funding in outyears (until 2027/28). The current MYA ends 30 June 2024.</p> <p>To manage the uncertainty and fluctuation between financial years, this initiative also seeks an expense</p>	<table border="1"> <thead> <tr> <th>Auckland City Rail Link</th> <th>2023/24 \$000</th> <th>2024/25 \$000</th> <th>2025/26 \$000</th> <th>2026/27 \$000</th> <th>2027/28 \$000</th> </tr> </thead> <tbody> <tr> <td>Approved funding before Technical Update</td> <td>404,000</td> <td>571,647</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total change to appropriation</td> <td>(65,000)</td> <td>(571,647)</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Total funding after Technical Update</td> <td>339,000</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Auckland City Rail Link 2024-2028</th> <th>2023/24 \$000</th> <th>2024/25 \$000</th> <th>2025/26 \$000</th> <th>2026/27 \$000</th> <th>2027/28 \$000</th> </tr> </thead> <tbody> <tr> <td>Approved funding before Technical Update</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Auckland City Rail Link	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	Approved funding before Technical Update	404,000	571,647	-	-	-	Total change to appropriation	(65,000)	(571,647)	-	-	-	Total funding after Technical Update	339,000	-	-	-	-	Auckland City Rail Link 2024-2028	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	Approved funding before Technical Update	-	-	-	-	-
Auckland City Rail Link	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000																																	
Approved funding before Technical Update	404,000	571,647	-	-	-																																	
Total change to appropriation	(65,000)	(571,647)	-	-	-																																	
Total funding after Technical Update	339,000	-	-	-	-																																	
Auckland City Rail Link 2024-2028	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000																																	
Approved funding before Technical Update	-	-	-	-	-																																	

BUDGET SENSITIVE

BUDGET SENSITIVE

	<p>transfer between the two appropriations and Cabinet's delegation to the Ministers of Finance and Transport to approve funding transfers between appropriations <i>Auckland City Rail Link</i> and <i>Auckland City Rail Link 2024-2028</i> in order to reflect the Auckland City Rail Link forecasts on crown's share of the total project capital costs.</p>	<table border="1"> <tr> <td>Total change to appropriation</td> <td>-</td> <td>303,000</td> <td>184,500</td> <td>74,000</td> <td>75,147</td> </tr> <tr> <td>Total funding after Technical Update</td> <td>-</td> <td>303,000</td> <td>184,500</td> <td>74,000</td> <td>75,000</td> </tr> </table> <p>Authorise the Ministers of Finance and Transport, acting jointly, to approve funding transfers between appropriations <i>Auckland City Rail Link</i> and <i>Auckland City Rail Link 2024-2028</i> in order to reflect the Auckland City Rail Link forecasts on crown's share of the total project capital costs.</p>	Total change to appropriation	-	303,000	184,500	74,000	75,147	Total funding after Technical Update	-	303,000	184,500	74,000	75,000																		
Total change to appropriation	-	303,000	184,500	74,000	75,147																											
Total funding after Technical Update	-	303,000	184,500	74,000	75,000																											
<p>Clean Car Standard – Grossing up of revenue and expense</p>	<p>Following a finding from its auditors, the Ministry is reviewing its accounting treatment for the Clean Car Standard (the Scheme). Currently, the Ministry 'nets' any credits against the revenue generated from the Scheme. After reviewing the accounting treatment, this may result in the Ministry seeking appropriation if it is required to recognise the credits (which would be an expense) separately from the revenue generated from the Scheme.</p>	<p>Amounts and appropriations will be confirmed prior to the budget technical submission on 20 March. Amounts and appropriations will be confirmed with you prior to the budget technical submission on 20 March.</p> <p>The change in accounting treatment should not change the net impact on the Crown's operating balance. Additionally, any change in accounting treatment will not impact any options provided in OC240209 to utilise the net revenue.</p>																														
<p>Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations</p>	<p>This initiative seeks s 9(2)(f)(iv) Working Safer Levy funding provided to CAA to support their expanded HSWA delegations. One year of funding was provided through Budget 2023 to align with liquidity facility funding s 9(2)(f)(iv) MBIE, who manages the Levy, is aware of this uplift and has made provision for the funding request.</p>	<table border="1"> <thead> <tr> <th>Health and Safety at Work Activities – Civil Aviation</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> </tr> </thead> <tbody> <tr> <td></td> <td>\$000</td> <td>\$000</td> <td>\$000</td> <td>\$000</td> <td>\$000</td> </tr> <tr> <td>Approved funding before Technical Update</td> <td>4,001</td> <td>1,201</td> <td>1,201</td> <td>1,201</td> <td>1,201</td> </tr> <tr> <td>Total change to appropriation</td> <td>-</td> <td>2,800</td> <td colspan="3">s 9(2)(f)(iv)</td> </tr> <tr> <td>Total funding after Technical Update</td> <td>4,001</td> <td>4,001</td> <td colspan="3"></td> </tr> </tbody> </table>	Health and Safety at Work Activities – Civil Aviation	2023/24	2024/25	2025/26	2026/27	2027/28		\$000	\$000	\$000	\$000	\$000	Approved funding before Technical Update	4,001	1,201	1,201	1,201	1,201	Total change to appropriation	-	2,800	s 9(2)(f)(iv)			Total funding after Technical Update	4,001	4,001			
Health and Safety at Work Activities – Civil Aviation	2023/24	2024/25	2025/26	2026/27	2027/28																											
	\$000	\$000	\$000	\$000	\$000																											
Approved funding before Technical Update	4,001	1,201	1,201	1,201	1,201																											
Total change to appropriation	-	2,800	s 9(2)(f)(iv)																													
Total funding after Technical Update	4,001	4,001																														

BUDGET SENSITIVE

	<p>Note: Funding approved from the Working Safer Levy (comprised of revenue collected from businesses) does not impact operating or capital allowances</p>	
--	--	--

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

ANNEX 4: ADDITIONAL TRANSFER REQUESTS

As part of the March Baseline Update (MBU) for Vote Transport, a number of appropriations change requests from the Transport Agencies were excluded. The Ministry's view is that these requests were outside the scope of what Joint Ministers are delegated to approve during MBU, or where the Ministry required more information to assess these requests and were more appropriate to put forward as part of the budget technical update.

We recommend you take these decisions to Cabinet as part of the budget technical update. The tables below assume transfers requested during MBU are approved.

Improving Resilience of the Roding Network – State Highways transfer funding between years

NZTA are requesting a transfer of funding from 2023/24 and 2024/25 to reflect the rephasing of works required to improve the resilience of the local road network, to minimise damage caused by climate change extreme weather events. The rephasing of works was due to a bevy of factors (including consenting delays, weather, staffing and ministerial approval processes), which was outside of NZTA's control.

Improving Resilience of the Roding Network – State Highways	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
Approved funding before Technical Update	35,000	52,000	58,000	59,000	30,000
Total change to appropriation	(1,500)	1,500	-	-	-
Total funding after Technical Update	33,500	53,500	58,000	59,000	30,000

Land Transport Regulatory Services transfer funding between years

NZTA are also requesting a transfer of funding from 2023/24 to 2024/25 to reflect the rephasing of projects and movements in salary costs involved in NZTA.

The rephasing of costs relate to unexpected movements in staffing and travel plans arising from projects providing greater access to driver licenses in remote or under privileged communities. Therefore, some costs will require transferring to following FY24/25. The transfer covers the cost of the resources necessary to deliver the programme. If the funding is not transferred, NZTA will have to reduce the programme delivery.

These relate to advice and services provided which support Ministers in discharging their portfolio responsibilities relating to Vote Transport.

Land Transport Regulatory Services	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
Approved funding before Technical Update	10,873	8,173	7,923	7,923	7,923
Total change to appropriation	(1,000)	1,000	-	-	-
Total funding after Technical Update	9,873	9,173	7,923	7,923	7,923

Carrying forward Milford Sound Aerodrome underspend

In recent years, the Milford Sound Aerodrome (the 'Aerodrome') has relied on funding from the Ministry largely due to the effects of COVID-19. However, activity in the region is recovering and a funding review is currently underway aimed at the Aerodrome's long-term viability and an appropriate fee structure.

While the Ministry progresses this review, it seeks an expense transfer of \$0.700 million from the Aerodrome's unutilised budgeted funding in 2023/24 for continued operations in 2024/25 and to help smooth the introduction of increased landing fees charged at the Aerodrome. The funding for the Aerodrome is appropriated through the Transport – Policy advice, ministerial servicing, governance and other functions appropriation.

	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
Departmental Output Expense					
Transport – Policy advice, ministerial servicing, governance and other functions	(700)	700	-	-	-

Maritime Oversight Security Committee – Strategic Intelligence Analyst

As part of Budget 2023, the Ministry received baseline funding for a Strategic Intelligence Analyst to support the Maritime Oversight Security Committee. The role involves handling information that is best delivered through an agency with the appropriate intelligence security facilities.

Maritime New Zealand is able to host this role and the Ministry is seeking to transfer its baseline funding for this role from its *Transport – Policy advice, ministerial servicing, governance and other functions* appropriation to the *Maritime Regulatory Response Services* appropriation for Maritime New Zealand.

	2023/24 \$000	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000
Departmental Output Expense					
Transport – Policy advice, ministerial servicing, governance and other functions	(25)	(125)	(125)	(125)	(125)
Non-Departmental Output Expense					
Maritime Regulatory and Response Services	25	125	125	125	125

Recreational Aviation Safety Services Activities invoice from 2022/23

The *Recreational Aviation Safety Services Activities Permanent Legislative Authority (PLA)* appropriation provides funding for New Zealand aerodromes' recreational aviation safety activities. The Ministry is invoiced for these costs on a quarterly basis. Due to a clerical error, the Ministry did not accrue the final quarter's invoice in 2022/23 and the expense has been recorded in the 2023/24 year.

BUDGET SENSITIVE

In order to avoid unappropriated expenditure, we recommend that you, along with the Minister of Finance, increase the amount authorised to be spent for these purposes under section 9(1) of the Land Transport Management Act 2003. This authorisation can be sought through the technical budget process. This increase will be fiscally neutral as it will reduce the funding available to the NLTF (and therefore, for the delivery of the National Land Transport Plan (NLTP)). We do not consider that this reduction will have a material impact on the delivery of the NLTP.

The Ministry has sufficient appropriation to cover the actual expected costs for the 2023/24 financial year, but because the 2023/24 year's cost includes the final invoice from 2022/23 without this increase, the expense against the latter appropriation would exceed its current authority.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

Budget 2024 | Information for follow-up meeting with the Minister of Finance 5 April 2024

The Minister of Finance is meeting with you today (5 April 2024) at 4pm to provide further clarity on the Vote Transport initiatives that she intends to include in the draft Budget 2024 package.

We understand that this meeting will focus primarily on initiatives that were proposed to be funded through reprioritisation of existing baseline funding, s 9(2)(g)(i)

To support this discussion, please see Table 1 for a summary of the Ministry's position on the Budget initiatives that we anticipate will be discussed at your meeting, including (where relevant) the risks associated with funding not being provided through Budget 2024.

If the Minister of Finance is looking for further opportunities to generate savings or reduce the volume of initiatives proposed through Budget 2024, the Ministry would recommend the following options are considered:

- s 9(2)(f)(iv)
- Declining CAA's request for s 9(2)(f)(iv) Working Safer Levy funding. Given this is funding sought from the Levy rather than the Crown, it is fiscally neutral. However, we note that CAA have included provision for activities related to Health and Safety at Work Act delegations in their liquidity facility initiative (for 2024/25), s 9(2)(f)(iv)
 - You could progress these functions being funded from the Working Safer Levy, and scale the equivalent amount (\$2.800 million s 9(2)(f)(iv) from the liquidity facility bid s 9(2)(f)(iv) or
 - s 9(2)(f)(iv)
- Marginal scaling of CAA's liquidity facility bid to align with the Crown's efficiency expectations. However, we would recommend seeking further advice on the impacts of your preferred level of scaling before progressing this through Budget 2024.

Table 1: Summary of Budget 2024 initiatives that may be discussed by the Minister of Finance

Initiative	Funding sought / (returned) (\$m)	Ministry comment
<i>Significant Budget initiatives</i>		
NZTA Land Transport Regulatory Services – Efficiency Return	(0.772 million) over four years	<p>As part of your baseline savings proposal, NZTA are expected to scale their Land Transport Regulatory Services appropriation by 5%, which equates to \$0.193 million per annum. This appropriation funds a range of functions, including:</p> <ul style="list-style-type: none"> • Crash Analysis (\$0.775m in 23/24) • Equitable access to driver licenses (\$7.000m in 23/24) • Older driver licence holder subsidy (\$1.445m in 23/24) • Drug and alcohol assessment costs (\$1.030 in 23/24) • Driver licence stop orders (\$0.075m in 23/24) • Ministerial servicing (\$0.548m in 23/24). <p>NZTA has advised that to meet the \$0.193 million per annum savings target, they would reduce funding for the Crash Analysis System, ministerial servicing, and the older driver licence holder subsidy, s 9(2)(f)(iv)</p>
Ministry of Transport – Efficiency return	(\$13.980 million) over four years Note: as agreed in your Budget bilateral, this reflects a 6.5% reduction to baselines	<p>The 6.5% savings required of the Ministry will see its total funding available reduce by approximately 22.5% compared to 2023/24.</p> <p>The Ministry has already taken significant steps to give effect to this, including reducing 24 roles (10%) through an organisation restructure completed in late 2023. Roles were removed from all parts of the Ministry. We are currently completing a review of remaining vacancies and expect to make further reductions in our establishment. This is likely to see the Ministry’s headcount settle at approximately 220.</p> <p>Growth in the Ministry since 2017 has been driven by three factors:</p> <ul style="list-style-type: none"> • Growth in policy programme: the Ministry has been expected to deliver substantive reform programmes under successive governments. We are currently tasked with leading transformational reforms of the revenue and aviation systems. Through the Organisational Review, we reoriented teams towards these priority programmes. • Additional assurance responsibilities: with the strong growth in investment being made in transport, the Ministry has been

Initiative	Funding sought / (returned) (\$m)	Ministry comment
		<p>tasked with strengthening its investment and monitoring function. This has been achieved through a mix of in-house resource and external advisers to deliver best value for money.</p> <ul style="list-style-type: none"> Ensuring Corporate Services are fit for purpose: independent reviews following the Joanne Harrison fraud highlighted substantive deficiencies in the Ministry's corporate functions. Budget 2017 provided additional funding which, in part, was used to right size these functions. We have continued to improve and reassess the delivery of our corporate services to ensure these are fit for purpose, including having removed a number of positions through the 2023 Organisation Review. <p>If further savings are sought, the Ministry will need to engage with Ministers to reprioritise its work programme. s 9(2)(g)(i)</p>
<p>CAA liquidity funding</p>	<p>\$46.177 million in 2024/25</p> <p>Note: as agreed in your Budget bilateral, this assumes CAA carries over \$45m of liquidity facility underspend, and does not s 9(2)(f)(iv)</p>	<p>s 9(2)(g)(i)</p> <p>Consistent with our previous advice, we recommend that funding is provided for the full year. s 9(2)(g)(i)</p> <p>The Ministry of Transport has undertaken an assessment of CAA's funding review proposals and has provided you with advice about our findings and recommended next steps (OC240333).</p> <p>s 9(2)(f)(iv)</p> <p>Whilst expectations around the importance of progressing at pace can be reiterated to CAA, it is unlikely that robust proposals will be ready in time to enable earlier implementation.</p>
<p><i>Technical Budget initiatives</i></p>		
<p>Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations</p>	<p>s 9(2)(f)(iv)</p> <p>Note: this is fiscally neutral to the Crown as</p>	<p>This initiative seeks s 9(2)(f)(iv) Working Safer Levy funding provided to CAA to support their expanded HSWA delegations. CAA were provided with an uplift of funding in Budget 2023; however, funding was only for one year (2023/24) to align with the agreed liquidity facility funding. MBIE, who manage the Levy, have already accounted for an s 9(2)(f)(iv) funding for CAA's expanded HSWA delegations –</p>

Initiative	Funding sought / (returned) (\$m)	Ministry comment
	<p>it is funding from the HSWA Levy</p>	<p>the Budget process is just the mechanism through which such decisions are formally agreed.</p> <p>It is possible that the Minister of Finance may decline this initiative. If CAA's liquidity facility bid is funded at the level recommended, there will be minimal risk associated with declining this initiative for 2024/25 as liquidity facility funding can be used for HSWA activities. s 9(2)(f)(iv)</p>
<p>Emergency Ocean Response Capability for the Cook Strait (tug boats)</p>	<p>s 9(2)(i)</p>	<p>This initiative seeks funding to improve New Zealand's maritime emergency ocean response capability (EORC), with a focus on the Cook Strait. Funding would be used to complete an EORC business case (at a cost of \$600,000) to better understand which EORC capability is most appropriate. s 9(2)(i)</p> <p>We recognise that our preferred option does not immediately provide an increased EORC capability for the Cook Strait, and that if another incident were to occur, a response would need to be delivered by available vessels of opportunity. However, we also note that mitigating actions have been taken (such as navigational changes by the Harbourmaster and improved inspections for Cook Strait ferries) to reduce the likelihood of incidents occurring.</p>
<p>Surf Life Saving New Zealand / Coastguard New Zealand pressures</p>	<p>\$63.644 million over four years</p>	<p>In Budget 2020 Coastguard New Zealand (Coastguard) and Surf Life Saving New Zealand (SLSNZ) received funding to ensure the maintenance of critical frontline prevention and rescue services to reduce New Zealand's drowning toll. However, increasing volume, price and wage pressures have meant that both organisations are now forecasting ongoing deficits and have limited options to absorb these pressures without a reduction in frontline services, ultimately risking the potential loss of life.</p> <p>Additional funding would ensure the following services continue to be provided to protect New Zealanders in, on, or around our waters:</p> <ul style="list-style-type: none"> • assistance to recreational boat users including on-water safety services, boating education programmes, community initiatives, critical marine communications, and safety and information services • proactive beach lifeguarding and essential emergency rescue services, public education beach safety programmes, education, training, and development.

Initiative	Funding sought / (returned) (\$m)	Ministry comment
Severe weather / emergency response readiness, resilience, and recovery	\$23.142 million over four years	<p>This initiative was submitted late in the Budget process to provide an option to the Minister of Finance on how she could utilise residual Vote Transport underspends.</p> <p>The initiative proposes to support four NGOs (Surf Life Saving NZ, Coastguard NZ, NZ Land Search and Rescue, and Amateur Radio Emergency Communications) to replace assets that were destroyed / damaged during the North Island Weather Events, and to provide appropriate training, PPE, equipment and enhanced regional coordination to improve readiness for future severe weather events.</p> <p>We understand that Cabinet are yet to consider the recommendations from the Government Inquiry into the Response to the North Island Severe Weather Events. s 9(2)(f)(iv)</p> <p>As such, we believe the Minister of Finance may decline seeking funding for this initiative at this time. While the Ministry believes there is merit in funding this initiative, we agree that it would be appropriate to wait until the Inquiry recommendations have been considered by Cabinet.</p>
Ground Based Navigation Aids	\$10.000 million over four years	<p>This initiative is for funding for Airways to deliver the remaining three of five Crown-funded ground-based navigation aids (GBNAs) that pertain to the minimum operating network (MON) used to safely recover aircraft as an emergency alternative to GPS navigation across mainland New Zealand.</p> <p>Funding was approved in Budget 2022 for all five GBNAs; however unforeseen market changes beyond Airways' control mean the available Crown funding is no longer sufficient to complete the MON.</p> <p>In the absence of funding, low performance aircraft (primarily emergency services) may be unable to comply with Civil Aviation Rules which require them to have a secondary form of navigation if GPS fails. Because of this, we anticipate affected operators will not fly in these locations rather than contravene the rules. If operators choose not to proceed, patients experiencing a medical emergency or communities requiring evacuation after a disaster may not have access to air travel. We understand some operators have made business decisions on the understanding these GBNAs will be available in the near future and have purchased aircraft that cannot operate on the older style of navigation aid currently installed (but near end of life) at the five locations.</p>



Budget 2024 | Options to utilise residual reprioritisation funding 19 March 2024

Context

As outlined in the *Technical Budget package A3s* you received on 18 March 2024, there is estimated to be \$23.142 million of residual funding available for reprioritisation even after you have proposed funding your priorities¹. You have asked for options on how this residual funding could be utilised within Vote Transport; this information is provided below for your consideration.

Options to utilise residual reprioritisation funding

Initiative	Funding impact (\$m)	Ministry comment
Metropolitan rail pressures Partial funding for s 9(2)(f)(iv) costs related to the backlog of deferred renewals	23.142 (note: s 9(2)(f)(iv) [redacted])	Ministry's preferred option The Minister of Finance indicated at your Budget bilateral that new Crown funding of s 9(2)(f)(iv) be provided for metropolitan rail pressures, which includes s 9(2)(f)(iv) [redacted] for cost escalations on Auckland's Rail Network Rebuild s 9(2)(f)(iv) [redacted] and \$107.7m for one year of the local share shortfall in Network Management Plans and <u>one year of deferred renewals</u> . We suggest that residual reprioritisation funding be provided to offset the s 9(2)(f)(iv) [redacted] [redacted] [redacted] directly impact the reliability, safety and therefore provision of metropolitan rail services. s 9(2)(f)(iv) [redacted] [redacted] [redacted] [redacted]

¹ Your reprioritisation priorities include: \$63.6 million for Surf Life Saving NZ and Coastguard NZ cost pressures, \$10 million to complete the minimum operating network of Ground Based Navigational Aids, and s 9(2)(i) [redacted]

Initiative	Funding impact (\$m)	Ministry comment
<p>Severe weather Response, Resilience and Recovery</p> <p>Funding to ensure search and rescue NGOs are prepared to respond to future severe weather events (through training, PPE, and replacing destroyed assets)</p>	<p>23.142</p> <p>(note: original request was \$26.6m over four years so this would be a scaled amount)</p>	<p>In OC240213 we provided you with information on this initiative, which we believe is a worthy investment as search and rescue agencies face financial difficulties and are unlikely to be able to afford repairs to buildings damaged in the NIWEs (many are either unable to be insured, or insured to a value that is less than the cost of replacement / repair). Investment here would also strengthen the response to severe weather events in the future. However, this initiative is subject to recommendations from the Government Inquiry into the Response to the North Island Weather Events, which is due to be considered by Cabinet in late March. The Ministry had recommended deferring funding for this initiative until the Inquiry is considered by Cabinet, s 9(2)(f)(iv)</p> <p>_____</p> <p>_____ We also note that Section 9(1)(a) funding is a viable alternative funding source, though this would reduce National Land Transport Funding.</p>
<p>Offset operating Crown funding sought for North Island Weather Events Local Road Response and Recovery</p>	<p>23.142</p> <p>s 9(2)(f)(iv)</p>	<p>Following your Budget bilateral, we understand the Minister of Finance is likely to recommend \$330m of new Crown funding in 2023/24 and 2024/25 be provided for local road Response and Recovery through Budget 24, s 9(2)(f)(iv)</p> <p>_____</p> <p>_____ You could reduce the draw on Crown funding in Budget 24 by offsetting the request with your \$23m of reprioritisation. This would support the Minister of Finance’s goal of fiscal discipline, but would not result in the purchase of additional transport outcomes.</p> <p>Please note we are only referring to local road response and recovery costs here because the funding available for reprioritisation is OPEX rather than CAPEX (so would not offset costs related to State Highway Recovery and Rebuild).</p>

Initiative	Funding impact (\$m)	Ministry comment
s 9(2)(f)(iv)		

Next steps

- Based on your decision regarding utilisation of the \$23.142 million residual funding, the Ministry of Transport will upload your proposed Technical Budget package to CFISnet (due 1pm 20 March 2024).
- Your Technical package will be assessed by the Treasury, and the Minister of Finance will determine which initiatives she is comfortable presenting to Cabinet.
- Cabinet meet on 29 April 2024 to agree initiatives that are funded through Budget 2024.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT/TE MANATU WAKA



16 February 2024

Hon Nicola Willis
Minister of Finance
Parliament Buildings
WELLINGTON

Budget 2024 Initial Baseline Exercise Submission

Dear Nicola

I am confirming that I have submitted the Initial Baseline Exercise for the Ministry of Transport, which covers all proposals including the required number of baseline reduction savings and targeted policy savings and the capital pipeline review for the Transport Portfolio.

The Budget 2024 Initial Baseline Exercise Summary template for Vote Transport is attached, which has been reviewed and approved by me as lead Minister.

The individual baseline reduction initiatives outlined below for the Transport portfolio have also been submitted as part of our Budget 2024 Initial Baseline Exercise return:

ID 15659	Ministry of Transport (Policy and Back-office) – Efficiency Return
ID 15691	New Zealand Transport Agency Regulatory Services (Policy and Back-office) – Efficiency Return
ID 15694	<small>s 9(2)(f)(iv)</small>
ID 15697	Improving Resilience of the Roding Network – Operating Costs (Back-office) – Efficiency Return
ID 15710	Community Connect Programme Administration – Return of funding for adjustments to the scheme
ID 15714	Maritime Regulatory and Response Service (Policy and Back-office) – Efficiency Return
ID 15717	Civil Aviation and Maritime Security (Policy and Back-office) – Efficiency Return

ID 15719	s 9(2)(f)(iv)
ID 15720	Retaining and Recruiting Bus Drivers Funding – s 9(2)(f)(iv) s 9(2)(f)(iv)
ID 15722	Clean Car Standard Operation (Back-office) – Downsizing Programme Funding
ID 15726	s 9(2)(i)

I have also submitted the new spending initiatives that were specifically invited, as detailed below:

ID 15769	Civil Aviation Authority Liquidity Funding (Time Limited Funding)
ID 15771	North Island Weather Events (NIWE) Road Response, Recovery and Rebuild (Time Limited Funding) Bid
ID 15789	Government Policy Statement on Land Transport 2024 (GPS 24) Placeholder Bid

I also confirm that I have submitted a template for my proposed capital pipeline and submitted the following capital initiatives:

ID 15755	<p>New Zealand Upgrade Programme (NZUP) – proposed reduction to NZTA delivered programmes</p> <p><i>Note this includes the following invited initiatives:</i></p> <ul style="list-style-type: none"> • Melling Intersection (Riverlink) • Ōtaki to North of Levin • Queenstown Package • South Auckland Package • SH1 Whangarei to Port Marsden Highway Safety Improvements • Canterbury Package • Papakura to Drury
ID 15764	New Zealand Upgrade Programme (NZUP) being delivered by NZTA - cost pressure risk
ID 15756	Rail Network Investment Programme (First 5 Years)
ID 15757	Auckland's Rail Network Growth Impact Management (RNGIM) and Rail Network Rebuild
ID 15758	North Island Weather Events (NIWE) – Rail Resilience Improvements

ID 15759	Wellington Metro Upgrade Programme III (WMUP III) – Catch Up Renewals
ID 15760	Wellington Metro Upgrade Programme IV – Unlocking Capacity and Improving Resilience
ID 15761	RNIP - Public Transport Infrastructure
ID 15762	NZUP - Whangārei to Otiria and Wellington Infrastructure projects
ID 15763	Hopper Wagons Reprioritisation
ID 15774	Rail Network Investment Programme (<i>new spending initiative</i>)
ID 15765	Auckland's Rail Network Rebuild ^{s 9(2)(f)(iv)} [REDACTED] (<i>cost pressure initiative</i>)
ID 15766	Metropolitan Rail Backlogs and Network Management Plans (cost pressure)

Yours sincerely



Hon Simeon Brown
Minister of Transport

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT TE MANATU WAKA

Annex 1: Budget 2024 Initial Baseline Exercise Summary Template for Vote Transport

Section 1: Overview

Summary of proposed operating baseline changes through Budget 2024

	Impact \$m increase/(decrease)					
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears	Total
Total submitted for baseline reduction target*	-	(38.099)	(50.705)	(35.730)	(30.007)	(154.541)
If required: total amount of targeted policy savings**	-	-	-	-	-	-
Total amount of revenue options***	-	-	-	-	-	-
Total savings/revenue proposed	-	(38.099)	(50.705)	(35.730)	(30.007)	(154.541)
If invited: cost pressure funding sought	-	-	-	-	-	-
If invited: new spending OPEX sought****	50.000	s 9(2)(f)(iv)				
Total new OPEX funding sought	50.000					
Total new CAPEX funding sought						
Net OPEX impact of all Budget 2024 proposals	50.000					

* Outyear baseline savings decrease by s 9(2)(f)(iv) from 2033 as these savings relate to time limited funding.

** The Minister of Transport was initially invited to submit a targeted policy savings initiative for returning funding related to Auckland Light Rail. However, Cabinet had already taken decisions on 18 December 2023 to return \$98 million CAPEX related to Auckland Light Rail strategic land acquisition. Due to decisions already being progressed, Treasury confirmed that we are no longer required to submit a targeted policy savings template.

*** Please note that we have exclusively used savings options to develop our baseline savings proposal. However, in addition to the savings identified above, the Minister of Transport is taking a paper to Cabinet on 4 March 2024 to agree a new funding package for the Government Policy Statement on land transport 2024 (GPS 2024). This funding package proposes two new revenue streams (increases to Motor Vehicle Registration fees (\$1.053 billion over four years) and increases to Fuel Excise Duty and Road User Charges from 2027 (\$1.260 billion over four years)) which subsequently reduce the level of Crown funding required for GPS 2024. If these revenue options are agreed, they will substantially increase the level of Crown funding being returned from Vote Transport, and well exceed our target of \$38.5 million per annum.

**** Please note that there is irregular outyear funding for our new spending proposals. s 9(2)(f)(iv)

BUDGET SENSITIVE

In addition to the above, we have also submitted a placeholder bid for funding associated with the Government Policy Statement on land transport 2024 (GPS 2024), which is intended to be a pre-commitment against Budget 2024. Decisions on GPS 2024 funding are anticipated to be taken by Cabinet on 4 March 2024, ahead of Budget 2024 decisions. We are submitting this placeholder to provide greater transparency to the Crown on the total potential draw on Budget allowances. Therefore, in addition to the funding sought through the Vote Transport Budget 2024 package, the draft funding package for GPS 2024 seeks the following (please note this is over and above funding already approved for GPS 2024, and is also subject to Cabinet decision making):

Funding type	Funding sought (\$m)				Total
	2024/25	2025/26	2026/27	2027/28 & outyears	
Crown grant (capital)	1,048.000	1,048.000	1,048.000	(potential to be ongoing)	3,144.000
Crown loan (capital)	1,027.000	1,027.000	1,027.000	-	3,081.000
Total	2,075.000	2,075.000	2,075.000	(unclear)	6,225.000

Key points about our Initial Baseline Exercise

- The Vote Transport baseline savings proposal identifies \$154.541 million of savings initiatives through a combination of agency baseline reductions and reductions to Crown-funded programmes, thereby marginally exceeding the Vote Transport savings target of \$154 million over four years (\$38.5 million per annum). Please see **Section 4** for a detailed breakdown of each initiative.
- Savings have been distributed unevenly over the forecast period (i.e. greater savings delivered in earlier years, with ongoing savings of \$30 million per annum) to align with the diminishing baseline funding profile for Vote Transport.
- In an effort to meet the intent of the Initial Baseline Exercise, our savings proposal consists *exclusively* of genuine savings for the Crown and does not count savings related to funding for GPS 2024. If you include the revenue and efficiency expectations associated with the draft GPS 2024 (which subsequently eliminate the need for \$716 million of operating grant funding agreed by the previous government), **savings from Vote Transport far exceed the target set, and ongoing Crown savings increase to \$130 million per annum.**
- Please note that in addition to the savings identified in this proposal, Vote Transport has also returned \$1.793 billion of funding through the Mini Budget and subsequent decisions from Cabinet.

Section 2: Alignment with Government Priorities

How Budget 2024 priorities relate to Vote Transport

Vote Transport makes a significant contribution towards the Government's priorities for Budget 2024, both through land transport investment directed through the Government Policy Statement on Land Transport (draft GPS 24) as well as through the activities of our regulatory and policy agencies in the aviation and maritime transport sectors.

Budget Priority 1: Building for Growth and enabling private enterprise

The draft GPS 2024 will shortly be released for consultation. The GPS directs investment from the National Land Transport Fund (NLTF) and is the Government's most significant lever for influencing investment in the land transport system.

The draft GPS will signal that the Government's top priority for investment through this GPS is to support **Economic Growth and Productivity**. New Zealand's economic prosperity is underpinned by a transport network that enables people and freight to move around easily, efficiently, and safely.

Core to this priority will be the re-introduction of the Roads of National Significance programme, which was started under the previous National Government in 2009. The Government will also invest in major public transport projects alongside local government to deliver more travel choices and reduced congestion in our major cities. Strategic investments in land transport, including the Roads of National Significance, combined with better use of existing infrastructure, will boost New Zealand's long-term growth prospects, and improve housing affordability – making a material difference to our nation's standard of living.

These investments will also bring benefits for national economic growth and productivity, particularly given that state highways carry most of New Zealand's inter-regional freight and link major ports, airports and urban areas.

Through Budget 2024, funding is being sought to ensure the Civil Aviation Authority (CAA; including the Aviation Security Service) has sufficient resources to continue to play a vital role in maintaining connections between our towns and cities and with the rest of the world while it progresses towards consultation and implementation of its funding review. These connections are vital for enabling economic growth and private enterprise.

Funding is also being sought to continue investment in the areas damaged by the North Island Weather Events (NIWE), to ensure that vital connections are restored to support access to employment and industry within impacted regions.

BUDGET SENSITIVE

Budget Priority 2: Delivering effective and fiscally sustainable public services

Vote Transport is demonstrating a commitment to delivering effective and fiscally sustainable public services through:

- Returning significant funding through decisions already taken.
- Making value for money a strategic priority for land transport through the GPS 2024.
- Ensuring that CAA and Maritime New Zealand (Maritime NZ) are placed back on a sustainable funding path through the completion of their funding reviews.
- Delivering a baseline savings package that embeds expectations of efficiency and effectiveness in agency baselines and focuses programme expenditure on priority areas.

Vote Transport has already returned a significant amount of funding

Decisions have already been taken to return \$1.340 billion in operating funding and \$0.453 billion in capital funding. These decisions return a significant amount of funding which can be redeployed towards Government priorities, while also reducing the risk of future cost escalations that may have required additional Crown funding.

Initiatives	Total OPEX (\$m over 4 yrs)	Total CAPEX (\$m over 4 yrs)
Stopping the Clean Car Discount	50.000	-
Exiting the Crown's contributions to Let's Get Wellington Moving	525.000	355.000
Ending free Public Transport for 5- 12 year olds and half price Public Transport for 13- 24 year olds	265.000	-
Return funding – National Land Transport Fund	500.000	-
Return funding – Auckland Light Rail Strategic land acquisition	-	98.000
Total	1,340.000	453.000

GPS 2024 will make value for money a strategic priority for the land transport system

The draft GPS sets clear expectations that the New Zealand Transport Agency (NZTA) will continue to take a leading role in securing improved effectiveness and efficiency

BUDGET SENSITIVE

within the priorities for investment established by the Government. This means a key focus on value for money in all parts of the transport sector.

NZTA have been directed to reduce head office expenditure by 7.5% and to find further efficiencies within temporary traffic management and better use of existing digital infrastructure and information systems.

The draft GPS is also focussed on ensuring revenue settings are appropriate. The current draft proposes a one-off increase to the NLTF component of the annual Motor Vehicle Registration (MVR) licence fee, which will generate approximately \$263 million per annum in additional revenue for the NLTF (\$1.053 billion over four years); and increases in Fuel Excise Duty (FED) and Road User Charges (RUC) from January 2027, providing revenue of \$1.260 billion over four years.

Through these initiatives, we have eliminated the need for the remaining Crown operating funding of \$716 million that was agreed (in principle) by the previous government for GPS 2024¹. These savings are in addition to those proposed through the baseline savings exercise.

Funding reviews for CAA and Maritime NZ will place both entities back on a sustainable funding path

Prior to the COVID-19 pandemic, CAA and Maritime NZ were both primarily funded through third party fees, levies and charges, with the Crown funding only a small percentage of each agency's activities. The COVID-19 pandemic disrupted their revenue sources and delayed their funding reviews, requiring the Crown to provide financial support in the interim. Maritime NZ is expected to implement their funding review by 1 July 2024, significantly reducing fiscal risk to the Crown. Progressing CAA's funding review is a priority so that COVID-19 support is not required beyond 2024/25.

Our baseline savings package embeds expectations of efficiency and effectiveness in agency baseline and focuses programme expenditure on priority areas

This is discussed further below under "Our approach to developing a baseline savings proposal".

¹ The previous government agreed to provide \$100m of traffic infringement fine revenue per annum (\$400m over four years), \$500m as an allocation from the Climate Emergency Response Fund, and \$841m as a Crown grant towards their Strategic Investment Programme. This equated to \$1.741 billion over four years, but the \$500m CERF allocation and \$525m associated with stopping Crown support for Let's Get Wellington Moving was returned through the Mini Budget on 11 December 2024, resulting in a remaining operating grant forecast of \$716m.

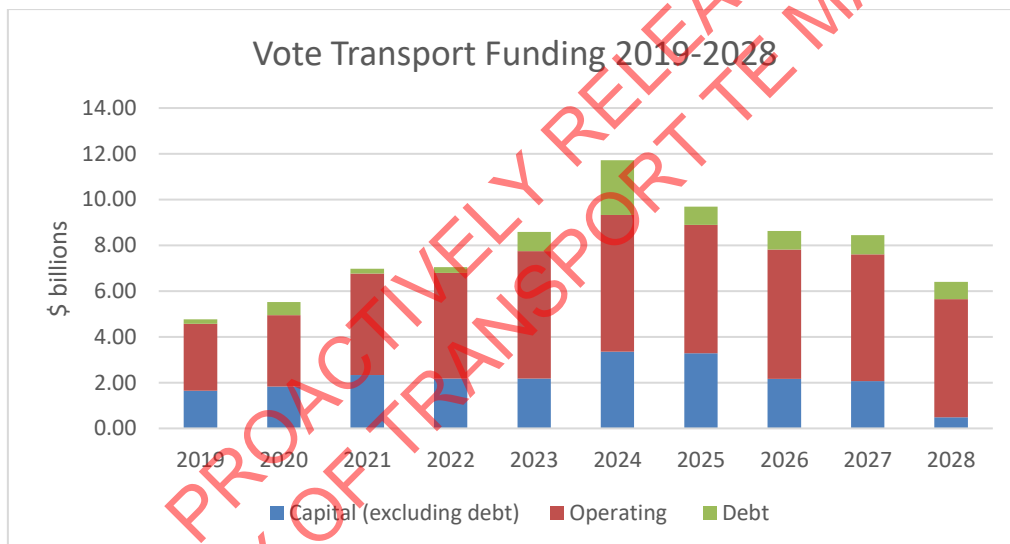
Budget Priority Three: Addressing the rising cost of living

s 9(2)(g)(i)

Trends and key features of Vote Transport baseline funding

Vote Transport expenditure grew by \$3.82 billion (80%) between 2019 and 2023 but faces a declining funding profile across the forecast period.

Prior to recent decisions taken by the Government, expenditure for 2024 was forecast to reach \$11.720 billion. Much of this recent growth has been driven by time-limited funding – particularly within the Rail Network Investment Programme, emissions reduction activities, NIWE funding, and COVID-19 support related expenditure – and as a result Vote Transport faces a declining funding profile in the outyears with funding dropping back to \$6.400 billion in 2028.



Work has already begun within Vote Transport to:

- respond to the significant growth shown above,
- re-align funding to Government priorities, and
- address issues stemming from the declining funding profile.

As mentioned previously, we have returned \$1.793 billion from existing projects, and the Ministry has reduced and redeployed resource to better respond to the Government’s priorities.

Approach to developing our baseline savings proposal

On 21 December 2023, Vote Transport was tasked with finding **\$38.500 million (7.5%)** per annum in savings. The savings target was calculated on an “average eligible

BUDGET SENSITIVE

baseline” which excluded funding provided to deliver the National Land Transport Programme. Our eligible baseline declines significantly over the forecast period with funding in 2028 being \$254 million less than our average eligible base. Therefore a \$38.5 million reduction to baselines in 2028 would be a **15.2%** reduction in real terms rather than 7.5%.

Our approach to developing a baseline savings proposal began prior to this date when we requested information from agencies on the consequences of a 2%, 5% and 10% reduction to relevant appropriations (excluding frontline and PLAs). We also asked for information on the quantum of project funding that is not legally committed and therefore potentially available for reprioritisation.

Following receipt of a finalised baseline savings target and confirmation of new guidelines and Government priorities (for Budget 2024 and for Transport specifically) we applied a prioritisation framework that ranked savings opportunities based on their alignment with Government priorities and the potential consequences associated with funding reductions.

Agency baselines:

- Any surplus funding identified as not being required to deliver outputs is to be returned in full.
- Beyond that, we propose an efficiency dividend of 5% in respect of agency baseline appropriations adjusted up or down depending on impact analysis.
- Set an expectation that these baseline reductions should come from those areas signalled through the budget guidance (back-office FTE, contractor and consultant expenditure and areas of low value spending).
- We also considered alternative funding sources (such as user pays models) where appropriate.

Programmes

- Programmes with low alignment to Government priorities were proposed as savings opportunities, whereas those that were highly aligned were protected.
- Savings opportunities were focused on uncommitted funding to avoid leaving entities with legal commitments that they were no longer funded to deliver on.

Within both agency baselines and programme savings, we chose to protect areas facing significant cost pressures, or areas where funding reductions would compromise agency core functions.

In addition to developing a savings proposal that contributes a material amount in ongoing savings, we sought to develop a package where savings would be unevenly distributed across the outyears, to better align with our diminishing funding profile.

Our baseline savings proposal

Vote Transport's baseline savings package proposes **\$154.541** million in savings over four years from across the Vote, which marginally exceeds the target set by \$0.541 million. This package proposes ongoing savings of \$30 million per annum (11.57% of in-scope appropriations). A table summarising the proposal can be found below; the main components are:

Agency baselines

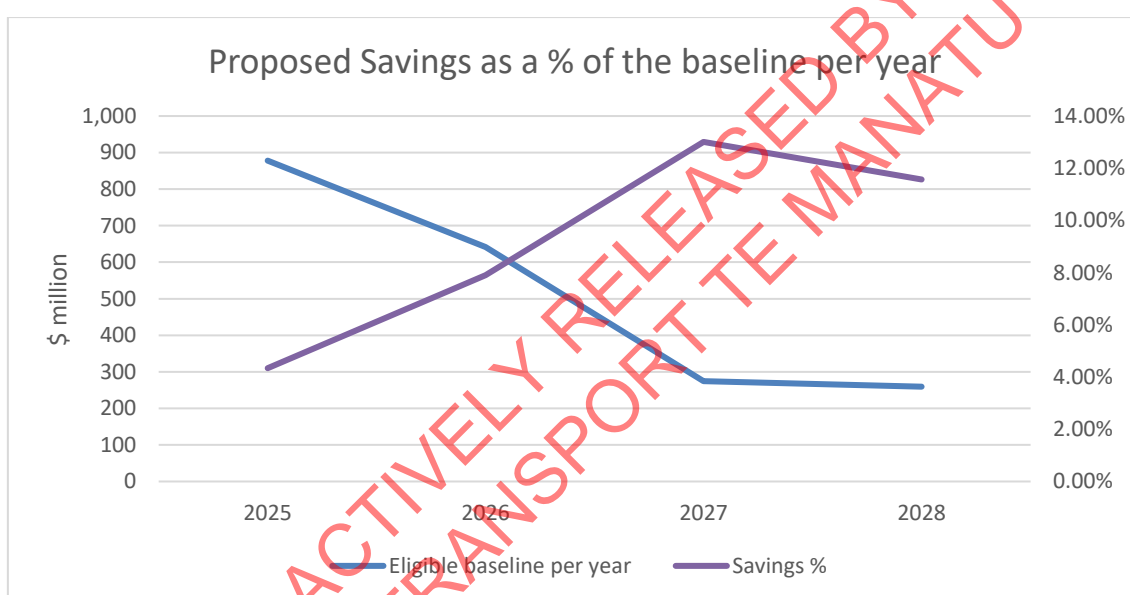
- s 9(2)(f)(iv) in savings has been found through efficiencies within agency baselines, including a 5% baseline reduction for the Ministry of Transport, Civil Aviation Authority, Maritime New Zealand and select New Zealand Transport Agency appropriations.
- **\$47.368 million** in savings has been found by proposing a change to the way the Clean Car Standard Scheme is administered to reduce ongoing operating costs. We will implement a user pays model before 1 July 2025 to recover the costs of the streamlined administration function. In the interim, NZTA will reprioritise existing Section 9 regulatory funding to manage costs associated with 2024/25 while the user pays model is developed and implemented.
- **\$6.839 million** has been found through returning administration funding associated with the recent expansion to the Community Connect Programme (i.e. half price fares for under 25 year olds, and free fares for under 13 year old). Concessions funding for this policy was returned through the Mini Budget on 11 December 2023, and we are now able to return the associated administration funding.

Programmes

- s 9(2)(f)(iv) of these savings come from returning uncommitted funding for three programmes to ensure that the components that provide value are retained whilst we consider alternative approaches to achieve the outcomes that were being sought. These programmes are: Retaining and Recruiting Bus Drivers, s 9(2)(f)(iv) s 9(2)(i)

BUDGET SENSITIVE

	Recommended savings (\$m)				
	2024/25	2025/26	2026/27	2027/28	Total
Agency Baselines	§ 9(2)(f)(iv)				
Programmes					
Total	38.099	50.705	35.730	30.007	154.541
Target	38.500	38.500	38.500	38.500	154.000
Above target / (Below target)	(0.401)	12.205	(2.770)	(8.493)	0.541



As noted earlier, our baseline savings proposal consists exclusively of savings proposals and does not count savings related to the NLTF. If you include the § 9(2)(f)(iv) (7.5% of overheads) efficiency dividend for NZTA, and the MVR and FED / RUC revenue options associated with the draft GPS 2024 (which subsequently eliminate the need for the \$716 million operating grant agreed by the previous government for GPS 2024), **savings from Vote Transport far exceed the target set, and ongoing Crown savings increase to \$130 million per annum.**

Please note we will continue to explore options to reprioritise existing funding towards emerging pressures within the Vote and expect to propose further initiatives for Cabinet's consideration through the Budget Technical package, due to be submitted in March 2024.

BUDGET SENSITIVE

Please provide a ranking of preferred savings proposals (up to top 10), and any invited spending proposals (up to top 10).

	Ranking of savings proposals	Ranking of spending proposals (if invited)
1.	Improving Resilience of the Roding Network – Operating Costs (Back-office) – Efficiency Return	Civil Aviation Authority Liquidity Funding (time limited funding)
2.	Community Connect Programme Administration – Return of funding for adjustments to the scheme	North Island Weather Events (NIWE) Road Response, Recovery and Rebuild (Time-Limited Funding) Bid
3.	Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	Government Policy Statement on land transport 2024 (GPS 24) <i>[note: this initiative was not invited, but will be a pre-commitment against Budget 2024 – decisions to be taken by Cabinet on 26 February 2024]</i>
4.	Ministry of Transport (Policy and Back-office) – Efficiency Return	
5.	New Zealand Transport Agency Regulatory Services (Policy and Back-office) – Efficiency Return	
6.	Maritime Regulatory and Response Service (Policy and Back-office) – Efficiency Return	
7.	Civil Aviation and Maritime Security (Policy and Back-office) – Efficiency Return	
8.	§ 9(2)(f)(iv)	
9.	Retaining and Recruiting Bus Drivers Funding – § 9(2)(f)(iv)	
10.	§ 9(2)(f)	

Section 3: Planning for Managing Within Baselines

Transport agencies are at varying levels of readiness to manage reductions to baselines going forward:

- The **Ministry of Transport** has recently undertaken a restructure that removed 24 roles, with a further 5-6 roles being removed by 30 June 2024 and further reductions expected to occur incrementally over the forecast period. In addition to this, the Ministry will reduce its consultant and contractor spend and continue to reduce roles from its establishment to operate within these targets. s 9(2)(g)(i)

[Redacted]

- Following decisions from Cabinet and the Minister of Transport, the **New Zealand Transport Agency** has returned (or is in the process of returning) a substantive amount of funding for transport policies, including **Community Connect changes from Budget 2023** (\$265 million), the **Clean Car Discount** (\$50 million), and **Transport Choices** (\$124 million). Through the baseline savings proposal, further Climate Emergency Response Fund initiatives will also be s 9(2)(f)(iv)

[Redacted]

We are also shifting to a user pays model for Clean Car Standard administration costs. While this may not be implementable until 1 July 2025, NZTA will fund their CCS administration costs through internal reprioritisation of Section 9 regulatory funding in 2024/25 (please note that NZTA currently have \$34.870 million funded through Section 9 for regulatory services in 2024/25).

In recent months, work has also begun to identify ongoing efficiencies within National Land Transport Fund (NLTF) funding that can be redeployed to offset pressures related to the delivery of National Land Transport Programme initiatives, and anticipated projects signalled in the draft GPS 2024. However, NZTA will be reliant on decisions from Cabinet about new Crown funding for GPS 2024. In the absence of such decisions, NZTA will be unable to deliver on the Government's priorities for transport as described in the draft GPS 2024.

- **Maritime New Zealand** will manage proposed reductions through reducing three FTEs (one Maritime Security Advisor and two regulatory operational policy roles) and will be utilising their new funding model (following implementation of their funding review on 1 July 2024) to cost recover expenses.
- Similar to Maritime New Zealand, the **Civil Aviation Authority** is in the process of seeking agreement to a new funding model, s 9(2)(f)(iv)

[Redacted]

With the respect to savings identified in our baseline savings proposal, CAA intend to find efficiencies in their back-office functions, with potential areas of impact being Ministerial servicing, policy advice, international engagement.

- Savings proposed from **KiwiRail** are minimal at this stage given the significant level of cost pressures across both metropolitan rail and the Rail Network

BUDGET SENSITIVE

Investment Programme. Further advice is being developed by the Ministry, working with KiwiRail, to provide Ministers with transparent choices about the level of funding that would be appropriate to deliver on the Government’s priorities for rail, and options to reprioritise existing baseline funding. Please note there are substantive interdependencies with GPS 2024 funding, so decisions taken by Cabinet on GPS 2024 will affect the level of Crown funding available to KiwiRail for reprioritisation in future.

- The **Transport Accident and Investigation Commission (TAIC)** is similarly not included in the baseline savings proposal at this stage given TAIC have limited ability to reprioritise or find efficiency savings and already struggle to recruit and retain staff given the specialist nature of their work. For context, TAIC has approximately 37 FTE and consistently spends to budget. Increases in funding demonstrably improve the speed and volume of investigations undertaken and completed throughout the year. We expect TAIC to continue to manage operations efficiently, and will review, where appropriate, opportunities to improve efficiencies.

In spite of savings proposed to be returned to the centre and plans to improve efficiencies, there continue to be significant pressures that remain unaddressed within Vote Transport. Please see the table below for details on these pressures, and where relevant, our plans to address these. Note that red rows indicate substantive pressures where no plan to manage within baselines has been formally identified or agreed – the Ministry will provide further advice on options for Ministers to consider.

	Pressures remaining (\$m)					Total	Notes
	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears*		
Operating cost pressures that will be difficult to manage in baselines							
Rail cost pressures including: <ul style="list-style-type: none"> • s 9(2)(f)(iv) • Metro rail deferred renewals • Metro rail existing renewals programmes • Network Management Plans • RNIP (KiwiRail) 	s 9(2)(f)(iv) signalled in total cost pressures in the Capital Pipeline Review					There are significant issues with the sustainability of funding for both freight and metro rail. Further advice will be provided on this issue, and can be discussed with the Minister of Finance during Budget bilateral discussions.	
Civil Aviation Authority Liquidity Funding (time limited funding)						s 9(2)(f)(iv) (2024/25 only) Invited into Budget 2024.	

BUDGET SENSITIVE

NIWE Local Road Response and Recovery	s 9(2)(f)(iv) between 2023/24 s 9(2)(f)(iv)					Invited into Budget 2024.	
Operating cost pressures to be managed in baselines (or awaiting decisions from Cabinet)							
Maintaining Critical Frontline Prevention and Safety Services at Existing Levels	-	13.671	15.112	16.606	18.255	63.644	We will provide options to address this pressure through reprioritisation of Vote Transport underspends (via the Technical Budget process).
Health and Safety at Work Act (HSWA) Delegations (CAA)	-	2.800	s 9(2)(f)(iv)				This initiative is fiscally neutral to the Crown as it seeks HSWA Levy funding. We will provide options to progress this uplift via the Technical Budget process.
s 9(2)(f)(iv)							
Fuel Excise Duty Reduction Policy Wash-up (NZTA)	32.000	-	-	-	-	32.000	Given efficiencies expected from NZTA, we propose that NZTA manage this within baselines.
Severe Weather / Emergency Response Readiness, Resilience, and Recovery (MoT / NZSAR)	-	s 9(2)(f)(iv)					We understand the Government inquiry into the Response to the North Island Severe Weather events will be considered by Cabinet in March 2024. Decisions by Cabinet at this point will determine whether this initiative is required / progressed through other means.
Total operating cost pressures	32.000	s 9(2)(f)(iv)					
Capital cost pressures that will be difficult to manage within baselines							
New Zealand Upgrade Programme cost pressures (NZTA)	NZTA have an estimated shortfall of \$0.5 billion - \$1.5 billion. NZTA propose addressing the shortfall by descoping the programme through reprioritisation within the programme and delaying some delivery decisions until procurement and affordability is clearer.					Please refer to capital pipeline review and note Ministry to provide additional advice on options to manage within baselines.	

BUDGET SENSITIVE

NIWE State Highway Recovery and Rebuild	\$609.250 million for Recovery s 9(2)(f)(iv)						Invented into Budget 2024.
Capital pressures to be managed within baselines							
Ground-Based Navigational Aids (GBNAs) (MoT / Airways NZ)	-	-	4.900	2.700	0.100	7.700	We are presenting options to reprioritise funding within baselines (from KiwiRail's coal hopper wagons funding) through the Technical Budget process to address this pressure.
Total Capital cost pressures			4.900	2.700	0.100	7.700	Does not include the 0.5 billion - \$1.5 billion from NZTA for NZUP

Update on the Vote Transport Specific Fiscal Risk “Auckland City Rail Link Ownership Issues (Policy Change – Expenses)”

In addition to the above, we now consider it likely that the Sponsors of the City Rail Link project will make final ownership decisions on CRL assets during the s 9(2)(f)(iv) and that this decision will have fiscal implications for the Crown (crystallising the existing specific fiscal risk).

The City Rail Link project is being delivered through City Rail Link Limited (CRL Ltd) a limited liability company owned by Auckland Council and the Crown. The project is funded 50/50 by the Council and the Crown with the Crown recognising an investment equal to our 50% share. CRL Ltd was never intended to be the long-term owner of CRL assets with the assets set to be vested with each Sponsor (or the representative) upon project completion. s 9(2)(f)(iv)

Depending on the value of the assets vesting with each Sponsor, the Crown may have to either write up or write down the value of the investment at the time final decisions are made. The decision will also trigger a change in accounting treatment that will have appropriation implications for the Crown. The exact quantum of the impact is still unknown s 9(2)(f)(iv)

s 9(2)(f)(iv) Under the Sponsors Agreement neither Sponsor is to receive compensation from the other in the event that the ultimate split is not 50/50.

Note that nothing about this work or the decisions referred to above change the expected project cost or project completion date.

BUDGET SENSITIVE

Section 4: Detailed breakdown of savings initiatives

Agency	Title	Proposed savings (\$'000)					% reduction of total appropriation
		24/25	25/26	26/27	27/28	TOTAL	
<i>Agency baseline reductions</i>							
Ministry of Transport	Ministry of Transport (Policy and Back-office Advice) – Efficiency Return	2,793	2,708	2,627	2,627	10,755	5%
New Zealand Transport Agency	New Zealand Transport Authority Regulatory Services (Policy and Back-office Advice) – Efficiency Return	193	193	193	193	772	5%
	<i>s 9(2)(f)(iv)</i>						
	Improving Resilience of the Roothing Network – Operating Costs (Back-office) – Efficiency Return	200	200	200	200	800	20%
	Community Connect Programme Services (Policy and Back-office Advice) – Return of funding for wound-back scheme	1,683	1,719	1,719	1,719	6,840	89% (but 100% of funding approved in Budget 2023)
Maritime NZ	Maritime Regulatory and Response Service (Policy and Back-office Advice) – Efficiency Return	525	525	525	525	2,100	5%
Civil Aviation Authority	Civil Aviation and Maritime Security (Policy and Back-office Advice) – Efficiency Return	158	118	96	96	468	5%
<i>Programme reductions</i>							
New Zealand Transport Agency	<i>s 9(2)(f)(iv)</i>						
	Retaining and Recruiting Bus Drivers Funding <i>s 9(2)(f)(iv)</i>						
	Clean Car Standard Operation (Back-office) – Downsizing Programme Funding	11,842	11,842	11,842	11,842	47,368	100%
KiwiRail	<i>s 9(2)(i)</i>						
TOTAL		38.099	50.705	35.730	30.007	154.541	

Minister's meeting with officials (12 February 2024)

Budget 2024: Decisions required in advance of submitting the Vote Transport Budget package

Item	Decision required	Notes
Initial Baseline Exercise – savings proposal	<p>Hard decision. Critical for submission on Friday 16 February.</p> <p>Confirm which option(s) you would like to progress to address the shortfall in the baseline savings target:</p> <ol style="list-style-type: none"> Return all Crown funding for Clean Car Standard (CCS) admin, and require NZTA to reprioritise existing Section 9 regulatory funding to cover the cost of administering the Standard until the switch to user pays [Ministry preferred option, but note that NZTA has not had the chance to comment on this yet] Request permission from MOF to use Auckland Light Rail (ALR) wash-up funding (note: s 9(2)(f)(iv) estimated in 2024/25 FY). Use s 9(2)(f)(iv) NZTA efficiency dividend (noting this is already included in the GPS funding package assumptions). 	<ul style="list-style-type: none"> You requested advice on a user pays model for CCS. Ministry advised that this would likely not be implementable by 1 July 2024 if changes to primary legislation are required. The timeline proposes implementation by 1 July 2025, but we note that if user pays is implementable within the existing legislation, then this could be done through secondary legislation sooner than 1 July 2025. IBE proposal is modelled on full user pays by 2025/26, but there is an unresolved issue of CCS admin funding in 2024/25. You requested a 50% reduction to admin costs, but NZTA argue that the maximum scaling that can be applied is 42%. This means \$6.842 million would still be required for CCS admin in 2024/25, thereby creating a shortfall in our baseline savings target of \$6.301 million over four years. You could require NZTA to fund their 2024/25 CCS admin costs via reprioritisation of their \$34.9 million Section 9 funding for regulatory functions. This would provide incentives for NZTA to operate the CCS efficiently, and to support a rapid transition to a user pays model. You could request permission from the Minister of Finance to utilise 2024/25 forecast ALR OPEX funding s 9(2)(f)(iv). Even though ALR was originally invited as a targeted policy savings initiative where savings would not count towards our target, Treasury subsequently exempted us from this process because Cabinet had already returned \$98 million of CAPEX funding for ALR immediately prior to the Budget 2024 invite letter being sent out. You could also count the s 9(2)(f)(iv) NZTA efficiency dividend which is already baked into GPS 2024 funding package assumptions.

Item	Decision required	Notes												
Targeted policy savings	<p>Dependency on the IBE item above. Decision on IBE will dictate how Auckland Light Rail underspends are treated.</p> <p>If you do not wish to use ALR wash up funding in 2024/25 for the baseline savings proposal, we will count this funding as available for reprioritisation and include it in the Technical Budget advice on 9 March. If you subsequently determine that you don't want to reprioritise this funding, it will be returned to the centre at year end.</p>	<ul style="list-style-type: none"> Estimated to be § 9(2)(f)(iv) of OPEX funding available for return once ALR officially wraps up, of which § 9(2)(f)(iv) is tagged to 2024/25. You can use the § 9(2)(f)(iv) for the baseline savings, and / or reprioritise or return the funding to the centre. We will include this funding in the Technical Budget advice if you would like to utilise it for reprioritisation. 												
Invited Budget bids	<p>Hard decision likely to be confirmed through engagement with individual agencies. Critical for submission on Friday 16 February.</p> <p>Confirm that you are comfortable submitting the following invited Budget initiatives, subject to any feedback discussed with agencies:</p> <ul style="list-style-type: none"> NIWE Road Response, Recovery and Rebuild § 9(2)(f)(iv) CAA Liquidity Facility funding § 9(2)(f)(iv) 	<ul style="list-style-type: none"> NZTA are requesting § 9(2)(f)(iv) to fund local road response and recovery costs, and state highway recovery and rebuild § 9(2)(f)(iv). See below for funding sought by build stage. <table border="1" data-bbox="1108 790 1993 1013"> <thead> <tr> <th>Road assets</th> <th>Response</th> <th>Recovery</th> <th>Rebuild</th> </tr> </thead> <tbody> <tr> <td>Local Roads</td> <td colspan="3">§ 9(2)(f)(iv)</td> </tr> <tr> <td>State Highways</td> <td>Already complete</td> <td>\$0.609 billion</td> <td>§ 9(2)(f)(iv)</td> </tr> </tbody> </table> <ul style="list-style-type: none"> § 9(2)(f)(iv) For CAA's liquidity facility funding, we would recommend scaling the initiative by the \$45m forecast to be carried over to 2024/25, § 9(2)(f)(iv). Since the inception of the liquidity facility, CAA has consistently generated greater revenue than anticipated, which has meant unspent liquidity funding could be carried forward to offset expenses in the next year. We recommend you include provision for CAA to utilise any carry overs in 2024/25 § 9(2)(f)(iv) (subject to approval by 	Road assets	Response	Recovery	Rebuild	Local Roads	§ 9(2)(f)(iv)			State Highways	Already complete	\$0.609 billion	§ 9(2)(f)(iv)
Road assets	Response	Recovery	Rebuild											
Local Roads	§ 9(2)(f)(iv)													
State Highways	Already complete	\$0.609 billion	§ 9(2)(f)(iv)											

Item	Decision required	Notes
		<p>Joint Ministers). This would provide incentives for CAA to operate efficiently in 2024/25.</p>
Capital Pipeline Review	<p>No decision required today. Note that further advice coming on Wednesday 14 February.</p>	<ul style="list-style-type: none"> NZTA and KiwiRail have completed savings templates for the initiatives invited into the Capital Pipeline Review for submission to Treasury. Given the condensed timeframes, there has been insufficient time for the Ministry to provide a portfolio view of these investments and consider these against other significant programmes in the transport sector including the Government Policy Statement on land transport 2024 and the Roads of National Significance programme. To meet Budget 2024 deadlines, the Ministry recommends you submit all savings templates completed by NZTA and KiwiRail to Treasury, acknowledging that these reflect the agencies' view on prioritisation within their areas. On Wednesday 14 February, the Ministry will provide you further advice on the Vote Transport capital pipeline and a proposed high-level prioritisation of investments (considering phase of delivery, alignment to Government priorities and value assessment/BCR).
Additional reprioritisation	<p>Soft decision. Your preference for reprioritisation of underspends and policy wash up will determine the options we canvas in the Technical Budget advice due 9 March 2024 (to be submitted 18 March 2024).</p> <p>Confirm if you would like us to progress options to fund:</p> <ul style="list-style-type: none"> Surf Life Saving NZ (SLSNZ) and Coastguard NZ cost pressures (\$63.6 million over four years) Cost escalations for final three Ground Based Navigational Aids (GBNAs) to complete minimum operating network (\$7.7 million CAPEX over four years). Note that this would require reprioritisation of KiwiRail funding for 	<ul style="list-style-type: none"> The Ministry is aware of approximately \$154 million OPEX and \$38 million CAPEX that could be reprioritised through the Technical Budget process to address unfunded cost pressures within the Vote. We will be providing advice to you on 9 March 2024 on Technical Budget options, and seek your direction on the initiatives that you are comfortable with us submitting. We recommend utilising underspends and reprioritisation opportunities to seek funding for SLSNZ and Coastguard cost pressures, and to fund the final three GBNAs: <ul style="list-style-type: none"> SLSNZ / Coastguard funding is to address price, volume and wage pressures. Additional funding would ensure the following services continue to be provided to protect New Zealanders in, on or around our waters: assistance to recreational boat users (on-water safety services, boating education programmes, critical marine

Item	Decision required	Notes
	<p>coal hopper wagons, rather than redistribution of an underspend.</p> <ul style="list-style-type: none"> • s 9(2)(f)(iv) funding to maintain CAA's Health and Safety at Work Act delegations (no new Crown funding – this is a technical adjustment to provide s 9(2)(f)(iv) increase in HSWA Levy funding of \$2.8 million s 9(2)(f)(iv) 	<p>communications, and safety and information services), and proactive beach lifeguarding and essential emergency services.</p> <ul style="list-style-type: none"> ○ Airways NZ funding is for the three remaining GBNAs for the minimum operating network (MON). The MON comprises 24 GBNA locations as required by the 2014 National Airspace and Air Navigation Plan. Five of the MON GBNA locations are primarily used by non-commercial and low-performance aircraft, including emergency medical services and military aircraft, for activities such as helicopter rescues and evacuation. These users do not have the ability to fully fund the GBNAs which is why Crown previously agreed to fund those locations. • To fund the remaining GBNAs, we would need \$7.7 million CAPEX. KiwiRail has identified \$38 million CAPEX for coal hopper wagons that they intend to reprioritise themselves to fund capital pressures, as there is no longer a strong indication of need for these wagons in future (please note total funding remaining for coal hopper wagons is \$48 million, so this would leave KiwiRail with a \$10 million contingency to address any future demand for wagons if it were to eventuate). We would be seeking to utilise \$7.7 million of the \$38 million that KiwiRail intends to reprioritise internally. • The only initiative we are not recommending be progressed through Technical Budget is the \$26.6 million for Severe Weather / Emergency Response Readiness, Resilience and Recovery. This bid was developed in anticipation of the recommendations of the Government Inquiry into the Response to the NIWEs (due to Cabinet in March 2024). s 9(2)(f)(iv) <p>_____ _____ _____ _____</p>

PROACTIVELY RELEASED UNDER THE OFFICIAL INFORMATION ACT
MINISTRY OF TRANSPORT



Minister for Energy
Minister of Local Government
Minister of Transport
Minister for Auckland
Deputy Leader of the House

20 March 2024

Hon Nicola Willis
Minister of Finance
Parliament Buildings

Dear Nicola

Thank you for your letter on 12 March 2024 confirming what was discussed and agreed at our bilateral meeting, and inviting the submission of two late Budget initiatives:

- Emergency Ocean Response Capabilities (EORC) for the Cook Strait, and
- s 9(2)(f)(iv)

As requested, these two initiatives have now been submitted into CFISnet.

Confirmation of other matters discussed

At our bilateral meeting we also discussed funding for metropolitan rail pressures. This was not mentioned in your letter, but my understanding from our bilateral discussion is that you support seeking funding of s 9(2)(f)(iv) for the following:

- s 9(2)(f)(iv) cost escalations related to Auckland's Rail Network Rebuild (RNR s 9(2)(f)(iv)) and
- \$107.700 million for one year of funding to begin addressing the backlog of deferred renewals on the metropolitan rail network, and to cover the local share shortfall for Network Management Plans (NMPs).

Please let me know if you disagree with the above summation of our discussion.

Update on reprioritisation sought through the Technical Budget process

As outlined in your letter, I will be using the Technical Budget process to seek reprioritisation of Vote Transport baseline funding to address the following cost pressures:

- Surf Life Saving New Zealand and Coastguard New Zealand pressures (\$63.644 million OPEX), and
- completion of the minimum operating network for Ground Based Navigation Aids (\$10.000 million CAPEX).

Hon Simeon Brown

Minister for Energy
Minister of Local Government
Minister of Transport
Minister for Auckland
Deputy Leader of the House



Since our meeting, the Ministry of Transport has advised me that funding these two initiatives through reprioritisation leaves \$23.124 million of residual underspends in 2023/24 available. I intend to include in my Technical Budget package the option to utilise these underspends to fund a further initiative 'Severe Weather Response, Resilience and Recovery' at a scaled amount.

Funding this initiative would enable four non-government organisations (Surf Life Saving New Zealand, Coastguard New Zealand, New Zealand Land Search and Rescue, and Amateur Radio Emergency Communications) to replace assets that were destroyed or damaged in the North Island Weather Events, and provide targeted training and personal protective equipment (PPE) to these NGOs to improve their ability to respond to future severe weather events.

If supported, I suggest this funding be held in tagged contingency, subject to Cabinet's consideration of the Government Inquiry into the Response to the North Island Weather Events. Ultimately, you will determine whether this is an initiative that you consider should be funded through Budget 2024.

Updated submissions

I will submit the above initiatives to CFISnet by 1pm 20 March 2024, as part of the Technical Budget process.

Thank you for your consideration of my Vote Transport Budget priorities. I look forward to our Cabinet meeting on 29 April 2024 to confirm our Government's Budget package.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Simeon Brown'.

Hon Simeon Brown
Minister of Transport

Technical Budget package

Summary of the Vote Transport technical initiatives to be submitted to Treasury on 20 March 2024

What is the Technical Budget?

As outlined in OC240213, the Technical Budget process provides an opportunity to seek Cabinet approval for changes outside the scope of Joint Ministers' authority to approve through a baseline update, with such changes considered 'technical' in nature (e.g. establishing new multi-year appropriations, or fiscally neutral transfers between financial years). Any decisions with significant policy implications are usually out of scope for the Technical Process; however, this year the scope has expanded, and portfolio Ministers are allowed to propose reprioritisation of baseline funding within their Vote to fund cost pressures not invited into Budget 2024, even where these may be considered significant policy decisions.

Purpose of this advice

These A3s provide an overview of all technical initiatives proposed to be uploaded to CFISnet on 20 March 2024, subject to your agreement. Page 1 outlines funding available for reprioritisation, and a recommendation for how such funds should be used to address residual Vote Transport cost pressures based on your Budget bilateral discussion with the Minister of Finance. Page 2 outlines the true technical adjustments requested for Vote Transport appropriations (including funding transfers deferred from the March Baseline Update). You will note there are five minor adjustments to the Technical Budget package compared to the advice you received in OC240213 (increases to funding available for reprioritisation, recommended funding for Emergency Ocean Response Capability, and a fiscally neutral transfer to fund a shared approach to DIA's back-office transformation). These are highlighted in red for transparency.

Table 1: Funding available for reprioritisation / return

	Initiative	Total OPEX available (\$m)	Comment
Available for reprioritisation across the Vote (see Table 2 for proposed spend)	Ministry of Transport underspend	(8.000)	N/A
	Recruiting and Retaining Bus Drivers (2023/24 underspends)	(22.700)	[CHANGE] NZTA has increased its underspends in uncommitted funding for 23/24 by \$5m compared to previous advice.
	Public Transport Bus Decarbonisation (2023/24 underspends)	s 9(2)(f)(iv)	[CHANGE] NZTA has increased its underspends in uncommitted funding for 23/24 by \$2m compared to previous advice.
	Maritime New Zealand (surplus liquidity facility funding)	(14.000)	s 9(2)(f)(iv)
	Transport Choices (uncommitted and unallocated)	(59.860)	N/A
Total available for reprioritisation		s 9(2)(f)(iv)	
Required to be returned to the centre	Transport Choices (uncommitted but allocated in fiscal plan)	(90.000)	As agreed in Budget bilateral, this component of uncommitted Transport Choices funding will be returned to centre now s 9(2)(f)(iv)
	Community Connect (2023/24 underspends)	(34.708)	N/A
	Clean Car Discount	(10.000)	N/A
	Auckland Light Rail	(33.000)	[CHANGE] This initiative returns surplus funding for ALR, noting that further return of funding is expected as the windup proceeds.
Total to be returned to the centre		(167.708)	
Grand total		s 9(2)(f)(iv)	

Table 2: Initiatives proposed to be funded through reprioritisation

Initiative	Recommended funding level (\$m)					Comment
	24/25	25/26	26/27	27/28	Total	
Surf Life Saving / Coastguard NZ pressures Funding to maintain critical frontline water safety services	13.671	15.112	16.606	18.255	63.644	Please note that this funding is ongoing beyond the forecast period.
Ground-Based Navigational Aids Completing the safe minimum operating network	-	-	5.000	5.000	10.000	Please note that this funding is capital rather than operating, which would necessitate a capex to opex swap if funded by Vote Transport underspends from Table 1. Recommendation is to hold funding in contingency subject to confirmation of final contracted price for the remaining GBNAs.
[NEW INITIATIVE] Emergency Ocean Response Capability (Cook Strait) Funding to improve NZ's maritime emergency ocean response capability	s 9(2)(i)					As per Budget bid template submitted on 15 March 2024, this initiative seeks \$0.6m to complete a business case, s 9(2)(i)
Grand total	s 9(2)(i)					

Summation of recommendations

If you are comfortable submitting the funding proposed in tables 1 & 2 for your technical package, you will be:

- **Reprioritising** s 9(2)(i) within baselines to fund three initiatives (detailed in Table 2)
- **Returning \$190.850 million** to the centre (\$167.708 million required to be returned plus the \$23.142 million residual funding available from reprioritisation).

Technical Budget package

Summary of the Vote Transport technical initiatives to be submitted to Treasury on 20 March 2024

Table 3: Purely technical initiatives (i.e. fiscally neutral and / or not significant policy decisions)

Initiative	Operating funding increase / (decrease) - \$m						Capital funding increase / (decrease) - \$m					
	23/24	24/25	25/26	26/27	2728	Total	23/24	24/25	25/26	26/27	2728	Total
Improving Resilience of the Roding Network – Rephasing of Funding This initiative transfers funding between 2023/24 and 2024/25 to reflect the delay and subsequent rephasing of works required to improve the resilience of the local road network, through investment in infrastructure, to minimise damage caused by climate change extreme weather events.	(1.500)	1.500	-	-	-	-	-	-	-	-	-	-
Auckland City Rail Link – Establishing a new Multi-Year Capital Appropriation This initiative will establish a new four-year multi-year capital appropriation Auckland City Rail Link 2024-2028, and rephases existing funding.	-	-	-	-	-	-	(65.000)	(268.647)	184.500	74.000	75.147	-
Clean Car Standard – Establishment of Appropriation for the Issuing of Credits This initiative establishes an appropriation for the issuing of credits under the Clean Car Standard Scheme. This appropriation is required as a result of a change in accounting treatment. This change is fiscally neutral as any expenditure incurred in the issuing of credits is offset by the recognition of charge revenue.	150.000	150.000	150.000	150.000	150.000	750.000	-	-	-	-	-	-
Civil Aviation Authority Health and Safety at Work Act (HSWA) delegations This initiative seeks s 9(2)(f)(iv) Working Safer Levy funding provided to CAA to support their expanded HSWA delegations. One year of funding was provided through Budget 2023 to align with liquidity facility funding s 9(2)(f)(iv) MBIE, who manages the Levy, is aware of this uplift and has made provision for the funding request. This initiative is fiscally neutral as it is funded from the Working Safety Levy.	-	2.800	s 9(2)(f)(iv)				-	-	-	-	-	-
Land Transport Regulatory Services - Rephasing of Funding This initiative seeks to re-phase funding relating to the Driver's Licence Improvement Programme to reflect unexpected changes to programme activities.	(1.000)	1.000	-	-	-	-	-	-	-	-	-	-
Milford Sound Aerodrome - Rephasing of Funding This initiative seeks to rephase funding provided for the Milford Sound Aerodrome while a funding review is underway. While the Ministry progresses this review, it seeks an expense transfer of \$0.700 million from the Aerodrome's unutilised budgeted funding in 2023/24 for continued operations in 2024/25 and to help smooth the introduction of increased landing fees charged at the Aerodrome.	(0.700)	0.700	-	-	-	-	-	-	-	-	-	-
[NEW TECHNICAL INITIATIVE] Shared Approach to Back-office Transformation - Ministry of Transport Contribution This initiative funds the Ministry of Transport's compulsory contribution to the Back-office transformation programme lead by the Government Chief Digital Officer (part of the Department of Internal Affairs). While it has a negative impact on Vote Transport, it is fiscally neutral to the Crown as it redistributes funding towards another Department.	-	(0.025)	(0.025)	(0.025)	(0.025)	(0.100)	-	-	-	-	-	-

Technical Budget package

Summary of the Vote Transport technical initiatives to be submitted to Treasury on 20 March 2024

Table 3: Purely technical initiatives continued (i.e. fiscally neutral and / or not significant policy decisions)

Initiative	Description	Recommendation to be included in Technical Budget financial recommendations (for decision by Cabinet)					
Rail – NZ Railways Corporation Equity Injection	<p>This initiative seeks Cabinet’s delegation to the Ministers of Finance and Transport to approve funding transfers between the appropriations <i>Rail– NZ Railways Corporation Equity Injection</i> and <i>Rail– New Zealand Railways Corporation Equity Injection 2024-2029</i> to allow flexibility to reflect future changes to the equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited, when figures are confirmed by Treasury’s Commercial Performance team.</p> <p>There are currently two MYAs for the purpose of managing equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited. The current MYA ends on 30 June 2024 and cannot be extended.</p>	<p>Authorise the Ministers of Finance and Transport, acting jointly, to approve funding transfers between the appropriations Rail– NZ Railways Corporation Equity Injection and Rail– New Zealand Railways Corporation Equity Injection 2024-2029 to allow flexibility to reflect future changes to the equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited.</p>					
Maritime Oversight Security Committee – Strategic Intelligence Analyst	<p>As part of Budget 2023, the Ministry received baseline funding for a Strategic Intelligence Analyst to support the Maritime Oversight Security Committee. The role involves handling information that is best delivered through an agency with the appropriate intelligence security facilities.</p> <p>Maritime New Zealand is able to host this role and the Ministry is seeking to transfer its baseline funding for this role from its <i>Transport – Policy advice, ministerial servicing, governance and other functions</i> appropriation to the <i>Maritime Regulatory Response Services</i> appropriation for Maritime New Zealand.</p>	\$000	23/24	24/25	25/26	26/27	27/28
		Departmental Output Expense					
		Transport – Policy advice, ministerial servicing, governance and other functions	(25)	(125)	(125)	(125)	(125)
		Non-Departmental Output Expense					
		Maritime Regulatory and Response Services	25	125	125	125	125
Recreational Aviation Safety Services Activities – Increase in Funding	<p>This initiative provides additional funding for the Recreational Aviation Safety Services Activities Permanent Legislative Authority (PLA) in order to avoid unappropriated expenditure. The Ministry is invoiced for these costs on a quarterly basis. Due to a clerical error, the Ministry did not accrue the final quarter’s invoice in 2022/23 and the expense has been recorded in the 2023/24 year. Joint Minister’s approval is required under Section 9(1) to give effect to this increase in funding and the change is fiscally neutral as it reduces funding available to deliver the National Land Transport Programme.</p>	\$000	23/24	24/25	25/26	26/27	27/28
		Non-Departmental Other Expense					
		Recreational Aviation Safety Services Activities PLA	75				
		Non-Departmental Output Expense					
		National Land Transport Programme PLA	(75)				



17 April 2024

Hon Simeon Brown

Minister of Transport

AIDE MEMOIRE: EXPECTATIONS ON KIWIRAIL AND THE RAIL NETWORK

To: Hon Simeon Brown, Minister of Transport

From: Siobhan Routledge, Deputy Chief Executive, Policy (Acting)

Date: 17 April 2024

OC Number: OC240374

Summary/Purpose

- 1 Following your budget bilaterals with the Minister of Finance, we have prepared draft letters to:
 - KiwiRail (Annex 1), setting out the process and your expectations regarding the finalisation of the next Rail Network Investment Programme (RNIP 2024-27). This includes your expectations that KiwiRail submit the RNIP to you by 30 June 2024.
 - the New Zealand Transport Agency (Annex 2), setting 31 July 2024 as the date by which they must send you advice on the RNIP.
- 2 We would like to discuss these letters with you at the officials meeting on Monday, 22 April 2024.
- 3 We have also attached our first cut of the information that you have requested:
 - An overview of rail roles and responsibilities, (Annex 3).
 - An overview of rail investment over the past 10 years (Annex 4).
 - Track User Charges (Annex 5).
 - Accounting treatment for rail (Annex 6).

Recent Budget Bilateral proposes a \$200m tagged contingency

4 KiwiRail is required to develop the RNIP covering a three-year period from 1 July 2024. Currently, KiwiRail has around \$800m of funding available for the RNIP, through a multiyear appropriation and NLTF contributions (limited to the level of Track User Charges). Within the Budget 2024 Capital Pipeline Review process, s 9(2)(f)(iv)

5 At your budget bilateral with the Minister of Finance (11 April 2024), it was agreed that a tagged contingency of \$200m be established to provide further funding for the RNIP. It was agreed that the Minister of Finance and you would be able to jointly draw down the contingency on the condition that:

s 9(2)(f)(iv)

- That you are comfortable approving the RNIP, following consultation with KiwiRail's shareholding Ministers and consideration of NZTA's advice on the RNIP.

Points for discussion in the draft letter to KiwiRail

6 We have prepared a draft letter for you to send to KiwiRail that outlines the process and your expectations about approving the next RNIP. At our next officials' meeting, we would like to discuss several aspects of the draft letter with you including:

s 9(2)(f)(iv)

Note that the letter to KiwiRail does not refer to the potential \$200 million tagged contingency. We seek a steer from you whether you would like this included.)

s 9(2)(i)

• s 9(2)(g)(i)

s 9(2)(g)(i)

- The draft letter also sets out your comfort at giving KiwiRail bridging funding until the RNIP is approved, that enables:
 - a continuation of the level of activity achieved in 2023/24
 - for KiwiRail to meet any existing contractual obligations
 - and for any renewals to be focused on priority lines.

Consultation with Treasury

7 We consulted the Treasury on the draft KiwiRail letter, and they are comfortable with the approach.

Next steps

8 Once we have met with you to discuss the draft letters to KiwiRail and NZTA, we will then finalise the letters for your signature.

9 We will also provide advice in May 2024 on the:

- scope and approach for the economic and financial analysis for the rail network
- the details of providing bridging funding to KiwiRail until the RNIP is approved.

Contacts

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

Hon Simeon Brown

Minister for Energy
Minister of Local Government
Minister of Transport
Minister for Auckland
Deputy Leader of the House



David McLean
Chair
KiwiRail Holdings Limited
david@davidmclean.co.nz

Dear David

I am writing to outline the Government's expectations for KiwiRail in the development and delivery of the 2024-2027 Rail Network Investment Programme (RNIP).

As you are aware, we are in a challenging fiscal environment and this Government is committed to prudently managing its expenditure in line with our fiscal strategy and in a way that delivers value for money.

I expect KiwiRail to deliver the 2024-2027 RNIP by 30 June 2024. However, I will be unable to approve it immediately thereafter because of the following matters:

s 9(2)(f)(iv)

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

As a result, I am also unable to confirm full funding for the 2024-2027 RNIP.

However, I can advise you that as part of Budget 2024, Cabinet has agreed to put aside \$200 million funding in a tagged capital contingency to support the continuation of rail network activity while the above matters are resolved. Note information about this funding is **Budget Sensitive** and must be kept strictly confidential until formally announced.

s 9(2)(f)(iv)

The Government will ensure that the funding already appropriated for rail network activity will be available to KiwiRail before I have formally approved the 2024-2027 RNIP. I expect that this will enable a continuation of activity levels consistent with those in 2023/24, and for KiwiRail to meet existing contractual obligations. By 1 June, I expect officials to confirm with me, the details of this approach including the process around the payment of invoices associated with rail network activity before I have formally approved the 2024-2027 RNIP.

I expect to approve the RNIP following receipt of the New Zealand Transport Agency's advice on it, and completion of all of the work outlined above.

I look forward to KiwiRail's full cooperation and engagement in this process, and making all information requested by officials available in a timely manner.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S-B', with a long horizontal stroke extending to the right.

Hon Simeon Brown
Minister of Transport

Cc: Hon Nicola Willis, Minister of Finance
Hon Paul Goldsmith, Minister for State Owned Enterprises
Audrey Sonerson, Chief Executive, Minister of Transport
Caralee McLiesh, Chief Executive, the Treasury
Nicole Rosie, Chief Executive, New Zealand Transport Agency

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

Hon Simeon Brown

Minister for Energy
Minister of Local Government
Minister of Transport
Minister for Auckland
Deputy Leader of the House



The Honourable Simon Bridges
Chair
New Zealand Transport Agency
sbridgesnz@gmail.com

Dear Simon

Rail Network Investment Programme: Setting date to receive advice

I have recently written to KiwiRail requesting that they submit to me the Rail Network Investment Programme (RNIP) for the period 2024-2027 by 30 June 2024.

In accordance with Section 22(c) of the Land Transport Management Act 2003 (LTMA), the New Zealand Transport Agency (NZTA) must give me a range of advice on the RNIP. This includes (but is not limited to) whether the RNIP:

- contributes to an effective, efficient, and safe land transport system in the public interest
- is consistent with the GPS on land transport; and
- takes into account any relevant regional land transport plan.

Under Section 22(a) of the LTMA, the NZTA must provide this advice by a date I set. To this end, could you please provide your advice by 31 July 2024 or earlier.

As you are aware, the Government's transport priorities have changed, and the fiscal environment has become very challenging since NZTA first engaged with KiwiRail on the draft RNIP. No doubt you will re-interrogate KiwiRail's investment plans based on this new context.

I look forward to receiving your advice.

Yours sincerely,

Hon Simeon Brown
Minister of Transport

Copy to: Nicole Rosie, Chief Executive, New Zealand Transport Agency

An overview of rail roles and responsibilities

Note 1: Further work is underway to finalise the table below, including consultation with the Treasury, the New Zealand Transport Agency (NZTA) and KiwiRail, including the identification of opportunities to improve and streamline assurance activities.

Note 2: The NZTA role in assessing the Rail Network Investment Programme is relatively new having been established in 2021 following the Future of Rail Review. This role was established reflecting NZTA's knowledge of networks and their asset management, and to ensure that a more consistent approach to this is taken across road and rail. These arrangements have led to notable improvement in KiwiRail's asset management practices, but we still need to look for ways to increase transparency and improve incentives across the system.

Treasury Vote/Sector Team (to the Minister of Finance)	Treasury Commercial Performance (to the Minister of Finance and the Minister for State Owned Enterprises (KiwiRail shareholding Ministers))	Ministry of Transport (to the Minister of Transport)	New Zealand Transport Agency (NZTA)	KiwiRail Board
<ul style="list-style-type: none"> Provides financial, economic, and regulatory advice on strategic and policy initiatives to enable trade-offs to be considered so that new and existing interventions offer value-for-money and contribute to the Government's priorities. Leads the Treasury advice on agency (i.e., Ministry of Transport) and sector-specific issues, taking a 'helicopter' view to test risk and strategic fit. Provides second-opinion policy advice to the Government on transport policy and Vote issues, including on rail policy and budget bids. Seeks to maximise effectiveness and efficiency of Government expenditure (including the link between inputs, outputs, and outcomes). Supports Minister of Finance in overseeing Crown investment to ensure value for money, manage risk to the Crown (including cost and scope risk) and ensure consideration is given to related issues (including fiscal position, capital pipeline, and interactions with local government decision). 	<ul style="list-style-type: none"> Monitors KiwiRail as an entity and provides advice to Shareholding Ministers on their ownership interests in entities, including: <ul style="list-style-type: none"> Ownership advice – the objectives the Crown is seeking to achieve through its ownership of KiwiRail (both financial and public benefit) Performance advice (how KiwiRail is delivering against its ownership objectives) Commercial advice (how can the Crown best deliver a commercial outcome through its ownership) Appointments advice (through Governance & Appointments team) to support appointment of effective board members. Validates equity requirement – consistent with appropriation and that KiwiRail has need from cash perspective. <p><i>Note that the Commercial Team provides guidance to the Ministry in its Budget bid development and submission process, and advice to the Vote team in its assessment process, on the consistency of funding bids with KiwiRail's commercial and broader performance objectives.</i></p>	<ul style="list-style-type: none"> Provides policy advice on rail - including both public transport and freight services. Develops and monitors the Government Policy Statement of land transport (GPS) and other strategic transport related policy documents (including the Rail Plan). Supports the Minister of Transport in making a decision to approve the Rail Network Investment Plan (RNIP) including commentary on NZTA's statutory assessment. Provides support to the Minister of Transport as sponsor for Vote Transport Budget bids including rail. Works with KiwiRail to develop Budget bids through Vote Transport including early engagement with Treasury. Manages appropriation drawdowns and provides payment to KiwiRail where rail funding is running through Vote Transport (includes equity drawdowns validated by the Treasury and Rail Network Investment Programme investment validated through the NZTA). Stewardship of the land transport regulatory framework including safety and security, planning and investment, and funding for rail. Oversight of the New Zealand Transport Agency; including: <ul style="list-style-type: none"> advising on the appointment and ongoing capability and effectiveness of the Board supporting Ministers to set annual expectations and priorities for the Board. ensuring NZTA is managing its operating resources responsibly. providing advice on organisational funding issues, such as Budget bids and funding reviews timely, evidence-based advice to Ministers on NZTA's strategic direction, capability, and performance. 	<ul style="list-style-type: none"> As land transport system planner, integrates rail into the wider transport system and National Land Transport Plan. Monitors land transport network outcomes, including statutory annual reporting as the primary entity responsible for the National Land Transport Fund. Provides advice to the Minister of Transport on the RNIP under section 22C&G of the Land Transport Management Act 2003(LTMA) - in particular, how the RNIP contributes to the LTMA, the GPS outcomes, Regional Land Transport Plans (RLTP), and that activities are efficient and effective Focuses assessment and advice on KiwiRail's underpinning asset management approach and methodology as well as the RNIP document itself (using NLTF processes and benchmarking where possible) Monitor of RNIP investment under section 102A of the LTMA. Co-investor (with councils) for public transport services and rolling stock Primary regulatory responsibility for rail safety in New Zealand and assurance that the country's rail networks are being managed safely, including: <ul style="list-style-type: none"> maintaining regulatory oversight of KiwiRail and its rail activities ensuring that KiwiRail is competent to hold a licence and operate in a safe manner. ensuring KiwiRail pays regulated fees and charges. 	<ul style="list-style-type: none"> The operation and performance of KiwiRail as a successful business – including that it is as profitable and efficient as comparable businesses that are not owned by the Crown. The effective delivery of non-commercial activity when directed (and funded) to do so by Ministers.

10 Year Metro and Freight Rail Network Funding

Purpose

- This paper outlines provisional information about funding of the freight and metro rail networks over the past 10 years.
- For this paper, the term **national freight network** captures above and below rail investment¹ and sets out:
 - The amount of investment for the financial years between 2015/2016-2025/2026.
 - A yearly breakdown of investment into above rail infrastructure and operations from 2021/2022 onwards.
 - A yearly breakdown of investment into the below rail infrastructure from 2021/2022 onwards.
- For this paper, the **metro rail network** captures above and below rail investment² and sets out the investment profiles for:
 - The passenger rail services run on the Auckland and Wellington metro networks between 2014/2015-2024/2025.
 - Infrastructure investment on the Auckland and Wellington metro networks between 2014/2015-2024/2025.
- For the period 2015/16-2020/21, we have included the overall amount of the yearly Government appropriations given to KiwiRail to invest into the national freight network. We are requesting further information from KiwiRail about the historic split in investment for below and above rail during this period.
- For the current 2023/24 fiscal year, we are using the amount of funding approved for the year on the programmes and projects, rather than the spend so far. Further work is underway to finalise the financial information in this paper, including consultation with the Treasury, the New Zealand Transport Agency (NZTA), and KiwiRail.

Funding Context

- You outlined your priorities for rail in the draft Government Policy Statement on land transport 2024 (Draft GPS). The Draft GPS has a strong focus on value for money. It signals investment into the rail network which delivers on economic growth and productivity, further optimises existing networks and services, and supports the efficient movement of people and freight. The Draft GPS limits below rail funding for the freight rail network to two sources - Track User Charges and Government appropriations.
- KiwiRail is currently preparing the 2024-2027 Rail Network Investment Programme (RNIP) for your approval. The RNIP sets out a three-year investment programme and a 10-year investment forecast for the national rail network. This will be the second RNIP KiwiRail has produced. The current RNIP (2021-2024) receives funding from the National Land Transport Fund (NLTF), (in addition to Track User Charges, and Crown Appropriation.
- This level of change over the past few years, and further additional appropriations through the New Zealand Upgrade Programme (NZUP) and the Provincial Growth Fund (PGF), means the rail investment funding profile is complex.

Additional notes

- For simplicity, we have defined the national freight network as the network that is outside metro networks of Auckland and Wellington. We acknowledge that projects like Wiri to Quay Park sit within the metro network but have benefits for both metro and freight services. However, it is too difficult, at this stage, to split the benefits and associated costs of these larger projects between metro and freight. Often programmes, have a mixture of improvements, maintenance, and renewals projects.
- Where we could not split the project into the specific different improvements, maintenance, and renewals elements, we have bundled them together as renewals. This is because the programmes' primary objective is the delivery of network renewals.

¹ Below rail investment for the national freight network includes track and supporting infrastructure, signalling and train control, for example which supports both the freight and metro rail networks. Above rail investment for the national freight network includes locomotives, wagons, and associated plant and equipment. This paper does not include Government funding into KiwiRail equity or other commercial investments that do not directly relate to the rail freight network."

² Below rail investment for the metro rail network as per footnote 1. Above rail investment for the metro rail network includes passenger trains and associated plant and equipment, as well as the operations of metro rail services.

National Freight Rail Network

- This section provides an overview of investment into the national freight network over the last 10 years. It outlines:
 - The amount of investment for the financial years between 2015/2016-/2026.
 - A yearly breakdown of investment into above rail infrastructure and operations from 2021/2022 onwards.
 - A yearly breakdown of investment into the below rail infrastructure from 2021/2022 onwards.

Amount of Government investment into the National Freight Network 2015/2016-2025/2026

- Table 1 below outlines the total Government investment profile into the national freight network (both above and below rail) made by year and by funding source between 2015/2016-2025/2026.

Table 1 Government investment profile into the national freight network by funding source between 2015/16-2020/2021

Financial Year	Government Appropriations and/or NLTF contributions (\$m)	NZUP and PGF (\$m) ³
2015/2016	\$210.0	-
2016/2017	\$190.0	-
2017/2018	\$260.0	-
2018/2019	\$230.0	-
2019/2020	\$394.0	-
2020/2021	\$449.0	\$46.3
2021/2022	\$360.0	\$102.8
2022/2023	\$370.0	\$47.9
2023/2024	\$370.0	\$42.0
s 9(2)(f)(iv)		

Above and below freight network investment profile 2021/2-2025/26

- Graphs 1 and 2 below outline the Government investment into the above and below rail elements of the National Freight network between 2021/22- 2026/7. These funding sources are a mix of Government appropriations, NLTF, NZUP, and the PGF.
- Funding for the future financial years is only for approved programmes and projects where KiwiRail has confirmed funding.

s 9(2)(f)(iv)

³ As discussed above, we include the NZUP and the Provincial Growth Fund improvement projects that had freight and metro components, e.g., Wiri to Quay Park and the Wairarapa Rail upgrades (total investment of approximately \$450m) in the metro section.

s 9(2)(f)(iv)



Definitions for the graphs above

- Where we have the appropriate level of information, we have split the project costs between the following programmes:
 - **Maintenance:** Helps to achieve the expected life or continued operation of assets or infrastructure.
 - **Operations:** Operational activities (such as train control) are an essential cost to provide a rail network. Without these activities the network would not be able to operate.
 - **Renewals:** Renewal costs extend asset life by partially or completely replacing individual assets, as necessary.
 - **Improvements:** A project is an improvement when the primary purpose of investment is a new asset or a step change in an existing asset's level of service.
 - **Rolling stock:** Freight trains that run on the KiwiRail owned and maintained rail network (includes associated infrastructure).
 - **Other above rail:** Includes mechanical depots and associated investment.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

Metro Rail

- This section summarises the ownership, roles, and funding of the metro rail network. It also defines the types of investment made into the networks.

Metro rail ownership and roles

Table 2 KiwiRail, Auckland Transport, and Greater Wellington Regional Council Roles and Responsibilities

KiwiRail	Auckland Transport and Greater Wellington Regional Council
<ul style="list-style-type: none"> ○ Owns the national rail network and is responsible for providing the “below rail” infrastructure. ○ It controls access to the network and maintains the infrastructure. KiwiRail maintain the following network asset types: <ul style="list-style-type: none"> ▪ Track: formation, drainage, ballast, sleepers, track, turnouts, and any items necessary for the track system to operate ▪ Structures: Rail bridges, tunnels, and culverts and retaining walls ▪ Traction: Substations, and overhead line equipment ▪ Signalling: mechanical and electrical interlocking, signals, and points ▪ Communications ▪ Electrical: Yard lighting and power distribution to buildings. 	<ul style="list-style-type: none"> ○ Own and are responsible for providing the “above rail” infrastructure and operations. These include: <ul style="list-style-type: none"> • rolling stock • stations (including access to and from) • technology associated with running the metro services (digital signs, applications, ticketing systems etc.) ○ Both AT and GWRC are responsible for planning, specifying, and purchasing metro rail services. ○ Auckland One Rail and Transdev runs passenger rail services in Auckland and Wellington respectively.

- Not all assets in the metro networks are used for both passenger and freight. There are extensive sidings that freight only uses (e.g. port traffic) or only by passenger (e.g. train stabling).

Metro rail funding sources

- There are four key funding sources for metro rail; these are:
 - Crown appropriations (use funding from the yearly budget appropriation process and ad-hoc funding like the NZUP and the PGF),
 - NLTF,
 - Local share (use funding from Auckland Council and GWRC),
 - Farebox revenue (used to co-fund the local share and pay the network access charges).

PROACTIVELY RELEASED BY MANATU WAIATA
MINISTRY OF TRANSPORT

Auckland Rail Network

- This section outlines investment into the passenger rail services and infrastructure upgrades on the Auckland network between 2014/2015-2024/2025.

Metro Rail: Public Transport Services Investment

- Table 3 below shows the investment into the Auckland passenger rail services between 2014/2015-2024/2025.
- The table outlines the funding split between Auckland Transport (AT), NLTF, farebox revenue, fare subsidies (e.g. SuperGold Card and Community Connect), and other Government appropriations (i.e. Crown funding for operating shortfalls during the COVID-19 pandemic).

Table 3 Public Transport Services Investment into the Auckland Metro Network by Funding Source

Financial Year	AT Local Share*(\$m)	Farebox Revenue (\$m)	NLTF (\$M)	Government Appropriations (Fare Subsidies \$m)	Government Appropriations (Other \$m) ⁴	Total Investment Per Annum (\$m)
2014/2015	\$49.2	\$38.1	\$65.2	-	-	\$152.5
2015/2016	\$48.9	\$44.7	\$62.2	-	-	\$155.8
2016/2017	\$51.0	\$48.0	\$62.3	-	-	\$161.2
2017/2018	\$51.0	\$46.2	\$59.8	-	-	\$157.0
2018/2019	\$57.7	\$50.5	\$65.0	\$1.9	-	\$175.10
2019/2020	\$65.7	\$41.7	\$82.6 ⁵	\$2.0	-	\$192.0
2020/2021	\$71.7	\$26.2	\$74.6	\$2.4	\$25.6	\$200.5
2021/2022	\$60.6	\$13.7	\$63.1	\$5.7	0	\$143.1
2022/2023	\$58.9	\$15.7	\$61.2	\$18.7	\$7.5	\$162.0
2023/2024 committed ⁶	\$62.0	\$27.2	\$64.5	\$13.2	-	\$166.9

s 9(2)(j)

Total Investment from Funding Source (actual, committed & FY 24/25 bid)

⁴ Funding for operating shortfalls during the COVID-19 pandemic.

⁵ Includes \$11.4m funding from the COVID-19 Public Transport Response.

⁶ This is an estimated this figure and is an average of actual fare revenue of 2022/2023 and forecast fare revenue of 2024/2025.

Metro Rail: Public Transport Infrastructure Investment

- Significant investment into the Auckland metro network infrastructure took place between 2005-2015:
 - Project DART (2006-2012) included double-tracking the Western Line, reopening the Onehunga Line, constructing a spur to Manukau, substantial station upgrades (e.g. Newmarket and New Lynn).
 - KiwiRail completed the electrification of the wider Auckland metro network (other than Pukekohe-Papakura) in July 2015.
 - AT and the then Government purchased 57 new electric trains in 2011. These trains went live in stages between 2014 and 2015.
- Government and councils split the funding for the above projects. The Government funded the below rail work, and the Auckland Regional Transport Authority/AT and Land Transport New Zealand/NZTA funded the above rail components.⁷
- Since 2015, investment in the Auckland metro network has focussed on increasing capacity with the construction of the City Rail Link (CRL) and the Wiri to Quay Park (third main line). Electrification of the Pukekohe to Papakura line will enable further use of the electric trains and reduce commute times (removing the need to switch trains at Papakura).
- While current projects like the Rail Network Rebuild addressed a lot of renewals required on the Auckland metro network, there is still a long-term discussion needed about funding remaining deferred renewals.
- Table 4 below shows the investment into the Auckland metro network infrastructure between 2014/2015-2024/2025. A portion of the investment in public transport rail services (from AT local share, NLTF, and farebox revenue) identified in Table 3 above includes funding for KiwiRail to deliver annual network renewals and maintenance.

Table 4 Public Transport Infrastructure Investment into the Auckland Metro Network by Funding Source

Financial Year	AT Local Share*(\$m) ⁸	NLTF (\$m) ⁹	Government Appropriations (Metro Rail Infrastructure \$m)	Total Investment Per Annum (\$m)
2014/2015	\$72.0	-	\$101.0	\$173.0
2015/2016	\$72.0	-	\$109.0	\$181.0
2016/2017	\$72.0	-	\$109.0	\$181.0
2017/2018	\$93.0	-	\$326.0	\$419.0
2018/2019	\$65.0	\$1.4	\$234.0	\$300.4
2019/2020	\$258.0	\$16.6	\$258.0	\$532.6
2020/2021	\$395.0	\$57.4	\$396.0	\$848.4
2021/2022	\$453.0	\$86.0	\$468.5	\$1007.5
2022/2023	\$481.4	\$121.9	\$529.3	\$1132.60
2023/2024 committed	\$406.1	\$241.0	\$432.0	\$1079.10
2024/2025 committed	\$357.0	\$195 ¹⁰	\$579.0	\$1131.0
Total Investment from Funding Source (actual, committed & FY 24/25 bid)				

s 9(2)(j)

⁷ These projects took place during the Auckland councils amalgamation process in 2010, and the creation of the New Zealand Transport Agency in 2008.

⁸ Local share includes funding for the CRL.

⁹ NLTF funding for 2014/2015-2017/2018 reflects the lack of NLTF investment into the metro network infrastructure and 2018/19-2020/21 reflects transitional funding arrangements prior to the amendments to the LTMA in 2020.

¹⁰ Committed figures indicate the NZTA approved funding of approved activities.

¹¹ s 9(2)(f)(iv)

Wellington Metro Network

- This section outlines investment into the passenger rail services and infrastructure upgrades on the Wellington metro network between 2014/2015-2024/2025.

Metro Rail: Public Transport Services Investment

- Table 5 below shows the investment into the Wellington passenger rail services between 2014/2015-2024/2025.
- The table outlines the funding split between Greater Wellington Regional Council, NLTF, farebox recovery, fare subsidies (e.g. SuperGold Card and Community Connect), and other Government appropriations (i.e. Crown funding for operating shortfalls during the COVID-19 pandemic).

Table 5 Public Transport Services Investment into the Wellington Metro Network by Funding Source

Financial Year	GWRC Local Share(\$m)	Farebox Revenue (\$m)	NLTF (\$m)	Government Appropriations (Fare Subsidies \$m)	Government Appropriations (Other \$m) ¹²	Total Investment Per Annum (\$m)
2014/2015	\$21.8	\$43.3	\$21.8	-	-	\$86.7
2015/2016	\$29.8	\$45.7	\$29.8	-	-	\$105.2
2016/2017	\$31.1	\$48.2	\$31.1	-	-	\$110.4
2017/2018	\$29.7	\$50.7	\$29.7	-	-	\$110.1
2018/2019	\$33.0	\$53.2	\$33.0	\$2.4	-	\$121.6
2019/2020	\$50.9	\$40.4	\$51.0 ¹³	\$2.8	-	\$145.10
2020/2021	\$33.4	\$43.3	\$33.4	\$2.7	\$14.8	\$127.6
2021/2022	\$49.4	\$27.4	\$49.4	\$6.7	-	\$132.9
2022/2023	\$42.0	\$18.4	\$42.0	\$21.2	\$21.0	\$144.6
2023/2024 committed ¹⁴	\$48.4	\$32.3	\$50.8	\$13.8	-	\$145.3
2024/2025 funding variation (additional Capital Connection funding)	\$0.5	-	\$2.6	-	-	\$3.1

s 9(2)(j)

Total Investment from Funding Source (actual, committed & FY 24/25 bid)

¹² Funding for operating shortfalls during the COVID-19 pandemic

¹³ Includes \$14.3m funding from the COVID-19 Public Transport Response.

¹⁴ Committed figures indicate the NZTA approved funding of approved activities.

Metro Rail: Public Transport Infrastructure Investment

- In 2008, the then Government commenced the \$319m Wellington Regional Rail Project (WRRP), which lasted until 2011. The WRRP prepared the Wellington metro network for the new trains, removed choke points and extended electrification through to Waikanae. The major infrastructure upgrade works removed historical constraints on the network which had persisted because of previous ownership and funding models.
- GWRC invested in 83 new trains, at \$405m, to use the infrastructure investments made by the WRRP.
- The *Wellington Metro Railway Network Track Infrastructure Catch-Up Renewals Single Stage Business Case*, published in 2017, identified additional issues with the Wellington metro network. The findings were that:
 - large amounts of track, civil and structure infrastructure assets are at or near the end of their lives. This is due to both the timing of installation (i.e. large sections of track commissioned at the same time),
 - historically low levels of investment in the rail network related to previous railway funding models,
 - previously deferred maintenance and catch-up renewal investments did not address track infrastructure improvements needed for additional capacity requirements,
- This has resulted in a large backlog of renewals for some long-life assets that needed delivery in a short to medium timeframe (the MROM Review will look at who will pay for this in the long-term)
- In response to the report, the previous Government committed greater investment into the Wellington Metro Network through the Wellington Metro Upgrade Programmes (WMUPs). There are 7 WMUPs, KiwiRail has completed some, and others are still underway or yet to progress.
- Table 6 below outlines the investment into metro network infrastructure. A portion of the investment in public transport rail services from GWRC local share, NLTF, and farebox revenue (Table 5) includes funding for KiwiRail to deliver annual network renewals and maintenance.

Table 6 Public Transport Infrastructure Investment into the Wellington Metro Network by Funding Source

Financial Year	GWRC Local Share (\$m)	NLTF (\$m) ¹⁵	Government Appropriations (Metro Rail Infrastructure \$m)	Total Investment Per Annum (\$m)
2014/2015	-	-	\$29.0	\$29.0
2015/2016	-	-	\$16.5	\$16.5
2016/2017	-	-	\$8.0	\$8.0
2017/2018	-	-	\$26	\$26.0
2018/2019	-	\$2.8	\$75.0	\$78.0
2019/2020	-	\$26.6	\$41.0	\$67.6
2020/2021	-	\$80.2	\$49.2	\$129.2
2021/2022	\$5.8	\$111.6	\$62.4	\$179.8
2022/2023	\$5.6	\$64.5	\$101.5	\$171.6
2023/2024 committed ¹⁶	\$19.3	\$107.2	\$95.8	\$222.3
2024/2025 committed ¹⁷	\$82.6	\$127.3	\$108.7	\$318.6
Total Investment from Funding Source (actual, committed & FY 24/25 bid)				

s 9(2)(j)

¹⁵ NLTF funding for 2014/2015-2017/2018 reflects the lack of NLTF investment into the metro network infrastructure and 2018/19-2020/21 reflects transitional funding arrangements prior to the amendments to the LTMA in 2020.

¹⁶ Committed figures indicate the NZTA approved funding of approved activities.

¹⁷ Committed figures indicate the NZTA approved funding of approved activities. Also assumes the funding of the Lower North Island Rail Integrated Mobility Programme as per

¹⁸ Final bids are due 23 April with assessments and prioritisation to follow. s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

Track User Charges

1. As part of the Future of Rail Review (2019 - 2021) government agreed to introduce a track user charge “to ensure rail users also contribute towards rail maintenance and renewals in a fair and transparent way”
2. Changes were made to the Land Transport Management Act (LTMA) to allow regulations to be made to pay track user charges (TUC) into the National Land Transport Fund (NLTF).

Basis for setting the level of TUC

3. There were two main methodologies considered to set the level of TUC on:
 - i. full cost recovery; and
 - ii. direct cost of wear and tear.

Full cost recovery

4. At the time, the full cost of maintaining the national rail network (maintenance and renewals) to support a resilient and reliable network, was estimated by KiwiRail to be approximately \$420 million per annum over the next decade (this is now more likely closer to \$600m pa).
5. If TUC was set to recover the full cost, then KiwiRail - in passing on the TUC costs - s 9(2)
s 9(2)(i) (g)(i)
This would not have achieved the broader public benefits the previous government was seeking from the rail network so was not considered a viable option.

Direct cost of wear and tear

6. Instead, the Ministry considered it was appropriate to set the charge to recover the direct costs of wear and tear on the network to ensure that rail operators at least cover the variable costs of using the national rail network.
7. KiwiRail undertook a piece of analysis identifying its costs of maintaining the national rail network and identifying those which vary with usage¹. This work was reviewed by Swiss Economics².

¹ “KiwiRail: Infrastructure variable cost analysis,” Revised, v2, 25 September 2020.

² Track” User Charges for Rail Freight Services in New Zealand Review of KiwiRail’s approach to model Track User Charges, 5-9 October 2020”, Swiss Economics SE AG, Weinbergstrasse 102, 8006 Zürich.

8. KiwiRail's analysis concluded that approximately \$53 million per annum of both capital and maintenance investment on the national rail network could be attributed to wear and tear from current usage (i.e. the variable costs of usage).
9. While in principle the Ministry and KiwiRail supported charging at least the direct costs of wear and tear, KiwiRail advised that charging the direct cost of wear and tear would lead to a loss in rail freight volume.
10. KiwiRail advised that it could afford a lesser charge that recovered \$11.7 million in 2021/22. As illustrated in Table 1 below, the first year of the TUC was set to recover this amount. 2021/22 and 2022/23 were set by assuming a straight-line increase over 10-years to the full direct costs of usage - \$53 million. The rate from 2023/24 would continue until a review was carried out.

Table 1 – Freight TUC and total NLTF revenue generated

Year	Freight TUC (per 1,000 GTK)	GTK (1,000)	Three yearly review	Total NLTF revenue generated (\$m)
2021/22	1.18	9,959,000	-	11.7
2022/23	1.65	9,959,000	-	16.3
From 2023/24 ongoing	2.11	9,959,000	Review	20.9

Table Source: https://www.transport.govt.nz/assets/Uploads/Track-User-Charge_Cost-Regulatory-Impact-Statement-CRIS.pdf

Freight Charging Metric

11. Gross tonne kilometres (GTK), which includes the weight of the locomotive, is used as the Freight Charging Metric, as it provides a good approximation of network wear and tear.
12. More sophisticated (and therefore more costly to administer) charging metrics were also considered but discarded due to complexity and likely cost to administer/collect the data. Other metrics included charging based on train and/or wagon kilometres differentiated by axle type and weight (similar to Road User Charges).

s 9(2)(i)

Treasury advice on the accounting treatment of the Rail Network Investment Programme

1. Treasury recently provided advice on the treatment of any additional Rail Network Investment Programme (RNIP) funding as part of their report “Vote Transport Budget Ministers 5 Decisions” (TY2024/949 refers). The relevant paragraphs are provided below.
2. We intend to provide you with a more comprehensive explanation of the accounting treatment of rail once we have confirmed this with Treasury. One of the interesting/complicating factors is that KiwiRail apply a different valuation basis for rail network assets than the Crown. KiwiRail reflect the recoverable amount in their own financial statements compared to what Treasury applies for Crown reporting purposes (Optimised Depreciated Replacement Cost) for these same assets.

Relevant Paragraphs from Treasury report TY2024/949

73. If Ministers decide to provide additional funding from the Budget operating allowance, there would be a positive impact on the operating balance before gains and losses, compared to the Treasury's preliminary fiscal forecasts but a negative impact on the operating allowance. This is because the forecasts assume that the funding gap (between what KiwiRail can meet off their own balance sheet and the amount committed by the Crown) is funded from Crown revenue. This approach is taken because the Crown sets the funding expectations in the RNIP, which is a 10-year programme, but can choose to not fund them or fund at a lower level.

Fiscal treatment for new funding and alternative options to the operating allowance

76. Any new funding committed at Budget 2024 should be managed against the operating allowance, consistent with the treatment in the past. Funding from the capital allowance via a capital injection or a loan would not change the current operating expenses forecast from the RNIP. Alternative options include funding from the NLTF or an equity injection. The funding source would still be operating, and fiscal impacts will depend on the total operating expenditure from NZTA that has been funded from revenue (FED and RUC), vs Crown grants and loans.
77. The Treasury does not recommend providing funding as a loan to KiwiRail at this time.

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





28 May 2024

Hon Simeon Brown

Minister of Transport

AIDE MEMOIRE: IMPROVING CONDITIONS FOR BUS DRIVERS

To: Hon Simeon Brown, Minister of Transport

From: Siobhan Routledge, DCE – Policy Group (Acting)
Jessica Ranger, Manager – Urban Development and Public Transport

Date: 28 May 2024

Reference Number: OC240571

Purpose

- 1 Through Budget 2024, the Government has agreed to provide \$15 million over two years on improving working conditions for bus drivers to increase retention and recruitment.
- 2 This aide memoire provides high level options on approaches for using the funding. Your feedback on these options is welcome. Following your feedback, we can progress to develop these proposals in more detail.

s 9(2)(f)(iv)

- 3 There are three choices for funding the improvements to bus driver conditions:
 - 3.1 full funding – Public Transport Authorities (PTAs) apply for full Crown funding for improvements that meet the investment criteria.
 - 3.2 co-funding – PTAs apply for partial (usually 49%) Crown funding to support them providing improvements that meet the investment criteria.
 - 3.3 bulk procurement – PTA orders are consolidated and purchased in bulk by the Crown on their behalf rather than PTAs making individual orders.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

A funding agreement between the Ministry and NZTA will be required

- 11 A funding agreement outlines the contractual obligations when the Ministry is providing Crown funding to NZTA. As well as setting out the terms and conditions for funding more generally, the agreement also sets the investment criteria the Ministry expects NZTA to assess applications for Crown funding against.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Auckland Council has recently announced funding for driver safety screen retrofits

- 15 Auckland Council has provided \$6.5 million to Auckland Transport through its recently adopted 2024-2034 Long Term Plan. The intention is to install driver safety screens in 80% of buses within two years, instead of taking 10 years to do all of them under business-as-usual funding.
- 16 Auckland Transport already requires new buses being introduced into its fleet to be fitted with safety screens before entry into service, so this funding is exclusively to retrofit the existing fleet.

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

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAIATA

Contacts

Name	Telephone	First contact
Jessica Ranger, Manager - Urban Development and Public Transport, Ministry of Transport	s 9(2)(a)	✓
Siobhan Routledge, DCE – Policy Group (Acting), Ministry of Transport		

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

Decarbonising public transport buses

Budget 24 funding could be used to support decarbonising public transport bus fleets. NZTA estimates that if New Zealand’s publicly funded bus fleet (around 2,600 buses) were battery electric today, they would cost approximately \$40 million less per year to operate than the existing diesel fleet.

The public bus fleet is about 10% battery electric now and growing.

s 9(2)(f)(iv)

A one-off top up to the Scheme to support decarbonising public transport buses could achieve:

Top up of \$10m	Top up of \$15m
<ul style="list-style-type: none"> • approximately 20 co-funded buses with associated charging technology <p>or</p> <ul style="list-style-type: none"> • a new bus depot with parking and EV charging facilities for approximately 70 buses 	<ul style="list-style-type: none"> • approximately 30 co-funded buses with associated charging technology <p>or</p> <ul style="list-style-type: none"> • a new bus depot with parking and EV charging facilities for approximately 70 buses <p>and</p> <ul style="list-style-type: none"> • approximately 10 co-funded buses with associated charging technology

We have assumed the cost to central government of a new co-funded electric bus and associated charging equipment is approximately \$485k. This is based on information provided to us by NZTA in February 2024. We have based the bus depot costs on CERF funding of \$10.8m provided to GWRC for decarbonising buses.

We have looked for information on the differential between purchasing a diesel bus and an electric one. It appears this is somewhere between \$300k and \$500k.

MBIE and MoT would need to work closely with EECA on changes to the design of the Scheme to ensure the investment in decarbonising public transport buses is realised.

Enhancing bus driver safety and comfort

Budget 24 funding could be used to support public transport operators and councils to provide better facilities and enhance bus driver safety and comfort. This is a priority of the sector and would support increased retention.

A one-year fund could be created for operators and councils to apply for funding/co-funding for enhancements such as safety screens, better toilet infrastructure, meal preparation areas and break rooms, and safety equipment (e.g. emergency buttons and radiotelephones).

Based on the limited information available, this fund could achieve:

Top up of \$10m	Top up of \$15m
<ul style="list-style-type: none"> 100 new toilet facilities (at \$100k per facility based on information from GWRC) 	<ul style="list-style-type: none"> 150 new toilet facilities drivers (at \$100k per facility based on information from GWRC)
<p>or</p>	<p>or</p>
<ul style="list-style-type: none"> 40 restroom upgrades (at \$250k per upgrade based on previous Budget information) 	<ul style="list-style-type: none"> 60 restroom upgrades (at \$250k per upgrade based on previous Budget information)
<p>or</p>	<p>or</p>
<ul style="list-style-type: none"> 33 meal preparation area upgrades (at \$300k per upgrade based on previous Budget information) 	<ul style="list-style-type: none"> 50 meal preparation area upgrades (at \$300k per upgrade based on previous Budget information)

We have been unable to find any New Zealand-based costs for safety equipment such as protective screens and emergency buttons.

It appears funding of \$15m is in line with the amount allocated in Budget 23 for tranche 3 initiatives to make improvements to the working environment for bus drivers to increase retention.

MoT would need to check the status of the working/steering groups that have informed the work of the previous Government on bus driver terms and conditions.

PROACTIVELY RELEASED BY
 MINISTRY OF TRANSPORT/TE MANATU WAKA

s 9(2)(f)(iv)

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA

s 9(2)(f)(iv)

Enhancing bus driver working conditions

Funding in previous Budgets was used to increase the base wage rates for bus drivers across the country. These changes have been implemented and on-going costs will be met through the National Land Transport Fund from 2024/25. Additional improvements (tranche 2 and 3) sought to deliver further enhancements to pay and conditions (e.g. further increases to base rates and providing split shift allowances and penal rates for hours worked after 9:00pm) and deliver longer-term improvements to terms and conditions (e.g. recruitment & training, rostering enhancements and improving the working environment and infrastructure).

s 9(2)(f)(iv)

. Public Transport Authorities (PTAs) and operators were beginning to develop tranche 3 initiatives to improve the safety and working environment for bus drivers. PTAs and operators did not consider the tranche 2 initiatives (i.e. further wage related changes) as an initial high priority (these are a priority for unions).

No tranche 2 or 3 funding had been committed to PTAs through funding agreements. However, given funding was announced publicly last year and PTAs have been involved in working group discussions about how the funding is spent, some PTAs may have 'baked in' a portion of this funding to their public transport budgets. Information provided by Auckland Transport suggests it has assumed it will receive some further funding.

Given there are existing mechanisms for unions, operators and PTAs to negotiate changes to existing/future contracts, I recommend any additional Crown funding is focused on improving infrastructure and the work environment. This would support public transport operators and councils to provide better facilities and enhance bus driver safety and comfort. This is a priority for the sector and would support increased retention.

One-year funding could be provided for operators and councils to apply for funding/co-funding for enhancements such as safety screens, toilet infrastructure, break room areas, and safety equipment (e.g. emergency buttons and radiotelephones).

Based on the information available, this fund could achieve:

¹ Based on information provided by NZTA in February 2024.

² s 9(2)(f)(iv)

Top up of \$10m	Top up of \$15m
<ul style="list-style-type: none"> 100 new toilet facilities (at \$100k per facility based on information from GWRC) 	<ul style="list-style-type: none"> 150 new toilet facilities (at \$100k per facility based on information from GWRC)
or	or
<ul style="list-style-type: none"> 40 restroom upgrades (at \$250k per upgrade based on previous Budget information) 	<ul style="list-style-type: none"> 60 restroom upgrades (at \$250k per upgrade based on previous Budget information)
or	or
<ul style="list-style-type: none"> 33 break room area upgrades (at \$300k per upgrade based on previous Budget information) 	<ul style="list-style-type: none"> 50 break room area upgrades (at \$300k per upgrade based on previous Budget information)

Funding of \$10 million is in line with the amount allocated in Budget 2023 for tranche 3 initiatives to make improvements to the working environment for bus drivers to increase retention.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT TE MANATU WAKA



24 April 2024

OC240357

Hon Simeon Brown**Minister of Transport**

BASELINE SAVINGS PROGRAMME

Purpose

To set out the Ministry of Transport's baseline savings programme, including steps taken to return savings to the Crown to date and our planned work to ensure we efficiently deliver the Government's transport programme while operating within our revised budget from 2024/25.

The briefing is provided on a no surprises basis. As much of the information in the paper is staff-sensitive, it is not appropriate to be shared further. The Ministry will release summarised information about our baseline savings programme for external parties if required.

Key points

- The Ministry has been proactive in our efforts to return savings to the Crown. In MBU, we returned an initial \$8m to the Crown and we expect to be in a position to return a similar amount at the end of 2023/24.
- In addition to money handed back as a result of discontinued projects, these savings have been enabled through deliberate decisions arising from an organisation restructure in 2023 which saw a net reduction of 24 roles, significant reduction in expenditure on consultants and contractors and vacancies not being filled where these are no longer required or fit for purpose.
- The Ministry's funding next year reduces by 21% compared to 2023/24. This is due to time limited funding ending and the 6.5% savings required by Government.
- We have established a Baseline Savings Programme to enable us to adjust our operating model and capability mix to respond to this financial position. The programme includes:
 - centralising recruitment, with every vacancy being scrutinised before a role is filled
 - consolidation of a number of groups and teams
 - a programme of functional / team reviews, where we consider we can achieve further operating efficiencies and baseline savings
 - review of internal policies and practices, including our sensitive expenditure policy and guidance

UNCLASSIFIED

- a renewed focus on performance management
- simplification of funding and appropriation arrangements
- The programme is designed to ensure we can continue to access an appropriate mix of capability to continue to deliver the Government’s transport priorities. Overall, we expect to see a reduction in our FTE from 242 in 2023 to approximately 220, while operating with an external advice budget of approximately \$10–12m per annum (compared to \$23m in 2022/23).
- The Ministry will report to you on progress of the Baseline Savings Programme on a monthly basis through normal meetings with officials and the weekly report as appropriate.

Recommendation

I recommend you:

- 1 **note** the Ministry’s Baseline Savings Programme, which we will discuss with you at your next meeting with the Chief Executive on Monday 29 April 2024



Brent Johnston
Chief of Staff
 24 / 4 / 24

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
Brent Johnston, Chief of Staff	s 9(2)(a)	✓
Audrey Sonerson, Chief Executive		

BASELINE SAVINGS PROGRAMME

The Ministry has returned significant funding to the Crown in 2023/24

- 1 While the exact savings required of the Ministry from 2023/24 remains subject to final Budget decisions, following early discussions with you we have been working hard to identify and implement measures that return savings to the Crown at the earliest opportunity.
- 2 Through the Vote Transport submission in MBU, the Ministry returned \$8 million departmental funding to the Crown. This consisted of departmental funding associated with a number of cancelled transport projects. It also included funding not required in this financial year due to active decisions not to engage consultants and contractors on deprioritised work, savings arising out of the organisation change in 2023, and ongoing scrutiny being applied to all vacancies before roles are put to market.
- 3 As a result of the steps already taken, we anticipate being in a position to return approximately \$8 million further at financial year end.
- 4 It is important to note that whilst this is a good result that has enabled surplus funds to be returned and used for other purposes in the immediate term, 2023/24 is somewhat of an anomaly. This is particularly the case in relation to expenditure on external advice, due to slower activity around the election period and the Ministry’s activities in the third quarter primarily being focussed on implementing the Government’s 100-day commitments for transport.
- 5 Consequently, in out-years we anticipate spend on external advice to be in the region of \$10–12m per annum as illustrated below. This is significantly below the \$23m incurred in 2022/23 (higher than normal due to Auckland Light Rail), and the 3-year average of \$16m across 2019/20–2021/22.

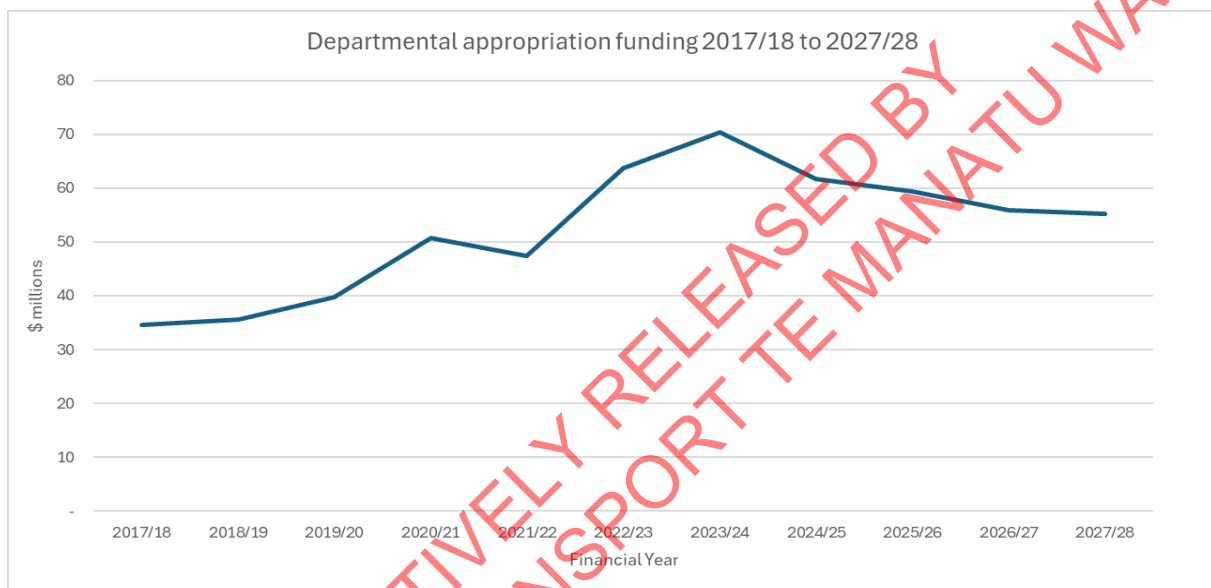
Figure 1: Consultancy and Contractor Spend



The organisation changes implemented in 2023 enable the Ministry to adjust to our new financial position

- 6 As you are aware, the Ministry's funding reduces significantly from next year, due to time limited funding ending and the 6.5% savings required of the Ministry by Government.
- 7 Changes in total departmental funding over time are shown in Figure 2 below. In total, funding from next year reduces 21% compared to original funding this year of \$78m (the graph below shows reduced funding of \$71m, which takes into account funding returned through MBU).

Figure 2:



- 8 While the exact savings expected of the Ministry are confirmed through Budget, decisions taken through the organisation change process were deliberately intended to position us to respond to our future budget position. This included:
- bringing in house some functions previously outsourced, for example project management resources, to enable these functions to be delivered more cost effectively
 - changes to group and team arrangements, which saw a net reduction of 23 roles.
- 9 Additionally, the organisation structure was designed to be flexible to respond to changing priorities. We have already utilised the flexibility of the model through taking a number of decisions to consolidate groups as a result of changes to key priorities. This has included:
- Disestablishing the Auckland Light Rail team
 - Disestablishing the Major Projects team (currently out for consultation)
 - Bringing additional roles into the Revenue work programme

- 10 If the Major Projects team is disestablished per the proposal out for consultation, a total of 15 further roles will have been removed from the organisational establishment since the organisational change.
- 11 These changes have primarily impacted vacant roles to date. Over time this will start to flow through to FTE. While we have not established an FTE target, we expect over time our staffing levels to trend towards approximately 220 FTE.

Table 1: Ministry of Transport Staff

Year (as at 31 December)	Total FTE
2017	120
2018	152
2019	161
2020	169
2021	187
2022	242
2023	241
<i>INDICATIVE ONLY</i> 2024	~220

Baseline savings programme overview

- 12 We have established a baseline savings programme, led out of the Office of the Chief Executive, to drive continued focus on our financial management and delivering value for money from the Ministry.
- 13 While a key aspect of the programme is about delivering the financial savings required of us, we need to ensure we retain an appropriate mix of skills and expertise to deliver the Government’s transport priorities efficiently and effectively. As a relatively small Ministry, this means striking an appropriate balance between the permanent staff retained at the Ministry with the capacity to engage specialist and technical external advice, which would otherwise be inefficient to retain as permanent staff. We are intending to progressively adjust our resourcing mix to enable us to operate effectively within the reduced budget position.
- 14 There are six core components to the programme, described below.

Centralising recruitment

- 15 The Senior Leadership Team (SLT) has decided we will move to a model of centralised decision-making regarding personnel. We are in the process of completing a review of vacancies, which has seen several roles removed from establishment.
- 16 After final decisions on the vacancy review, a newly established Personnel Committee will assume responsibility for reviewing every new vacancy before a role can be put to market. In addition to ensuring we maximise our personnel budget, this approach supports us to take a whole-of-organisation approach to the skills and

capabilities required by the Ministry, ensuring that resources are deployed to the highest priority work, irrespective of where a vacancy first arises.

Consolidation of groups and some teams

- 17 As you are aware, the Regulatory DCE, Bronwyn Turley, s 9(2)(a) will finish her role in May.
- 18 After careful consideration, the Chief Executive has decided to consolidate the Regulatory Group's responsibilities across other groups. While final decisions on reporting line changes are still being taken, this will see a net reduction of one role on the senior leadership team.

Programme of functional and team reviews

- 19 As part of good management practice, the Ministry periodically reviews teams and functions to confirm they are operating effectively. For example, the Ministry reviewed the Finance function last year, and has more recently completed a review of the Major Projects team, leading to the proposed disestablishment of this team which is currently out for consultation with staff.
- 20 The Ministry has established a programme of team and functional reviews that will be delivered progressively over the year. While specific proposals have not been confirmed, we consider these reviews will improve operational efficiency and deliver baseline savings. It is likely that further consolidation of teams may be possible, enabling a reduction in leadership positions.

Review of internal policies and practices

- 21 The Ministry sought feedback from staff through a staff survey about opportunities for achieving savings and delivering better value for money. One of the themes of the feedback was to review our internal policies and practices to ensure these are fit for purpose.
- 22 We are progressing reviews of our internal policies and practices, including our sensitive expenditure policy and guidance, time off in lieu policy, and alcohol and events policies. While the policy reviews are not solely driven by the need to realise baseline savings, we want to ensure that internal policy settings are appropriate for a public service department and the fiscal environment we are operating within.

Performance culture

- 23 Uplifting performance across the Ministry is a key focus and priority for the leadership team.
- 24 We have taken initial steps to clarify and communicate expectations with staff at all levels and will continue to reinforce this performance culture as we move into the next financial year.

Simplification of funding and appropriation arrangements

- 25 The Ministry has a complex range of funding sources and appropriation arrangements. While in some cases this can aide transparency in reporting, we consider the current arrangements are unnecessarily complex without adding

significant value. This is inefficient and hindering effective use of resources to drive delivery of key priorities.

- 26 We will undertake work to identify options to streamline funding and appropriation arrangements to address these inefficiencies, while maintaining appropriate controls and transparency about the use of public funds.
- 27 Simplification will help ensure we are able to remain responsive to new priorities, without the need to seek new funding (assuming the core capabilities are transferable within the Ministry – any substantially new functions would still require new funding and/or major reprioritisation decisions to be made by you).

Next steps

- 28 We will discuss this programme with you at your meeting with the Chief Executive on Monday.
- 29 Subject to incorporating any feedback you may have, we plan to communicate the Baseline Savings Programme to leadership team, staff and the Public Service Association (PSA) at a high level.
- 30 Communications beyond the leadership team will likely occur on or after Budget Day. We will liaise with your office about the specific timing and content of any communications ahead of time, on a no-surprises basis.
- 31 Given widespread media interest in baseline savings programmes across government generally, we will have a summary available that is suitable for release to external audiences if requested.

PROACTIVELY RELEASED BY
MINISTRY OF TRANSPORT, TREASURY AND WATER