

OC240435

20 May 2024



Tēnā koe 

I refer to your email dated 26 April 2024 requesting the following under the Official Information Act 1982 (the Act):

- *“Brown OC240011 1/02/2024 Seeking agreement for departmental consultation*
- *Brown OC240068 5/02/2024 Meeting with New Zealand Airports Association*
- *Brown OC240069 7/02/2024 Meeting with Mark Troughton, CEO of Freightways*
- *Brown, Doocey OC231123 7/02/2024 Meeting with Port Company CEO Group*
- *Brown OC240067 7/02/2024 New Setting of speed limits rule timeline and policy confirmation*
- *Brown OC240072 9/02/2024 Road Policing Investment Programme 2024-27*
- *Brown OC240093 9/02/2024 Fleet-wide transition to road user charges*
- *Brown OC240065 13/02/2024 Meeting with the CEO and Chair of StraitNZ, 15 February 2024*
- *Brown OC230964 14/02/2024 Initial Briefing on EV Charging Network and Infrastructure*
- *Brown OC240136 16/02/2024 Update on the ICAO audit*
- *Doocey, Brown OC240060 16/02/2024 Background to Air Services Agreements and negotiations*
- *Brown OC240140 20/02/2024 Meeting with Ministers of Finance and State-Owned Enterprises, 21 February 2024*
- *Doocey, cc Peters OC230664 20/02/2024 New Zealand – Solomon Islands outcome of Air Services negotiations*
- *Brown OC240133 20/02/2024 Meeting with General Motors on Clean Car Importer Standard*
- *Brown OC240111 20/02/2024 Meeting with TR Group’s Andrew Carpenter and Brendan King*
- *Brown OC240085 21/02/2024 North Shore Airport*
- *Brown OC230999 29/02/2024 Road safety objectives”*

Of the 17 briefings requested, eight are released with some information withheld, five are withheld in full and four are refused.

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

- | | |
|---------|---|
| 6(a) | as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government |
| 9(2)(a) | to protect the privacy of natural persons |

9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
18(d)	the information requested is or will soon be publicly available

The document schedule at Annex 1 summarises the above information.

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

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

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

Nāku noa, nā



Hilary Penman
Manager, Accountability and Correspondence

Annex 1: Document Schedule

Doc #	Reference Number	Title Of Document	Proposed Decision On Request
1	OC240011	Seeking Agreement for Departmental Consultation	Withheld in full under Section 9(2)(f)(iv).
2	OC240068	Meeting with New Zealand Airports Association	Refused under Section 18(d). The briefing is available on the Ministry's website (refer to page – 80) https://www.transport.govt.nz/assets/Uploads/AdviceProvidedtoSupportConversationswithLobbyingGroups.pdf
3	OC240069	Meeting with Mark Troughear, CEO of Freightways	Released with some information withheld under Sections 9(2)(a) and 9(2)(b)(ii).
4	OC231123	Meeting with Port Company CEO Group	Refused under Section 18(d). The briefing is available on the Ministry's website (refer to page – 90) https://www.transport.govt.nz/assets/Uploads/AdviceProvidedtoSupportConversationswithLobbyingGroups.pdf
5	OC240067	New Setting of Speed Limits Rule Timeline and Policy Confirmation	Withheld in full under Section 9(2)(f)(iv).
6	OC240093	Fleet-Wide Transition to Road User Charges	Withheld in full under Section 9(2)(f)(iv).
7	OC240072	Road Policing Investment Programme 2024-27	Released with some information withheld under Sections 9(2)(a) and 9(2)(f)(iv).
8	OC240065	Meeting with the CEO and Chair of StraitNZ, 15 February 2024	Released with some information withheld under Sections 9(2)(a), 9(2)(ba)(i) and 9(2)(f)(iv).
9	OC230964	Initial Briefing on EV Charging Network and Infrastructure	Refused under Section 18(d). This briefing will soon be published on the Ministry's website. Once published, it will be available here: https://www.transport.govt.nz/about-us/what-we-do/proactive-releases/SearchForm
10	OC240060	Background to Air Services Agreements and Negotiations	Released with some information withheld under Sections 6(a), 9(2)(a), 9(2)(b)(ii) and 9(2)(g)(i).
11	OC240136	Update on the ICAO Audit	Withheld under Section 6(a).
12	OC230664	New Zealand - Solomon Islands: Outcome of Air Services Negotiations	Released with some information withheld under Section 9(2)(a).
13	OC240133	Meeting with General Motors on Clean Car Importer Standard	Refused under Section 18(d). The briefing is available on the Ministry's website (refer to page – 121)

Doc #	Reference Number	Title Of Document	Proposed Decision On Request
			https://www.transport.govt.nz/assets/Uploads/AdviceProvidedtoSupportConversationswithLobbyingGroups.pdf
14	OC240111	Meeting with TR Group's Andrew Carpenter And Brendan King	Released with some information withheld under Sections 9(2)(a), 9(2)(b)(ii) and 9(2)(f)(iv).
15	OC240140	Aide Memoire Meeting with Ministers of Finance and State-Owned Enterprises, 21 February 2024	Released with some information withheld under Section 9(2)(a).
16	OC240085	North Shore Airport	Released with some information withheld under Sections 9(2)(a), 9(2)(f)(iv) and 9(2)(h).
17	OC230999	Road Safety Objectives	Withheld in full under Section 9(2)(f)(iv).

7 February 2024

OC240069

Hon Simeon Brown
 Minister of Transport

MEETING WITH MARK TROUGHEAR, CEO OF FREIGHTWAYS

Snapshot

Mark Troguear has invited you to discuss a range of transport matters, including revenue and investment, ^{s 9(2)(b)(ii)} [REDACTED], decarbonisation ^{s 9(2)(b)(ii)} [REDACTED]. We have provided background and suggested talking points on these policy areas.

Time and date	12.00pm – 12.30pm, 9 February 2024
Venue	Auckland Policy Office (Kauri Room)
Attendees	Mark Troguear, CEO of Freightways
Officials attending	Karen Lyons, Director Auckland
Agenda	<p>Freightways wishes to discuss:</p> <ul style="list-style-type: none"> reforming the road pricing system ^{s 9(2)(b)(ii)} [REDACTED] decarbonisation ^{s 9(2)(b)(ii)} [REDACTED].
Talking points	Talking points have been provided as Annex 1.

Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive	^{s 9(2)(a)} [REDACTED]	✓
Karen Lyons, Director Auckland	[REDACTED]	
Marian Willberg, Manager Freight and Supply Chain	[REDACTED]	

MEETING WITH MARK TROUGHEAR, CEO OF FREIGHTWAYS

Key points

- Freightways provides couriers and express delivery services and has been operating since 1964. Mark Troughear has been with Freightways since 1996 and CEO since 2018.
- Mark wants to discuss a range of transport matters, including Freightways' views on the revenue system and investment in the roading network. We have provided background information on these policy areas below and suggested talking points in Annex 1.
- Freightways supports overhauling New Zealand's road pricing system, with a user-pays focus. It also supports introducing congestion charging, starting in Auckland.
- Freightways is concerned with under-investment in New Zealand's roading network and the uncertainty created by 'on-again, off-again' decision making by central government. It supports the Roads of National Significance programme and striking long-term partnerships and funding agreements with local government entities.
- More generally, Freightways wants longer-term certainty about project pipelines and funding and policy stability. Freightways supports creating a clear pathway for private capital.
- Mark may share with you Freightways' decarbonisation journey, ^{s 9(2)(b)(ii)}

Background

Freightways supports a review and reform of the road pricing system with a user-pays focus

- 1 Freightways is a publicly listed NZX50 company, operating in the express package and business mail, information management and waste renewal industries. Its businesses, which include New Zealand Couriers and Post Haste, employ or engage approximately 4,000 people in New Zealand (and around 2,000 people in Australia).
- 2 Given its size, Freightways is likely to operate a vehicle fleet comprised of diesel trucks and light electric vehicles subject to Road User Charges (RUC), and light commercial vehicles using petrol that are subject to Fuel Excise Duty (FED). Freightways has indicated it supports a review and overhaul of New Zealand's road pricing system, focusing on a consistent user-pays system.
- 3 The Government has begun work to progress a fleet-wide transition to RUC. This will create a consistent charging system that is based on how much people travel on the roads and the weight of their vehicle. The first change to charge light electric vehicles RUC will start on 1 April 2024.
- 4 While the FED system is retained for some vehicles, it results in petrol vehicle owners contributing to the National Land Transport Fund based on the fuel economy of their vehicle (rather than their level of road use). As fuel economy of vehicles improves, in

particular for hybrid vehicles, this creates a potential revenue risk. It particularly disadvantages people with older and less fuel-efficient vehicles.

- 5 The transition to RUC is initially focused on bringing all light vehicles into the system. There may be opportunities to consider the cost allocation methodology and the amount paid by heavy vehicles, the use of technology and electronic distance charging. In particular, there were some improvements and changes to the RUC system that were proposed in 2021 through the Ministry's consultation on *Driving Change: Reviewing the Road User Charges System*. There will be opportunities through the shift of all vehicles into the RUC system to provide you with further advice on and implement some of these proposals. You may like to ask Mark what changes Freightways would seek in relation to RUC for heavy vehicles.

Freightways supports introducing congestion charging – first and foremost in Auckland

- 6 Freightways supports introducing "time of use" or congestion charging in New Zealand. It is keen to provide input to officials as work in this area progresses. Overseas examples of time of use pricing suggest that freight companies are one of the main beneficiaries. Such companies can pass the costs on but benefit from reduced light passenger vehicle traffic.
- 7 Officials are working on advice to progress time of use pricing under this Government. There will be opportunities for Freightways to engage as this work and legislative change progresses. Officials will work with Auckland Council and Auckland Transport to ensure the best scheme is designed for Auckland, as well as in other cities.

Freightways wants more investment in New Zealand's roading network

- 8 Freightways supports bringing back the Roads of National Significance programme and striking long-term partnerships and funding agreements with local government entities. Additionally, Freightways believes creating a clear pathway for private capital would be beneficial to New Zealand's economic and social success.
- 9 You may wish to mention that you plan to release the draft Government Policy Statement on land transport for public consultation shortly, and that it will prioritise new Roads of National Significance, road maintenance and pothole repair and encourage the use of alternative funding models for transport infrastructure delivery.

s 9(2)(b)(ii)

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s 9(2)(b)(ii)

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s 9(2)(b)(ii)

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Freightways is working to decarbonise its company operations and vehicle fleet

15 Mark may raise Freightways' efforts to reduce its emissions. It was named a Top 10 Carbon Reducer by Toitū Envirocare in 2020, reducing its emissions by more than 5,000 tonnes in that year. Freightways is currently assessing if there are suitable electric replacements for its courier vans and heavy vehicles.

16 The Government's approach to reducing emissions from the freight sector will be developed through the second emissions reduction plan, due at the end of 2024. You may wish to ask Mark what the main challenges are for Freightways to reduce the emissions across its freight operations, including access to suitable electric trucks.

17 Mark may raise the Road User Charge exemption for heavy electric vehicles. It was introduced to support the uptake of zero emissions heavy vehicles by lowering their operating costs and is set to expire on 31 December 2025. There are some revenue impacts from the exemption, although vehicle numbers are low. Some in industry have asked for it to be extended to 2030, to provide certainty. The Ministry can provide you with further advice and options analysis on request.

s 9(2)(b)(ii)

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s 9(2)(b)(ii)

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Biography

Mark Troghear

Mark has been the Freightways CEO since 2018, having held a range of roles with the company since 1996. These included General Manager of Post Haste in 2003 and General Manager for Freightways in 2009.



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Annex 1: Talking Points

MEETING WITH MARK TROUGHEAR, CEO OF FREIGHTWAYS

Reforming the revenue system and adding new tools

- The Government has begun work to bring all vehicles into the road user charges system. This will create a more consistent charging system based on how much people travel and their vehicle's weight.
- Our initial focus has been on bringing light electric vehicles into the RUC system, which will start from 1 April 2024. There may be opportunities to look at the RUC settings for heavy vehicles too.
- **Question:** What would Freightways seek in relation to heavy vehicle RUC?
- The Government supports introducing time of use charging in New Zealand, but this will require a law change. We want to create a framework that ensures the more efficient use of the land transport network. Any law change will include public consultation.
- We will also consider wider use of tolling and value capture rating to fund infrastructure.

Investing in roading infrastructure and options to make the system more future focused

- I am writing a new Government Policy Statement on Land Transport, and plan on releasing it for public consultation shortly. It will prioritise new Roads of National Significance, and road maintenance
- I intend to move towards a 10 year pipeline of work for the National Land Transport Programme. The Government is interested in ensuring that we provide a strong environment to encourage the use of public private partnerships for infrastructure delivery.

s 9(2)(b)(ii)

Reducing emissions s 9(2)(b)(ii)

- The government's approach to reducing transport emissions is being developed through the second Emissions Reduction Plan.
- **Question:** What are Freightways' main challenges to decarbonising freight?

s 9(2)(b)(ii)

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s 9(2)(b)(ii)



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THE OFFICIAL INFORMATION ACT 1982

9 February 2024

OC240072

Hon Simeon Brown
Minister of Transport

Action required by:
At your convenience

ROAD POLICING INVESTMENT PROGRAMME 2024–27

Purpose

This briefing provides additional context and talking points for a meeting with the Minister of Police on the Road Policing Investment Programme 2024–27.

Key points

- You met the Minister of Police on 31 January 2024 on road policing activity and funding. At that meeting Ministers requested joint advice on the Police's initial proposal for the 2024–27 road policing investment programme (RPIP) and associated funding and targets. Joint advice from the Ministry of Transport, New Zealand Transport Agency (NZTA) and Police has been provided.
- This briefing complements that advice with additional context based on the draft Government Policy Statement on Land Transport (GPS). The Ministry was not able to include this context in the joint briefing due to confidentiality requirements. Similarly, NZTA and Police have not been consulted on this briefing due to the need for confidentiality of GPS funding ranges at this time.

Status of the Road Policing Investment Programme

- Currently, the RPIP is under development. Police have developed an initial Investment Case which may need further alignment to the GPS once that is confirmed. The Ministry and NZTA have not had substantial opportunity to comment on the initial Investment Case. NZTA assurance processes have not yet been undertaken on the initial Investment Case.
- Due to the legal requirement that the RPIP reflects the GPS, you will not receive a formal recommendation from NZTA's Board until after the GPS is confirmed.

The GPS is a key enabler for the Road Policing Investment Programme

- Through the GPS 2024 process, you are setting funding levels and expectations for the coming GPS and NLTF cycle.
- The size of the Safety activity class is a key factor for the final programme that the NZTA Board will recommend. Your decisions on the GPS and funding envelope are a key lever to influence the final RPIP.

BUDGET SENSITIVE

s 9(2)(f)(iv)

- The Police initial Investment Case estimates a s 9(2)(f)(iv) NLTF investment is required over the period 2024/25–2026/27 (comprising in each year approximately s 9(2)(f)(iv). Appendix A of the joint briefing provides further details. s 9(2)(f)(iv)
- We understand that current funding in the Safety activity class of the GPS is estimated to allow s 9(2)(f)(iv).
- s 9(2)(f)(iv)
- s 9(2)(f)(iv) You may wish to direct NZTA and Police to identify further savings as soon as possible, in line with indications from your upcoming meeting with the Minister of Police.

s 9(2)(f)(iv)

• s 9(2)(f)(iv)

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

You may need to give a clear direction on the need for appropriate savings and the need to account for how money is spent by Police

• s 9(2)(f)(iv)

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

- Similarly, should you have specific expectations about areas in which to consider savings, we suggest you outline these to the Minister of Police and officials. When giving your directions, we recommend you consider the emphasis the draft GPS has

BUDGET SENSITIVE

BUDGET SENSITIVE

placed on enforcement. s 9(2)(f)(iv)

[Redacted]

- Current proposed targets are evidence-based. Increases to targets do not reflect increased funding, instead reflecting changes in operational practice. s 9(2)(f)(iv)

[Redacted]

Work is continuing to develop the Road Policing Investment Programme

- Ministerial consultation and approval of the 2024–2027 programme is expected to take place in April 2024, subject to the GPS timeframes. The current programme expires on 30 June 2024.

Recommendations

We recommend you:

- 1 **note** the Police initial Investment Case estimates a s 9(2)(f)(iv) National Land Transport Fund investment is required over the period 2024/25–2026/27

2	s 9(2)(f)(iv)	
3	[Redacted]	
4	[Redacted]	Yes / No

Bronwyn Turley

Bronwyn Turley
Deputy Secretary, Regulatory
09 / 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
Bronwyn Turley, Deputy Chief Executive, Regulatory	s 9(2)(a)	✓
Joanna Heard, Manager, Safety	[Redacted]	

ANNEX – TALKING POINTS

- I note the initial Investment Case is seeking a s 9(2)(f)(iv) investment over the life of the next programme. This is higher than transport officials were expecting.
- The programme depends on the GPS, which I am in the process of developing.
- As you will be aware, the NLTF is under significant funding pressure. I would like to consider how Police can maintain performance in road policing activity, within a constrained funding environment.
- To that end I would like to invite Police to proactively identify savings, working with NZTA. When considering savings, I expect officials to keep in mind my expectation that funding from the NLTF will be used to target policing activities to the areas of highest harm.
- I also expect that the use of NLTF funding will be increasingly transparent. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- My intention is that this process concludes by 30 June this year, to ensure that funding continues to be available for Police in the new financial year.

13 February 2019

OC240065

Hon Simeon Brown
Minister of Transport

MEETING WITH THE CEO AND CHAIR OF STRAITNZ, 15 FEBRUARY 2024

Snapshot

StraitNZ has invited you to meet to discuss Bluebridge and StraitNZ businesses. This is likely an introductory meeting for the CEO and Chair, but we anticipate they will be highly interested in discussing the Interislander ferry replacement programme given announcements made before Christmas.

Time and date	12pm, 15 February 2024
Venue	Your office, EW5.1
Attendees	Shane McMahon, CEO StraitNZ Nicki Crauford, Chair StraitNZ
Officials attending	Siobhan Routledge, Acting Deputy Chief Executive
Agenda	No specific agenda has been provided
Talking points	Talking points have been provided as Annex 1

Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive	s 9(2)(a)	✓
Marian Willberg, Manager Freight & Supply Chain		

Key points

- You are meeting with senior leadership of StraitNZ, Shane McMahon, CEO and Nicki Crauford, Chair. Shane has been CEO since February 2023 and Nicki has been Chair and Director since September 2022. Nicki was previously a director of CentrePort.
- StraitNZ is an end-to end transport business, which includes its linehaul, freight forwarding and Bluebridge businesses. StraitNZ comprises over 500 staff, 150 trucks, 70 metro vehicles, and 2 ferries which provide approximately 2,600 sailings across the Cook Strait per year (compared to 3,700 sailings for Interislander).
- Shane and Nicki are interested in providing you with an overview of StraitNZ and the important role it plays in New Zealand's supply chain. We anticipate that they are going to focus on the Bluebridge business and ask you about any developments with the Interislander ferry replacement project (project iReX). We have provided background information and suggested talking points on these topics, as well as others that Strait NZ may raise.
- You were recently briefed on the next steps of project iReX. This meeting is a timely opportunity to outline the next steps, including the creation of a Ministerial Advisory Group and the Ministry of Transport assessment of the long-term requirements for a resilient connection across Cook Strait. You could also query StraitNZ on its long-term plans as a ferry operator.

Background

StraitNZ provides a range of transport services within our supply chain

- 1 Cook Strait ferry operations first began in 1962 by KiwiRail (then New Zealand Railways Department). Competition began when StraitNZ introduced its own small livestock carrier in 1992, then a series of non-passenger roll-on roll-off (RoRo) ships from 1995, before initiating direct RoPax (RORO passenger vessel) competition in 2002 with the launch of its "Bluebridge" brand.
- 2 Bluebridge now claims approximately 56% of the key commercial vehicle market (increasing from 47% in the last decade) and 31% of passengers (increasing from 24%). Bluebridge has in the past also operated freight shipping between Wellington and Napier, and Nelson and Lyttelton.
- 3 Alongside operating two ferries on the Cook Strait, StraitNZ also owns linehaul and freight forwarding businesses. The company StraitNZ Limited was formed in 2018 with the objective of "providing an integrated transport experience that connects New Zealand". StraitNZ operate as Bluebridge Cook Strait Ferries, StraitNZ Linehaul and StraitNZ Freight Forwarding.
- 4 In November 2022, StraitNZ bought the 187-metre 2007 built ferry *Connemara* for the Cook Strait route, paying \$109.6 million to the previous owner. The purchase was funded by debt.
- 5 The ferry suffered several engine problems shortly after starting services in January 2023, leading to several cancelled sailings. ^{s 9(2)(ba)(i)}

but notes that their fleet is older and requires on-going vigilance.

StraitNZ's profits have increased substantially since its ownership sell-off

- 6 StraitNZ was acquired by Morgan Stanley on March 31, 2022, reportedly at an enterprise value of AU\$472 million.
- 7 Financial statements filed to the Companies Office show strong results for StraitNZ in 2023 since its sell-off:
 - Net profit up 59 percent to \$27.3 million
 - Revenue up 19 percent to \$247.2 million
 - Net equity up 79 percent to \$61.8 million.
- 8 Some media outlets have noted that StraitNZ's success might be correlated with KiwiRail's Interislander failings, with the market responding to various service disruptions experienced in 2022/23.
- 9 StraitNZ might ask why the Government continues to subsidise the Interislander while Bluebridge has proven to be a commercial success. You could mention that the Interislander provides a vital connection between the North and South Islands and the Ministry of Transport is exploring the market dynamics on the Cook Strait to determine the best next steps.

StraitNZ is likely to focus on any developments you can share regarding KiwiRail's iReX project

- 10 As a result of the cancellation of Project iReX the Government has announced that:
 - an expert Ministerial Advisory Group (MAG) will be established to provide the Government with independent advice on KiwiRail's ferry services.
 - the Ministry of Transport will lead an assessment of the long-term requirements for a resilient connection across Cook Strait to connect people and enable freight movements.
- 11 We understand the Treasury is in the process of appointing members to the MAG currently working through the Minister of Finance's office.
- 12 Ministry officials recently shared a briefing with you outlining a proposed approach to assessing the long-term requirements enabling a resilient Cook Strait connection (OC240031 refers).
- 13 Given the importance of this connection to the New Zealand transport system, the public and our freight sector, the Government wants to understand what conditions need to be in place to ensure a resilient connection once the Interislander fleet has reached its end of life.
- 14 The Ministry intends to answer this question by considering transport connectivity between the North and South Islands using a standard economic framework involving

identification of any market failures and the range of options to address them. It is likely that the Ministry will look to engage with StraitNZ during this process, and its assistance would be greatly appreciated.

- 15 The Ministry expects to report back to rail Ministers on the findings of its assessment in August 2024.

StraitNZ is likely to seek investment certainty from you to ascertain what it will be competing against in the future

- 16 One of StraitNZ's key challenges with its future investment decisions (green fuels or investment in vessels) is the uncertainty around what is happening with the Interislander ferries as it does not know what it will be competing with in terms of freight and passengers. We anticipate that StraitNZ will ask what your expectations are for the Interislander fleet beyond 2026/27. We recommend you mention the work programme above and note that Ministry officials will be in contact with StraitNZ to seek its input.

Other matters that StraitNZ may raise

StraitNZ has expressed a desire for the Government to choose an alternative fuel source for the heavy road freight industry

- 17 As a large linehaul company, StraitNZ has expressed a desire that government takes stronger action to determine an alternative fuel source for heavy vehicles (e.g. hydrogen, ammonia, battery electric), and supports the development of a refuelling or charging network in order to meet New Zealand's emissions reduction target.
- 18 StraitNZ recommends working with road freight operators (such as themselves) to understand vehicle range and networks to ascertain where refuelling/charging stations will be required.
- 19 We understand from Maritime NZ that StraitNZ is actively working with Centreport, as well as various green fuel providers in New Zealand and abroad to consider future sources of low emissions fuel and what that may mean for investments in its linehaul and Bluebridge businesses.
- 20 The Government's approach to reducing emissions from the freight sector will be developed through the second emissions reduction plan, due at the end of 2024. Part of this will include planning for EV charging and sustainable fuels. You may wish to ask StraitNZ what the main challenges are for reducing emissions from its linehaul and ferry business, and from its freight operations, more generally, including access to suitable electric trucks.

StraitNZ is concerned about the availability of labour

- 21 StraitNZ employs a range of staff in both the maritime and road freight sectors. It has expressed a concern that decisions need to be made in the short-term to support the supply chain sector as a viable career pathway for people to work. Embedding the right training in the tertiary education sector is seen as critical to StraitNZ.

- 22 StraitNZ has specifically noted how difficult it is to secure skilled maritime staff for its Bluebridge business which could be a limiting factor to its growth. We are aware the Manukau Institute of Technology no longer offers qualification training for various roles within the maritime sector (OC210069 refers). These decisions were in response to declining enrolment numbers.
- 23 There is a considerable shortage of domestic seafarers across many levels and officers, with most certified seafarers between 50 and 69 years of age. The trucking sector is estimated to be short of thousands of drivers, although varying estimates range between 2,400 to 8,000 drivers. According to the 2018 New Zealand Census, 60% of truck drivers were aged over 45 years.
- 24 You could mention that the Transport Sector Agreement that was announced in December 2022 included a two-year residency pathway for truck and bus drivers and critical maritime transport roles. The agreement is intended to support critical national infrastructure as the industries work towards improved pay and conditions and increased training of New Zealanders. The long-term solution is more complex and warrants further consideration.

StraitNZ is a strong supporter of a large enough dry dock to maintain its vessels

- 25 StraitNZ is interested in future decision-making around a new dry dock in New Zealand as a potential customer. Ensuring there is adequate docking available to undertake maintenance is critical for its core business and ensuring a resilient Cook Strait connection. We anticipate that StraitNZ will ask what the next steps for the work are given it is mentioned in the National-NZ First coalition agreement.

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s.9(2)(f)(iv)

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These benefits primarily relate to the increased levels of resilience and productivity to commercial and naval fleets, regional economic development in Northland, carbon abatement, and broader defence benefits (as the project could form part of a broader strategic asset with international security partners).



28

s.9(2)(f)(iv)

- 29 Note that StraitNZ was a member of the dry dock business case Expert Reference Group, and will be familiar with the draft versions of the business case.

- 30 You could say that you are yet to discuss the dry dock project with your colleagues, but that it is likely to be taken forward by the Associate Minister of Transport, Hon Matt Doocey given his delegations.

Biographies

 A portrait of a man with short dark hair, wearing a dark suit jacket over a light-colored shirt. He is looking slightly to the right of the camera.	<p>Shane has a broad background in general management, operations, sales and marketing. Shane has held several senior positions across the transport sector, including at NZ Bus and Airwork NZ. Shane has been CEO of StraitNZ since February 2023.</p>
 A portrait of a woman with shoulder-length brown hair, wearing a black top with a floral pattern. She is smiling and looking towards the camera.	<p>Nicki is an engineer with extensive governance and senior management experience in infrastructure, including ports, energy, water and telecommunications utilities. Nicki has previously been a director of CentrePort Limited. In addition to StraitNZ, Nicki is currently a director of Watercare Auckland.</p>

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Annex 1: Talking Points

KiwiRail and Cook Strait connections

- **Note:** Given StraitNZ's position in the market, we recommend you only share what is already publicly available, as set out below.
- As a result of the cancellation of Project iReX, you will be aware that the Government has announced that:
 - an expert Ministerial Advisory Group (MAG) will be established to provide the Government with independent advice on KiwiRail's ferry services.
 - the Ministry of Transport will lead an assessment of the long-term requirements for a resilient connection across Cook Strait to connect people and enable freight movements.
- We recognise this is a project of national significance and we want to get the next steps right.
- The MAG will help to ensure that there are robust plans in place to support safe, resilient and reliable services in the coming years. The establishment of the MAG also recognises that the Crown has interests that may be wider than KiwiRail's commercial interests.
- My colleagues and I are in the process of forming the MAG currently based on advice we are receiving from the Treasury and the Ministry of Transport.
- The Ministry of Transport is in the early stages of its assessment of connectivity requirements across the Cook Strait . I am expecting a report back to Ministers on the findings of this assessment in the second half of 2024.
- Ministry officials would greatly appreciate your input in this work programme, as I suspect they will have questions for you as competitor in the market.
- In the meantime, the Government expects KiwiRail to continue focusing on providing a reliable ferry service and to prioritise existing services appropriately. We are cognisant that the market has so far delivered a reliant and resilient connection between the North and South Islands and our overall goal is to ensure this can continue.
- **Question:** What kind of growth do you expect on the Cook Strait? Is StraitNZ well prepared to serve forecast demand? Is port infrastructure a limiting factor to your growth?
- **Question:** I note that Bluebridge has grown its market share quite substantially over the last decade. What factors do you think have led to your success?
- **Question:** Bluebridge appears to cater more towards the freight sector than passengers – is this a specific business decision?

Various other matters StraitNZ may raise

Alternative fuels

- The Ministry of Transport is exploring three alternative fuel options to support the heavy road freight sector – electric, hydrogen, and biofuels. I am aware that each fuel presents opportunities and challenges to help reduce greenhouse gas emissions from road freight in New Zealand.
- The Government's approach to reducing emissions from the freight sector will be developed further through the second emissions reduction plan, due at the end of 2024.
- **Question:** What are StraitNZ's main challenges to reduce emissions across its freight operations, including access to suitable electric trucks. How is the decarbonisation challenge different across your road and maritime businesses?

Labour issues

- I am very aware of the challenges the transport sector faces with regards to finding adequate and skilled labour. A Transport Sector Agreement was announced in December 2022. This included a two-year residency pathway for truck and bus drivers, and critical maritime transport roles.
- I can appreciate this is only a short-term fix and that more consideration is needed for any long-term solutions.
- **Question:** I am interested in your thoughts on how the Government can support industry to address labour needs longer term? I am also interested in what steps industry is taking to attract labour?

Dry dock

- I have not yet discussed the Northport dry dock project with relevant Ministers. This issue is likely to be taken forward by the Associate Minister of Transport, Matt Doocoy.



16 February 2024

OC240060

Hon Matt Doocey
Associate Minister of Transport

cc Hon Simeon Brown
Minister of Transport

BACKGROUND TO AIR SERVICES AGREEMENTS AND NEGOTIATIONS

Purpose

Provide information to assist you in your role as Minister with responsibility for air services agreements (ASAs) and negotiations - a responsibility that has close connections to your Tourism and Hospitality portfolio.

Key points

- International air services are vital to New Zealand's global connectivity.
- The Ministry of Transport is the lead agency for the negotiation of ASAs.
- We have followed a successful policy of negotiating open skies ASAs. These give airlines the flexibility to respond rapidly to changing market conditions and to take up new opportunities. We have open skies ASAs with most of our major tourism markets, and with the governments of hub airlines that provide connections around the world.
- There are, however, some ASAs we have with a few trading partners that are less than optimal. The issues with these agreements are long-standing and have no easy resolution. We continue to work with the Ministry of Foreign Affairs to find solutions.

Recommendation

We recommend you **note** the contents of this briefing on New Zealand's air services agreements and negotiations.

A handwritten signature in black ink, appearing to read "Bronwyn Turley".

Bronwyn Turley
Deputy Chief Executive – Regulatory

..16... / ..02.... / .2024.....

Hon Matt Doocey
Associate Minister of Transport

..... / /

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

Comments

Contacts

Name	Telephone	First contact
Bronwyn Turley, Deputy Chief Executive - Regulatory	s 9(2)(a)	✓
Ken Hopper, Senior Licensing Adviser		

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BACKGROUND TO AIR SERVICES AGREEMENTS AND NEGOTIATIONS

Background

1. Under an international system dating back to the 1940s, airlines are able to operate international services only where the right to do so has been expressly permitted in a bilateral air services agreement (ASA) or one of a number of multilateral agreements. An ASA is required for both passenger and cargo-only scheduled services.
2. Among other things, ASAs set out the routes airlines may operate and the amount of capacity they are entitled to provide. Aviation safety and security articles are standard, as are provisions relating to “doing business” matters such as the establishment of local offices, employment of staff and the repatriation of earnings.
3. New Zealand’s long-standing International Air Transport Policy promotes the negotiation of ASAs that will increase New Zealand’s global connectivity.
4. One aspect of the Policy is that officials are required to take into account the particular needs of Pacific Island countries. The small size of their markets, and the high costs associated with operating an airline, present Pacific Island countries with significant challenges in attracting and maintaining air service links. Samoa is a particular example. It previously had an international airline capable of operating to New Zealand and Australia, but is now dependent on the airlines of other countries, especially Air New Zealand.

Drivers for negotiating ASAs

5. Due to the success we have had in negotiating open skies agreements that provide adequate levels of airline access with New Zealand’s principal tourism markets, the impetus for future air services negotiations will largely be:
 - responding to a request for negotiations from an existing air services partner (as occurred in 2023 with Solomon Islands (on which we are preparing a separate briefing for you and the Minister of Foreign Affairs), or a prospective new partner
 - responding to a request from a New Zealand airline seeking an air services opportunity that does not currently exist
 - proactively seeking to address unresolved issues with air services partners, e.g., France (discussed at paragraph 28 below).

Code-sharing

6. Code-sharing is a marketing tool that enables an airline to sell tickets under its flight designator, e.g., NZ for Air New Zealand and QF for Qantas, on flights operated by another airline. Code-sharing benefits airlines by:

- Allowing the sale of a through ticket, which appears higher on computer reservation systems than a ticket sold by sectors. For example, Air New Zealand can sell a through Auckland – Frankfurt ticket in code-share partnership with Singapore Airlines, where Air New Zealand operates the Auckland – Singapore sector and Singapore Airlines the Singapore – Frankfurt sector. A ticket sold showing different airlines for the two sectors would appear lower in a computer reservation system and would be less likely to sell.
 - Enabling them to offer services to destinations they cannot viably operate with their own aircraft. Air New Zealand, for example, places its code on flights to a wide range of destinations in Asia, Europe and North America that are operated by its partner airlines.
 - Generating additional traffic to bolster otherwise thin routes. For example, when Air New Zealand operated to Buenos Aires otherwise empty seats could be filled by passengers coming from flights operated by Aerolineas Argentinas to Brazil and Colombia on which Air New Zealand sold tickets under a code-share arrangement. Such code-sharing was possible due to ASAs negotiated by New Zealand with each of Brazil and Colombia.
7. Because it is an exercise of traffic rights between countries, an ASA is required before code-share services can be offered.

Air services and tourism

8. The tourism industry's contribution to the country's economy would be severely limited without the international flights made possible by New Zealand's ASAs.
9. ASAs are in place with all New Zealand's major tourism source markets. Many of these are open skies agreements, i.e., there are no restrictions on the number of flights, the routes to be operated or on the origin/destination of traffic that may be carried.
10. Significant open skies agreements include those with Australia, Canada, the United Kingdom and the United States (the latter under the *Multilateral Agreement on the Liberalization of International Air Transportation*, which also includes Brunei, Chile, Cook Islands, New Zealand, Singapore, Tonga and, on a cargo-only basis, Mongolia).
11. The ASA with China, on the other hand, provides for 70 passenger services per week for the airlines of each side. There are no restrictions on the number of cargo-only flights.
12. A notable feature of New Zealand's international aviation profile, but not uniquely so, is that a number of the most significant airlines in terms of numbers carried are not from tourism source markets. Airlines that are well positioned geographically in the Middle East and Southeast Asia, but from countries with small domestic markets, use this advantage to link different parts of the globe. Emirates Airline, Qatar Airways and Singapore Airlines are in this category. As is Abu Dhabi-based Etihad, which operates to Australia but code-shares to New Zealand.

13. This helps explain why no European airlines operate to New Zealand and why Air New Zealand ceased flying to London (and, earlier, to Frankfurt). For European carriers, New Zealand represents a long, thin route that would support only a limited number of services. Economic rationale makes for passengers to be carried by mid-point airlines that can aggregate passengers. European carriers participate in the New Zealand market through code-sharing on those mid-point carriers, e.g., Spanish carrier Iberia code-shares on Qatar Airways' New Zealand services.
14. Expanding our existing ASAs or entering into new ASAs with emerging markets (following a commercial decision by airlines to operate direct flights to New Zealand) is likely to increase the volume of international arrivals, which could grow the export value of international tourism. However, tourism stakeholders, academics and the media have indicated social licence concerns about increasing the volume of international visitor arrivals. There is especial regard to the carbon emissions of international aviation, and the impact of visitation on local communities and the environment.
15. Any expansion of ASAs and/or increase in direct flight numbers is likely to increase the volume of tourists visiting New Zealand, and may exacerbate these concerns.

Looking ahead

16. We will put a priority on new or amended agreements where the current arrangements are standing in the way of an airline commencing or expanding services. Under the provisions of ASAs, we have a treaty-level obligation to meet with existing bilateral partners if they request it.
17. s 9(2)(b)(ii)

18. There are a number of cases (notably Hong Kong – mainland China, metropolitan France and Japan,) discussed below, where Air New Zealand is interested in offering services, but the partner government is not willing to engage.
19. Two airlines we are watching are:
 - Thai Airways has not returned to New Zealand after ceasing services at the outset of COVID-19. We do not know the reason for this, but the airline had long been a significant contributor to New Zealand's international connectivity. Tourism officials at the Ministry of Business, Innovation and Employment (MBIE) are seeking further information about this from the Ministry of Foreign Affairs and Trade (MFAT).
 - Turkish Airlines has been expanding rapidly over the past decade. It has an extensive international route network, and a well-placed hub at Istanbul's new airport. The airline has announced plans to start services to Australia in 2024 and may consider operating to New Zealand. Turkish Airlines could be expected to compete, particularly with Emirates and Qatar Airways, in the New Zealand – Europe market and to grow the size of this.
20. There are no New Zealand-imposed regulatory barriers to services by the two airlines.

Some particular air services matters

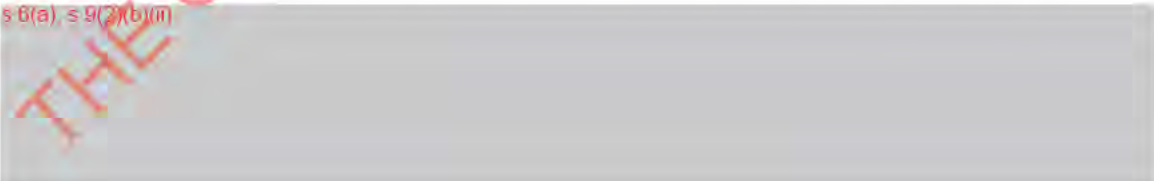
Association of Southeast Asian Nations (ASEAN)

21. In September 2023, we achieved a long-sought objective with the negotiation of an ASA with ASEAN. This will replace New Zealand's individual ASAs with each of the ten ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam). The ASEAN ASA was sought for two main reasons:
- The individual ASAs with ASEAN members range from some of our most open to some of our most restrictive. The ASEAN ASA lifts the overall quality of New Zealand's air services arrangements with the ASEAN members.
 - Although individual ASAs do not differ significantly in substance, they can in the detail, e.g., as relates to aviation safety and security and doing business matters. The ASEAN ASA standardises these different provisions, thus simplifying matters, particularly for New Zealand airlines operating to ASEAN members.
22. Because it is a multilateral treaty, the ASEAN ASA requires Cabinet approval. This involves preparing a National Interest Analysis (NIA). Officials will prepare the NIA together with the accompanying Cabinet paper, for your signature.

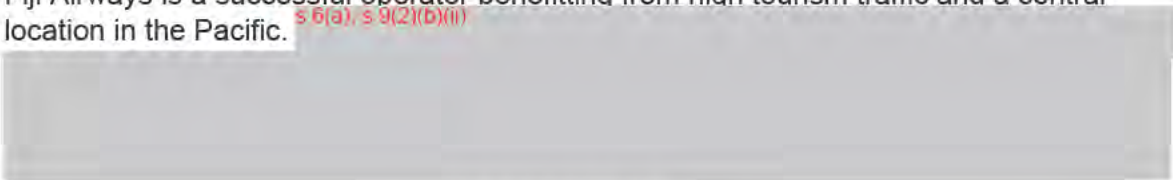
China

23. Further to air services negotiations in 2017, New Zealand airlines have the right to operate 70 passenger services per week to China, and Chinese airlines have the right to operate 70 passenger services per week to New Zealand.
24. Air New Zealand currently operates a daily service to Shanghai.
25. Currently, four Chinese carriers operate a total of 50 services per week. A fifth Chinese carrier, Sichuan Airlines, has advised it intends to resume services to Auckland in April 2024, after exiting the route at the start of the pandemic. Sichuan Airlines has yet to advise how many services per week it intends to operate. If Chinese carriers' growth returns to pre COVID levels, an amendment to the air services arrangements may become necessary.

26. s 6(a), s 9(2)(b)(ii)




Fiji

27. Fiji Airways is a successful operator benefitting from high tourism traffic and a central location in the Pacific. s 6(a), s 9(2)(b)(ii)
- 


France

28. New Zealand's 1967 ASA with France provides for services to New Caledonia and French Polynesia, but not to metropolitan France. The ASA allows Air France to operate to New Zealand from France, but Air New Zealand can neither operate its own aircraft nor code-share in the opposite direction. ^{§ 9(2)(b)(i)}
- 

India

29. Further to new inter-governmental arrangements concluded with India in August 2023, Air New Zealand now has the ability to code-share to the important traffic-generating market of New Delhi with its preferred partner, Singapore Airlines. ^{§ 9(2)(b)(i)}
- 

ir New Zealand has code-shared, for a number of years, to six other destinations in India on services operated by Singapore Airlines.

30. MFAT is leading efforts to encourage Air India to commence non stop services to New Zealand by 2026. This would greatly benefit Indian students studying in New Zealand, and those visiting friends and relatives. ^{§ 9(2)(d)(i)}
- 

Japan

31. Japan is one of the key visitor markets to New Zealand. Air New Zealand currently operates ten services per week to Tokyo's Narita Airport. The airline would prefer to operate to Haneda Airport which is closer to downtown Tokyo and also offers better connections to domestic services on which Air New Zealand could code-share. Haneda, however, is capacity constrained and obtaining slot allocations there at customer-friendly times is difficult. No Japanese airline operates to New Zealand, but Japan Airlines and All Nippon Airways both offer code-share services.

South America

32. Air New Zealand ceased services to Buenos Aires at the onset of COVID-19, and has not indicated it will resume flights. Chile's LATAM provides the only direct air service between New Zealand and South America, with a service to Auckland that continues to Sydney. Because the Australian market is larger, there is a possibility that LATAM may choose to cease operating to Auckland in favour of flying non-stop to Sydney. There would then be no direct services between New Zealand and South America, which would be a setback to the overall relationship with the continent.

New Zealand international airlines

33. In addition to Air New Zealand, three other New Zealand airlines are licensed to operate scheduled international services:

- Air Chathams holds a licence under which it operates services between Auckland and Norfolk Island. The licence is flexible enough to allow the airline to expand services to and within Australia, if it wished to do so.
- Airwork, based in Auckland, currently operates domestic freight services in Australia under contract to Toll Holdings. These services utilise rights granted under New Zealand's ASA with Australia.
- Texel Air was licensed in 2023. ^{s 9(2)(b)(ii)} [REDACTED] Texel, which has a related and longer-established cargo airline company in Bahrain (both founded by New Zealander John Chisholm), may consider services to other international destinations ^{s 9(2)(b)(ii)} [REDACTED].

Consultation

34. A draft of this paper was shared with MBIE (Tourism Environment and Economy), and comments received are incorporated.

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20 February 2024

Hon Matt Dooney

Associate Minister of Transport

cc Rt Hon Winston Peter

Minister of Foreign Affairs

OC230664

Action required by:

Monday, 4 March 2024

NEW ZEALAND - SOLOMON ISLANDS: OUTCOME OF AIR SERVICES NEGOTIATIONS

Purpose

Approve the text of the replacement air services agreement negotiated with Solomon Islands on 19/20 July 2023, and agree to its signature by New Zealand.

Key points

- Officials have negotiated an open skies air services agreement with Solomon Islands. Services that might result from the Agreement would enhance New Zealand's international connectivity and assist Solomon Islands' development goals.
- Cabinet has delegated to the Ministers of Transport and Foreign Affairs the authority to approve the outcome of air services negotiations, including any resulting treaty action (CAB-22-Min-0162 refers).
- This paper recommends that you approve the text of the Agreement with Solomon Islands and agree that New Zealand sign the Agreement.
- There are no specific risks associated with the Agreement.

Recommendations

We recommend you:

- 1 **note** that in early 2023, the then Associate Minister of Transport and Minister of Foreign Affairs authorised officials to meet with their Solomon Islands counterparts for air services negotiations
- 2 **note** that New Zealand and Solomon Islands officials have negotiated the *Agreement between the Government of New Zealand and the Government of Solomon Islands Concerning Air Services* ("the Agreement"), that would replace the Agreement of the same name signed in 1990
- 3 **note** that, on 30 January 2024, the Minister of Foreign Affairs decided that the

Agreement is not a major bilateral treaty of particular significance and, therefore, need not be subject to the Parliamentary treaty examination process

- 4 **approve** the text of the Agreement (attached, together with the accompanying Yes / No Memorandum of Arrangement), subject to any minor and/or technical changes arising from the process of legal verification
- 5 **agree** that New Zealand sign the Agreement Yes / No
- 6 **note** that the Agreement will enter into force upon signature
- 7 **note** that, in accordance with the mandate issued to New Zealand officials, the Agreement is being applied on an administrative basis effective 20 July 2023
- 8 **note** that this paper is required to be agreed upon by both the Associate Minister of Transport and the Minister of Foreign Affairs.



Bronwyn Turley
Deputy Chief Executive - Regulatory
 19/ 02 / 2024

Hon Matt Dooceyr
Associate Minister of Transport
 ____ / ____ / 2024

Rt Hon Winston Peters
Minister of Foreign Affairs
 ____ / ____ / 2024

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

Comments

Contacts

Name	Telephone	First contact
Bronwyn Turley, Deputy Chief Executive - Regulatory	s 9(2)(a)	✓
Ken Hopper, Senior Licensing Adviser		

NEW ZEALAND - SOLOMON ISLANDS- OUTCOME OF AIR SERVICES NEGOTIATIONS

1. We propose that Ministers approve, and authorise for signature, the *Agreement between the Government of New Zealand and the Government of Solomon Islands Concerning Air Services* ("the Agreement").

Background

2. Solomon Islands requested the negotiations with a view to securing the rights for Solomon Airlines to code-share to New Zealand on its partners Qantas and Air Vanuatu. The former Minister of Foreign Affairs, Hon Nanaia Mahuta, and Solomon Islands Minister of Foreign Affairs and External Trade, Jeremiah Manele, agreed to upgrade our two countries' Air Services Agreement during Minister Manele's visit to New Zealand in October 2022.
3. Under an international system dating back to the 1940s, airlines are able to operate international services only where the right to do so has been expressly permitted in a bilateral air services agreement or one of the limited number of multilateral agreements.
4. Among other things, air services agreements set out the routes airlines may operate, the amount of capacity they are entitled to provide and the origin/destination of the traffic they can carry. Aviation safety and security articles are standard, as are provisions relating to "doing business" matters such as the establishment of local offices, employment of staff and the repatriation of earnings.
5. New Zealand's long-standing International Air Transport Policy promotes the negotiation of air services agreements that will increase New Zealand's global connectivity. The Policy includes a statement in regard to the South Pacific that:

New Zealand is aware of the particular air transport needs of the Forum Island Countries, and in particular, the need for further development of air transport links and infrastructure. We will continue to take a flexible approach toward the negotiation and implementation of air services arrangements with them.
6. New Zealand is a long-standing partner to Solomon Islands in the aviation sector through our international development cooperation. The upgraded Agreement complements our existing support to Solomon Islands in airport infrastructure, aviation management reform, and safety and security equipment and training.

The outcome of the negotiations

7. Solomon Islands responded positively to New Zealand's proposal for a forward-looking air services agreement. The negotiations proceeded smoothly and resulted in one of the most liberal air services agreements that we have negotiated. In particular, it permits the airlines of both sides to operate domestic services in the other country, where this is the continuation of an international service (a right that is rarely granted by any country). In practical terms, this would mean a New Zealand airline could, for example, link the capital Honiara, on Guadalcanal, with a destination on another island within Solomon Islands.
8. The Agreement also provides for:
 - 8.1 no restrictions on capacity

8.2 route and traffic rights that permit the airlines of both sides a high degree of flexibility and opportunity

8.3 flexible airline ownership provisions

8.4 flexible tariff filing provisions

8.5 code-sharing provisions, including with third-country carriers, with unrestricted capacity and route rights

8.6 standard aviation safety and aviation security provisions.

9. Although we do not expect airlines to start operating services with their own aircraft anytime soon, the Agreement does allow for New Zealand airlines to offer dedicated services, especially cargo-only, between Solomon Islands and third countries such as Australia. There are New Zealand operators that would be capable of providing such a service, which would promote competition and otherwise assist Solomon Islands' greater participation in international trade.

Parliamentary treaty examination and entry into force

10. On 30 January 2024, the Minister of Foreign Affairs decided the Agreement with Solomon Islands need not be subject to the parliamentary treaty examination process because it is not a major bilateral treaty of particular significance, in accordance with Standing Order 405.
11. The Agreement will enter into force upon signature. However, in accordance with the mandate issued to New Zealand officials, the Agreement is being applied on an administrative basis, effective 20 July 2023.

Risks

12. Aviation safety and security are addressed through the inclusion in the Agreement with Solomon Islands of internationally accepted standard provisions relating to those two areas. Any airline operating to/from New Zealand is required to meet stringent safety and security standards before being granted the appropriate operating certificate by the Director of Civil Aviation, in addition to the requirements applied in its home state (where relevant).
13. A 'whole of government' approach will be applied, as required, to manage any potential risks at the border from the increased flight and passenger arrivals that arise from the new air services opportunities. Border agencies (the New Zealand Customs Service, the Ministry of Business, Innovation and Employment, and the Ministry for Primary Industries) are concerned with ensuring that airlines licensed to fly to New Zealand can and do meet New Zealand's legislative requirements for advance information provision (Passenger Name Record data and Advance Passenger Processing information), to enable effective risk assessment and management of passengers.
14. As Solomons Airlines will not be using its own aircraft in the short-to medium term, but will instead codeshare with airlines already flying here, these risks do not arise.
15. Should Solomons Airlines at some future stage decide to fly here, Ministry of Transport officials routinely ensure that information on new air services is shared as soon as possible with interested departments. Prospective new airlines are advised as soon as

possible of the range of requirements that the New Zealand Government has for passenger processing. The Ministry of Transport also advises any new airlines to engage with the border agencies as soon as possible to ensure that airlines will be compliant with regulatory requirements before services commence.

Signing

16. Subject to ministerial approval, officials will explore opportunities to sign the Agreement at the earliest opportunity.

Consultation

17. This briefing was prepared in consultation with the Ministry of Foreign Affairs and Trade, which agrees with the recommendations.

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20 February 2024

OC240111

Hon Simeon Brown
Minister of Transport

MEETING WITH TR GROUP'S ANDREW CARPENTER AND BRENDAN KING

Snapshot

TR Group has invited you to discuss heavy transport decarbonisation, the role of hydrogen, and opportunities and barriers in this sector. TR Group is a major leaser of zero-emissions heavy vehicles (ZEHVs) and has enabled many companies to trial ZEHVs in New Zealand.

Time and date	8.00am – 9.00am, 23 February 2024
Venue	TR Group, 781 Great South Road, Penrose, Auckland 1061
Attendees	Andrew Carpenter, Managing Director for TR Group Brendan King, Group General Manager for TR Group
Officials attending	Richard Briggs, EECA Group Manager Homes, Transport, Government
Agenda	TR Group wishes to discuss: <ul style="list-style-type: none"> • decarbonisation of heavy transport • hydrogen as a zero-emissions vehicle fuel • TR Group's experience leasing zero-emissions heavy vehicles.
Talking points	Talking points are provided as Annex 1.

Contacts

Name	Telephone	First contact
Siobhan Routledge, Acting Deputy Chief Executive	s 9(2)(a)	✓
Marian Willberg, Manager Freight and Supply Chain		

MEETING WITH TR GROUP'S ANDREW CARPENTER AND BRENDAN KING

Key points

- TR Group specialises in the rental, lease and maintenance of heavy commercial vehicles. It is active in New Zealand and Australia. Andrew Carpenter founded the company in 1992. Brendan King has worked there for over 20 years, and now leads its fleet decarbonisation work. You will meet them at TR Group's Auckland premises.
- TR Group owns approximately 10 percent of New Zealand's front-line heavy vehicle fleet. It is a leader in decarbonising heavy transport. Among its commercial fleet, TR Group leases about fifty battery electric trucks and light commercial vehicles to New Zealand companies that want to trial zero-emissions vehicles and learn about the technology.
- TR Group is also supporting zero-emissions hydrogen fuel cell electric vehicles (FCEVs) in New Zealand. It has ordered 20 Hyzon FCEV trucks (expected to be delivered by the end of the year), which will use Hiringa Energy's hydrogen fuelling network (expected to be operational by April 2024).
- Government co-funding has supported several TR Group decarbonisation projects through the Energy Efficiency and Conservation Authority's (EECA) Low Emissions Transport Fund (LETF). Annex 2 provides more information on these projects.
- TR Group wishes to share its experiences supporting the decarbonisation of heavy transport. This briefing provides background information and talking points.

Background

Decarbonising New Zealand's freight system by shifting to cleaner vehicles, fuels, and modes, will have a significant impact on the country's transport emissions.

- 1 Heavy road vehicles play a critical role in New Zealand's freight system, carrying 75 percent of freight by tonne-km and 93 percent by volume in 2017/18. While only 4 percent of vehicles, they create around 25 percent of transport emissions and these emissions are expected to continue to rise.
- 2 In the short term, there are fewer viable vehicle and fuel alternatives currently available for heavy vehicles. However, several models are now commercially available and the range of options will increase over time.
- 3 To date, EECA's LETF has been the primary tool supporting industry to trial zero-emissions heavy vehicles (ZEHVs).¹ This has successfully demonstrated that these vehicles can operate safely and productively on New Zealand roads. There are 562 ZEHVs in New Zealand's fleet of around 188,000 heavy vehicles. In 2023, 136 ZEHVs entered the fleet, of which 99 were buses.²

¹ There are two main types of zero-emissions heavy vehicles, depending on the engine type: Battery electric vehicles (BEVs) and hydrogen fuel cell electric vehicles (FCEVs).

² See <https://www.transport.govt.nz/statistics-and-insights/fleet-statistics/monthly-mv-fleet/>

TR Group has made a significant investment in ZEHVs

TR Group was founded in 1992 by Managing Director Andrew Carpenter

- 4 TR Group is a privately held commercial heavy vehicle lease and rental company. It employs staff across 10 branches in New Zealand and 6 branches in Australia. It has a fleet of around 8,500 heavy commercial vehicles.
- 5 TR Group has been a pioneer in zero-emissions vehicles in New Zealand and has enabled other companies to trial such vehicles through its leasing fleet. TR Group's zero-emissions vehicles range from electric light commercial vehicles, electric heavy vehicles (around 50 vehicles) and hydrogen FCEVs.
- 6 Given its experience with both electric and hydrogen-fuelled heavy vehicles, you may wish to ask TR Group what it sees as the major barriers and opportunities for adoption of each technology in New Zealand.

TR Group's experience with battery electric heavy vehicles

- 7 Since 2017, EECA has supported TR Group in various demonstrations of heavy battery electric vehicles across different sectors that have shown promising replicability. For example, in 2021 EECA supported NZ Post to trial electric FUSO eCanter small trucks across its delivery network. This was on a leasing arrangement with TR Group. The project enabled NZ Post to roll out low carbon technology across its delivery network. See Annex 2 for full project details.
- 8 TR Group may raise the lack of public charging infrastructure, shorter vehicle range and higher cost premium as barriers to battery electric heavy vehicles uptake.

TR Group's progress on hydrogen-powered heavy vehicles

- 9 TR Group is also progressing with some hydrogen FCEVs. Hydrogen FCEVs are seen by TR Group as an option to overcoming the current challenges around the large electricity supply needed to charge multiple heavy vehicles simultaneously. Sufficient electricity supply is currently seen as a more significant barrier to heavy electric vehicle uptake than the recharging time or range of these vehicles.
- 10 TR Group has ordered 20 Hyzon hydrogen FCEV trucks. This was supported by \$2 million in co-funding from EECA. The 58-tonne trucks will be powered by green hydrogen with the only emissions being water vapour. The trucks will contribute emissions savings of approximately 5,000 tonnes of CO₂ every year. TR Group will make these available to customers by way of a Fully Maintained Operating Lease, including fuel. We understand these vehicles will be operational by the end of 2024. These vehicles will refuel using Hiringa Energy's four green hydrogen refuelling stations. Hiringa expects these stations to be operational by the end of April 2024.³
- 11 You might like to ask about the level of interest TR Group is seeing from its customers in hydrogen FCEV trucks.

³ These stations will be in Hamilton, Palmerston North, Tauranga and South Auckland.

Key challenges and opportunities of transitioning the heavy vehicle fleet to ZEHVs

- 12 Engagement with industry has highlighted key challenges to transitioning New Zealand's heavy vehicle fleet to ZEHVs:
- electricity network capacity constraints
 - high purchase price of ZEHVs
 - limited vehicle availability
 - gaps in expertise among smaller fleet operators
 - uncertainty around hydrogen fuel supply and pricing.⁴
- 13 However, the transition to ZEHVs also presents opportunities, such as public charging and shared depot facilities as well as incorporating freight hubs at existing transport sites. The Freight Decarbonisation Fund and Low Emissions Heavy Vehicle Fund were designed to support industry through these barriers s 4(2)(f)(iv)
- 14 We think that TR Group may raise on-going government co-funding of ZEHVs and argue that the pace at which solutions to these barriers are unlocked to accommodate heavy vehicle decarbonisation could be accelerated with government intervention.



TR Group may raise other work related to increasing uptake of ZEHVs

- 15 TR Group may raise its support for extending the Road User Charge exemption for heavy electric vehicles, at least for larger trucks until they are more commonly purchased. The exemption was introduced to support the uptake of zero-emissions heavy vehicles by lowering their operating costs and is set to expire on 31 December 2025. There are some revenue impacts from the exemption, although existing vehicle numbers are low. Some in industry have asked for the exemption to be extended to 2030, to provide certainty on which to invest in these vehicles. The Ministry can provide you with further advice and options analysis on request.
- 16 Industry has raised concerns about truck front axle mass limits impeding uptake of zero-emissions heavy vehicles. Front axle mass limits on New Zealand roads are set by the Land Transport Rule: Vehicle Dimensions and Mass (VDAM) 2016. Vehicle settings also limit the configuration and length of ZEHVs in comparison to international markets.
- 17 Several vehicle manufacturers and distributors, such as Scania and Volvo, have told officials that existing regulations restrict the use of battery electric trucks in New Zealand. They have said they must customise vehicles to take weight off the front axle, which can result in payload loss of 1-2 tonnes and is preventing their use in the heaviest applications, and that such regulatory barriers are not found elsewhere. The Ministry and NZTA are currently working with industry to get a clear understanding of these barriers and how to address them.

⁴ See Annex 3 for more information.

- 18 Some other policy options that could be considered to enable industry to transition to ZEHVs are including heavy vehicle charging within the *Supercharging EV Infrastructure* work programme and introducing CO₂ emissions standards for trucks equivalent to the Clean Car Standard. The Ministry can provide you with further advice and analysis on request.

Biographies

<p>Andrew Carpenter</p> <p>Andrew founded TR Group in 1992 and is its Managing Director. He has worked in the transport industry his whole career.</p>	
<p>Brendan King</p> <p>Brendan is the Group General Manager for TR Group. He has been with the company for 24 years and in the transport industry for over 30 years. Brendan leads TR Group's fleet decarbonisation work. You met Brendan briefly at a dinner held by MP Greg Fleming prior to the General Election.</p>	

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Annex 1: Talking Points

MEETING WITH TR GROUP'S ANDREW CARPENTER AND BRENDAN KING

- The Government's approach to reducing transport emissions is being developed through the second Emissions Reduction Plan.
- **Question:** Given your experiences with both electric and hydrogen-fuelled heavy vehicles, what do you see as the major barriers and opportunities for adoption of each technology in New Zealand?

Road User Charges for heavy vehicles

- The Government has begun work to bring all vehicles into the road user charges system. This will create a more consistent charging system based on how much people travel and their vehicle's weight.
- Our initial focus has been on bringing light electric vehicles into the RUC system, which will start from 1 April 2024. There may be opportunities to look at the RUC settings for heavy vehicles too.
- **Question:** What would TR Group seek in relation to heavy vehicle RUC?

Vehicle Dimension and Mass Rules

- We will need to make sure that our policies and rules enable the industry to innovate and invest in new technologies.
- **Question:** What would TR Group seek in relation to Vehicle Dimension and Mass Rules?

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Annex 2: Previous Government co-funded projects with TR Group

TR Group has been a direct and indirect recipient (through vehicle leasing arrangements) of several LETF vehicle projects, outlined in the table below.

Date	Recipient	Project description	Funding information
January 2024	Holcim Ltd	<p>Two electric trucks for cement delivery demonstration</p> <p>Holcim NZ will demonstrate two different Battery Electric Trucks in bulk cement deliveries in Auckland, with the aim of demonstrating the advantages of electric trucks to the cement sector.</p>	<p>EECA funding: \$0.500m Total project cost: s 9(2)(b)(ii)</p>
December 2023	NZ Post Ltd	<p>Mercedes-Benz eActros 300 electric truck demonstration</p> <p>NZ Post and Keith Andrews will demonstrate a Mercedes-Benz eActros 300 electric truck, loaning the truck to a variety of freight companies for trialling during the initial three months of the project.</p>	<p>EECA funding: \$0.235m Total project cost: s 9(2)(b)(ii)</p>
May 2023	Reliance Transport Ltd	<p>One electric truck with reach stacker and fork hoist</p> <p>Supporting Reliance Transport to purchase and operate a reach stacker and 16 tonne forkhoists and install a microgrid to enable a 350kW charger.</p>	<p>EECA funding: \$0.500m Total project cost: s 9(2)(b)(ii)</p>
March 2022	Fletcher Concrete and Infrastructure Ltd	<p>New Zealand's first battery-swap electric concrete mixer truck</p> <p>Supported Firth Industries to deploy New Zealand's first electric battery-swap concrete mixer truck to operate in Penrose.</p>	<p>EECA funding: \$0.359m Total project cost: s 9(2)(b)(ii)</p>
August 2021	NZ Post Limited	<p>One electric truck for NZ Post delivery trial</p> <p>Piloting a Fuso eCanter electric truck in the NZ Post delivery network to assess and demonstrate light e-truck capability in operational conditions. Learnings have enabled NZ Post to incentivise and roll out low carbon technology in the transport and delivery networks.</p>	<p>EECA funding: \$0.240m Total project cost: s 9(2)(b)(iii)</p>
August 2021	FUSO NZ Ltd and Christchurch City Council	<p>Four electric trucks to encourage zero exhaust emission area across delivery service companies</p> <p>Supporting the purchase of Four FUSO eCanter battery electric trucks to encourage a zero-exhaust emission area for a group of delivery service companies delivering to commercial shopping properties in the Papanui Shopping District and in the Christchurch Airport Shopping District. On-route truck charging infrastructure was also installed at optimum site locations.</p>	<p>EECA funding: \$0.417m Total project cost: s 9(2)(b)(ii)</p>
August 2021	FUSO NZ Ltd. and Christchurch City Council	<p>Five electric trucks for civil construction and maintenance service demonstration</p> <p>The project involves five civil construction and maintenance service companies, which are suppliers to Christchurch City Council, using specialist battery electric trucks to perform their contracted services. All equipment/plant use from these vehicles has zero exhaust emissions.</p>	<p>EECA funding: \$0.445m Total project cost: s 9(2)(b)(ii)</p>

IN CONFIDENCE

August 2021	Reliance Transport Ltd	<p>Two electric trucks supporting Reliance to reach carbon negativity</p> <p>Supporting Reliance to add two SCANIA electric trucks to help their business become the first fully electrified carbon negative on-road freight solution in NZ.</p>	<p>EECA funding: \$0.500m Total project cost: s 9(2)(b)(ii)</p>
July 2021	Fletcher Distribution Ltd	<p>Two electric trucks purpose-built for construction industry demonstration</p> <p>Supporting Fletcher Distribution Ltd to test the viability of two FUSO eCanter electric trucks with electric powered tippers to deliver construction materials within EV trucks as part of their existing metro operations in Auckland and Christchurch.</p>	<p>EECA funding: \$0.218m Total project cost: s 9(2)(b)(ii)</p>
July 2021	Carr & Haslam	<p>One electric truck for vehicle delivery demonstration</p> <p>Supporting the trial of FUSO eCanter truck delivering single motor vehicles to demonstrate that vehicle recovery from breakdowns/enforcement is possible using E-trucks in the proposed Emissions Area.</p>	<p>EECA funding: \$0.139m Total project cost: s 9(2)(b)(ii)</p>
February 2021	Hyundai Motors New Zealand Limited	<p>Five hydrogen trucks for demonstration</p> <p>Support Hyundai NZ Ltd to purchase and deploy an initial fleet of five XCIENT 19-tonne zero emission Hydrogen FCEV trucks into New Zealand and enter real-world daily logistics operation with TR Group & TIL Logistics Group, utilising the Hiringa Energy & Waitomo Group Hydrogen refuelling infrastructure.</p>	<p>EECA funding: \$0.500m Total project cost: s 9(2)(b)(ii)</p>
February 2021	Fuso Ltd (Queen St zero emission zone)	<p>Five electric trucks operating in Auckland Zero Emissions Area (ZEA)</p> <p>Supporting Fuso to carry out a one-year e-truck trial with five Fuso eCanter trucks and chargers with major transport companies in the proposed Auckland Transport Queen Street Valley Zero Emissions Area (ZEA). The project will generate data collected by EROAD and insights to inform future policy development for implementing the ZEA for urban freight, and high visibility.</p>	<p>EECA funding: \$0.500m Total project cost: s 9(2)(b)(ii)</p>
February 2021	GreenCycle Ltd	<p>One electric truck for green waste recycling demonstration</p> <p>GreenCycle Ltd will replace a diesel truck and diesel chipper with an electric hiab (a vehicle-mounted crane) and tipper truck for their green waste recycling business in Auckland. This project will demonstrate to arborists and landscapers the on-site charging of electric chainsaws from the e-truck.</p>	<p>EECA funding: \$0.088m Total project cost: s 9(2)(b)(ii)</p>
October 2020	Higgins Contractors	<p>Slow charger project</p> <p>Supporting the purchase of one slow charger, for a project that included TR Group (vehicles not funded).</p>	<p>EECA funding: \$0.032m Total project cost: s 9(2)(b)(ii)</p>
September 2019	The Warehouse Group	<p>Four electric trucks for The Warehouse Group home delivery demonstration</p> <p>Supporting The Warehouse Group to demonstrate the capability of electric trucks for daily customer deliveries across Auckland, Christchurch, Hawkes Bay, and Manawatu. Each truck will drive upwards of 250km per day, visiting up to 4,000 customers per year.</p>	<p>EECA funding: \$0.257m Total project cost: s 9(2)(b)(ii)</p>

IN CONFIDENCE

IN CONFIDENCE

January 2019	TR Group	<p>Six electric trucks and charging infrastructure for freight industry</p> <p>Supporting TR Group to purchase three (of six for total project) curtainsider freight trucks available for hire to the general freight market, with charging infrastructure installed at their Auckland yard. Vehicles are promoted in the general freight market, enabling the logistics sector to try the technology at low risk.</p>	<p>EECA funding: \$0.350m Total project cost: s 9(2)(b)(ii)</p>
January 2019	Sanford Ltd	<p>One electric van and charging infrastructure for refrigerated delivery demonstration</p> <p>Supported Sanford to trial a SEA E4V Van for refrigerated electric delivery van to support the delivery of seafood throughout Auckland. Two 32 public EV chargers were installed adjacent to Auckland Fish Market to support greater uptake of EVs within the Wynyard Quarter and beyond.</p>	<p>EECA funding: \$0.040m Total project cost: s 9(2)(b)(ii)</p>
January 2018	Container Co	<p>Three electric trucks for shipping container transportation</p> <p>Supported ContainerCo to introduce an electric truck to its logistics terminals in Auckland and Tauranga to move shipping containers to port, rail and customers. These routes operate through dense urban areas during the day with peak traffic. By introducing electric heavy vehicles into this section of the supply chain, ContainerCo have converted a significant percentage of the container movements in Auckland and Tauranga to electric, reducing noise and emissions.</p>	<p>EECA funding: \$0.100m Total project cost: s 9(2)(b)(ii)</p>
September 2017	Civic Ltd	<p>Two electric trucks for waste collection and street cleaning</p> <p>Supported Civic Limited to purchase two 10-tonne BEVs and supporting charging infrastructure. One electric compactor truck was fitted for waste collection and the other was fitted for street and facilities cleaning.</p>	<p>EECA funding: \$0.250m Total project cost: s 9(2)(b)(ii)</p>

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Annex 3: Key challenges and opportunities of transitioning heavy vehicles to ZEHVs

EECA has provided further detail about the key challenges and opportunities for ZEHVs.

Challenges

- **Electricity network capacity constraints:** there are electricity generation constraints and high costs due to the quantum of energy necessary to support high volumes of trucks at depot recharging facilities. This is the case for charging infrastructure and hydrogen electrolyzers and is even greater for smaller companies on leased land arrangements.
- **High upfront cost:** fleet operators make investment decisions based on a vehicle's total cost of ownership (TCO). ZEHVs have a high upfront cost. The low operating cost of electric vehicles means they generally have an attractive TCO relative to diesel (low upfront cost, high operating cost) and hydrogen (high upfront cost, high operating cost) alternatives.
- **Limited vehicle availability:** there is often up to 12-month lead time on factory orders, with additional time required to make operational changes so vehicles are fit for purpose. There's also limited (if any) second-hand options of ZEHVs due to market being in its infancy. This further disincentivises uptake as freight operators fear regulatory settings could change by the time vehicles arrive.
- **Gap in expertise among smaller fleet operators** More than 55% of vehicles in the road freight industry operate as small fleets (fewer than five vehicles). The largest freight companies such as s 9(2)(b)(ii), have or are developing in-house expertise on investment requirements and opportunities in new technology, international regulations and innovations, but the smaller fleets may lack access to this knowledge or capital. As freight market efficiency improves over time, those smaller fleets risk losing contracts through not meeting newer requirements.

Opportunities

- **Public charging and shared depot facilities:** there are opportunities to support public charging facilities within new transport hubs (i.e. Ruakura) with, and for businesses to collaborate in shared charging projects to dilute the cost barrier and other challenges related to connecting to the grid.
- **Incorporating freight hubs at existing transport sites:** many airports and ports (s 9(2)(b)(ii)) are considering the use of their land and investigating incorporating a freight hub serviced by onsite renewable electricity generation to overcome issues associated with network capacity constraints.
- **Government support:** the pace at which solutions to these barriers are unlocked to accommodate heavy vehicle decarbonisation could be accelerated with government intervention. Industry could benefit from expertise, coordination, and targeted investment to overcome the high upfront costs associated with the transition. The Freight Decarbonisation Fund and Low Emissions Heavy Vehicle Fund have been designed to target investment towards supporting industry through these barriers (EECA 2024 BRF 002 refers).

20 February 2024

OC Number: OC240140

Hon Simeon Brown

Minister of Transport

AIDE MEMOIRE: MEETING WITH MINISTERS OF FINANCE AND STATE-OWNED ENTERPRISES, 21 FEBRUARY 2024

To: Hon Simeon Brown, Minister of Transport

From: Siobhan Routledge, Acting Deputy Chief Executive

Date: 20 February 2024

Summary/Purpose

- 1 You are meeting with the Minister of Finance and Minister for State Owned Enterprises from **12-12.30pm on Wednesday 21 February**. The purpose of the meeting is for Ministers to meet with the members of the Ministerial Advisory Group (MAG) to discuss expectations and working assumptions before the MAG's work begins.
- 2 The Minister of Finance may also want to discuss:
 - the assessment of the long-term requirements for a resilient Cook Strait which the Ministry of Transport (the Ministry) is leading, and
 - the intersection between the MAG and the Ministry's work - how these two work programmes will best work together given there may be some overlap.

The Ministerial Advisory Group is tasked with providing independent advice and assurance

- 3 The MAG will provide Ministers with independent assurance over KiwiRail's advice on, and approach to, ferry services on the Cook Strait. The meeting will give further clarity on what the MAG will provide advice to Ministers on but is likely to include issues such as:
 - the approach taken and independent assurance obtained by KiwiRail in relation to ongoing operations and maintenance of its ferries to meet safe and reliable service levels for the remaining life of the existing fleet (including around service configuration),
 - the KiwiRail Board's consideration of strategic choices it faces when deciding the scope and scale of its inter-island business beyond 2026/27 (including alignment with its rail business and risk appetite),

- the KiwiRail Board's consideration of the most cost-effective options to provide a reliable, resilient and safe ferry service beyond 2026/27, and
 - any additional considerations or complementary measures that could support resilience in the short- to medium-term beyond those considered by KiwiRail.
 - in coordination with the Ministry, alternative ownership and funding options to provide a reliable and safe ferry service for the Cook Strait.
- 4 The Treasury have also recommended that, while the scope and purpose of the MAG include advising on the safety, reliability, and future options for KiwiRail's inter-island services, it consider areas wider than just the ferry procurement options, including:
- the wider operating environment including the roles and responsibilities of the ports, the regulators and other shipping operators,
 - broader economic impacts and benefits, i.e., what is best for New Zealand, and the fiscal and affordability impacts for the Crown and
 - the fit with KiwiRail's role as a national freight provider.
- 5 For the avoidance of doubt, the purpose of the MAG is not to assume any of the responsibilities of the KiwiRail Board or act in any capacity as a board member of KiwiRail. As an SOE, KiwiRail will continue to be responsible for its inter-island service and to its passenger and freight customers and KiwiRail Board members remain responsible for their board duties

Membership of the Ministerial Advisory Group was recently announced

- 6 The Minister for State Owned Enterprises confirmed membership of the MAG on 15 February 2024, which will comprise of:
- **Mark Thompson**, Chair. Mark is the Chief Executive of Nelson Airport Ltd and has a detailed understanding of the InterIslander Cook Strait ferry business from his role as GM InterIslander 2015-2019 and the long term future plans developed at the time.
 - **Mark Cairns**, member. Mark is a director of Freightways, Auckland International Airport, and Sanford Limited. He was Chief Executive of Port of Tauranga from 2005 – 2021, Chief Executive of Toll Owens Limited and Owens Cargo Company Limited.
 - **Roger Sowry**, member. Roger is a professional director with a wide range of Board expertise in private, listed and Government business. He is also a former Member of Parliament and Cabinet Minister, having served at Parliament for 15 years.

The Ministry of Transport is assessing of the long-term requirements for a resilient Cook Strait connection

- 7 Given the importance of the Cook Strait connection to the New Zealand transport system, the public and our freight sector, the Ministry of Transport wants to understand

what conditions need to be in place to ensure a resilient connection once the Interislander fleet has reached its end of life (2026/27).

- 8 The Ministry intends to answer this question by considering transport connectivity between the North and South Islands using a standard economic framework involving identification of any market failures and the range of options to address them.
- 9 The Ministry is proposing to divide this work programme into two phases:
 - Phase one would identify any significant impediments or “market failures” that would prevent the market responding to a hypothetical exit of KiwiRail in a timely manner to maintain a resilient connection. The Ministry intends to report back to Ministers in May 2024.
 - Phase two will identify options for ensuring an ongoing resilient connection beyond 2026/27 with a report-back to Ministers in August 2024. The options we identify will depend on the results of Phase one – we expect that it will look at alternative ownership and funding models, including consideration of KiwiRail’s longer-term role in delivering ferry services.
- 10 In completing this work, the Ministry will consider a range of passenger and freight demand forecasts, possible market responses (including other North-South Island connections that can substitute for the Cook Strait connection including coastal shipping), relevant international experience, and impacts on the wider transport system.
- 11 We are currently in the process of establishing a Steering Group to support us in this work. This will comprise of the Treasury, New Zealand Transport Agency, and Maritime New Zealand. We will seek feedback on the draft Terms of Reference from members of the Steering Group so we can finalise it. Once final it will be published on the Ministry website. The Ministry is also developing a plan for engagement with key stakeholders.

The Ministry of Transport plans to support the work of the MAG, enabling alignment of these two workstreams

- 12 We have worked with Treasury to ensure the two work programmes are complementary. However, there is some risk of gaps or duplication between the work of the MAG and the assessment being carried out by the Ministry, particularly on the wider areas (paragraph 4 above).
- 13 To mitigate these risks about the wider system, economic impacts, and the role of KiwiRail the Ministry will work with Treasury to support the work of the MAG, while the Treasury will be a part of the Ministry’s Steering Group. The Ministry will also consult with the MAG on its Phase one findings on potential market failure before sending final advice to you. The Ministry will also coordinate with the MAG on analysis informing Phase two findings which will assess amongst other things the need for any government subsidy (if significant market failures are identified) and the appropriateness of relying on KiwiRail to deliver ferry services beyond 2026/2027.
- 14 A key issue is how we adequately respond to requests from the MAG while still delivering on our own work programme. The Ministry has prepared a briefing pack for

the MAG which provides key pieces of information such as the Domestic Transport Costs and Charges Study¹ and the National Freight Demand Study.

- 15 It is unlikely that the Ministry has the resource available to provide bespoke data and modelling information for the MAG, but we can identify where that information may already be available and provide advice on who could be commissioned to produce that work for the MAG. Treasury has a budget for this work which, subject to Treasury's discretion, could be used to commission data or modelling information. KiwiRail will also open up its data room for the both the MAG and the Ministry's work.

Contacts

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

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¹The Domestic Transport Costs and Charges Study identified all the costs imposed by the domestic transport system on the wider NZ economy and the countervailing burdens, including the charges faced by transport system users. Its outputs aim to improve understanding of the economic, environmental and social costs associated with different transport modes, for freight and person movements, principally by road, rail and urban public transport.



21 February 2024

OC240085

Hon Simeon Brown**Minister of Transport**

NORTH SHORE AIRPORT

Purpose

To provide background on the North Shore Airport's (the Airport's) application for airport authority status under the Airport Authorities Act 1966. You requested a briefing after you received an invitation from the Airport which refers to this application. You subsequently declined the Airport's invitation.

Key points

- On 23 June 2020, North Shore Airport made an application to the Ministry of Transport for airport authority status under the Airport Authorities Act 1966 (the Act).
- The Airport is a small aero club owned aerodrome that supports several aviation businesses including air transport and flying schools. It has plans for expansion.
- Airport authority status is not necessary for the development of an airport but provides powers that can make the process easier.
- The Ministry provided advice on the application and the Minister (Hon Michael Wood) attended a community meeting to help inform his decision. Ultimately the Ministry recommended airport authority status be granted, but advised it was open to the Minister to make a different decision.
- The Minister decided not to recommend that the Governor-General grant airport authority status to the Airport. His reasons included concerns about the Airport being a helpful addition to the network, future infrastructure requirements, and a lack of sufficient community consultation by the Airport.
- The Airport wrote to the subsequent Minister (Hon David Parker) requesting a review of the decision.

- s 9(2)(h)

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

Recommendations

We recommend you:

- 1 **Note** that North Shore Airport requested that Hon David Parker review the decision by Hon Michael Wood to not recommend that the Airport be granted airport authority status under the Airport Authorities Act 1966
- 2 **Note** that no review of the decision was undertaken prior to the New Zealand General Election on 14 October 2023

3 s 9(2)(f)(iv)



Bronwyn Turley
Deputy Chief Executive – Regulatory Group
 .20/ .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
Bronwyn Turley, Deputy Chief Executive – Regulatory Group	s 9(2)(a)	✓
Matthew Green, Chief Legal and Procurement Manager		

NORTH SHORE AIRPORT

North Shore Airport is a small aero club owned airfield

- 1 North Shore Airport (the Airport) is owned by North Shore Aero Club Incorporated.
- 2 The Airport is a small regional airport located at 270/284 Postman Road, Dairy Flat, and has been operated for over 60 years. The Airport is currently used for private general aviation operations, flight training and light commercial airline services. Its sealed runway is 791 meters long (which compares to around 2,000 meters at Wellington Airport).
- 3 The airport has plans for expansion including scheduled commercial services

North Shore Airport applied for Airport Authority Status in 2020

- 4 On 23 June 2020, the Airport applied to the Ministry of Transport for airport authority status under the Airport Authorities Act 1966 (the Act).
- 5 The Airport indicated that its interest in authority status was to help protect its status as an airport. The Airport viewed airport authority status as a way to keep pace with the changing operational environment and as an important step for its development.

Airport authority status supports, but is not necessary to develop an airport

- 6 While airport authority status is not needed to develop an airport, the additional powers it provides may support such plans.
- 7 Airport authority status provides airports with powers, responsibilities, and obligations under a range of New Zealand legislation. It allows airports to make bylaws (subject to approval by the Minister of Transport) and is one step in the process of obtaining access to the Public Works Act 1981. There are over 30 airports in New Zealand operating under airport authority status, ranging from international airports through to smaller airfields.

8 s 9(2)(h)



The previous Minister considered the application through a series of advice and meetings

The initial application

- 9 Following community consultation, the Ministry advised Minister (Hon Michael Wood) that there was no evidence that the Airport would not be able to satisfactorily carry out the responsibilities of an airport authority (OC210040 refers).

- 10 There was a risk of opposition from the community. Concerns raised during consultation largely centred around aircraft noise and lack of community engagement.¹ However, submissions were roughly divided in half between those supporting and opposing the proposal.
- 11 We recommended that the Minister agree that airport authority status should be conferred on the Airport.

Further advice

- 12 The Minister asked for further advice from the Ministry.
- 13 The Ministry advised that modest growth of the Airport would have a neutral to slightly positive impact in contributing to the transport outcomes strategic framework, the proposal would not have a negative impact on housing, and local impacts were appropriately dealt with by local planning processes (OC210685 refers)
- 14 The advice also noted that: (OC210991 refers)
- The potential increase in greenhouse gas emissions from any proposed expansion of activities at the Airport with the introduction of commercial flights is expected to be minimal.
 - The locations of the current network of airports in New Zealand was largely driven by developments in aircraft technology, military requirements and increasing recognition of domestic (and international) air transport, not the result of strategic design.
- 15 The Ministry recommended that the Minister agree that airport authority status should be conferred on the Airport, subject to the condition that it should be required to comply with the statutory obligations of an airport company (most airport authorities are companies whereas North Shore Aero Club is an incorporated society).
- 16 The Minister subsequently attended a community meeting to help inform his decision about whether to recommend the granting of airport authority status to the Airport.

The Minister declined the application

- 17 The Ministry provided the Minister with further advice summarising the factors which may be considered when assessing an application for airport authority status, largely reiterating the advice detailed above (OC220569 refers).
- 18 This advice set out the broad discretionary power, as outlined above, and concluded that while the Ministry's recommended approach remains to approve the decision, it would be open to the Minister to not grant the application.
- 19 The Minister decided not to recommend that the Airport be granted airport authority status. The Minister indicated concerns about the following:
- Whether the Airport would be a helpful addition to the network,

¹ Similar concerns were raised by the West Auckland community during consultation in 2019 when West Auckland Airport (Parakai) applied for Airport Authority Status. West Auckland Airport was granted Airport Authority Status in 2020 by the then Minister of Transport, Hon Phil Twyford.

- What the infrastructure requirements would be if the Airport grew, and
- Whether there has been sufficient consultation with the community about the Airport's future plans.

The airport sought a review of the Minister's decision

20 The Airport wrote to the subsequent Minister (Hon David Parker) requesting a review of the decision.

21 s 9(2)(h)

s 9(2)(f)(iv)

22 A decision on the Airport's request for a review was not made prior to the New Zealand General Election on 14 October 2023. The decision on whether to recommend to the Governor-General to grant airport authority status now sits with you.

23 s 9(2)(f)(iv)

24

25

The Civil Aviation Act 2023 will make changes to the process for the future

26 For your awareness, the Civil Aviation Act 2023 will replace the Act when it comes into force on 5 April 2025. Once this happens, airports can apply to the Secretary of Transport for registration, rather than to the Minister for authorisation. The Ministry has previously advised that the Airport could apply again under the new provision. The Airport would like the issue considered ahead of that timeframe.

27 Under this new provision, the Secretary is explicitly required to consider specified factors, including whether registration is consistent with the purpose of the Civil Aviation Act 2023.