

OC241111

18 October 2024

Dear 

I refer to your email dated 20 September 2024, requesting information under the Official Information Act 1982 (the Act) related to the Public Service Commission's (PSC's) Performance Improvement Review (PIF) of the Ministry of Transport (the Ministry). You asked for:

1. *"Please provide the full email chain between Martin Kessick and Audrey Sonerson discussing the review, as referred to in your previous response.*
2. *Please provide the 10 emails you previously withheld discussing 'the development and finalisation of the content of the review', along with anything redacted in the emails you've already released that were redacted on the grounds that the review had yet to be made public."*

The 11 emails you have requested are released with some information withheld. Note that no information withheld from the emails previously released to you (our reference OC240891) was withheld on the grounds that the review had yet to be made public.

To provide some context for the material being released I would like to note that the Ministry's PIF process began in mid 2023. Over this time there were a number of changes in context, notably the general election in October 2023 and a restructure in the Ministry. This made the reviewers task challenging as the information they collected had to be adapted to reflect the new context.

Most of the Ministry's comments and engagement were on a draft version that needed further updating to reflect the changes in context as well as normal feedback processes that inform these types of reviews. The final version presents an agreed documented position and set priorities to address by the Ministry and the PSC.

The document schedule at Annex 1 details how the emails released to you have been treated. The following sections of the Act have been used:

- | | |
|------------|---|
| 9(2)(a) | to protect the privacy of natural persons |
| 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 |

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 so the information contained in our reply to you may be published on the Ministry's website. Before publishing we will remove any personal or identifiable information.

Kind regards,

A handwritten signature in black ink, appearing to read 'Chris Nees', written in a cursive style.

Chris Nees
Acting Chief of Staff

Annex 1 - Document Schedule

Doc#	Date	Description	Decision on release
1	15/07/2024	Email from Martin Kessick to Audrey Sonerson Subject: Finalising the Performance Improvement Review	Released with some information withheld under section 9(2)(a) and some content marked out of scope.
2	6/10/2023	Email and attachments from Andrew Squires to Audrey Sonerson Subject: Capability Review - material for Mondays discussion on the preliminary findings Attachment: "Agency Capability Review of Te Manatū Waka – Ministry of Transport. Preliminary Findings and What we heard – MoT Capability Review"	Released with some information withheld under section 9(2)(a).
3	1/03/2024	Email from Doug Craig to Audrey Sonerson et al Subject: Draft Agency Capability Review Report Attachment: "Agency Capability Review for the Ministry of Transport 1: March 2024"	Released with some content marked out of scope.
4	5/04/2024	Email and attachment from Martin Kessick to Audrey Sonerson Subject: Capability Review Meeting Attachment: "Approach to Discussion with Reviewers"	Released in full.
5	09/04/2024	Email and attachment from Audrey Sonerson to Martin Kessick Subject: Capability review Attachment: Memo from Chris Nees and Anastasia Lagoutaris to Audrey Sonerson re "Agency Capability Review: Ministry of Transport Feedback to PSC"	Released with some information withheld under sections 9(2)(a) and 9(2)(g)(i).
6	22/04/2024	Email and attachment from Audrey Sonerson to Doug Craig et al Subject: Feedback on the draft Attachment: "Agency Capability Review for the Ministry of Transport: 1 March 2024"	Released with some information withheld under section 9(2)(a).

Doc#	Date	Description	Decision on release
7	24/04/2024	Email and attachment from Chris Nees to Doug Craig et al Subject: RE: Feedback on the draft Attachment: "Net Departmental Revenue"	Released with some information withheld under section 9(2)(a).
8	28/05/2024	Email from Chris Nees to Doug Craig et al Subject: RE: Feedback on the draft	Released with some information withheld under section 9(2)(a).
9	21/06/2024 2.56pm	Email from Audrey Sonerson to Martin Kessick Subject: Proposed Ministry response to the PIF	Released in full.
10	21/06/024 2.58pm	Email from Audrey Sonerson to Martin Kessick Subject: Whoops - and here's the remaining feedback	Released with some information withheld under section 9(2)(a).
11	25/07/2024	Email from Audrey Sonerson to Martin Kessick Subject: RE: Finalising the Performance Improvement Review Attachment: Two texts dated 12 July 2024	Released with some information withheld under section 9(2)(a).

Out of Scope

From: Martin Kessick <Martin.Kessick@publicservice.govt.nz>
Sent: Monday, July 15, 2024 8:54 AM
To: Audrey Sonerson <A.Sonerson@transport.govt.nz>
Cc: Brent Johnston <B.Johnston@transport.govt.nz>
Subject: Finalising the Performance Improvement Review

Kia ora Audrey

Further to our text exchange on Friday, here is a summary of the responses, material and process that I was referring to;

1. Lead Reviewers Comments

As mentioned, we forwarded the comments in your email of 21 June to the Lead Reviewers for them to consider. This is a summary of what they shared with us in response;

- The Lead reviewers noted that on their System Teams proposal, they had consistently heard from Ministry staff (as well as external stakeholders) about the challenges the Ministry had in attracting subject matter knowledge and technical expertise. The Lead Reviewers suggested the system team concept as an approach that would help address that challenge. They stated that the report identified system teams as a possible solution and didn't suggest it would fit every situation.
- On turnover, the Lead Reviewers noted that the Ministry had high turnover for several years, compared to both the public service average and individual agencies (including, the second highest turnover rate across all Public Service Departments for 2022/23). If the Ministry has more recent data showing a significant reduction in its turnover rate (perhaps because of the impact of the Fiscal Sustainability Programme on public service recruitment and retention) that could readily be noted in the report.
- Diversity was only one aspect of workforce that was identified, and certainly not the main issue. The Lead Reviewers noted that they were not suggesting that the end goal of the workforce strategy was diversity, and they didn't think that point was being made in the report.

Your feedback on the model and process suggested that the report should *”be much more practical about what things like ‘system leadership’ look like in practice and what it is it specifically that the reviewers think MoT is not doing or where it needs to improve.”* The Lead Reviewers noted that ‘System lead on transport’ is how the Ministry describes its role on its website. They didn’t think it appropriate for them to define that role further and remain comfortable that this is something the Ministry needs to work out with their system partners (particularly given the changing context of a new government & Minister).

The Lead Reviewers will not be making further changes to the report (although we do have some minor amendments to ensure recent developments are captured (such as the finalisation of the GPS for Land Transport)).

2. PSC Draft Response

I’ve attached a copy of the Commissions draft response to the review. We welcome any comments on the draft by the end of the week in which you return from leave, Friday 26 July.

3. MOTs Agency Response

This is the Ministry’s response, and you are obviously free to frame it as you choose. The response does provide an opportunity (as with the recent MPP & IR Performance Improvement Review responses) to address the future focus areas described in the report, as well as identifying the specific actions or areas of improvement that it will take (for example under the ‘three key challenges’ that you identified). There are comments about improving programme & project management, effective internal financial management and effective people management processes, but no specific actions are identified.

The Ministry has again likened its role to that of the ‘*conductor* of the transport system’. We note that your description of the ‘conductor’ role is similar to how the ‘system lead on transport’ role is described in the report e.g. aligning, coordinating and monitoring the transport system. Given there are no references to the Ministry being a ‘conductor’ on its website or other printed material and that the term doesn’t resonate with stakeholders, is it helpful for the Ministry to introduce that terminology into the report?

4. Next steps and proposed timeline

The high-level timeline to finalise the report is;

- MoT provides PSC with any feedback on the PSC draft Agency response to the Review by COP Friday 26 July.

- MoT consider PSC comments on the Ministry's draft Agency response and provide any update by COP on Friday 26 July.
- PSC provide MoT with the final draft report (updated with minor amendments & context changes) as soon as it is ready.
- PSC provide MoT with the draft ministerial briefing for the Minister for the Public Service on Monday 29 July (to subsequently be provided to the Minister of Transport).
- PSC – update the report based on Ministerial feedback.
- PSC – work with the Ministry to go through a process of finalising and publishing the report – by end of August

Ngā mihi,

Martin Kessick (he/him)

Kaikōmihana Tautāwhi | Assistant Commissioner

Te Aromātai Whakatatutukitanga | System & Agency Performance

waea pūkoro: s 9(2)(a) imēra: Martin.Kessick@publicservice.govt.nz



Te Kawa Mataaho
Public Service Commission

Te Kawa Mataaho Public Service Commission

www.publicservice.govt.nz | www.govt.nz



Confidentiality notice: This email may be confidential or legally privileged. If you have received it by mistake, please tell the sender immediately by reply, remove this email and the reply from your system, and don't act on it in any other way. Ngā mihi.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Irene Kilford

From: Andrew Squires <Andrew.Squires@publicservice.govt.nz>
Sent: Friday, 6 October 2023 11:03 am
To: Audrey Sonerson
Cc: Doug Craig; Brendan James Boyle; Martin Kessick; Rob Anderson; Thor Gudjonsson
Subject: Capability Review - material for Mondays discussion on the preliminary findings
Attachments: Preliminary Findings - MoT ACR FINAL.pptx; What we heard - quotes from the interviews - final 6 Oct 23.docx

Follow Up Flag: Follow up
Flag Status: Completed

Kia ora Audrey,

Attached is the Preliminary Findings document which Brendan and Doug will be discussing with you on Monday morning.

Also attached is a "What we heard" document which captures unattributed quotes from the Lead Reviewer interviews held during September.

Ngā mihi, Andrew

Andrew Squires ([he/him](#))

Kaitohutohu Mātāmua | Principal Advisor to Deputy Commissioner

Te Aromātai Whakatutukitanga | System and Agency Performance Group

waea pūkoro s 9(2)(a) **īmēra:** andrew.squires@publicservice.govt.nz



Te Kawa Mataaho
Public Service Commission

Te Kawa Mataaho Public Service Commission

www.publicservice.govt.nz | www.govt.nz



Confidentiality notice: This email may be confidential or legally privileged. If you have received it by mistake, please tell the sender immediately by reply, remove this email and the reply from your system, and don't act on it in any other way. Ngā mihi.



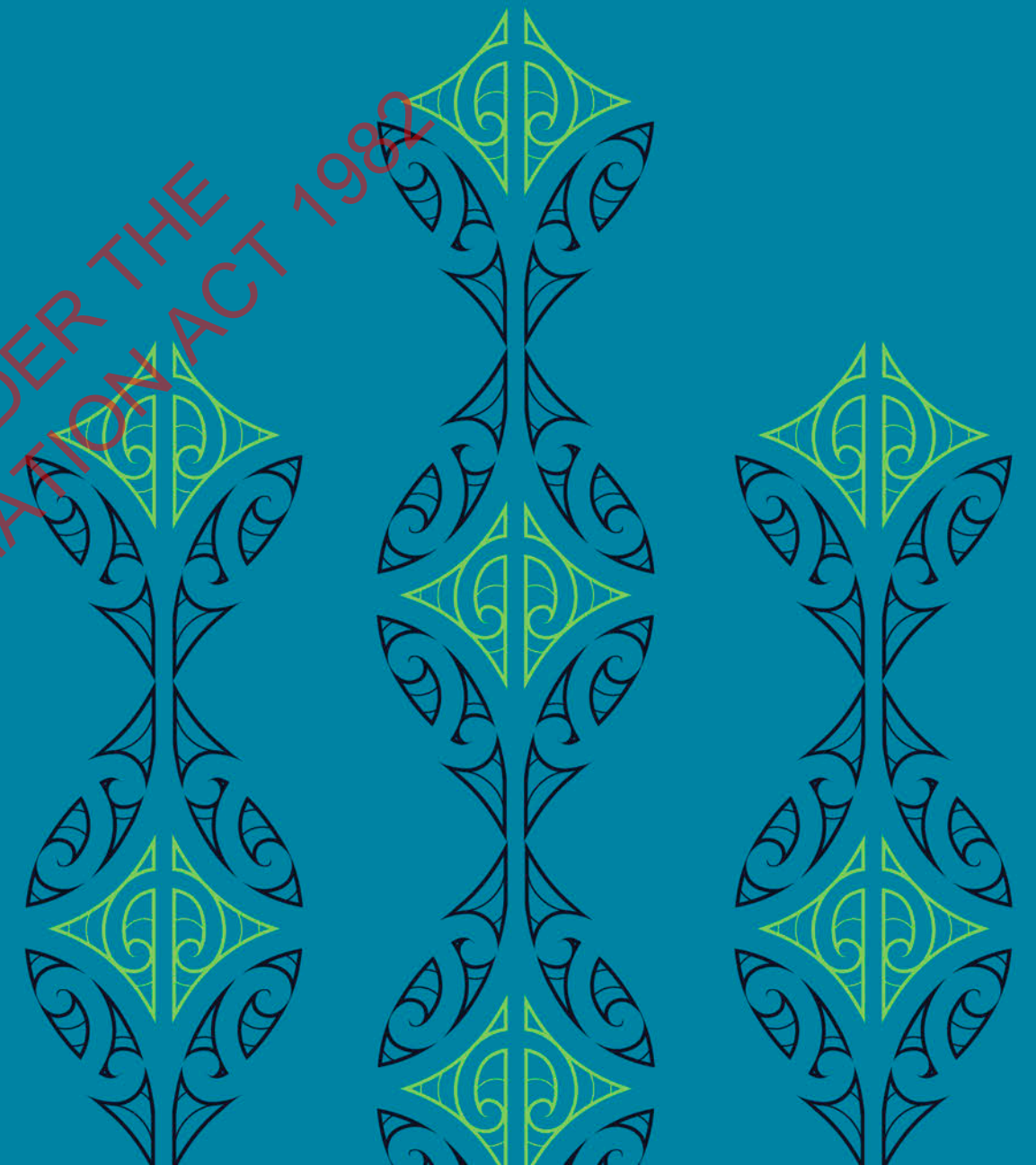
Te Kawa Mataaho
Public Service Commission

Agency Capability Review of Te Manatū Waka - Ministry of Transport

Preliminary Findings

**Lead Reviewers:
Doug Craig and Brendan Boyle**

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982



Purpose

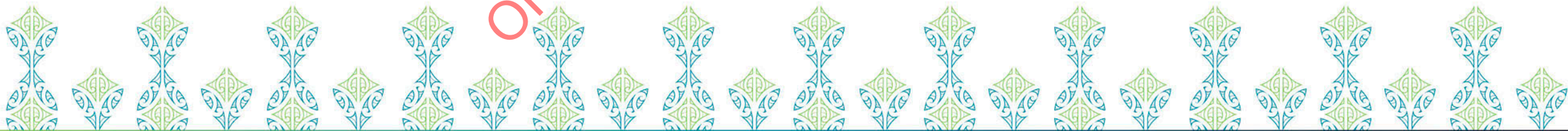
This deck presents the Lead Reviewers preliminary findings about Te Manatū Waka – Ministry of Transport (“MoT”). This deck covers:

- A draft Future Excellence Horizon
- Performance challenges and future focuses

These findings draw on our interviews; discussions with the Central Agencies and the agency’s Chief Executive and senior leadership; MoT’s Self-Review report; and relevant corporate and strategy documents.

The Lead Reviewers will talk to this deck on 9 October. The Chief Executive can use this session to query and clarify these preliminary findings – as these will help the Lead Reviewer’s thinking which will flow through to the Agency Capability Review report.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982



What is new about this Review

Themes from previous reviews appear to remain relevant today...

We observed previous reviews covered many of the same points we are finding through this Review. For example, the 2018 Ministry of Transport Performance Improvement Framework (PIF) Review identified four focus areas:

- Achieving clarity of purpose
- Developing a medium-term strategy underpinned by strong analytics
- Growing capability for collaboration
- 'Rebooting' the organisation.

A 2022 PIF 'Light' review by Debbie Francis identified the following excellence horizon:

"Te Manatū Waka will have built on its strengths and further clarified its system stewardship role. It will be seen as a visionary, solutions focused, well informed and agile system leadership agency by Ministers, partner agencies, transport and mobility ecosystem participants, consumers and investors. System participants will have a clear understanding of Te Manatū Waka's system stewardship role, its strategic priorities and regulatory approach. Its guidance and thought leadership both across the system and to the public will be seen as thought provoking, at times bold, based on well-reasoned evidence and proactive. It will be respected as a leader of public discourse on the transport and mobility ecosystems"

...we want to provide a roadmap of tangible actions to help MoT lift its capability

Many of these previous insights remain relevant to MoT today and we expect our Review will cover many of these points – with updates reflecting the current context. We want to work with you and the Central Agencies to better understand how MoT can make progress, which we can then take forward through:

- Recommended future focuses – including immediate priorities – to help MoT achieve the sought capability lifts, and
- Identifying and seeking commitment from the Central Agencies to support MoT's follow-up actions.



Draft Future Excellence Horizon

The following slides cover:

- **Strategic Context and Organisational Context** – outlines some of the key external and internal factors for MoT.
- **Outcomes New Zealanders expect in the future** – describes the future outcomes reasonably expected by New Zealanders.
- **MoT's contributions to deliver future outcomes** – For each MoT core function, we make statements about what we think MoT needs to do in order to deliver on the outcomes expected by New Zealanders.

Strategic context

The following strategic themes impact the contributions and capabilities that MoT needs to effectively meet the demands of New Zealanders:

- **Economic constraints** – Economic forecasts predict ongoing headwinds from inflation and supply chain disruptions which will slow down the economy and pressure transport infrastructure funding models. Energy prices are likely to fluctuate which will directly impact the transport system.
- **Infrastructure deficit** – Urban growth and development will continue to pressure existing infrastructure and require further investment.
- **Decarbonisation and mode shift** – Decarbonisation will continue, requiring mode shift and build out of public transport, and the use of more carbon efficient energy forms across all transport systems. Currently, the decarbonisation strategy is not clear across all modes.
- **Shift towards regionalisation** – Other sectors and reform programmes (e.g. local government, environment and economic development) are exploring different modes of governance and delivery (e.g. city deals, the future of local government review, resource management and water reforms). All have dependencies with transport.
- **Auckland will remain a focus** – Meeting Auckland's transport needs will be challenging given the unique urban growth/spatial pressures, transport infrastructure, and funding challenges that occur within the Auckland context.
- **Technology disruption** – New technologies (hybrid vehicles, electrification, alternative fuels, drones) and the pace of adoption present a challenge for regulatory systems.
- **Resilience** – Climate change, extreme weather events, and natural disasters will place greater resilience demands on the transport system. These will likely move from singular to simultaneous events.

Organisational context

The following factors have impacted, and will continue to impact MoT at an organisational level:

- **System complexity** - The Transport System is multi-modal with a mix of governance and ownership models.
“MoT has a difficult job – hugely complex, highly disrupted, small agency, not funded properly”
- **System configuration** – The split of policy, regulatory, and delivery responsibilities across transport agencies has created a competitive environment for MoT. The lack of a strong MoT presence in some areas of the transport system has created gaps, which other agencies in the system have addressed by building their own capability (e.g. Waka Kotahi’s policy function).
‘It is a hard gig for MoT as it sits across a sector that ranges across many organisations, with a lot on, and a lot of things looking for a response.’; “Good to test whether the structure of the system is the right one. It is a huge area of government spend where ministers want to have influence.”
- **Role clarity** – Recently, MoT has adopted new roles (such as responsibilities around infrastructure delivery) which sit alongside its core role as the lead advisor on the transport system. This has blurred MoT’s role clarity, and expanded MoT’s capability requirements. The theme of role and purpose has been echoed by past reviews of MoT (e.g. 2018 PIF).
- **Changes in key people** - MoT has gone through multiple changes in Ministers and recently a new CE. There is an opportunity with new leadership to reset MoT’s vision, purpose, and strategy with alignment to a new government's priorities post-election while maintaining a long-term perspective.
- **Staffing capability** - High turnover has impacted sustainability and capability continuity, including the depth of its experience, understanding of the transport system and cohesive relationships. There are concerns about MoT’s ability to attract and retain talent.

Outcomes New Zealanders expect in the future

- The Transport Outcomes Framework (published in 2018 – *screenshot to the right*) sets out a purpose for the transport system centered around the wellbeing of New Zealanders and the livability of places.
- While still relevant, the framework could be stronger on transport's role in supporting some wider wellbeing outcomes, including housing and urban development, livable cities.
- The outcomes framework reinforces the need for MoT to align the transport system with related systems e.g. health, urban development, local government.
- To deliver on these outcomes a longer-term focus and approach needs to be taken to Transport infrastructure planning, investment decision making and delivery.



MoT's contributions to deliver future outcomes

For each MoT core function, we make statements about what we think MoT needs to do to deliver on the outcomes expected by New Zealanders. These specify where we think MoT needs to be over a **five-year horizon**.

These statements need to be calibrated against an assessment of the future given MoT's size and capacity, and the effectiveness of capability growing actions. With this in mind, we would appreciate your view on whether the following statements:

- Go far enough? Or go too far?
- Do they set the Ministry up to succeed, or to fail?
- Are there other important contributions that need to be identified under these core functions?

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982



Draft MoT future contributions and role

Transport System Leader and Steward

- MoT **leads change at a system level** as an integrator and connector across the transport system, and across related systems (e.g. urban development). It has the policy and influencing capabilities to develop a transport system strategy which clarifies roles and responsibilities and sets transport system priorities.
- As steward, MoT **understands the performance of the transport system** – both currently and in an intergenerational sense. Through strong data and connections across the sector, it draws insights together and brings these insights to lead the sector towards future focused solutions.
- MoT **brings stakeholders and communities along with trade-off decisions**. Delivering transport outcomes will involve trade-offs, and its MoT's role to engage and communicate with stakeholders through these decisions. Government and transport system stakeholders view MoT as a credible expert on transport matters.

Policy and funding advice

- MoT provides **proactive, credible and authoritative advice on the transport system**. This is 'Big P policy' which identifies the intergenerational needs of New Zealanders, and then seeks to address system configuration, funding arrangements, and other system settings needed to deliver on these needs. Advice is underpinned by strong data and insights.
- MoT understands and is visible in the policy discussions occurring in related systems such as urban planning, local government, economic development, and actively **aligns the transport system alongside these related systems**.
- MoT **understands megatrends such as climate change and technology disruption** and brings these insights into transport policy. It gets ahead of these issues and readies the transport system.

Draft MoT future contributions and role (continued)

Advice and assurance on long-term infrastructure investment*

- MoT provides **advice on system priorities and infrastructure investment**.
- Government and transport stakeholders respect MoT's independence, and **MoT avoids any real or perceived conflicts of interest**.

Regulatory stewardship

- **MoT has defined the transport system regulatory system settings.** MoT is looking ahead and advising on the regulatory settings appropriate to its risk appetite, and current and future challenges. It can then look to Crown Entities to execute accordingly.
- **Crown Entity Monitoring is a key dimension of regulatory stewardship.** This reflects the significant role that Crown Entities play as regulators. The manner MoT undertakes its regulatory role needs to support the system strategy (when there is one) while preserving its accountability and independence – a sophisticated and nuanced approach to regulation.

Crown entity monitoring

- Ministers, transport agencies, and transport system stakeholders **understand and value MoT's monitoring role**, which covers Crown Entity performance and delivery against wider transport system strategies and government priorities.
- **MoT has strong relationships and a collaborative leadership approach to monitoring.** It leans into collaborative leadership and influence to address performance issues (as opposed to relying solely on formal structures and authority).

* Note this differs from MoT's Self-Review which defined this core function as "Strategic advice, governance and financial assurance of large complex infrastructure programmes and projects."



Performance challenge and future focus

The following slides cover:

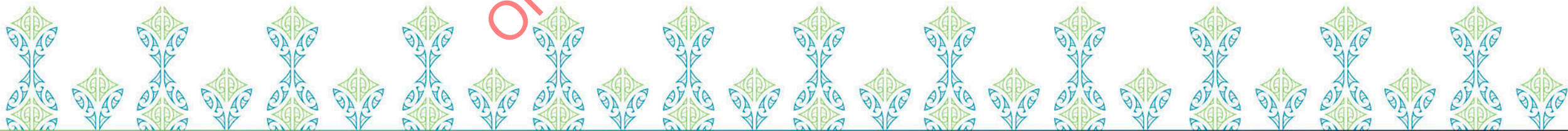
- **Performance Challenge** – describes the gap between where we think MoT is going and where we think it needs to be.
- **Role Clarity** – considers MoT's current and future roles in policy, regulation, and transport infrastructure.
- **Current vs future state** – provides descriptions of the current and future state of MoT's core functions.
- **Future focuses to lift capability** – describes the high level areas of focus for lifting capability.
- **Immediate priority actions** - provides a set of specific actions that can be started immediately to lift capability.

Performance challenge

The performance challenge is the gap between where we think MoT will be over a five-year horizon, and where we think it needs to be based on the future contributions as defined previously. This gap is the basis for the ratings which we provide in the final report. The following three slides contain detailed information which help calibrate the size of this challenge.

Some of the most significant challenges we think MoT will face to deliver on its future contributions relate to the following:

- Effectively clarifying roles across the transport system (not only its own role, but the roles of other transport agencies) and getting agreement to these roles from across the transport system. *See next slide.*
- Adapting MoT's operating model and mindset to be proactive and able to move at speed.
- Finding, hiring, and retaining the talent necessary to build the needed capabilities. This is at all levels – from senior leaders through to policy advisors and data and modelling experts.
- Improving capability to a level where transport agencies, government, and transport system stakeholders view MoT as the authority on transport system design and policy.
- Continuing to move the Crown Entity monitoring relationship away from a compliance and rules-based approach towards a focus on assurance on entity governance and operating models, informed by data and analytics.
- Changing the Regulatory approach to a more devolved, agile, and collaborative model.



MoT needs to clarify its role in respect to key functions

Functions	MoT current role	MoT future role (system needs to support this role)
Policy	<ul style="list-style-type: none"> Mixed priorities. Competes with other policy sources (e.g. Waka Kotahi). Feedback on core policy capability is variable '<i>some good pockets, but too slow</i>'; '<i>should be years ahead of Ministers</i>'. Not visible and active in shifts taking place in related sectors such as local government and urban development. 	<ul style="list-style-type: none"> Focus on “Big P policy” which address core questions such as what kind of transport system and revenue systems do we need to meet the needs of New Zealanders? Strong system focus and system leadership within the transport system “ensuring the system is well oiled”; and aligning the transport system with related systems such as local government and urban development. Leverage talent from across the transport system (e.g. sector teams).
Regulation	<ul style="list-style-type: none"> Fragmented regulatory environment (including talent/capability). MoT uses a commissioning model which ‘controls regulators’. Overlap and confusion between the role of MoT and the transport Crown entities. Prescriptive regulatory environment which slows decisions. 	<ul style="list-style-type: none"> Clearer role, which could occur from potential consolidation of regulatory functions across the system. If the current agency configuration is retained, the commissioning approach would enable greater delegations and decision rights to the Crown Entities. Crown Entity monitoring focuses on regulatory assurance. Create an enabling legislative environment e.g. tight/loose - '<i>as little as possible, as much as necessary</i>'. Aligning regulatory settings with transport system strategy. Leverages talent across the system (e.g. sector teams).
Transport infrastructure	<ul style="list-style-type: none"> Government commissions MoT into the establishment and delivery of megaprojects, which involves work that does not reflect its capability. It also raises the potential for conflicts of interest. Viewed by the sector as slow, cumbersome, ‘handbrake’ on delivery. Not joining up the dots across investments spanning multiple parts of government. 	<ul style="list-style-type: none"> Clear on its role as a thought leader with a focus on assurance/monitoring rather than delivery. Culture and mindset of enabling delivery and removing barriers. Government is clear about MoT’s mandate as a policy and assurance agency. Aligns business cases and investment within the transport system, and across related systems such as housing and urban development. Leverages talent across the system (e.g. sector teams).

Current versus proposed future state

Core Function	Where MoT is	Where MoT needs to be to reach the Future Excellence Horizon
System Leader and Steward	<ul style="list-style-type: none"> • Confused about its leadership role and no clear understanding of its stewardship role. • No unified and agreed Transport system strategy, and current mode strategies seem to have missed the mark with some stakeholders. • Lacks confidence (partly because it doesn't have the technical capability that is present elsewhere in the system). • Can be too reactive to the government of the day, as opposed to taking a long-term view. • Sometimes operates under a command-and-control model where communicates rather than consults. Some parties in the sector liken it to a parent-child relationship. 	<ul style="list-style-type: none"> • MoT and the sector agree on and respect the Ministry's system leader and steward role. • Deep subject matter expertise that is credible and respected which enables MoT to confidently engage with government and the system. • Takes a long term and intergenerational view of transport system needs. • Collaborative leadership model exhibited through engagement and co-design. • MoT leads the development of a transport system strategy which effectively aligns the transport system both within itself and with other related systems and reform programmes such as: urban development, Resource Management reform, Local Government changes etc.
Policy advice	<ul style="list-style-type: none"> • Advice can be slow, "years behind Ministers thinking" • Policy advice quality and satisfaction scores are positive, but this is at odds with feedback from interviews which indicates that policy does not have the right focus, is short-term and overly focused on immediate needs. • MoT advice is said to be too responsive to Ministers. • Bias towards short-term thinking. • Data and insights is under-invested and does not seem to be coordinated at a sector level. 	<ul style="list-style-type: none"> • Advice needs to be free and frank and represents the long-term intergenerational needs of the transport system. • Thought leadership around transport system configuration, settings, effectiveness, dependencies, and relationships. • Needs to be able to understand megatrends and disruptive shifts and incorporate that into advice to lead the system. • Data and insights needs to be mature and sophisticated and leveraged across the system.
Crown entity monitoring	<ul style="list-style-type: none"> • Rules based, compliance focused approach to monitoring. • Positive shifts are beginning – but more work is needed in this area. 	<ul style="list-style-type: none"> • Provides assurance that Crown Entities have the right governance and operating models to support the transport system strategy. • Crown entity monitoring should be viewed as valuable and helpful by the Crown Entities. • Needs strong data and analytics about Crown Entity performance.

Current versus proposed future state (continued)

Core Function	Where MoT is	Where MoT needs to be to reach the Future Excellence Horizon
Advice and assurance on long-term infrastructure investment	<ul style="list-style-type: none"> Currently involved in the establishment and delivery of major projects as opposed to assurance, which is driven by the move to Crown funding of these investments. The capability to do this is not traditional MoT policy capabilities. It is not clear that it does this work well. 	<ul style="list-style-type: none"> MoT provides advice on system priorities and infrastructure investment. Investment decisions are taken on a robust, long-term intergeneration basis. Settings for investment recognise the mix of maintenance and new investment.
Regulatory stewardship	<ul style="list-style-type: none"> MoT uses a compliance model towards regulators. Regulatory settings are restrictive which slows decision making. A prescriptive regulatory environment might influence the operating model of MoT. 	<ul style="list-style-type: none"> Regulatory settings need to be agile and ready to cope with the change in technology and adaption across the system. Needs to be able to anticipate the disruption. Decision rights need to be in the right place. Regulatory configuration needs to be reviewed potentially.

RELEASED UNDER THE ACT 1982
OFFICIAL INFORMATION

Future focuses to lift capability

We have identified future focuses (things that MoT should do) to lift capability to meet its future contributions and role. These are expanded upon in the immediate priority actions identified on the following slides.

Leadership, Culture and Direction

- Develop (with PSC and transport agencies) options for the optimal transport system configuration.
- Co-design a transport strategy with key transport stakeholders, that links to other systems (e.g. urban development).
- Identify and promote desired culture (e.g. proactive, outward focused and resilient).
- Align organisation strategy with MoT's system role.
- Strengthen system reporting and performance.

Collaboration and Delivery

- Develop Māori Crown relationship capability to support policy and system monitoring.
- Develop the agility to respond to Ministerial priorities alongside MoT's role as system leader and steward.

Workforce

- Develop a people strategy, with actions to improve development, retention and recruitment.
- Recruit and develop the leadership capability which is outward looking, strategic, and engagement focus.
- Investigate causes of high turnover and implement actions to address these causes.
- Improve MoT's recruitment proposition.
- Initiate a sector workforce plan/approach.

Public Finance and Resource management

- Develop tools and infrastructure to improve the use of data and information across the Ministry.

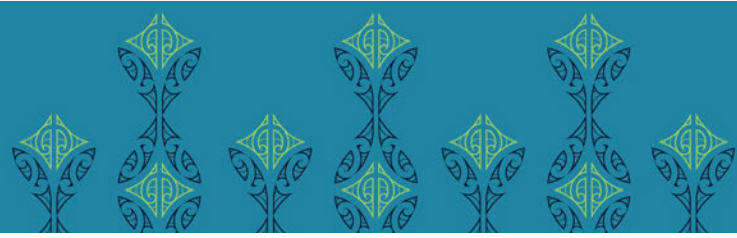
Immediate priority actions

This is a list of actions that MoT can begin immediately to lift capability:

- Engage with and enlist the transport sector to develop a multi-modal system strategy which accounts for links and dependencies. This should be an 'NZ Inc. Approach' based on co-design and partnership principles.
- Lead the development of a joint transport sector-wide position regarding the transport sector's future priorities and the role that MoT should play as steward and leader. MoT should present this view to the incoming government.
- Consider how best to align the MoT operating model with changes and implications emerging from the system strategy development process.
- Align organisational leadership capability to the new operating model (including organisational strategy, structure, culture, systems, and processes).
- Obtain commitments from the Transport sector and Central Agencies to make talent available for e.g. sectoral teams, two-way secondments. This should result in a mutual talent and capability plan for the transport sector.
- Identify MoT's immediate talent gaps in technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps.
- Establish a sectoral team for the system strategy process. MoT needs to continuously improve the operating model for sector teams on a project/programme basis. Sectoral teams should be built dynamically for creativity at scale.
- Identify and commit - with clear timelines - to high priority areas requiring a sector team approach. This includes areas such as the future of airports, the future of ports, and transport system revenue and funding.

Immediate priority actions (continued)

- Develop a strategic people plan for MoT that supports the strategy and operating model. This plan needs to address recruitment, retention, leadership development, talent acquisition, performance management, current v target state, gap analysis and action plan.
- Be explicit and clear about the right target culture and mindset to support the future role. Aspects of this new culture and mindset should include: moving from an organisational policy focus to a systems focus; a relational approach as opposed to a regulatory mindset; outward-looking as opposed to an insular approach.
- Prioritise and lead a system approach to data and analytics. This could include a 'transport data hub' that is operated and shared across the whole transport system. Note: this transport data hub may not have to reside inside MoT.
- Work with transport sector agencies and Central Agencies to identify areas for improvement in respect to system configuration and operating model choices. Areas for consideration should include MoT's approach to regulation; the use of sector teams and workforce management; and the role of MoT in Auckland.
- Clarify MoT's role in Māori-Crown relationships and the implications this role has for the organisational operating model and capability lift (examples include assurance and monitoring of the performance and practice of crown entities; internal practice; and its relationship management approach).



What we heard – MoT Capability Review

This document provides unattributed quotes from the interviews undertaken by the Lead Reviewers during September 2023 as part of the Agency Capability Review of Te Manatū Waka – Ministry of Transport (MoT).

The quotes are from a mix of external stakeholders (noted as “[Ext]”) and MoT staff and managers (noted as “[Int]”).

Audrey’s leadership contribution – goodwill, with expectations

- I am really impressed with Audrey. She understands what the task is and is open-minded to the interventions...Incredibly relieved to have that leadership in place. [Ext]
- Good signs with Audrey. [Ext]
- Audrey has improved things in the organisation. [Ext]

MoTs challenging operating environment

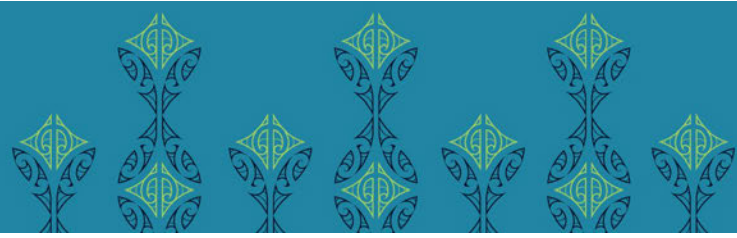
- To say there is a lot to do in transport would be the understatement of the century. [Ext]
- Is a small agency with a huge remit, that is not well-equipped, and it has been in the weeds and down some rabbit holes. [Ext]
- They have a difficult job – hugely complex, highly disrupted system, with a small agency that is not funded probably. [Ext]
- It is a hard gig for MoT as it sits across a sector that ranges across many organisations, with a lot on, and a lot of things looking for a response. [Ext]
- The role of the Ministry is almost impossible to achieve. [Int]
- I don’t think the importance of the Ministry is well understand in Wellington. [Ext]

Roles and responsibilities in the transport system lack clarity

- There is a lack of clarity on what gets done where. [Ext]
- The model is breaking down – needs to be thought about from the ground up, to give that role clarity. [Ext]
- Over time, a large degree of confusion has arisen between the genuine policy advice from MoT and the operational policy Waka Kotahi. Many ministers have understood that confusion and have ‘made hay’ from it. [Ext]
- With aspects of the Policy function at Waka Kotahi, would you say, “that is a good use of resources?” – probably not. [Ext]
- Clarity is really important - if you don’t have it, you get duplication. (Ext)

MoT’s role has broadened

- There are fundamental structural issues within the system, which means MoT has drifted into other aspects (mostly because has been asked to) such as procurement, governance, etc. But these are not where their expertise is. [Ext]
- The Ministry is not the best place to talk about how to do light rail. Government needs to stop giving stuff it is not good at. It diverts it from its clear, and best role. [Ext]



System leadership and stewardship

- What does it mean being steward in the system? Just need to live it and do the action to command respect. [Ext]
- You can't just call yourself 'leader of the system', you need to earn it. [Int]
- What we desperately need is a 'core' policy unit, providing quality policy advice, and getting the legislative settings right. [Ext]
- We are paddling in the same direction, but we have all got different roles. [Ext]
- We talk about stewardship a lot, but it is not the driver behind the things MoT prioritises. [Int]
- You need to earn your place at the table, and then behave and contribute in ways that reinforce your place there. [Ext]
- I'm struck by the lack of clarity about their system role. Being a tiny agency you need to be really surgical about where to intervene. [Ext]

Transport system strategy

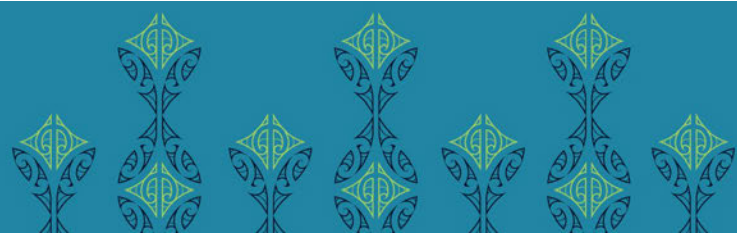
- Need a strategy to ensure everyone is heading in the same direction. [Int]
- There is no strategy at the moment, and this means they get pushed around. [Ext]
- MoT can be diverted into reacting and dealing with issues and political stuff, rather than developing and delivering on a strategy. And it is not just creating a strategy – the hard yards start on delivering it. [Ext]
- Really good strategy and policy sustains public sector organisations - stops you being buffeted and enables you to give effect to the long term. [Ext]
- The sector gets the need for long-term strategy, more than MoT does, because the sector already needs to think that way – you can't redesign a vessel in two years, so they are already thinking about the long term. [Ext]
- Need to have the sector engaged and involved. You can't plan for resilience on a three-year cycle. [Ext]
- Getting the wider sector on-site and engaged in developing a strategy/long term plan means the politics become almost irrelevant. If you can show this is what the sector wants – and there is unified support including companies and unions – then Minister(s) won't want to push back on it. [Ext]

Strategic thinking, strategy, and implementation

- They need to have the mindset of a systems agency, rather than a policy agency. Go 'up and out'. [Ext]
- See real short-termism. For example, everyone else in the world has gone into pricing using new technologies that don't seem to be on MoT's radar. They should be asking – "what do we need to happen" and looking out five years time. Not just considering 'the now'. [Ext]

Lead policy advisor to government on the transport system – influence, alignment, and engagement

- MoT needs to be able to shape, influence, and guide the sector. [Ext]
- I don't see a concerted effort to move from what is a very traditional policy mindset to what the DPMC policy project is talking about e.g., how to talk to customers, how to look at innovation, how to codesign with partners. [Int]
- How progress policy is different now from just putting up legislation and papers, and requires new types of skillsets and ways of working. [Int]
- MoT takes a pure policy view and looking out, rather than an end user view and looking in. [Ext]



Policy advice – quality and capability

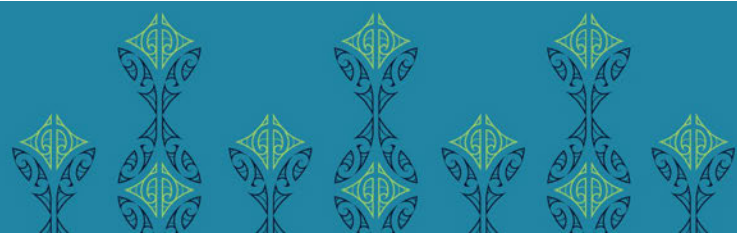
- Low confidence in the Ministry's ability to do policy well, relative to other agencies. The Ministry is not well placed to deliver robust, high quality policy analysis. [Ext]
- I worry when I see the policy advice coming out of teams - they are doing their best, great thinkers, but they don't know what it means on the ground. [Int]
- Fees and funding is a massive issue. We offered to pay people to do it, but it seems like MoT has put it on the go slow, compared to the rest of the programme. [Ext]
- On the Policy side what is valued is writing skills – not the engagement skills, assurance skills. [Int]

Long term issues caused by the transport system's structure

- Good to test whether the structure of the system is the right one. It is a huge area of government spend where ministers want to have influence, whereas it is currently setup as a 'pure' system with a Minister and a Crown entity and its Board. [Ext]
- Need to ask ourselves is the right model in place and are we implementing it in the right way. [Ext]
- The Crown entities model is broken - go back to the departmental model. [Ext]
- There is friction all the way in how the system is set up. [Int]
- ..pushing square pegs into round holes. [Int]
- Australian counterparts find it hard to differentiate between role of Waka Kotahi and that of the Ministry – in their view Waka Kotahi would logically be the Ministry. [Int]
- Fundamentally we have created - along with most other western countries who have done the same thing - a high transaction cost model by separating funder and provider. [Ext]
- If regulatory functions were all in one agency, they might be better joined-up. Would see it as a system and would understand the policy to implementation perspective. [Ext]

Immediate opportunities to address issues with how the system is operating

- There could be a circuit breaker to the way the system has worked – poorly - for the last while. [Ext]
- The tighter fiscal environment could provide an opportunity to clarify and prioritise roles. [Ext]
- With the election, and the likelihood of a new Minister, there is an opportunity to reinforce roles, and get the support from the PM. [Ext]
- It is a work in progress, the reset button has been pushed – the behaviours of the past don't cut it at the [Crown entity] board table anymore. [Ext]
- Doing the strategy work will help with roles and responsibilities. It will help keep people in their swim lane. [Ext]
- See a lot of announcing of things before going through certain processes and you need to know how to disincentivise that sort of behaviour. [Ext]
- Other agencies could help by being stronger on challenging where things are not done to expected norms or standards. [Ext]



System relationships based on partnership and a sense of curiosity, and being proactive

- Some personalities have got in the way, but the issue is of poor interaction, poor relationships, and a lack of trust. [Ext]
- There are good relationships at the lower levels, up to T2, difficulties at CE/board level. All the tension comes in at the highest level, which is unusual. [Int]
- We have heard Ministry people say to us “Don’t expect us to be like we were during COVID.” [Ext].
- We miss the curiosity they had during COVID. They were thinking about the future. [Ext]
- We need a Ministry with good system, sector-wide, relationships and that isn’t what sits in the Ministry at the moment. [Ext]
- MoT seems detached, are just not participating. [Ext]
- What is their level of influence, and what is the level of influence going forward? [Ext]

Collaborative leadership

- I’d like to reiterate, that if you get leadership right, everything else will sort itself out. [Ext]
- Our role is to enable the rest of the sector to deliver, including local government. How can the Ministry support them to do the best they can. [Int]
- Need to do collective leadership consciously. and be trained how to do it as it is not something that is done naturally. Entirely different way of approaching things and need to develop those skills and competencies. [Ext]

Culture and mindset externally and internally

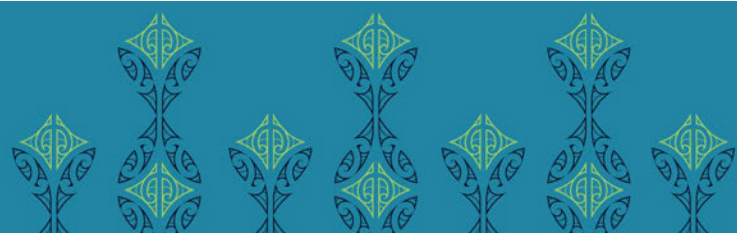
- There is a mum/dad to kids type relationship (paternal). [Ext]
- There is not a pragmatism, or respect, on what knowledge there is in the other agencies. This is not just at an individual level but an ‘organisational character’ level. [Ext]
- There is a disconnect between policy and non-policy functions. [Int]
- We need to be joined up internally also – so policy, funding and monitoring are all joined up. [Int]
- When we deal with them it doesn’t feel collective. When we talk to them, our agency has to connect them. [Ext]
- A lot of nice meetings but not a lot of go forward. [Ext]

Leadership development

- Managers are very capable, but they don’t have enough time to support and guide you. You need to rely on other members of team for that. The teams too big and have too much work to do. [Int]
- It is difficult to have the time to manage staff well with 12 direct reports [Int]
- When people are really busy putting out the fires, they don’t focus on professional development. [Int]

Commissioning and workload

- There is a lack of understanding of the thought that needs to go into commissioning. Ministers wants it, so go and do it. [Int]
- Patchy workload across teams. [Int]
- I notice some Teams are ‘pedal to the pedal’, and other teams are ‘fiddling their thumbs’. [Int]



Workforce capability and development

- What she [Audrey] can get out of the sector is the juice she needs to enable her to fulfil her system mandate. [Ext]
- MoT staff need to get out and about. You can't write a port strategy when haven't been to a port. [Ext]
- Both industries - Maritime and Aviation - have staff who have been around a long time, and need people at MoT who are credible and connected. MoT need to be able to 'foot it' with those staff. If not with a leadership response, at least with an empathetic response. [Ext]
- The Ministry moved away from having experts and now has generic policy people, but some technological changes are so challenging to understand that you need that specialist knowledge to be able to work on it. [Int]
- There are progression pathways around policy teams, but it is much less formal within the other functions. Clearer pathways for moving between teams would help. [Int]

Turnover

- Recruitment is a massive cost. If invested in our people, would not have people leaving. If invested in our current people would save money. [Int]
- A lot of our capacity is spent on bringing new people up to speed on things. [Int]
- 65% of staff have been here for two years or less. Most of the expertise in the organisation is in the management team. [Int]
- Ways of working need to survive turnover. [Int]
- Turnover infuriates our stakeholders. [Int]
- It terrifies me the way the Ministry goes through people. [Int]
- Trust is eroded by turnover. But turnover in senior leadership is really damaging things. Every time we build that relationship, turnover removes it. We need to address that turnover. [Ext]

Diversity and inclusion

- Work needs to be done in the Diversity area. We need to be doing a bit more. [Int]
- Equity and inclusion representation is relatively low. We need to create an environment where Diversity and Inclusion is safe. Bring in diverse views. There is currently low representation of different ethnicities. [Int]

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Out of Scope

From: Doug Craig <doug.craig@rdcgroup.co.nz>
Sent: Friday, March 1, 2024 4:29 PM
To: Audrey Sonerson <A.Sonerson@transport.govt.nz>; Brent Johnston <B.Johnston@transport.govt.nz>; Carmen Mak <C.Mak@transport.govt.nz>
Cc: Andrew Squires <Andrew.Squires@publicservice.govt.nz>; Rob Anderson <Robert.Anderson@publicservice.govt.nz>; Martin.Kessick@publicservice.govt.nz
Subject: Draft Agency Capability Review Report

Kia ora Audrey

Further to our meeting with you on Tuesday, as promised, attached for your review is the draft report.

Once you have had a chance to consider the report, we would be pleased to receive for consideration any feedback you may have on the report. As mentioned, we are also more than happy to meet with you and/or your leadership team to discuss the Report. We note Brent signalled an interest in providing a draft it to your Risk and Assurance Committee (RAC). We are happy for this to occur and we would be happy to meet with RAC also if that was helpful.

If there are others that you think would benefit from seeing a draft, we would ask that this be raised with us and the Commission in the first instance. We would also appreciate you reminding staff and others provided with a copy of the report, that it is still a draft, is likely to change prior to being published and should not be shared more widely without first clearing this with us and the Commission.

In terms of the timeline, it would be helpful if you were able to provide feedback and written comments by COP Friday 22 March. We understand this would allow for RAC to discuss the draft report at its meeting on 19 March.

All Capability Review reports include a section for an agency response (see page 12), and it would be useful if you were able to provide your response for inclusion in the report by Thursday 28 March.

Once we have considered and reflected on your feedback, we would update our draft report. We understand the next step would then be for you and the Public Service Commission to agree when a draft should be provided to relevant Ministers (the Minister of Transport and Minister for the Public Service).

Please let us know if you have any questions.

Finally, can we again express our gratitude to you and your staff for the generous manner in which they have supported us and the process that has got us this far. We sincerely appreciate that and hope you find our Report helpful in your leadership of the Ministry and of the Transport system.

Ngā mihi

Doug and Brendan



Doug Craig
Director

e. doug.craig@rdcgroup.co.nz

t. 0064 27 721 1010

www.rdcgroup.co.nz

The information contained in this message and or attachments is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. If you have received this message in error please notify the sender immediately and then delete this message along with any attachments. Any opinions expressed in this message are not necessarily those of RDC Group. RDC Group is not responsible for: (i) any viruses in this email or any attachment; or (ii) any effects this email or any attachments have on your network or computer system.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Agency Capability Review for the Ministry of Transport

1 March 2024

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Info	Details
Version	1.3 Draft version – provided to the Ministry of Transport
Date	1 March 2024

Lead Reviewer biographies

Brendan Boyle

Brendan has an extensive public service background, with experience in both senior management and governance, leading change management projects and digital transformation within the public service.

Brendan has held a wide range of senior government roles, most recently as a member of the COVID-19 Taskforce within the Department of the Prime Minister and Cabinet. Between 2003 and 2018, Brendan held several Chief Executive roles, including Chief Executive of the Ministry of Social Development, Department of Internal Affairs and Land Information New Zealand.

Since 2018, Brendan has been involved in both the public and private sectors, as a serving panel member on the Ministerial Review into the Future for Local Government and a council member for the University of Otago Council. He is also the Director of Fair Way Limited, a dispute resolution and conflict management organisation.



Doug Craig

Doug brings strong experience as a senior public service leader in both New Zealand and Australia.

Doug previously held the role of Deputy Commissioner at the State Services Commission. He also held roles as Deputy Chief Executive of the Ministry of Social Development, and Deputy Secretary Policy and Strategy and Deputy Secretary-Housing in the Department of Human Services in the Victorian Public Service.

Doug has also been involved as a consultant in a number of significant reviews including reviews of organisational culture, Machinery of Government, governance and regulation as well as advising on organisational design and change for both central and local government organisations.



Table of Contents

Executive Summary	3
Responding to the Challenge	11
Context	14
Future Excellence Horizon	28
Delivery.....	35
Capability.....	53
Leadership, Culture, and Direction	54
Collaboration and delivery.....	59
Workforce.....	64
Public finance and resource management	69
Appendix One – Ratings overview.....	74
Appendix Two - Agency Capability Model Overview.....	76
Appendix Three – Capability Ratings.....	78
Appendix Four – List of agencies interviewed.....	80
Appendix Five – List of Future Focus areas	81

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Executive Summary

About this Review

The Agency Capability Review (the Review) of the Ministry of Transport (the Ministry) began in June 2023, with interviews substantially completed by October 2023. This report presents the findings of the Review and draws on multiple sources including the Ministry's self-review and interviews with Ministry staff, transport agencies, transport stakeholders, and Central Agency officials. The Review considered the Ministry's delivery and capability across all aspects of the Agency Capability Model.

Alongside this Review, in September and October 2023 the Ministry undertook a change process to implement a new organisational structure. Where possible we comment on the impact of the change process on the Ministry's capabilities. However, given the new organisational structure has not yet been fully embedded, our ratings are based on the structure as it was at the time the Review was substantially undertaken (unless otherwise stated).

The main period of information gathering and analysis for this report occurred in September and October 2023 and before the Government had formed after the 2023 General Election. Work was subsequently undertaken to reflect the changes in the Ministry's context and priorities in the report including meeting with the Minister of Transport in February 2024.

About the Ministry of Transport

The Ministry is the Government's system lead on transport. The Ministry provides policy advice, monitors Crown entities operating in the transport system, and provides regulatory stewardship of the transport regulatory system. The Ministry manages a range of stakeholders (including transport infrastructure owners, transport service providers, regulators, local government, stakeholders, and interest groups) across land transport, maritime, and air transport modalities.

Transport plays a crucial role in the lives of New Zealanders. It moves people, services, and goods across the country and across borders, thereby supporting communities, services, and businesses. It also contributes to other priorities such as urban development and decarbonisation. Given the important role that transport plays – and will continue to play – it is critical that the Ministry has the capability to effectively lead the transport system to succeed.

Future Excellence Horizon

What does success look like for the Ministry over a five-year timeframe?

The Ministry's small size, and the breadth and complexity of the transport system means it needs to operate at a system level to achieve success. It needs to effectively align, co-ordinate and monitor transport Crown entities (such as the New Zealand Transport Agency Waka Kotahi) to ensure they are delivering what the transport system needs. Similarly, the Ministry must ensure that policy, funding, and regulatory settings drive and enable the shifts that are required in order for the transport system to deliver what New Zealand needs now and into the future.

We will know the Ministry is successful when it:

- **Is respected for being an effective transport system leader** – The Ministry will have developed and agreed a system wide, mode-integrated, vision and priorities for the future of the transport system. All stakeholders understand what it means for them, why the vision matters, and what they need to do to help realise this shared aspiration. Evidence for the respect of key stakeholder groups includes:
 - Ministers seeking out and valuing the Ministry’s input on transport policy, funding, and assurance over transport delivery and investment, and have confidence in the Ministry to deliver its policies.
 - Transport Crown entities collaborating effectively with the Ministry, seeking direction and helping to realise system wide strategic priorities.
 - Key transport stakeholders (local government, transport providers) actively engaging with the Ministry to help shape the future direction of the transport system.
- **Responds to future trends, risks, and opportunities proactively and effectively** – The Ministry has the technical expertise, data and monitoring, and leadership to effectively advise Ministers on implementing the changes necessary to ready the transport system to deal with challenges and risks, and realise opportunities. We expect to see the following:
 - The Ministry can articulate how its own actions (regulatory, policy, funding), along with the actions of transport Crown entities and stakeholders, work together to create the shifts sought by government (e.g. economic growth and productivity, urban development and achieving greenhouse gas emission targets).
 - Systems are in place to support transport funding being sustainable and sufficient to meet transport infrastructure replacement and build out costs.
 - Regulation is agile and supportive of new transport technology adoption (e.g. drones, low carbon technologies) as soon as these technologies are proven.
 - Mitigations and resilience measures are in place for risks such as adverse weather events, natural disasters, and international supply chain disruptions.
 - Transport policy is integrated with related policy areas such as urban land use and housing.
- **Leverages its monitoring function to effectively ensure system performance** – The Ministry uses its insights, data, and relationships with transport Crown entities to ensure they are regulating and delivering investments which represent value-for-money and are strategically aligned with the overall transport system vision, and government objectives.

What outcomes do New Zealanders expect from the transport system?

Over a five-year horizon, New Zealanders expect a transport system that:¹

- **Unlocks New Zealand's economic potential** – Transport is efficient and integrated, across roads, rail, ports, airports, intermodal terminals, and key freight centres. This reduces the costs of goods and services, supports economic growth, and increases competitiveness and productivity. Transport infrastructure is appropriately sized and robustly and efficiently sourced.
- **Supports liveable communities and enhanced quality of life** – There is the right mix of timely, safe, and affordable transport options within local communities that is designed around the needs of communities and customers. Transport needs are integrated with land use planning to support long term growth and development objectives.
- **Resilient to shocks and stresses** - Risks and threats from climate change, natural disasters, global instability, and economic shocks are monitored, and mitigations and contingencies are in place.
- **Supports greenhouse gas emissions reduction**– The transport system is responsive to taking action to support New Zealand meeting its greenhouse gas emissions reduction targets.

What are the contributions the Ministry will have to make to achieve these outcomes?

The Ministry will have to make several contributions to help the system succeed:

- **Policy and funding advice** – The Ministry provides proactive, and influential advice which prepares policy, funding, and regulatory settings to meet the long-term needs of the transport system. This advice will incorporate data, and draw on urban and network economics, finance, and data and modelling expertise. Transport advice also needs to be integrated with wider systems and reform programmes (for example spatial and urban planning).
- **Advice and assurance on long-term infrastructure investment** – The Ministry ensures transport investments reflect value-for-money and strategically align with transport and wider long-term objectives. It can do this through strong partnerships with transport Crown entities and wider infrastructure market participants, and effective assurance of infrastructure investment.
- **Crown entity monitoring** – The Ministry monitors transport Crown entities in a way that balances oversight and support. The monitoring relationship will be valued by the Ministry, Ministers and the Crown entities, and the Ministry should know how to proactively step in to address risks.
- **Regulatory stewardship** – The Ministry continuously monitors and adjusts regulatory settings to ensure the regulatory system is supporting the needs of the transport system in line with Government and Ministerial priorities. The Ministry will draw on connections

¹ These statements align with the Transport Outcomes Framework which currently guides the transport system. For additional information see page 17.

across regulators and regulated parties, as well as data to ensure settings are appropriate and that the effectiveness of regulation is monitored.

- **Transport System Leader and Steward** – The Ministry leads the transport system with clarity of purpose and a focus on delivering system outcomes. The Ministry will need to connect and integrate views across the system to develop a shared vision and priorities for the system, and then use these connections to align stakeholders to realise the vision and priorities. Achieving clarity of roles and responsibilities across the transport Crown entities is critical.

Performance challenge

The Ministry has demonstrated its ability to adapt to changing needs, implement change, and deliver

The Ministry's contribution to the COVID-19 response is an outstanding example where the Ministry quickly adapted to meet the needs of government, businesses, and communities. In a short amount of time, the Ministry built connections across the system and ensured the domestic transport system and international supply chains remained operational. In interviews, we heard a lot of recognition for the Ministry's approach and action during this crisis period.

We found several other examples where the Ministry successfully acted on opportunities to lift its capabilities. For example, the Ministry has lifted its policy capability in recent years by implementing new systems and processes such as the Transport Knowledge Hub and the Policy Quality Framework.

Realising transport system leadership will be the Ministry's greatest challenge

The transport system needs leadership at many levels. The system currently lacks a unified long-term future direction that shapes decision making and delivery across all transport modes. While strategies exist in some transport areas (for example the Freight Strategy and the Government Policy Statement for land transport (GPS)), there is no cross-transport approach to guide transport stakeholders and transport agencies. This has resulted in misaligned priorities and work programmes, and limited prioritisation efforts across both transport agencies and infrastructure providers.

The Ministry also operates within a challenging and sometimes competitive environment. Roles and responsibilities can be unclear and with the pressure of challenging timelines, some of the expected checks and balances have been eroded, with impacts on the quality of decision-making. The sometimes-difficult relationships between agencies has contributed to instances of contradictory advice to Ministers from transport agencies, which can reflect a lack of consultation, differing views and a competitive approach between agencies.

While the Ministry describes itself as the transport system leader, through our interviews we found that many groups do not currently view the Ministry as operating effectively as a system leader. Stakeholders and transport system participants told us that the Ministry can be reactive, passive and lacking the necessary technical expertise to be an effective partner or participant in some parts of the system. This situation has limited the Ministry's ability to credibly engage and influence transport agencies, transport stakeholders (such as businesses) and Ministers. The challenging nature of sector engagements, along with some staff having limited experience in the transport system, has meant the Ministry has developed a culture of looking more inwards, rather

than reaching out and tapping into the capability (both private and public) across the transport system.

The Ministry's overall challenge is to transition from *describing themselves* as the system leader to being *widely recognised* as the system leader. It will need credible and experienced people who can make this shift, with a clear mandate, engagement approach and culture to step up and lead the system effectively. It will need to look outwards to engage, broker and connect across the system and drive the system towards meeting the long-term needs of New Zealanders.

The Ministry's people underpin its ability to be an effective system leader

Making the improvements to capability and meeting the performance challenges we have set out in this Review depend heavily on the Ministry having the people it needs to execute its role as the system leader. The Ministry has a strong workforce, but there are also staffing challenges. Turnover has been very high in recent years which has eroded the depth of the Ministry's expertise. Partly due to its small size, it can lack technical expertise in key areas (people with knowledge of infrastructure, urban economics, finance) and this gap means the Ministry can find it difficult to meaningfully engage in important policy debates affecting the transport system and related systems (for example, urban development and housing, and how local government can fund and finance infrastructure).

Securing technical expertise and credible and experienced senior leaders is likely to continue to prove difficult given recent retention and turnover challenges. In the past the Ministry has used contractors and consultants to secure the technical expertise it needs. Going forward, the Ministry will have to think carefully about the kind of skills it needs to bring into the Ministry on a permanent basis, and how it leverages the talent that already exists in transport agencies, local government, and the private sector.

There are further challenges which the Ministry will have to overcome

Additional challenges that are worth noting here include:

- We heard that policy advice has sometimes been reactive, without the depth of analysis needed to support Ministers through trade-off decisions (this has arisen partly due to the limited of technical expertise on transport and related issues). There has in the past also been a tendency, partly driven by Ministerial pressures, to reacting to immediate issues and concerns, rather than presenting and advocating approaches based on long-term intergenerational needs.
- As noted, the culture tends to be inwards looking with a lack of capability and capacity to effectively engage externally. This needs to shift to a more outward-looking perspective with an operating approach that understands the user view and ensures this is reflected in policy development.
- A lack of confidence and technical expertise means that the Ministry may continue to struggle to effectively engage and integrate transport policy into related policy work areas – particularly in the areas of housing and land use planning.
- While some foundational data architecture is in place, more can be done to utilise data across the Ministry's functions, and there is a gap between what is being sought in terms of data and hard evidence and what is able to be provided, including in terms of cost drivers

and the performance of Crown entities. There are also barriers stopping the effective sharing of data across transport agencies.

- Balancing responsiveness through the initial phase of the new government as it sets its transport priorities while maintaining a long-term perspective and fulfilling its stewardship role.

Insights and opportunities

The Ministry's immediate focus will be on delivering the Government's priorities

The Ministry's immediate focus will rightly be in delivering on the Government's priorities, including those in the Government's 100-day plan, where the Ministry and the transport sector have a number of significant responsibilities. Delivering on these priorities will be crucial to the Ministry building the trust, confidence and respect of the new Government and this will provide a good platform for the Ministry engaging in a conversation on the opportunities set out in this report.

Delivering the Government's immediate priorities will build a strong platform for conversations on the Ministry's role in the transport system

As those immediate priorities are responded to, the Ministry should seek opportunities to start working with Ministers and transport stakeholders to define and confirm the Ministry's role, and in particular its transport leadership role. While this Review outlines some of the important characteristics of this leadership role, including being more outwardly focussed, proactive, and having a system stewardship future focus, the Ministry also needs a detailed and agreed definition that it can use to focus its efforts and its resources.

Answering the following questions will help the Ministry to define its role:

- What is the unique value that only the Ministry can provide for the transport system?
- What does this unique value proposition mean for the roles that the Ministry needs to play?
 - What is the priority of these functions (based on the needs of the system)?
 - How does the Ministry's role sit within the wider transport system (including between transport agencies, local government, community groups, businesses, mana whenua)?
 - What does it do, and not do and why?
- What role does the Ministry need to play in respect to transport-related policy areas: e.g. urban development and land use, local government, and housing?
- What are the capability needs of the Ministry to fulfil its core role?
- What options are there to fill any capability gaps?
- What is realistic given the current resourcing, size and operating model?

The process used to answer these questions is important to build united support for the Ministry's role with government and across the transport system. This will enable the Ministry to prioritise and focus its efforts, as well as set leadership expectations which are realistic and that the Ministry can meet.

We recommend the Ministry engage with the government and Central Agencies to begin scoping answers to these questions. The Ministry should also engage with the Transport Leadership Group to further define and align the Ministry's role with the expectations of the sector. Once defined, this role should be discussed with and confirmed by Ministers. In practice this needs to be an iterative process of engagement, refining and confirming with Ministers, central agencies and transport system agencies.

Other medium-term actions (12-24 months)

The key medium-term action for the Ministry is to define and confirm its leadership role, as described in the previous section. There are also other medium-term actions that the Ministry should undertake:

- Lead the transport system towards strategic alignment by translating the transport outcomes and Government priorities into agreed sector priorities to then flow through to performance and delivery. This should be based on a co-design approach with the sector to help ensure a unified response to issues, build a culture of collaboration and resource sharing, and demonstrate to Ministers and the sector the value of collaborative ways of working.
- Identify the Ministry's immediate capability gaps for technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps. Work with transport crown entities and Central Agencies to access existing talent through processes such as system teams (made up of staff from within the Ministry and from across the transport agencies) and two-way secondments.
- Develop a strategic people plan which addresses recruitment, retention, leadership development, talent acquisition, and performance management. The plan will need to have a focus on understanding and addressing the drivers of turnover, and how it can lift its recruitment brand to attract the talent the Ministry needs.
- Identify and commit to high priority areas requiring a system team approach (creating a team of people from across the transport agencies). This includes areas such as transport system revenue and funding, roading (nationally significant) and land transport needs of Auckland and other cities with significant transportation issues.
- Work with transport sector agencies and Central Agencies to identify areas for improvement in respect to transport system configuration. Areas for consideration should include the Ministry's approach to regulation and its role in infrastructure assurance and delivery.

Medium term opportunities

The Ministry will need to consider how to phase and prioritise capability improvements to best meet the needs of Government and transport stakeholders. The following future focuses will likely be important for the Ministry in the medium term:

- Prioritise and lead a system approach to data and analytics. This could include an upscaled 'transport data hub' that is operated and shared across the whole transport system. It should build on good progress to date. Note: this transport data hub may not have to reside inside the Ministry and needs to leverage talent across the system.
- Align strategy owned by the Ministry e.g. the Freight Strategy, to the overarching transport system and government priorities. These strategies should be examined for consistency, any potential conflicts or competition for the same resources and adapted where necessary.
- Identify the desired Ministry culture and mindset to support its future role. Aspects of this new culture and mindset should include moving from a pure policy focus to a system focus where the Ministry thinks about the end-to-end system i.e. scoping, planning, design, implementation, delivery and maintenance; a regulatory approach supported by a relational approach; outward-looking as opposed to an insular approach.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

1

Responding to the Challenge

This section contains the Ministry of Transport's, and the Public Service Commission's responses to the findings of this Agency Capability Review. These responses provide the platform to build on the insights coming out of this report and review process.

In this section:

- Ministry of Transport's response
- Public Service Commission response.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Ministry of Transport Response

TBC

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Public Service Commission Response

TBC

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

2

Context

This section presents context about this Review, and the Ministry of Transport's operating context. It presents Ministry's mandate and functions and explores key strategic and organisational themes, including how these themes may develop over the medium term.

In this section:

- Scope of the Review
- Ministry of Transport's role and mandate
- Strategic context
- Ministry of Transport's organisational context.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Scope of the Review

This Review assessed all aspects of the Ministry using the Agency Capability Model, with the main interviews and analysis period having been completed in early October 2023. As requested by the Ministry's Chief Executive, this review considered previous reviews of the Ministry of a similar nature.

The majority of interviews and analysis were undertaken in September 2023 with drafting the report in October, November and December. The report has been updated to reflect the shifts in priorities, and immediate actions (such as the 100-day plan) of the Government, in particular to ensure it is accurate and remains relevant. However, the Review is always at a point in time and we have not re-interviewed stakeholders (except for the Minister of Transport). It is expected that the context for the Ministry will continue to evolve.

While this Review is focused on the Ministry's capability, the Review considered the wider transport system which the Ministry operates within and leads. Comments are provided on the transport system's configuration in the core function System Stewardship.

Ministry of Transport's role and mandate

The Ministry is a department under the Public Service Act 2020. The Ministry describes its role as *the Government's system lead on transport*. Its purpose is to *enable New Zealanders to flourish, reflecting transport's role in shaping our society, economy, and environment*.² It advances its purpose through various functions including:³

- policy advice
- Crown entity governance and monitoring
- system leadership and stewardship.

The Ministry is the steward of the transport regulatory system (which is made up of 26 Acts and 268 sets of regulations and rules). This system spans three main modes of transport: land (road and rail), aviation, and maritime. There are some regulatory components in common across all three modes, such as licensing and certification, regulatory compliance, and enforcement.⁴

The Ministry works with a wide range of agencies to drive the direction and performance of the transport system

The table below outlines the public sector organisations that operate within the transport system spanning various roles including planning, funding, investment delivery, and regulatory compliance.

² <https://www.transport.govt.nz/about-us/> retrieved 11 October 2023.

³ Defined in *He Rautaki Takunetanga 2021-25 | Strategic Intentions 2021-25*, Ministry of Transport, 2023.

⁴ For an overview of relevant legislation and regulations, see:

<https://www.transport.govt.nz/footer/legislation/>

Overview of transport agencies

Type of entity	Organisation	Role
Public Service Department	Ministry of Transport	Advises the government on all policy and regulatory matters within the transport system and on funding and governance of the transport Crown entities. Advice includes legislative, regulatory and policy settings, funding levels and priorities.
Crown Entities	Civil Aviation Authority (CAA) (includes the Aviation Security Service)	Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security. The Aviation Security Service provides aviation security services for international and domestic air operations, including airport security, and passenger and baggage screening.
	Maritime New Zealand (MNZ)	Promotes commercial and recreation vessel safety. Controls entry to the maritime system. Investigates marine accidents.
	New Zealand Transport Agency Waka Kotahi (NZTA)	Funds and maintains land transport infrastructure. Manages road safety rules and licensing, as well as road safety education.
	Transport Accident Investigation Commission (TAIC)	Investigates significant air, maritime and rail accidents and incidents, to determine their cause and circumstances, to avoid similar occurrences in the future.
Crown owned companies	City Rail Link Limited (CRL)	Full governance, operational and financial responsibility for the Auckland City Rail Link, with delivery targets and performance expectations.
State Owned Enterprises	Airways Corporation of New Zealand Limited	Provides air navigation and air traffic management services on a commercial basis. It is also responsible for air traffic services in 28.8 million square kilometres of international airspace managed by New Zealand.
	Meteorological Service of New Zealand Limited (MetService)	Provides public weather forecasting services and meteorological information for international air navigation under contract to the Civil Aviation Authority.
	KiwiRail Holdings Limited (trading as KiwiRail Group)	Owns and operates New Zealand's rail networks, including the Interislander ferry transport service. It also provides infrastructure and engineering services for maintaining and improving the rail and ferry networks.

In addition to these transport agencies, the New Zealand Police provides road policing and maritime patrol services. Local government (such as regional councils, territorial authorities, and council-controlled organisations such as Auckland Transport) also fund, maintain, and regulate local road and transport networks. The New Zealand Infrastructure Commission provides research, advice, support and data on both upcoming projects and infrastructure performance.

The Government has announced a new National Infrastructure Agency will be created to coordinate government funding, connect domestic and offshore investments with New Zealand infrastructure projects, and improve funding procurement and delivery.

Strategic framework

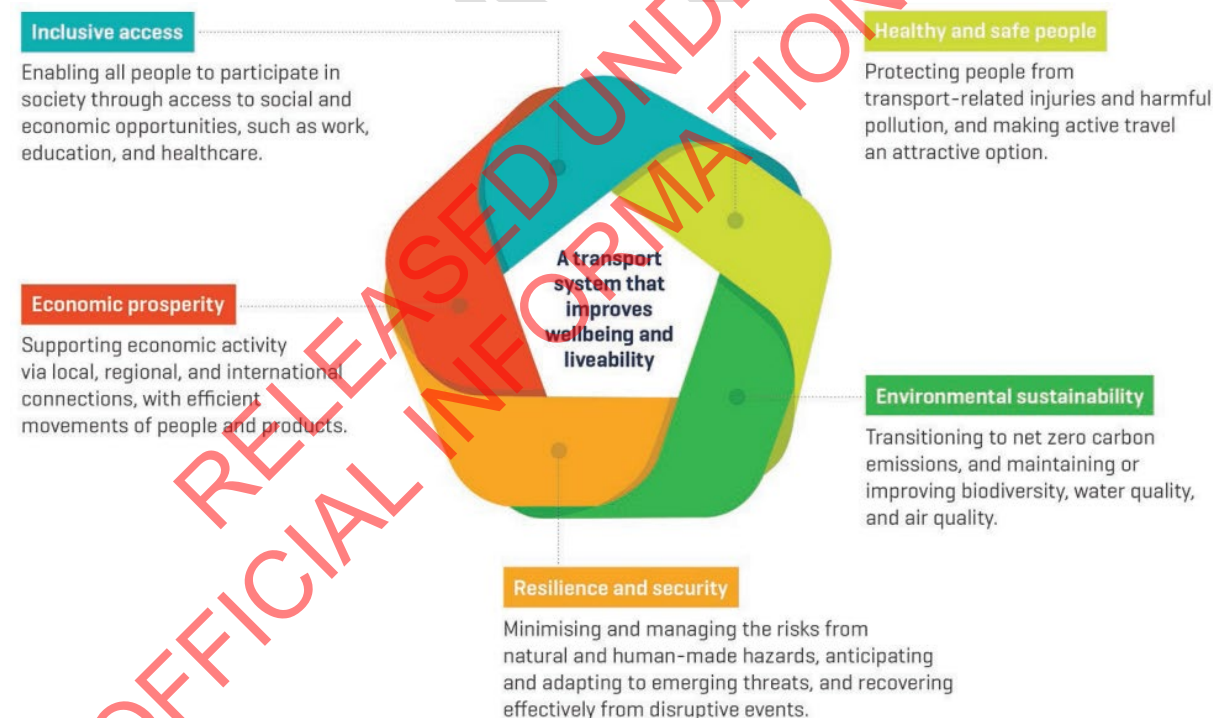
The Ministry's strategic framework has two main layers. These layers are the transport system-wide strategies and frameworks, and under this the Ministry specific strategies and plans which seek to advance the system wide strategies and frameworks. These are discussed below.

Transport system strategies and frameworks

Transport Outcomes Framework

The Transport Outcomes Framework (the Framework) was developed by the Ministry in consultation with transport system stakeholders in 2018.⁵ It is designed to identify what government is aiming to achieve through the transport system and influence transport agencies' strategies, plans, and interventions. The Framework sets high level outcomes to guide the transport system, supported by a set of detailed indicators to track progress.

The Framework, including the five outcome areas is presented below:



Government Policy Statement on Land Transport (GPS on Land Transport)

The Land Transport Management Act 2003 requires the Minister of Transport to issue a Government Policy Statement (GPS) on Land Transport. The GPS outlines a long-term strategic approach to land transport investment over the next ten years, and the responsibilities of different

⁵ <https://www.transport.govt.nz/assets/Uploads/Paper/Transport-outcomes-framework.pdf>

agencies and decision makers within the land transport system.⁶ As transport system lead, the Ministry assists the Minister of Transport to develop the GPS. The Government has committed to beginning work to develop a new GPS reflecting the new Roads of National Significance and new public transport priorities in the 100-day plan.

Ministry of Transport specific strategies

There are a range of internally developed strategies and plans which the Ministry uses to align its work programme with transport system-wide strategies and frameworks, and government priorities. These are outlined below.

Strategic Intentions

The Ministry's current strategic intentions are set out in *He Rautaki Takunetanga 2021-25 | Strategic Intentions 2021-25*, which was updated in May 2023.⁷ This document sets out the Ministry's priorities, and these – alongside further government and ministerial priorities – are used to develop its annual work programme. These priorities, and associated work programmes, will need to be considered in the context of the new Government. The priorities in its strategic intentions are outlined below:

1. Start to decarbonise the transport system
2. Improve road safety
3. Support liveable cities
4. Strengthen New Zealand's supply chains
5. Enable emerging aviation technologies.

Strategic context

New Zealand's transport system is complex and faces significant changes over the coming years. This section outlines the key themes to be factored into the Ministry's Future Excellence Horizon.

New Zealand's transport system is broad, complex, and interconnected with other systems

The transport system is multi-modal, spanning land, air, and sea, and includes:

- vehicles that move people and products
- physical infrastructure (e.g. ports, the rail network, roads, and car parks)
- digital infrastructure (e.g. satellite-based navigation infrastructure and aids, travel apps, communications technologies)
- mobility services (e.g. public transport, bike-sharing, ridesharing)

⁶ The current GPS spans 2021/22 to 2030/31, and is accessible here:

<https://www.transport.govt.nz/assets/Uploads/Paper/GPS2021.pdf>

⁷ <https://www.transport.govt.nz/assets/Uploads/F.520MoT20Strategic20Intentions202021-252028Updated20May20202329.pdf>

- institutions and regulatory systems that influence how the transport system functions and develops (e.g. through their structures, management practices, rules, policies, and funding/investment tools). Some parts of the transport system (aviation and maritime in particular) are subject to international regulation.

These features of the transport system are interconnected and work together to move people and goods, both nationally and internationally.

Ownership, funding, delivery, and operations of transport is spread across different organisations

Transport infrastructure and services are delivered by a combination of central government, local government, and private enterprise (including large-scale businesses and, in some cases, many smaller businesses). Together, these organisations are critical to delivering the system we have today, and in developing the transport system we need in the future.

Transport infrastructure ownership, funding, delivery, and operations

	Road (and public transport)	Rail	Ports	Airport
Ownership	Crown (NZTA), Councils	Crown (New Zealand Rail Corporation and KiwiRail)	Councils, private shareholders	Councils, Crown, private shareholders
Governance	Boards, councils	SOE Boards	Boards, councils	Boards, councils
Funding	National Land Transport Fund (NLTF), Crown, councils	Crown, NLTF, rail users	Port users, Crown, and councils	Users (airlines and passengers, commercial operations, land use)
Delivery and operations	NZTA, councils	KiwiRail, Regional councils (metro rail via operator)	Port companies	Airport companies

The transport system impacts – and is impacted by – other related systems

The transport system enables many other systems to function. Transport has a role to play in delivering economic development, urban development and, environmental sustainability, safety, and resilience to increasing threats and hazards, as examples.

The transport system, and transport-based solutions, will be an important enabler to New Zealand’s economic and social prosperity, in areas such as land use planning and resource management, urban design, local government reform, health, and the climate change response.

Long-term planning and investment in transport infrastructure is required across New Zealand to support its economic potential

Transport enables economic activity by supporting labour markets, and the movement of goods and services. Investment in a reliable, connected, and modern transport network is critical to support a high value, productive economy that is connected domestically and internationally. Transport also plays a role in addressing New Zealand’s productivity challenge.

Investment is needed across the regions

New Zealand's transport infrastructure is aging, and much of it will have to be replaced and built out over the next decade to meet transport needs. The World Economic Forum's Global Competitiveness Report 2019 ranked New Zealand 57 out of 141 assessed countries in the category of supply and quality of transport infrastructure.⁸

Transport investments need to respond to long-term regional trends such as demographic change, urban development, and resilience requirements. For example, many urban areas across New Zealand are grappling with housing and infrastructure challenges due to population growth. Transport infrastructure investments need to support urban development plans and public transport to address issues such as congestion levels in major cities and towns.

Auckland will remain a challenging planning environment

Auckland is New Zealand's largest urban centre and is rapidly growing. Currently 1.7 million people live in Auckland, with an additional million expected to live in Auckland over the next 30 years.⁹ Planning, funding, and developing a transport system that supports Auckland's growth will remain a central focus for New Zealand's transport system.

Auckland's transport system has many challenges and opportunities, including enabling more people to use public transport, walk and cycle, addressing congestion, increasing accessibility, reducing its impacts on the environment and reducing road deaths and serious injuries. These changes require planning, funding, and co-operation across central and local government, and Auckland community groups. Such co-operation and co-ordination will be a particular challenge given the scale and variety of transport agencies operating within Auckland.

Integrated, long-term planning is essential

There has tended to be a mode-specific approach to developing and managing transport infrastructure and assets (which is dominated in cost and size by road assets, compared to other asset types). However, getting the best results from the transport system requires considering how all assets (port, rail, mass transport) work together and what investments are required to support a suitable transport system that supports connections and freight (both at a regional and international level).

While some alignment across modes exists in current strategic planning documents, more can be done to align urban planning, infrastructure, and development.¹⁰ Transport agencies and local government will have to apply long-term planning horizons to develop a clear, strategic pipeline of high-quality investment across the transport system. This will help drive national productivity through improved business efficiency, access and connectivity both domestically and internationally, and greater mobility of the workforce.

⁸ Cited in <https://tewaihang.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf> page 39.

⁹ <https://www.transport.govt.nz/area-of-interest/auckland/auckland-transport-alignment-project/>

¹⁰ See <https://tewaihang.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

Adverse weather events and natural disasters will continue to test transport resilience

Climate change is increasing the likelihood and frequency of extreme weather events. In 2023 alone, New Zealand experienced Cyclone Gabrielle, ex-Cyclone Hale, and the Auckland Anniversary floods which significantly impacted local communities and stress transport systems.

Sea-level rise, floods, landslides, and non-weather-related disasters such as earthquakes and tsunami also present significant risks to the transport system. These risks vary across the country and all regions will have to consider how best to ready their transport infrastructure and services in light of these risks. This may involve upgrading existing infrastructure to ensure it is resilient to natural disaster risk and having contingency plans in place to meet transport requirements if disasters do occur.

The transport system will need to be resilient to economic headwinds and global disruptions outside of New Zealand's control

COVID-19 highlighted New Zealand's vulnerability to global trends outside of our country's control. There are several issues on the horizon which are similarly outside of New Zealand's direct control but could impact the transport system.¹¹ These include:

- Greater outward migration and significant infrastructure investment could weaken our labour market – particularly for skills needed to deliver infrastructure investment.
- Geopolitical tension fracturing supply chains and limiting access to goods and services needed to build, maintain, and operate critical infrastructure.
- Volatile energy prices which could increase the cost of transport thereby impacting the affordability of private and public transport.¹²
- Persistently high inflation which can increase infrastructure input costs such as labour and material and constrain central and local government's ability to finance transport infrastructure through higher interest rates.¹³

The transport system will need to overcome funding challenges

Local and central government face significant transport funding challenges due to increasing infrastructure demands, increasing build and replacement costs, and declining revenue.¹⁴

Land transport investment is currently funded through a range of channels, with the NLTF historically being the largest single source of funds, with additional Crown contributions and

¹¹ https://www.productivity.govt.nz/assets/Inquiries/resilience/Resilience_Issues_Paper_Final_17-Feb-2023.pdf

¹² https://consultation.dpmc.govt.nz/national-security-group/critical-infrastructure-phase-1-public-consultation/user_uploads/discussion-document--strengthening-the-resilience-of-nzs-ci-system.pdf
Paragraph 51

¹³ <https://tewaihang.govt.nz/media/ueoijtbe/inflation-what-are-the-implications-for-civil-construction.pdf>

¹⁴ Annual Report page 10 https://www.transport.govt.nz/assets/Uploads/MOT-4486_Annual-Report-FA2-web.pdf

council spending making up the balance. The NLTF is currently funded from charges levied on road users, primarily through fuel excise duty, road user charges, vehicle and driver registration and licensing fees, and revenues from road tolling. Crown contributions are funded out of general taxation.

Changing dynamics across the transport system such as changes in travel patterns and the use of alternate modes of transport, including walking, cycling and public transport has created revenue shortfalls. This has increased the need for Crown revenue to support the NLTF which may not be sustainable in the future.

Local government faces its own funding challenges due to debt raising limitations and changes in its rating base. Local government is also stretched funding other growth infrastructure such as water, wastewater, and stormwater infrastructure.¹⁵

The transport system will need to overcome these funding challenges to build and maintain transport infrastructure, which could include alternative revenue streams such as time-of-use charges, value capture charges, mileage-based user fees, carbon taxes, tolls, Public Private Partnerships and data monetisation. Other jurisdictions are exploring these options and currently employ alternative financing and to deliver and fund transport projects.

Government will need to manage rising infrastructure costs

There is a need for initiatives to help contain cost pressures as infrastructure costs have been rising in recent years. For example, the cost to maintain State highways rose 10 percent, and road maintenance costs rose 5 percent in 2020.¹⁶ Civil construction prices have been rising faster than the general consumer price which indicates ongoing demand-driven cost inflation.

These impacts may be more pronounced in some regions due to local construction market conditions. Location may also drive high resilience requirements which may increase costs. For example, some local authorities experience greater risk to their infrastructure due to their exposure to adverse weather events. This means per-capita costs of infrastructure varies across regions.¹⁷

Transport technology disruption is likely to continue

Changing technologies, including new and improved drones, aircraft, vehicles, and vessels; autonomous piloting systems; and low carbon technologies will continue to change the way people and goods move. Advancements in areas such as artificial intelligence and blockchain can also have transport applications (blockchain has been trialled in container shipping providing visibility of containers and trade documentation).

These new technologies present significant positive opportunities for government and consumers. They can support cheaper and more affordable transport options (e.g. electric bikes and scooters) and help advance priorities such as transport decarbonisation and productivity growth. New

¹⁵ See <https://tewaihanga.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

¹⁶ See <https://tewaihanga.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

¹⁷ https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf.

technologies such as digital driver licences, and biometric facial recognition have the potential to improve regulatory enforcement and user convenience.

Regulation makers and regulators will have to be agile and forward looking to protect communities while unlocking the growth, productivity, and innovation potential of these technologies.

Some technologies are decentrally adopted (for example, consumers adopted e-scooters as soon as they were affordable). In these situations, regulations need to anticipate adoption and get ahead of the risks presented to communities. Other technologies (such as biometric facial recognition) require aligned standards, legal frameworks, and systems for secure, robust data interoperability before wide scale adoption.

The transport system can help achieve New Zealand's greenhouse gas emission targets

The transport system can play a significant role in meeting New Zealand's greenhouse gas emission reduction targets. Transport is one of New Zealand's largest sources of greenhouse gas emissions, producing 39 percent of domestic carbon dioxide emissions, and 17 percent of greenhouse gas emissions.¹⁸ Ministry of Transport forecasts suggest transport emissions may be double where they need to be to achieve targets by 2035 without major interventions.¹⁹

A range of shifts would be required to significantly reduce emissions from the transport system. These include mode shift where people choose less carbon intensive alternatives to driving (e.g. public transport), the adoption of low-emissions vehicles and electric vehicles, and decarbonising heavy transport (increasing the use of biofuels and zero-emissions heavy vehicles).

Some of these shifts can occur through consumer choices and private enterprises responding to consumer expectations. However, government support and co-ordination across communities and businesses is likely to be needed.

The Ministry of Transport's organisational context

The Ministry has delivered significant work across its key priorities

The Ministry has successfully delivered a range of initiatives within a changing and complex context over the last few years. Some of the significant areas of delivery include:

- **COVID-19 response** – the Ministry supported the health response, and ensured transport could reconnect New Zealand to the world. It worked with the aviation and maritime sectors to ensure both freight and people were able to move effectively. The COVID-19 response also highlighted the transport system's – and by extension the Ministry's – critical role in managing the impacts of the pandemic on communities.

¹⁸ Based on 2019 estimates, cited in <https://environment.govt.nz/publications/aotearoa-new-zealands-first-emissions-reduction-plan/transport/>.

¹⁹ This in reference to the emissions profile to get New Zealand to net zero emissions by 2050, see <https://www.transport.govt.nz/assets/Uploads/Transport-chapter-for-emissions-reduction-plan.pdf>.

- **Transport mode strategies and plans** – the Ministry released the draft GPS on Land Transport for consultation in June 2023. The draft GPS sets out transport investment strategic intentions, and how these investments will be funded and allocated. The Ministry has started work on a new GPS as set out in the Government’s 100-day plan released in late 2023. In August 2023, the Ministry released the New Zealand Freight and Supply Chain Strategy which provides long-term strategic direction for the freight and supply chain system and involved widespread engagement with stakeholders in its development.
- **Decarbonising transport** – the Ministry developed the Transport chapter in the Emissions Reduction Plan which sets out the challenge of reducing transport emissions by 41 percent by 2035. In December 2022, it released the Decarbonising Transport Action Plan setting out the detailed actions needed to achieve the plan. The Ministry also led the design of the Clean Car Standard and the Clean Car Discount Scheme.
- **2023 extreme weather events** - the Ministry, as part of the all-of-government response, supported the co-ordinated efforts by central and local government to respond to communities affected by extreme weather events across the North Island.
- **Supporting liveable cities** - the Ministry has progressed significant work to support transport’s contribution in major urban areas, including playing a lead role in the Auckland Transport Alignment Project (ATAP), supporting the implementation of Community Connect, and contributing to cross-government work on Resource Management Reform.
- **Aviation** – in 2023, the Ministry helped pass the Civil Aviation Bill: a large and complex piece of legislation which strengthened aviation safety standards and better enables New Zealand to meet its international aviation emissions obligations. The Ministry also supported the Air Navigation System Review panel, which published its phase two report in May 2023.

The Ministry operates within a complex and challenging operating environment

As leader of the transport system, the Ministry has a wide range of stakeholders across multiple transport modes with varying interests. This engagement context includes operators working directly in the land transport, maritime, and aviation sectors, industry groups, businesses that rely on transport, mana whenua, and other members of the community who use and are impacted by the transport system. Local government is also a significant stakeholder group given its role in providing transport infrastructure and public transport.

The COVID-19 response highlighted the breadth of the transport sector, and the various groups who have an interest in transport. Through the response, the Ministry built relationships with stakeholders beyond its normal operating conditions – particularly with commercial transport operators. The Ministry also went beyond its core policy role to meet the needs of the transport system at the time (this included co-ordinating communications and response efforts, and managing procurement, for example, with airlines to maintain freight services).

Transport agencies have faced delivery and performance challenges

The last five years has seen constraints on the transport agencies' ability to perform and deliver major capital projects. These constraints have arisen from the COVID-19 response (which diverted agency resources), a tight labour market, supply chain issues, inflation, economic volatility, and funding challenges. There have been delays and cost pressures in many significant investment programmes, such as the New Zealand Upgrade Programme, CRL, Transmission Gully, and other capital works within the wider land transport investment programme.

There have also been regulatory performance issues. The most notable issue was identified in 2018, with NZTA failing to exercise adequate oversight over vehicle inspectors and certifiers with one case resulting in a fatality. External reviews found shortcomings in the way NZTA was exercising its regulatory functions, and issues in the way the Ministry exercised its monitoring and oversight functions. The reviews resulted in significant changes in NZTA's regulatory functions, and changes in the Ministry's monitoring practices.

In 2021, the Ministry commissioned an independent review into road safety investment and delivery. This Review found system level governance and oversight issues (including confused roles and responsibilities among partner agencies) limiting the system's ability to effectively deliver road safety investments. The review highlighted the need for the Ministry to play a more active leadership role within the Road Safety Partnership Programme. These findings were overlaid against delivery and performance issues by NZ Police and NZTA, which both agencies are working to address.

The Ministry's role has expanded beyond its transport advisor role

In recent years, the Ministry has had to step beyond its traditional advisor role to provide purchasing advice and assurance on the delivery of significant transport infrastructure and investment (examples include the Ministry's involvement in the New Zealand Upgrade Programme and the Auckland Light Rail Project). To do this, the Ministry has had to build greater commercial, investment management and assurance capability.

The expansion of the Ministry's role has been driven by an increasing level of Crown funding being invested in the transport system outside of the NLTF. As a result of increased Crown funding, Ministers have had a greater responsibility for overseeing investment decision making and delivery in way that have not in the past. Ministers are more directly accountable for such Crown funded investment, whereas the Board of NZTA holds responsibility for delivery of investment made through the NLTF. The increasing role reflects Ministers engaging in a Crown purchasing role with delivery agencies, such as NZTA and KiwiRail.

A change process within the Ministry has been completed

In mid-2023, the Ministry's Chief Executive announced an organisational change process to create a structure and operating model that is financially sustainable, positions the Ministry to support the incoming government to deliver its priorities, and is flexible to respond to any new or emergent priorities. The final decision document stated the change process was also an opportunity to:

- assess and confirm the Ministry's core responsibilities and how those are delivered

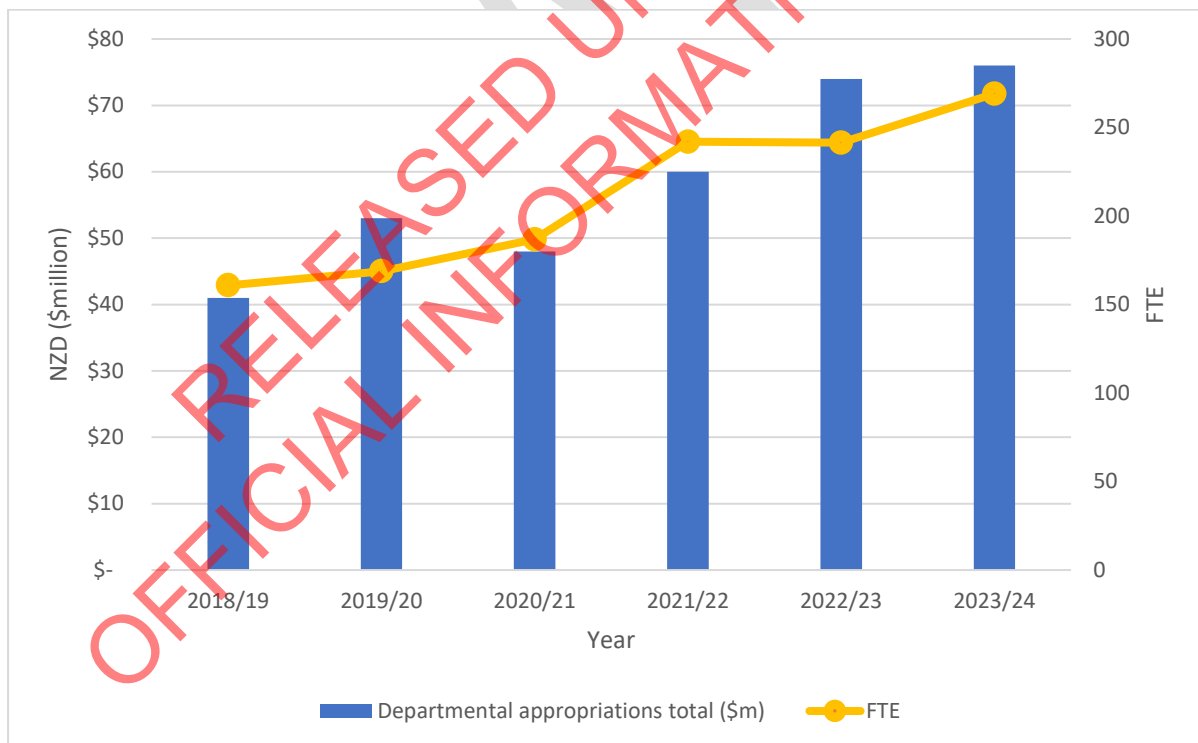
- to demonstrate value-for-money from the Ministry’s work
- to incorporate different ways of working, enabling the Ministry to be more efficient and influential
- to set a prioritised and realistic work programme, recognising the resource we have available.

The final decision document was provided to the Ministry’s staff in October 2023. The document references the preliminary findings of this Capability Review (which were discussed with the Ministry’s chief executive in early October 2023). This Review has, where practicable, considered the implications of the change process and references relevant changes in the decision document.

Funding and staffing have grown in recent years

Over recent years the Ministry has had steady growth in its staffing FTE and its departmental funding through Vote Transport. In the last financial year (2022/23), the Ministry received \$76 million in departmental funding which represents an 80 percent increase since 2018/19. Current FTE stands at 241.

Ministry of Transport workforce (FTE) and departmental funding (Vote Transport) 2018/19 – 2023/24



Note that departmental funding represents a small part of Vote Transport which totals approximately \$10 billion in 2022/23. Most of the Vote comprises non-departmental appropriations such as the National Land Transport Programme (34 percent of the Vote for 2023/24) which funds land transport infrastructure.

Like all departments and public sector agencies, the Ministry will need to contribute to the savings sought in the Government's Fiscal Sustainability Programme. The programme is also seeking a significant reduction in contractor and consultant spend, which will require significant changes from the Ministry given its relatively high (as a ratio of personnel spend) expenditure on contractors and consultants.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

3

Future Excellence Horizon

This section presents the Ministry of Transport's Future Excellence Horizon, as developed by the Lead Reviewers, in close consultation with the Ministry and the Public Service Commission. This aims to answer the question: What is the contribution New Zealanders need from the agency in the medium term?

This section outlines the future goal that the agency is working towards. Ratings and discussions in the rest of this report are framed in reference to the contributions defined in this section.

In this section

- Outcomes New Zealanders expect in the future
- Agency contributions necessary to deliver these future outcomes.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Outcomes New Zealanders expect in the future

The Transport Outcomes Framework outlines the outcomes New Zealanders expect from the transport system. To help frame the Future Excellence Horizon, we have specified the following detailed medium-term expectations which align with the Framework outcomes:²⁰

- **Unlock New Zealand’s economic potential** – The transport system provides efficient and integrated roads, rail, ports, airports, intermodal terminals, and key freight centres to reduce the cost of goods and services, support economic growth, and increase New Zealand’s competitiveness and productivity. Infrastructure is appropriately sized, robustly and efficiently sourced, and anticipates future demands. Transport solutions and connections are seamless and integrated with efficient and reliable freight networks to enable trade with partners around the world.
- **Support liveable communities and enhanced quality of life** – All communities have timely, safe, affordable, and seamless transport options that connect people to amenities, services, and businesses. Transport also needs to be integrated with land use planning to support long term growth. Transport solutions are designed around the needs of customers and communities, and respond to changing customer patterns (for example working from home) and demand to remain fit-for-purpose.
- **Resilient to shocks and stresses** - The transport system needs to be resilient to the effects of climate change, natural disasters, security, and economic shocks. Risks and threats need to be monitored, and mitigations and contingencies need to be in place. Communities need to be engaged in risk identification and mitigation planning. A clear nation-wide and integrated approach to infrastructure investment is necessary to drive adaptation and resilience in response to threats and risks.
- **Support achieving greenhouse gas emission reduction targets** – The transport system is responsive in taking action to reduce net greenhouse gas emissions through use of cleaner low-carbon fuels and public transport options in New Zealand’s largest cities.

Agency contributions necessary to deliver these future outcomes

The Ministry is uniquely placed within the transport system to deliver a range of outcomes which enable the transport system to meet New Zealanders expectations as outlined above. Some of the most important outcomes include:

- **Clarity of transport agencies roles and responsibilities** – To ensure that transport agencies are maximising their contribution to the system by operating in a mutually supporting, non-duplicative way.
- **Clear future state for the transport system** – To help all system participants organise their efforts around a shared vision which is mutually reinforcing.

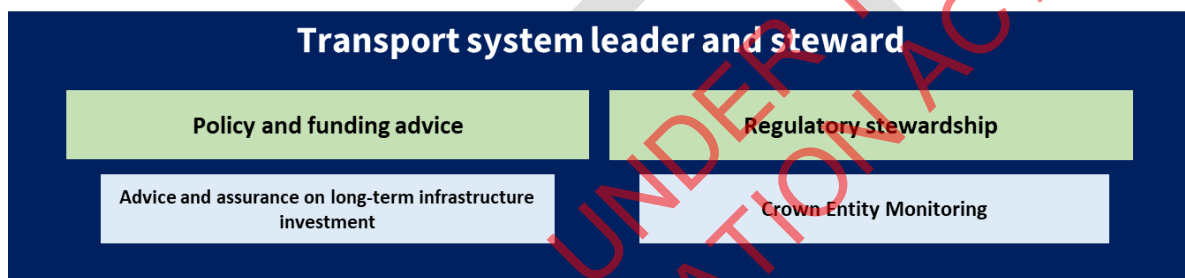
²⁰ Key resources used to develop these statements include the Transport Outcomes Framework, the Ministry’s 2023 Strategic Intentions, and the 2023 Briefings to the Incoming Minister.

- **Sustainable funding** – To enable the transport investment necessary for a successful transport system.
- **Modern regulatory regime** – To enable the transport system to benefit from new technologies (e.g. drones, low carbon fuels, personal transport options) as soon as they are ready.

The Ministry needs to draw on a range of capabilities to deliver these outcomes. Below we define where we think each of the Ministry’s core functions need to be in five years’ time for the Ministry to deliver the necessary contributions. These statements draw on the context discussed in the previous section and are calibrated to the Ministry’s current resourcing.

Overarching Role: Transport System Leader and Steward

All Ministry functions fit under an overarching purpose of leading and stewarding the transport system. The work of the Ministry all directly or indirectly supports this leadership and stewardship function. The diagram below provides the hierarchy of core functions.



In five years, we expect to see the following:

- **Connector and integrator for the transport system** - The Ministry leads change as an integrator and connector across the transport system, and across related systems (e.g. urban development). The Ministry is recognised for its proactive leadership, collegial approach, and focus on intergenerational needs. It works across the transport sector, and with other sectors to define and refine future priorities and direction for the transport system. The Ministry then helps align resources, priorities, and the regulatory environment to help the sector deliver.
- **Translates strategy into delivery** - The Ministry drives delivery which seeks to realise overall strategies and long-term aims for the transport system. The Ministry aligns and can explain how decisions – whether they are investment, regulatory, or delivery – advance long-term objectives. In many cases the Ministry does not deliver directly, (e.g. transport infrastructure which is delivered through NZTA) but it uses its influences and levers to drive effective delivery through the transport agencies.
- **Engaging, informing and influencing stakeholders and communities on trade-off decisions** - The Ministry engages and communicates with stakeholders to ensure they contribute to and understand trade-off decisions. The Ministry works through the transport agencies to engage with regional stakeholders and local communities (including urban, rural, and Māori).

- **Optimises transport system configuration** – The Ministry collaborates with transport agencies to optimise the effectiveness of roles and responsibilities and improve the way transport agencies work together (see further regulatory stewardship). This includes considering governance and ownership structures, who does what, and what are the best operating models for those functions. The Ministry also partners with community groups, private enterprise, and local government to understand regional dynamics (e.g. Auckland, which is large, complex, and multimodal), and implement system changes that best support transport outcomes.
- **Leverages talent across the transport system** – The Ministry is skilled at drawing on talent from across the transport agencies and the wider transport system, including local government and sectors that intersect with transport. People from across the system seek to work at the Ministry given its expertise and collaborative leadership approach to transport issues. It leverages expert skills across the transport sector to develop system-wide views to address transport challenges.

Core Function: Policy and Funding Advice

The Ministry has the mandate to position the transport system ahead of trends and changes through policy and funding advice. We expect to see the following in five years:

- **Future and intergenerationally focused** – The Ministry has a comprehensive view of transport funding, investment, and regulatory needs across regions and across short, medium, and long-term horizons. This view accounts for mega-trends such as technology disruption, supply chain shocks, and climate change. The Ministry uses these views to provide a clear and prioritised view of what is necessary to prepare the transport system for future challenges and opportunities.
- **Impactful, influential, and proactive** – The Ministry translates its future focused view of transport needs into advice that is respected and supports Ministers decision making. This advice is proactive, and provides tangible plans to influence funding, investment, and regulatory settings that position the transport system ahead of future challenges and risks. Advice reflects subject-matter expertise in key areas such as urban economics, funding and finance, and technology. This advice is respected and influential in transport and transport-related decision making and policy debates.
- **Informed by data, evidence and insights** – Transport advice is informed by regional trends (demographics, demand, funding constraints), international trends (supply chain dynamics, energy prices), and insights drawn from the Ministry’s connections across the transport system. Data, evidence, and insights are shared and used effectively by policy teams across the Ministry, and across the wider transport system to inform transport Crown entities and investment decisions.
- **Integrated across wider systems and reform programmes** – The Ministry actively contributes and influences policy debates in related portfolios – such as urban planning, local government, and economic development – which helps these systems deliver for New Zealanders. Ministry advice seeks to align transport with these other systems and helps present a unified view across government about how transport can support the objectives of other systems and vice versa.

Core Function: Advice and Assurance on Long-Term Infrastructure Investment

The Ministry helps ensure transport Crown entities, delivery agencies and transport providers are making high quality and strategically aligned investments. We expect to see the following in five years:

- **Brings an expert long-term view to investments** - The Ministry uses its understanding of regional and international market dynamics, transport economics, competition policy, and wider transport and transport-related strategic context to drive high value investments. The Ministry effectively uses its intergenerational and funding insights to provide advice that supports the right infrastructure investments being prioritised. The Ministry is recognised as a trusted advisor to government for its ability to identify and prioritise well-informed investment in the transport system.
- **Enables effective purchasing** - The Ministry helps Ministers achieve the outcomes they seek by clearly defining and stating the link between government priorities and investment outcomes. The Ministry embeds a robust, value-for-money focused investment lifecycle approach within the transport system to guide purchasing decisions.
- **Strong partnerships across transport Crown entities and the sector** – The Ministry maintains close partnerships with transport Crown entities, local government, and commercial entities involved in the delivery of transport infrastructure. These partnerships provide the Ministry with information to understand the infrastructure market, as well as an influencing channel which the Ministry can use to execute Ministerial purchasing intentions. The Ministry supports those involved in delivery from initiation through to execution.
- **Effective assurance** – The Ministry assures Ministers and the public that infrastructure investments are delivered to plan and achieve agreed outcomes. The Ministry focuses on assuring delivery agencies have the right governance, quality assurance, and benefits realisation systems and processes in place. When issues arise, the Ministry confidently steps in to ensure issues that could impact delivery and benefits realisation are being effectively managed and where appropriate well understood by Ministers.

Core Function: Regulatory Stewardship

The Ministry needs to regularly monitor and adjust regulatory settings to ensure the regulatory system is supporting the needs of the transport system. Aspects of policy advice – particularly the ability to take a future and intergenerationally focused approach to regulatory issues and draw on broad data and insights to reset and improve regulatory settings – directly contribute to the regulatory stewardship function. Additionally, we expect to see the following in five years:

- **Optimised roles, responsibilities, and decision-rights** –The Ministry ensures role, responsibility, and decision-right clarity across regulators and the Ministry. The Ministry helps drive effective and efficient regulatory settings, including where regulators and regulatory systems overlap.
- **Data informed performance monitoring and risk management** – The Ministry understands the outcomes sought from regulatory systems and has performance

measures in place to report and inform improvements to these systems. Performance monitoring is supported by active engagement with regulators, regulated parties, and communities. The Ministry continuously scans for regulatory risks and works with regulators to proactively manage risks as soon as they are identified.

- **Partners and engages with regulators, regulated parties, and stakeholders** – The Ministry understanding of regulatory systems is shaped by close engagements policy agencies, regulators, regulated parties, industry, and communities. Co-design with regulators and regulated parties is used – where appropriate – to shape regulatory settings. The Ministry also maintains strong and consistent engagements with international standard setting bodies and foreign jurisdictions to keep up to date with international changes and best practice.
- **Regulatory stewardship is prioritised** – The Ministry prioritises effective delivery of regulatory stewardship functions. It does this through dedicated resourcing and managing competing short-term priorities to maintain and improve regulatory frameworks.

Core Function: Crown Entity Monitoring

The transport Crown entities are primarily responsible for implementing and realising transport investments and operationalising regulatory systems and settings. As monitor, the Ministry has a significant role in ensuring that Crown entities are performing their function and delivering system wide priorities and strategies. We expect to see the following in five years:

- **Valued monitor** - The Ministry and the transport Crown entities have a mature and reciprocal relationship based on mutual respect for each other's system role. The Ministry values its monitoring role, viewing it as a critical lever to drive the delivery of wider transport system strategies and government priorities. Ministers, transport Crown entities, and stakeholders understand and value the Ministry's monitoring role and related advice. This sense of value is derived from the robustness of the Ministry's data informed views, knowing what questions it needs to ask and its collaborative approach to supporting the Crown entities.
- **Balances oversight and support** – The Ministry guides Crown entities using its transport system-wide context and draws on their perspectives to shape system policy settings and help manage constraints to delivery and performance. The Ministry balances this focus with effectively overseeing and advising on the governance, capability, and performance of the transport Crown entities.
- **Integrated with policy** – Monitoring is effectively integrated with the Ministry's policy function. Monitoring is used to help align Crown entities with wider transport strategies and objectives.
- **Proactive risk management** – The Ministry maintains a clear strategic approach that guides its assessment of delivery, performance, and risk within Crown entities. The Ministry is particularly alert to Crown entity constraints driven by policy and regulatory settings. It works proactively with Crown entities to address these constraints and drive delivery and performance.

- **Effective governance** – The Ministry ensures Crown entity boards continue building the capability and skills needed to effectively govern their Crown entities. The Ministry actively supports Ministers to drive board capability and performance. This includes ensuring advice on board appointments is used as a strategic lever to support Ministers in driving system performance.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

4

Delivery


This section assesses how the agency combines and uses its capability to deliver key functions. Ratings and rating justifications are provided, along with future focuses which identify factors which could impact capability over the time frame of the Future Excellence Horizon.

In this section:

- Responding to Government Priorities
- Primary role: Transport System Leader and Steward
- Core Function: Policy and Funding Advice
- Core Function: Regulatory Stewardship (including system stewardship)
- Core Function: Advice and Assurance on Long-Term Infrastructure Investment
- Core Function: Crown Entity Monitoring.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Responding to Government Priorities

Question	Rating
1. How does the agency respond to Government Priorities?	

What we found

We found a range of examples where the Ministry has effectively responded to Government priorities. Transport Crown entities and transport stakeholders commented positively on the Ministry's proactive and effective engagement approach in support of the Government's COVID-19 response. The Ministry has also had an important role in enabling Crown funding for previous Government initiatives such as Auckland Light Rail and New Zealand Upgrade Programme (NZUP). The Decarbonising Transport Action Plan, clean car Standard, and Clean Car Discount schemes are further examples where the Ministry has helped implement the Government of the day's priorities.

However, we heard from stakeholders that the Ministry has had a tendency to default to a reactive, tactical, and short-term approach in responding to priorities at the expense of addressing long-term strategic issues. There is the opportunity for the Ministry to take a more balanced approach in line with good stewardship and its strategic system leadership accountabilities.

Stakeholders were particularly concerned about the Ministry's ability to respond to priorities that will require capabilities outside of its traditional skill set (into areas such as commercial and financial management related to supporting large infrastructure projects). As these are not core capabilities of the Ministry, they questioned how effective the Ministry's response in those areas has been.

Role clarity is needed to help the Ministry effectively respond to government priorities

The Ministry's challenge in responding effectively to Government priorities relates to having clarity on its core role, as it has been asked to step into several new functions and roles in recent years. Before the Ministry commits to build capabilities and capacity in these areas, it should first determine whether it is the best placed organisation within the transport sector to carry these functions out. It must also engage with the new Government to clarify role and expectations.


We have heard that that the Ministry is rightly focussed on working with the new Government to understand and respond at pace to their priorities. We think it is critical that as those priorities shift towards the medium and longer-term it ensures it clarifies and reflects its role as long-term steward of the transport system. The range of shifts signalled throughout this report – particularly across the core functions – are key foundations which are needed if the Ministry is to effectively respond to government priorities in the future.

Future focus

We recommend the Ministry focus on the following:

- Continued focus on successfully delivering the priorities of the Government and building trust and confidence in the Ministry. As opportunities arise seeking and engagement with the Government and the sector to clarify the Ministry's role (see Transport System Leader and Steward)

Overarching role: Transport System Leader and Steward

Question	Rating
4. How does the agency meet its system stewardship responsibilities? (note regulatory stewardship is discussed separately under Core Function: Regulatory Stewardship)	

What we found

The Ministry is the only agency positioned to lead the transport system as a whole. Its unique role was described as “if not the Ministry, then who?”. As such, we think all Ministry functions are best framed around the Ministry’s role as transport system leader and steward. This means that through all the Ministry’s function and actions, the Ministry needs to lead the transport system – including transport stakeholders and transport agencies – towards the long-term outcomes sought by New Zealanders. It also needs to steward this system, which means ensuring that system settings are fit-for-purpose both now and for future generations.

The Ministry’s actions to support the COVID-19 response demonstrated this leadership and stewardship capability. The Ministry understood what the government was trying to achieve, and interpreted and implemented this vision for the transport system. It did this through open and proactive collaboration with transport agencies, transport stakeholders, and local authorities. It did not fall back on traditional roles, rather it identified the shifts that were required in the system and took active steps to address them.

Stakeholders we interviewed were positive about the Ministry’s approach during this period. While it is not sustainable (for example due to excessive workloads and deferring of other work) to always operate as the Ministry did during COVID-19 (and the Ministry has stepped back from this model), it serves to demonstrate what is possible and the value that the Ministry can bring when it steps up to its leadership and stewardship potential. We discuss various aspects of these primary roles below.

The Ministry needs to build a shared understanding of its role with ministers, transport agencies, and transport stakeholders

While there was a consistent view from Ministry staff that it is the steward and leader of the transport system, we also heard that there would be multiple definitions of what that role entails. The Ministry’s external stakeholders also had a variety of perspectives about its stewardship and leadership role, and what its ideal role should be. Some stakeholders doubted the Ministry’s capability to lead or steward the system given its small size, its current capability, and the complexity and challenges within the system. They also talked about the difference between calling yourself system leader and steward and earning that role, and commanding respect in that role.

The Ministry needs to build a clear understanding internally and externally of its leadership and stewardship role. This will ensure that it can focus on the capabilities and behaviours necessary to give full effect to this role. It also helps set expectations across the transport system, clarifying with its stakeholders what work it undertakes and what it does not undertake.

The Ministry needs to work with Ministers, central agencies and the transport sector agencies to clarify, define and embed these roles. An iterative and collaborative approach is necessary to ensure buy-in to the Ministry’s role and ensure that the Ministry’s role is scoped according to the

greatest needs across the transport system. This process should happen alongside the discussion on transport system configuration below.

The Ministry needs to ensure that the transport system's configuration is fit for purpose

Many stakeholders commented on whether the current configuration of the transport system – the roles, responsibilities, and associated powers of the various transport agencies – is still fit for purpose. One stakeholder commented “there is friction all the way in how the system is set up.” We heard that the current system architecture causes significant tensions between transport agencies, partly because of size and scope imbalances, and partly because of a lack of role clarity across agencies.

The Ministry is the best positioned agency within the transport system to ensure that roles and responsibilities are distributed in a way that supports the overall success of the transport system. While it is outside the scope of this Review to recommend a machinery-of-government style review, the Ministry should consider the changes necessary to reduce friction and enable the transport agencies to best undertake their roles²¹

Strategies and priorities need to align across the transport system

While some mode-based strategies exist, there are few overarching strategies (with the GPS on Land Transport as a notable exception) which co-ordinate and align across modes. The Ministry and some stakeholders do not consider that system-wide overarching strategies are possible and have instead focused on modal or sub-modal strategies (such as the Freight and Supply Chain Strategy).²²

As a result, there is no single overarching transport system strategy. An overarching system strategy is a possible method for the Ministry to align the system and provide leadership. For example, the OAG recently endorsed a system strategy approach as one of five key pillars of system leadership.²³ It is described as ‘...a strategy that has a vision and an action plan that all those in the system share and provides direction, prioritises initiatives, and aligns actions throughout the system’. The Future Transport Strategy released by Transport for New South Wales in 2022 provides an example of the level of system thinking that may be required.²⁴

While the Ministry may decide not to develop such a detailed transport system strategy, it is critical for the Ministry to provide system wide alignment and co-ordination. Transport agencies acknowledge the need for a more coherent and cohesive approach that provides a focus for investment priorities for government and the sector. This would help shift the focus from just the short-term to the strategic and longer-term.

There are also opportunities to better align the Ministry's strategies. There is currently a range of strategy documents but no overarching and coherent approach that maps out the priorities within

²¹ We make additional comments about clarifying roles and responsibilities under core function regulatory stewardship.

²² See <https://www.transport.govt.nz/area-of-interest/freight-and-logistics/new-zealand-freight-and-supply-chain-strategy/>

²³ Leading New Zealand's approach to Housing and Urban Development, Office of the Auditor General, 2023. While these comments were made in a housing context, and finding equally applies in this situation.

²⁴ [Future Transport Strategy: Our vision for transport in NSW.](#)

those documents towards outcomes, or how they interact with each other. Many specific strategies involve inherent trade-offs, for example, between reducing transport emissions and improving transport productivity. The absence of alignment across the variety of transport strategies reflects and reinforces a siloed approach within the Ministry.

Long-term vision and strategies need to carry through to delivery and implementation

The Ministry has done a lot of thinking about long-term and intergenerational issues and opportunities in the transport system. The Ministry-led Transport Outcomes Framework is a positive feature of the transport system, providing an agreed set of outcomes and reporting progress through a set of transport indicators published on the Ministry's website. The Framework is used across the transport system agencies' external documents and a recent OAG report²⁵ highlighted the system-wide framework as a feature that that other sectors should develop.

The Framework has had more limited impact in system decision-making or prioritisation, with gaps between its high-level outcomes, how the sector operates to achieve those outcomes and alignment on system priorities.

Other longer-term products produced by the Ministry such as the Generational Investment Approach seem to have had a limited impact on decision-making and delivery in the wider system. There is a disconnect between the long-term, intergenerational thinking within the Ministry and decisions and delivery that is occurring within the transport agencies and others across the transport system.

The Ministry needs to be able to translate its long-term and intergenerational thinking to make it useful and used in delivery in the system. Part of the challenge in this area is getting more clarity on the levers and relationships it has to do this effectively. As one stakeholder told us, *"It is not just creating a strategy – the hard yards start on delivering it"*.

The Future Transport Strategy from Transport for New South Wales provides a basis for how the Ministry could develop a clear system vision that is supported by a clearer integrated delivery plan. Our view is that the Ministry could harness its system relationships to drive this type of strategic thinking in the New Zealand context.

The Ministry needs to connect and collaborate with transport agencies and stakeholders

To effectively lead and steward the system, the Ministry needs an outward focus, and act as an integrator and connector across the transport system, and with other related systems, such as urban development. Stakeholders noted the Ministry's response during COVID-19 as a good example of this type of relationship and engagement. However, we heard that the Ministry has reverted to its pre-COVID-19 operating model which is seen as inward focused, reactive, and focused on discharging functions rather than leading. Some transport Crown entities likened their relationship with the Ministry as parent/child rather than a mature and trusting partnership. The sector sees the Ministry's current engagement approach as representing a "minimum viable

²⁵ Transport sector: A case study of sector-level performance, Office of the Auditor General, 2023. The report found several examples of good practice performance reporting that other sectors can learn from, including "a clearly defined set of meaningful outcomes and outcome indicators (such as the Transport Outcomes Framework and indicators) that are relevant to the public and the performance of the sector".

product”. Having said that, there was general agreement that the transport sector and system need the Ministry to step into its broader system leadership role.

While the COVID-19 operating model resulted in peak workloads that may not be sustainable on an ongoing basis, the Ministry should consider how it can carry the best parts of that engagement approach forward. We discuss this further under the Engagement and Partnerships capability section of this report.

Furthermore, we see an opportunity for the Ministry to leverage the existing talent that exists across the transport system. System teams made up of a mix of staff from within the Ministry and from across the transport agencies could be formed to tackle complex and challenging policy issues that require a collaborative approach e.g. funding and revenue, the future of airports and ports.²⁶ More information on system teams is covered in the workforce section.




Future focus

We recommend the Ministry focus on the following:

- Lead the development of a proposal defining and describing the role of the Ministry as system steward and leader. This should be shared across the transport system and the Ministry should use this work to engage the Government on the Ministry’s role with the aim of meeting government priorities.
- Work with Ministers, transport system agencies and the Central Agencies to identify areas for improving the system configuration, including roles, responsibilities and decision-rights in relation to transport regulation.
- Lead the transport system towards strategic alignment by translating Government priorities and the transport outcomes into agreed sector priorities to then flow through to performance and delivery. This approach should be based on co-design and partnership principles. This approach will ensure a unified response to the issues, build a culture of collaboration and resource sharing, and demonstrate to Ministers and the sector the value of collaborative ways of working.
- Review and update the Ministry’s own strategies and plans (including corporate plans and sector or mode strategies) to ensure they are similarly aligned and consistent with the outcomes and priorities for the system and the priorities of the Government.

²⁶ See the Workforce Development element for more detail on system teams.

Core Function: Policy and Funding Advice

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	
3. How does the agency provide advice and services to Ministers?	

What we found

The Ministry has many strengths in its policy advice capability. The Ministry received positive scores for the quality of advice analysis in the NZIER assessment (4.2 out of 5), good Ministerial satisfaction scores (3.5 out of 5) and timely responses to Official Information Act (OIA) requests (96% within the required timeframes). It has a Policy Quality Framework to monitor and improve its policy advice.

However, we heard mixed feedback about the timeliness and impact of Ministry advice. We heard of examples where the Ministry's advice was slow, failed to respond to the complexity of the transport system, had limited understanding of how it would be translated into delivery or the most recent thinking on the subject matter. These types of issues may have indirectly contributed to situations in the past of Ministers seeking alternative transport policy advice (in particular from NZTA) which has blurred roles and responsibilities around who 'owns' transport policy.

We also heard that the Ministry can tend towards reactive advice, which pulls attention away from advice on long-term significant issues facing the transport system. We also heard that some longer-term advice lacks the urgency and implementation focus expected by Ministers and stakeholders. Stakeholders wanted to see the Ministry lead on issues such as funding and revenue sources, congestion charging and how transport policy can support economic, environmental, and social wellbeing.

Given the significant shifts required within the transport system, the Ministry needs to address these issues to lift its ability to influence and impact the transport system through its policy and funding advice. To do this, it needs:

- a strategic approach to prioritise the matters its advises on, and the pace that it progresses this advice
- subject-matter expertise to underpin its advice
- data and insights which can be used to tailor advice to respond to future challenges and opportunities.

A long-term strategic approach should guide advising efforts

The Ministry should adopt a strategic approach to its policy advice. The system strategy signalled in the previous section will help the Ministry understand the long-term direction of the transport system and prioritise its efforts in the short-term. Aligning advice within a longer-term strategy will

help the Ministry create the space it needs to make headway on longer-term high impact policy issues.

Transport system funding is one of the most important longer-term high impact policy issues that needs to be addressed to enable the shifts required from the transport system. The Ministry is currently reviewing the revenue system over multiple years, with tactical approaches to enable funding for immediate investment priorities. We were concerned to hear from stakeholders that this approach is “too slow” causing them significant anxiety on how they will fund their operations. The Ministry needs to be able to explain why its approach and pace on an issue is in the overall long-term interest of the transport system.

The Ministry also needs to ensure that future focused advice accounts for implementation. The Ministry’s approach to its work on emissions reduction (where it helped shape the Emissions Reduction Plan, with a supporting Ministry-focused Action Plan) represents an example of this approach in action. We encourage the Ministry to build on this style of approach.

Advice needs to be underpinned by subject-matter expertise

Subject-matter expertise is necessary to create influential advice. The Ministry needs to have expertise in key areas such as market and network economics, infrastructure, and data and modelling. It also needs to access expertise in mega-trends such as climate change and technology disruption which can have significantly impact the transport system. The Ministry needs to understand these trends and factor these insights into the work it prioritises and in the content of the advice itself.

The Ministry’s high turnover is a limiting factor to the Ministry’s mainly generalist policy staff developing deep connections and experience with the transport system. The Ministry also struggles to access and retain specialist expertise (such as skills related to infrastructure investment). Solutions to these issues – including system teams - are discussed in the workforce development section of this report.

Systems teams (made up of staff from within the Ministry and from across the transport agencies) could have a significant role in addressing policy issues such as transport system revenue and funding, the future of airports, and the future of ports given the complexity of these issues and the capabilities that currently lie outside the Ministry.

Data and evidence to support good policy advice

Data and evidence are a key input into the Ministry’s policy advice. The Ministry appreciates the importance of this and has established foundational data ‘architecture’ to drive a system wide knowledge hub approach. The development of MONTY (an agency-based modelling of how people and businesses travel under different scenarios, to support better understanding the likely impact of policy and regulatory decisions) is a positive step. The Transport Knowledge Hub and Best Evidence Strategy are also strong foundations, and we also heard about strengths within its small specialist data and evidence team.

However, we heard that data, evidence, and evaluation do not seem to consistently feature prominently in policy processes and decision-making. There are Ministerial expectations for more granular, quantitative data on system performance and value, including financial data, to underpin more robust policy advice. High turnover limits the use of data and tools across the

Ministry (as it takes time to train analysts in the available data, tools, and resources). We think there are opportunities for better engagement between data experts and those working in policy and other areas. The organisational operating model needs to support data integration through training and upskilling, systems availability and a focus on building a strong culture around the use of data and analytics tools.

There is also an opportunity for the Ministry to co-ordinate data that already exists in transport agencies to provide an overall picture of transport system performance.²⁷ Presenting a single authoritative view is a powerful tool to inform the Ministry's own policy, and the efforts of Crown entities and transport stakeholders. This data set could reflect the approach we currently see in the Justice sector.

Transport advice needs to be integrated with related sectors

Transport plays a critical role in giving effect to economic and social outcomes and this needs wide engagement with other sectors. These key interdependencies with other systems are not sufficiently developed. We heard that the Ministry is not involved, or insufficiently involved in key discussions where it should be influential at the table. For example, in high-profile programmes and reforms in the areas of housing, local government, education and health.

The Ministry needs to have a clear understanding of their role with respect to other systems and have a clear approach to its participation and impact in these systems. This should include clear mapping of the different reforms being undertaken across government and elsewhere in the transport system and a clear approach to the engagement of 'at level' capability to participate effectively with their sector partners.

To be successful the Ministry needs a breadth of connections across multiple sectors outside the transport system. This will require an outward focus built on good communications, relationship management and networking skills. Stronger and more purposeful engagement in key areas including housing and urban development, local government, and the wider infrastructure portfolios should be a priority.

Value-for-money

The Ministry has been looking more deeply at its operations to identify potential savings. For example, the 2023 Change Decision Document describes a shift in the ratio of advisor/senior/principal advisor roles to ensure balance between policy expertise and costs.

The other aspect of value is how the Ministry drives value within the system settings they manage or influence through their policy advice. Here we heard some useful tools have been developed, including a Value-for-Money framework used for Budget bids in Budget 2022 (that the Treasury provided it as an example of good practice).

There are significant opportunities for a greater focus on value-for-money in the Ministry's policy advice on competition and funding in the transport system, by better understanding market dynamics and economics as well as competition policy. The Ministry can also add considerable value by ensuring that the government is a smart purchaser and is receiving value-for-money for the significant sums allocated to transport projects (this is covered in the 'other core functions').

²⁷ We provide further comments on this matter in the Data and Technology section.

The Ministry's role in leading the GPS on Land Transport is an area where it can drive further value-for-money in the transport system. There have been attempts by the Ministry to do this, including 'deeper dive' reviews into activity classes within the GPS, but there is still further work to do, with particular opportunities to bring greater data and evidence into the process.

The Ministry needs to take a systematic approach to position itself as an effective advisor to Government on value delivered through system expenditure. This includes being able to show connection to results and outcomes for the system. This same principle applies to other areas, including Crown funded investment programmes and funding reviews of transport Crown entities.

Future focus

We recommend the Ministry focus on the following:

- Identify and implement tools and processes to bring a future focus in advice and get ahead of future shifts in policy thinking in transport. To be successful in these areas the Ministry may need to both broaden its talent pool and ensure access to policy experts in a wide range of fields.
- Prioritise and lead a system approach to data and analytics, building from existing work already underway, including Project Monty, the Transport Evidence Base Strategy and the Transport Knowledge Hub. This approach could include a 'transport data hub' that is operated and shared across the whole transport system (but may or may not be inside the Ministry).
- Identify and commit to high priority policy areas requiring a system team approach (see the workforce section). Possible areas for this way of working include transport system revenue and funding, the future of airports, and the future of ports.
- Proactively engage with other systems to ensure the transport system is aligned with other sectoral strategies, reform processes and change e.g. local government, urban planning and development, resource management, health reforms.

Core Function: Regulatory Stewardship

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

Recent examples of the Ministry's regulatory stewardship approach in action include the development and implementation of the Civil Aviation Act 2023, and ongoing work to review and update maritime legislation. Its stewardship efforts have been guided by the Transport System Regulatory Stewardship Plan which set out the Ministry's regulatory stewardship approach from 2019 to 2022.²⁸

Notwithstanding these examples, we heard of significant challenges across the transport regulatory system. Furthermore, we expect that trends such as technological disruption will place further stress and increase public expectations on regulatory systems. The Ministry has an opportunity to adapt the way it performs its regulatory stewardship role to meet these challenges.

We note that the Government has announced a new government department to be setup which will assess the quality of new and existing legislation, as well as consolidating regulatory quality work across the public sector where appropriate. The creation of the new department is likely to impact on the proposed approaches to the Ministry's regulatory stewardship role.

Regulatory stewardship efforts need to be targeted and strategic

We consistently heard comments that the transport regulatory environment is out of date, need urgent reviewing, and is 'neither enabling nor future proofed'. This aligns with the findings of the Infrastructure Commission:²⁹

The [transport] regulatory system requires constant review from the Ministry [of Transport] and renewal to cope with emerging risks, shocks, and changes in technology. Some changes have been made to the system in a piecemeal way. This raises the question of a risk of a lack of regulatory system coherence, limiting technology choices and a need from the Ministry to ensure that the regulatory powers are enabling and empowering.

We also heard that recent legislative changes have not been guided by a clear set of priorities. The Ministry's existing Transport System Regulatory Stewardship plan expired in 2022, and while a new one is currently in development, it has been delayed due to competing priorities. We lack the information to comment on the nature of the trade-off decisions, however it is concerning that this key tool for regulatory stewardship was deprioritised.

The Ministry needs to adequately resource regulatory stewardship strategy and prioritisation efforts given the breadth of the transport regulatory system and the Ministry's limited resources. The Ministry needs to understand future trends and work with regulators and regulated parties to

²⁸ <https://www.transport.govt.nz/assets/Uploads/Paper/Transport-System-Regulatory-Stewardship-Plan-2019-to-2022.pdf>

²⁹ Infrastructure Commission report on the State of Transport 2021.

form a strategic plan which phases review efforts strategically. Effort should be targeted and phased to leverage related reviews (e.g. reviewing driver licencing and road safety penalties at the same time which benefits both reviews).

The Ministry needs to ensure clear roles and responsibilities across regulatory systems

Several interviewees described a lack of role clarity between the Ministry and regulators within the transport regulatory system. One interview noted that wherever there has been this lack of clarity there has also been duplication of effort.

We heard from some Crown entities that there is an opportunity for greater delegation of decision-rights, with appropriate checks and balances in place. Currently, decision-rights in the Transport regulatory system are set at high levels, causing bottlenecks in timelines and sub-optimal use of resources, including senior officials being involved in detailed regulatory work.

These issues significantly impact the effectiveness of the regulatory system. Lack of clarity risks issues falling between the gaps, particularly where responsibilities are split across various agencies (examples include health and safety, and the regulation of dangerous goods which spans all transport Crown entities and New Zealand Police). Decision-making bottlenecks are also a concern given the rapid pace of technological development, and the speed that is required for the regulatory system to respond effectively.

The Ministry should consider undertaking a regulatory system review with a focus on clarifying and defining roles and responsibilities. This would require work with the regulators to define the best approach to deliver their respective regulatory roles and responsibilities, as well as the location of decision-rights. The new regulatory stewardship plan could be an interim step to help by describing these roles and responsibilities of agencies and setting out overall regulatory priorities.³⁰

Monitoring regulatory performance is critical

As regulatory steward, the Ministry can also look at how they can drive better reporting on the transport system's regulatory performance, in particular by supporting improvements in the reporting undertaken by the transport Crown entities. For example, a recent OAG report identified the following opportunity in NZTA's regulatory reporting:³¹

The current suite of measures presents some useful information on how Waka Kotahi delivers its regulatory functions. However, they do not present a clear view of how Waka Kotahi has improved its performance or the effectiveness of its regulatory functions. For example, it is unclear whether the targets that are set relate to the number of compliance activities Waka Kotahi is resourced to undertake or whether the level of activity is appropriately benchmarked for a regulator of its nature.

As monitor, the Ministry can influence the performance information Crown entities report on so that they provide greater insight into regulatory performance. These insights, supplemented with

³⁰ A fundamental machinery-of-government style review of roles and responsibilities across the transport agencies may be necessary to fully achieve an effective and efficient regulatory system. This consideration however is beyond the scope of this Capability Review.

³¹ Transport Sector: A Case Study in Sector Level Report, Office of the Auditor General, 2023 [Transport sector: A case study of sector-level performance \(oag.parliament.nz\)](https://www.oag.parliament.nz/publications/transport-sector-a-case-study-of-sector-level-performance)

transport system wide performance measures such as the ones used to monitor the Transport Outcomes Framework, need to be shared across the Ministry and integrated into policy and advice. The Ministry could look at developing, with the relevant transport Crown entities, performance frameworks for the different regulatory systems that enable meaningful reporting on regulatory system performance. Such frameworks would set out the objectives of the system, and what performance information is being reported and by whom. Through regular reporting the use of such frameworks would provide insights for the Ministry and other agencies to improve regulatory systems as well as support public accountability (through more meaningful reporting to Parliament and the public).

Value-for-Money

The Ministry's existing Regulatory Stewardship Plan describes how value-for-money is driven through cost benefit analysis in Regulatory Impact Assessments, and across the Ministry by coordinating regulatory changes. However, Crown entity comments about role duplication, and decision-making bottlenecks (as minor decisions take longer and can be caught in a bottleneck of limited senior official and Ministerial availability) suggest that there are greater opportunities to drive value-for-money.

Future focus

We recommend the Ministry focus on the following:

- Ensure regulatory stewardship activities – particularly those related to strategic planning and prioritisation of stewardship efforts – are resourced and prioritised. This should include finalising the new Transport System Regulatory Stewardship Plan and ensuring it sets out a review programme which provides suitable assurance on the health of the transport regulatory system.
- Work with regulators and regulated parties to undertake a regulatory system review, with a focus on options to clarify roles and responsibilities. This includes clarifying where gaps may exist, addressing duplication, and ensuring that decision-making is set at a level that ensures effective operation of the system (provided suitable check and balances are in place).
- Work with the Transport Crown entities to establish clear performance frameworks to understand, assess and monitor the performance of transport regulatory systems, with a focus on connecting the performance of the transport regulators to the overall performance of the transport system.

Core Function: Advice and Assurance on Long-Term Infrastructure Investment

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

The Ministry needs to help ensure that transport infrastructure investment is effective, sustainable, and aligned with government priorities and long-term strategic objectives.³² We comment on two primary aspects of this role below. We note that in late 2023 the Government announced its intention to establish a new National Infrastructure Agency. Once that agency's role and functions become clearer the Ministry's role may change.

Guiding and prioritising a nation-wide transport investment pipeline

The Ministry needs to provide a nation-wide view of the investment that is in the current pipeline and help identify gaps and opportunities to phase and target investments to realise transport system objectives. As some stakeholders raised with us, there also needs to be a focus on asset maintenance and replacement.

In some respects, it does this well. It has effectively supported Ministers to develop a GPS on land transport, which has been a successful lever for prioritising NLTF investment towards strategic outcomes. However, we did not see the Ministry playing a consistent leadership role in aligning investments both within the transport system and with related systems (e.g. urban development). We also heard that the Ministry's investment advice was sometimes viewed by transport stakeholders as slow, cumbersome, and a 'handbrake' on delivery.

To overcome these challenges, the Ministry needs to position itself as a strategic purchaser and advisor on procurement for government investment in the transport system. It needs to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments. The Ministry may need to secure specialist expertise. For example, it will need people that can engage with the infrastructure market and can advise on this area.

Providing authoritative assurance of transport investments

With the increase in direct Crown funding for transport investments, the Ministry has had to assume a more active role in developing and providing oversight of major investment programmes. We heard concerns about this role – particularly for infrastructure mega-projects – with stakeholders highlighting that the Ministry lacks the necessary technical capability to be an effective participant at the delivery and governance level.

³² Funding these investments is another important dimension of assuring transport investment. We consider this aspect separately under core function policy and funding advice.

For the Ministry to effectively undertake this role in the future, it will need to clarify and strengthen its assurance of infrastructure mega-projects and investment programmes. This needs to be done in ways that align with its principal advisor and purchaser roles so that it can provide assurance to Ministers on delivery against benefits, scope and cost parameters. The Ministry will also need to maintain clear independence and differentiation between its assurance role and its role in monitoring Crown entities.

From an assurance perspective, the Ministry needs to have the necessary capability to effectively assure that delivery agencies have the right governance, quality assurance, and benefits realisation systems and processes in place. This assurance function needs to work closely with its monitoring and policy advice functions. When issues arise, the Ministry needs to be able to effectively engage to ensure issues are being effectively managed.

Value-for-money

The Ministry relies heavily on contractors and consultants to source the technical expertise needed to provide investment advice and assurance. The Ministry will need to consider the potential opportunities to base some of these skills within the Ministry. It should also explore how it can better utilise existing capabilities within the transport Crown entities to reduce its outsourcing and contracting costs.

We heard of significant opportunities to drive better value-for-money in the transport infrastructure system, which the Ministry can help realise through its assurance role for investments, and through its advice on system settings. Transport infrastructure stakeholders commented that decision-making on new developments, planning processes, and limited contracting and competition within the infrastructure delivery market all drive increased costs. One key opportunity is developing a pipeline of investment, to ensure that funding is provided for infrastructure with the greatest benefit. The Ministry has an opportunity to work with Crown entities and the private sector to understand and help address these cost drivers.

Future focus

We recommend the Ministry focus on the following:

- Build a strategic national view of transport investment needs, which enables effective prioritisation, including value-for-money.
- Clarify the Ministry's assurance role in mega-projects and infrastructure investment programmes to ensure it is aligned to its principal advisor and purchaser roles. The Ministry should provide assurance to Ministers on delivery within its purchaser role, with a particular focus on the management of project benefits, scope, and cost parameters.
- Develop the required specialist expertise, to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments, set within the context of priorities informed by a clear transport system strategy.
- Consider the opportunities to base some of the technical assurance skills within the Ministry and how it can leverage capabilities within the transport Crown entities to reduce its outsourcing costs.

Core Function: Crown Entity Monitoring

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

Following the 2018 regulatory failure, the Ministry's monitoring relationship with NZTA was independently reviewed.³³ This review resulted in changes to the Ministry's monitoring with a clear and well-articulated approach, supported by mature relationships across the entities at both a board and chief executive level. We heard from Crown entities that this approach had a positive impact.

However, we heard that since then the Ministry had moved towards a more compliance focused monitoring style, rather than working with, and through the boards, to ensure performance and delivery. We were encouraged to hear of recent efforts to shift monitoring away from a compliance focussed approach. The Ministry needs to continue this work, so its monitoring is purpose driven, built from a rich source of data, evidence, information and intelligence, and focused on supporting improved performance and delivery.

Monitoring should be undertaken in a collaborative and purposeful way together with and through the Crown entity boards. There should be a clear annual programme aligned with board assurance processes and an agreed understanding on key focus areas. The Ministry should leverage Board monitoring processes supplemented by areas that it deems a priority. The Ministry's advice on Crown entities' capability and performance needs to deliver strategic value and assurance to Ministers.

Building a two-way relationship with Crown entities

The Ministry needs effective working relationships with the Crown entities. Crown entity board chairs and senior leaders acknowledged the importance of the Ministry's governance and monitoring roles. They also noted that there will always be an element of constructive tension in the relationship.

Many thought these relationships would be stronger if the Ministry made further efforts to understand their entities' context, challenges, and direction. There is strong demand from the Crown entities for the Ministry to bring a wider system perspective to its monitoring role and that this needs to be clearly integrated alongside the oversight of the Crown entities' capability, delivery, and performance. They wanted to see the Ministry support boards to drive transport Crown entity performance in line with wider transport system objectives.

³³ Review of the Ministry of Transport's monitoring of the New Zealand Transport Agency's regulatory performance; Martin Jenkins; August 2019, see [Review-of-the-Ministry-of-Transport's-monitoring-of-the-NZTA.pdf](#)

We think the Ministry needs to build an increasingly two-way relationship. The Ministry needs to present transport system context to guide the Crown entities, and in return, the Ministry needs to draw on Crown entities perspectives to shape system policy settings and help manage constraints to delivery and performance. The Crown entities themselves have important context to understand the overall performance of the system and these insights can be better leveraged.

Supporting good Crown entity governance

Appointing board members is one of the key strategic levers Ministers have to influence the direction of Crown entities and operation of the transport system. The Ministry has a significant opportunity to influence the transport system by advising on transport Crown entity board appointments.

The Ministry needs to leverage its role to ensure Crown entity boards continue building the capability and skills needed to effectively govern within the changing and dynamic context they operate within. This role needs to be owned and led by senior leaders in the Ministry. This includes advice on ensuring board skill mix is commensurate with the challenges the sector faces, building a board that complements the monitoring and assurance role of the Ministry and one which continues to upskill and develop to meet new challenges.

Integrating monitoring with other Ministry functions

Insights generated from monitoring activity needs to be effectively shared across policy, data, and finance functions within the Ministry. This helps align high level system settings with delivery information which is often held by Crown entities. However, Crown entities commented that they are often 'joining the dots' between those involved in monitoring and other work underway across the Ministry. The Ministry needs to find ways to drive these connections between monitoring and the wider organisation, such as processes for information sharing, wider involvement in projects.

Value-for-Money

The independent review of the Ministry's monitoring function in 2019 did not identify resourcing concerns. We think this will continue to be the case going forward.

The more significant value-for-money dimension lies outside the Ministry, in the way that its monitoring activities drives better investments and service delivery across the transport Crown entities. There will be increasing need for the monitoring to focus on expenditure through investment programmes (in terms of outcome delivery for investment), assessment of value through funding reviews, and the value from Crown entity spending. To undertake this role, the Ministry will need to ensure it has the data to support understanding cost drivers, and the capability (including financial capability) to use it.

Future focus

We recommend the Ministry focus on the following:

- Embed a monitoring framework to ensure a clear monitoring approach that enables strategic and insightful advice on entity governance, capability and performance.
- Ensure the Ministry's monitoring function uses a clearly defined approach for assessing the capability and performance of the transport regulators, and that implementation of this approach is led alongside policy teams and those with domain expertise. Intelligence and

insights from external stakeholders, alongside robust performance information, should inform this approach.

- Work with the Crown entity chairs to ensure clarity of understanding of the monitoring function and how the boards can assist the Ministry to discharge its statutory duty and ensure a focus on transport outcomes.
- Build a stronger value-for-money focus within its monitoring approach to ensure investment managed through Crown entities is effective, efficient, and well aligned against transport system priorities.
- Ensuring staff undertaking the monitoring of Crown entities have the processes, mechanisms and expectations to stay better connected across the Ministry, particularly with the policy and data and analytic teams, and with external stakeholders and groups that can provide important perspectives and insights on the capability and performance of the entities.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

5

Capability

This section provides a targeted consideration of each element of an agency's capability. It considers the readiness of each capability to support the future contributions expected of the agency. Ratings and rating justifications are provided, along with future focuses which identify factors which could impact capability over the time frame of the Future Excellence Horizon.

In this section:

- Leadership, Culture, and Direction
- Collaboration and Delivery
- Workforce
- Public Finance and Resource Management.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Leadership, Culture, and Direction

Rating

Purpose, vision, and strategy

6. What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?
7. What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?



Leadership and governance

8. What is the agency's capability to exercise relevant system and sector leadership roles?
9. What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?
10. What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?



Values, behaviour, and culture

11. What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for the agency to succeed?



Continuous improvement

12. What is the agency's capability to encourage, use, and learn from evaluative activity?
13. What is the agency's capability to report, monitor and use performance information?



Future focus for: Leadership, Culture, and Direction

To improve the Ministry's leadership, culture, and direction capability, we recommend the Ministry:

- Update the Ministry's purpose statement to align it with its system leadership and stewardship responsibilities. This updated purpose statement will need to be reflected in the Ministry's organisational strategy, operating model, funding and governance, and culture.
- Undertake work with staff to identify, describe and promote the culture the Ministry needs to be an effective system leader and steward (e.g. proactive, outward focused and resilient).

- Identify opportunities to enhance its monitoring and evaluation capability so that the Ministry can more consistently evaluate the value and impact of policy changes, and system investment.

Purpose, vision, and strategy

We heard from Ministry staff that they believe in the Ministry's work, appreciate transport's links to economic and social wellbeing, and are committed to public service. Similar comments are also reflected in the Ministry's latest engagement survey, and staff engagement during the Ministry's recent 2023 change management process.

We see an opportunity for the Ministry to update its purpose statement to build on the positive views of its staff. The Ministry's current purpose statement³⁴ is quite generic and could apply to any number of agencies and interviewees commented that it does not help to motivate staff. The Ministry is aware of this, and we are encouraged to see that the 2023 Change Decision Document signals an updated purpose statement as an upcoming piece of work.

As it progresses this purpose statement update, the Ministry should engage carefully with Ministry staff, transport agencies, and transport system stakeholders. It should also reflect the Ministry's clarified transport system leader and steward role (a priority action which we cover in the primary function section). Once the new purpose statement is in place, the Ministry will need to ensure it is integrated in its organisational strategy, operating model, funding and governance, and culture.

Strategy

The Ministry's opportunity to lead the sector in supporting a system wide strategic planning process is covered in the transport system leader and steward core function. Internally, the Ministry has a cascade of internal organisational strategies and plans, including its strategic intentions, output plan, and business planning, to align its annual planning process to longer-term objectives and Government priorities. As the Ministry starts to develop the system level vision and priorities, these will need to link into and drive internal Ministry strategy and planning processes.

Leadership and governance

Many staff commented positively about the accessibility of the senior leadership team, which reflects the Ministry's flat structure and small size. Interviewees also commented that having a relatively new Chief Executive provides an opportunity to refresh the Ministry's leadership approach.

As discussed in the system leadership section, the Ministry's senior leadership needs to be outwards focused to fulfil its system leadership role. We heard that the relationship between the Ministry's leadership and other transport system leaders has been inconsistent and at times difficult, which can be due to issues of trust on both sides, and this has reinforced an internal focus. To be a successful system leader, the Ministry needs its leaders to have an outwards focus and take a collaborative leadership approach – as we heard from one transport stakeholder:

³⁴ The Ministry's current purpose statement: Hāpaitia ana ngā tāngata o Aotearoa kia eke Enabling New Zealanders to flourish.

“The Ministry needs to do collaborative leadership consciously and be trained how to do it as it is not something that is done naturally. It's an entirely different way of approaching things and they need to develop those skills and competencies.”

Through this leadership approach, the Ministry will be able to align transport agencies more effectively with transport strategies and government priorities, while also holding them accountable for performance. The Ministry's senior leaders will also need to be comfortable leading through influence, have strong relationship management skills and be resilient to work in a sector which can involve robust relationships.

Developing collaborative leadership will involve recruiting and building the right cultural fit at a senior level, based on a clear target culture. Training and development will be important to building and refining collaborative leadership capability. The Ministry will also need to , as well as receiving regular feedback from the transport system to test and refine the approach. An operating model based on collaborative leadership also needs to balance collaborating with agencies, while preserving the independence of the Ministry in undertaking monitoring and assurance of performance.

There is an opportunity to improve the effectiveness of transport system governance arrangements

The lack of clarity around the Ministry's system leadership role creates challenges for the effectiveness of the current transport system governance structures. For example, while the Transport Sector Leadership Group of transport chief executives provides a useful forum for discussion and sharing information, we heard it does not have the substance of decision-making that similar groups have in other sectors.

The Ministry has already identified the opportunities to improve its support for system governance through its 2023 change process. We encourage the Ministry to review this area to help improve the effectiveness of governance arrangements.

Values, behaviour, and culture

The Ministry has a good culture to build from. Staff commented positively on the Ministry's culture and the way they are treated, that they felt respected, and that the Ministry's flat structure gave easy access to managers.

However, we also heard from staff that the culture and behaviours can be inward looking and insular with what sometimes comes across as a paternal approach towards transport Crown entities. Stakeholders told us that the Ministry tends to default to the Ministry's statutory levers, rather than a softer collaborative approach. Our impression is that the Ministry's staff can and often do work in an outward focused way with their counterparts in the transport Crown entities, but issues and tensions have arisen at more senior levels.

To effectively lead the transport system, the Ministry will need to shift from seeing itself as a 'small policy agency' with an internal focus to system leader and steward with an external focus. This requires building a culture that is outward focussed, relationship based, collaborative, constructive, mutually trusting, and open to new and alternative ways of thinking and is prepared to surface conflicting ideas.

Feedback suggests that recent senior leadership appointments have helped shift to a more external focus, but more is needed if the Ministry is to raise its leadership impact across the

transport system. We encourage the Ministry to seek to take more responsibility for the whole system, let go of aspects of its current operating model and embrace the collaborative leadership approach that a 'system focus' requires. The Ministry's culture, recruitment and workforce development will also need to align and support this shift.

As previously noted, there is an opportunity for the Ministry to work with the transport sector, Crown entities and central agencies to take a wider view of and approach to identifying and deploying talent across the system, including into the Ministry.

Continuous improvement

The Ministry has an experienced evaluation and research team which has good relationships across the transport system and related systems and produces valuable system insights. Two of the most valuable system level initiatives include:

- Transport Evidence Base - Ensure the right data, information, research and evaluation is available for decision-making and that there is an established culture of evidence-based decision-making.
- Transport Knowledge Hub - Connects people across the transport system and promotes the sharing of transport data, evidence, knowledge, research, capabilities, and ideas.

An Office of the Auditor General (OAG) case study on transport sector reporting³⁵ found that the Transport Outcomes Framework and accompanying indicators and reporting means the transport system is advanced in its approach to setting outcomes and being held to account for its performance.

These aspects are encouraging, and we heard that the Ministry has a strong programme of evaluation activities underway to support policy improvement. However, external stakeholder expectations are high and are not always met. Some stakeholders want to see the Ministry undertake and publish more evaluations of implemented policy. Some were concerned that the Ministry did not always follow through with committed evaluations, and that post implementation monitoring was limited.

We also agree with the OAG which identified an opportunity for the Ministry to more clearly connect its performance framework and intervention logic – as it sets out in its strategic intentions – with the system level reporting it currently provides on the outcomes framework. The OAG also said that while the wide range of transport sector strategies, plans, initiatives, and programmes of work are often individually linked to the transport sector outcomes, there is no integrated account of how these strategies and plans “fit together” in contributing to common outcomes. This makes it difficult to understand how the sector intends to achieve its broad outcomes and how progress will be assessed and reported.

Alongside this opportunity, the Ministry should continue leveraging the relationships, expertise, and resources of the wider transport sector. This outreach is critical given the Ministry's size and the breadth of the transport system. We understand that the Ministry is currently improving the Transport Knowledge Hub by reducing administrative overheads, and improving the way that the

³⁵[Transport sector: A case study of sector-level performance \(oag.parliament.nz\)](https://oag.parliament.nz/).

Ministry accesses the transport agencies' research capabilities. It should continue this work and look for similar opportunities.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Collaboration and delivery

Rating

Customers, clients, and citizens

14. What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and using these to innovate and drive better experiences?
15. What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
16. What is the agency's capability to be open, transparent, and accessible in actively engaging with stakeholders and citizens?



Māori-Crown Relationship

17. What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?



Operating model

18. What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
19. What is the agency's capability to evaluate service delivery options?



Partnerships and external engagement

20. What is the agency's capability to contribute to the success of the agency's wider operating system(s), including collaborating with partners and providers?
21. What is the agency's capability to manage its context with external stakeholders and the public?



Future focus for: Collaboration and delivery

To improve the Ministry's collaboration and delivery capability, we recommend the Ministry:

- Improve its ability to understand the views of citizens and reflect it in advice. It can build this from the expertise of delivery focused agencies such as NZTA and the Ministry of Social Development (MSD).
- Develop a stronger and deliberate connection to and understanding of transport system users, operators, designers and asset owners and integrate these perspectives the Ministry's advice.
- Continue initiatives to develop the Ministry's Māori Crown relationship capability, including how it can be used to enable and support better policy development (for

example in recognising Māori perspectives) and system monitoring (including understanding how well Crown entities are engaging with Māori as part of their work).

- Once the Ministry has clarified its role as system leader and steward, it should consider all elements of its operating model. It needs to be able to respond to Ministerial priorities alongside the Ministry's role as system leader and steward.
- Review the use of contractors and consultants with the objective of finding opportunities to rebalance its reliance on them. The relevant Government procurement guide to contractors and consultants could be adapted and extended to use as the reviewing framework.
- Review the current stakeholder engagement framework to ensure it is strategic and sustainable.
- The Ministry needs to foster a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

Customers, clients, and citizens

The Ministry does not have clients or customers in an operational sense because it does not directly provide services to the public beyond running policy consultation processes (some recent examples include its engagements with the public on the Clean Car Rebate Scheme). Its frameworks for guiding these processes and wide public engagements are fit for purpose.

However, we heard that the Ministry sometimes struggles to act on others' views and stakeholders commented that Ministry staff were often willing to listen to their views but were then frustrated when the Ministry failed to translate these views into action. This may in part reflect an inward-focused culture which was similarly noted in the Ministry's 2018 Performance Improvement Framework Review. We heard from staff new to the Ministry that its approach to policy is more "inside out" rather than "outside in" when compared to other public agencies they had worked in.

The Ministry needs to grow its ability to proactively understand citizens experiences and expectations and reflect these views in policy advice. Improving its citizen lens will help it better understand issues such as the distributional impacts of transport system settings, transport users wants and needs, and consumer behaviours. The Ministry can effectively do this by accessing and leveraging the expertise in transport Crown entities (such as NZTA) and agencies (such as MSD) that work closely with the public on policy matters.

The Ministry also needs to support the Crown entities in the transport system to implement modernised digital solutions that will provide efficiency benefits as well as enhanced customer experience.

Māori-Crown Relationship

The Public Service Act requires the Ministry to develop and maintain its capability to engage and understand Māori perspectives. Staff and leadership are interested and enthusiastic about building their Māori capability, while appreciating the size of this challenge for the Ministry.

We were impressed by the Ministry's Kahui group, which was established to provide a te ao Māori perspective on policy work. This is a high calibre group, and we heard that its input is sought and valued across the Ministry.

The Ministry has also taken action to help build its cultural capability through *Hei Arataki | Ministry of Transport Māori Strategy*. This strategy outlines how the Ministry will improve transport outcomes for Māori through better engagement with Māori. The strategy's immediate focus is to develop staff cultural competencies to better engage with Māori and understand their perspectives.

Notwithstanding these positive steps, there are significant challenges and stakeholders described the Ministry as not being mature in its Māori Crown relationship capability. Only five percent of staff responded that they had a comprehensive understanding of the *Hei Arataki* strategy at the time of the 2022 staff engagement survey and senior leadership also had just a modest understanding of the strategy. Senior leaders will need to increase their understanding of the strategy, and also champion it to improve its influence across the Ministry.

The Ministry has recently appointed a Director Māori which should help to drive the work needed to address the capability gap it has in the Māori crown relationship. It is critical that the Ministry supports this role, as expectations may exceed what is realistic of one person to achieve.

To lift the cultural capability of its staff and senior leaders, the Ministry should also continue to implement *Hei Arataki*, including identifying the areas where improved Māori Crown relationship capability will have the greatest impact on its work. These areas are likely to include developing the capability to enable Māori perspectives to be reflected in relevant policy advice, and having the capability to understand how well the Transport Crown entities are engaging with Māori in their work (as they have a more direct engagement need).

Operating model

One of the Ministry's most significant challenges will be adapting its operating model to support its role as system leader and steward. We think it needs to develop an adaptable two-speed operating model so that it can simultaneously respond to the government of the day while taking a longer-term intergenerational approach to the transport system.

Due to the lack of clarity around the Ministry's leadership and steward role, the current operating model is in a state of flux and the Ministry struggles with its various identities as policy shop, system steward, and investment delivery assurance agency. We think the current operating model is mostly focused on discharging statutory roles, rather than assuming responsibility and leadership for the transport system.

As a first step, the Ministry needs to clarify its transport system leader and steward role, and then it should use this clarified role to help shape its operating model (see primary function system leader and steward). Without pre-empting the results of this process, we expect the future operating model to feature:

- Strong focus on engagement skills and the capability to operate in a relational and collaborative manner.
- Monitoring and assurance processes that are robust enough to both influence delivery and enable the transport Crown entities to focus on their core roles.
- Processes and policies that reinforce and enable its system leadership role across the organisation (including recruitment and performance management).
- Culture and behaviours which support an outward and collaborative approach.

- Ability to proactively engage and mobilise the sector through natural disasters and national crises, similar to the Ministry's leadership approach during COVID-19.

Strategic use of contractors and consultants

The Ministry's current resourcing model relies on buying in external expertise as contractors and consultants. Due to the small size of the Ministry's workforce, its ratio of consultants to staff is one of the highest in the Public Service. This may be appropriate given the specialised skills – such as finance and infrastructure invested related expertise – that the Ministry requires to fulfil advising and investment assurance functions.

To respond to Government policy, the Ministry needs to consider how it can better use contractors and consultants effectively, efficiently, and sustainably. The Ministry should focus on building sufficient internal expertise to effectively engage with these contracted experts – “enough to know what it should know” as one stakeholder commented. There needs to be sufficient internal expertise to be able to judge the effectiveness and value-for-money of contracted parties. There may also be opportunities to better leverage the specialist skills that exist within the transport Crown entities (e.g. secondments of investment management and assurance expertise from delivery agencies such as NZTA).

We are confident in the Ministry's ability to adapt its operating model

During the COVID-19 pandemic, the Ministry adapted its operating model to work more closely alongside the transport sector, engaging in real time to ensure effective support for the government's COVID-19 response. This required a significant change from the Ministry's traditional mode of operating. This capability to adapt will serve the Ministry well as it refocuses its operating model around its system leader and steward role.

Partnerships and external engagements

Many stakeholder interviewees were positive about the engagement approach of Ministry staff: they are open and willing to listen. Stakeholders were particularly positive about the Ministry's engagement during COVID-19, commenting that the Ministry stepped up and out with the sector, and was proactive, curious, and engaged. The Ministry's stakeholder insights report indicated that interactions between the Ministry and the system “are respectful and the intent and purpose of the Ministry's ambitions cannot be faulted”.

The Ministry undertakes a biannual stakeholder evaluation process which includes a wider stakeholder survey and in-depth interviews with key senior stakeholders. This is a good process which provides rich information and insights on the Ministry's engagement with its stakeholders and the opportunities for improvement.

Opportunities to better partner and engage with transport agencies and stakeholders

The Ministry would benefit from a more collaborative approach to its engagements. As previously noted, some of the stakeholders we met described their relationship with the Ministry as ‘parent-child’ like, rather than as equals or partners. The most recent stakeholder evaluation (July 2022) noted that Ministry-Crown entity relationships are ‘sub-optimal’ featuring non-strategic and disjointed interactions (for example, seeking input and co-design on policy in an inconsistent way).

The Ministry also needs to address staff turnover as several interviewees commented that the Ministry's revolving door of new staff makes it hard to develop and maintain meaningful relationships. Some stakeholders also observed that in formal cross-sector engagements (e.g. cross-agency meetings) the Ministry's representatives often lack the experience and authority to contribute meaningfully to the discussion which may be a consequence of high turnover.

Stakeholders also signalled their desire for faster, earlier and more meaningful engagement on policy issues. We heard the Ministry's approach to engaging on policy can be seen more as communication rather than consultation. When the Ministry consults, it can and sometimes does undertake a good process of seeking feedback, but we also heard that some stakeholders thought the Ministry did not always reflect or consider the feedback they had provided.

How the Ministry can improve its partnership and engagement capability

The Ministry's success as a system leader requires it to lift its ability to work with transport agencies which is achieved through partnership and engagement. As stated above, the Ministry needs to foster and build a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

It should seek ways to implement more co-design and collaboration processes for key products where appropriate. Engagements should be proactive, early in policy processes, meaningful, and feature regular updates about current and upcoming engagements across the transport system. The Ministry also needs to be clear about the purpose of engagement, and capacity in which it is engaging (what 'hat' the Ministry is wearing – particularly when engaging with transport Crown entities). The pace of engagements (particularly policy consultations) will need to align with stakeholders and Ministerial expectations.

When thinking about these shifts, the Ministry should build on what has gone well. Stakeholders commented positively on the way that the Ministry engages within the Auckland transport context and would appreciate a similar approach more broadly. We also heard favourable feedback from stakeholders who participated in the early stages of principles-led design projects e.g. the freight strategy and the Civil Aviation Bill.

Building the subject matter expertise of staff and addressing staff turnover will also play a significant role in improving this capability. Solutions to these issues are discussed in the workforce development section.

Workforce

Rating

Workforce development

22. What is the capability of the agency to develop its people (including its diversity and leadership)?
23. What is the agency's capability to anticipate and respond to future capacity and capability, and how are they organised to meet demand?



Performance focus

24. What is the agency's capability to promote and develop a high performing workforce?
25. What is the agency's capability to manage or improve performance that is not meeting expectations?



Workforce engagement

26. What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?
27. What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?



Future focus for: Workforce

To help the Ministry build the workforce capabilities necessary to delivery on its Future Excellence Horizon, we recommend the Ministry focus on the following:

- Identify the Ministry's immediate talent gaps in technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps. Work with transport Crown entities and Central Agencies to access existing talent through processes such as system teams and two-way secondments.
- Develop a strategic people plan which addresses recruitment, retention, leadership development, talent acquisition, and performance management. The plan will need to have a focus on understanding and addressing the drivers of turnover, and how it can lift its recruitment brand to attract the talent the Ministry needs.
- Align organisational leadership capability to support the increased focus on the Ministry's system leadership role. This means taking opportunities to develop and recruit people with the strategic and relationship skills to drive sector performance.
- Continue work already underway to create a workplace that is diverse and attracts staff and management from different backgrounds.

Workforce development

We heard that the Ministry is a good place for new staff to develop their skills. Its small size means it provides its people with a wide range of interesting work, compared to other larger agencies, and several development courses are available for staff and manager. The Ministry prepares regular workforce reports for the senior leadership team which helps them strategically manage the Ministry's workforce. These reports cover key quantitative and qualitative information on workforce issues and opportunities, including turnover, recruitment, leave management, and health and safety.

Addressing high staff turnover

The Ministry has faced a staff retention issues for the past several years:

- Its turnover has been consistently higher than the Public Service average rate for the past eight years, with the 2023 staff turnover at 26 percent (compared to the Public Service average of 17 percent).
- At the time of this Review, approximately 65 percent of staff had been at the Ministry for less than 2 years, with average staff tenure of 2.7 years (compared to mean departmental tenure of 8.2. years).
- The most recent staff engagement survey (July 2022) indicated that at that time over 40% of staff intended to leave the Ministry within the next 12 months.

High turnover is a significant challenge for the Ministry as it limits the experience and expertise of its workforce impacting all Ministry functions, including its ability to influence and engage effectively and provide influential policy advice. Current Ministry experts are also diverted towards training and upskilling the constant influx of new staff. High turnover also limits the Ministry's ability to build deeper relationships with transport system stakeholders.

The Ministry's exit questionnaires suggest that remuneration opportunities (within and outside the transport sector) and limited upward opportunities are the key drivers for staff leaving. It could be difficult for the Ministry to significantly impact either of these drivers. The Ministry may have some ability to target pay towards critical roles, however, this would not address general dissatisfaction with remuneration. Similarly, the Ministry's flat structure means there are limited leadership opportunities and challenges in managers wide span of control, however staff like the flat structure for its easy access to senior leaders. A focus on enabling short-term movement of staff across the transport system would help in providing upward opportunities for Ministry staff (further information on the opportunity for system teams is provided later in this section).

The Ministry needs to focus on the other elements that influence attracting and retaining staff. Building a strong culture that people want to work in is key, with interesting work, as well as offering positive working conditions such flexible working, role sharing, and vibrant staff organisations where possible. The greatest opportunity for the Ministry is to highlight the challenging but rewarding nature of its work and the impact that individuals through policy and other interventions can have on the lives of New Zealanders.

Acquiring the technical skills needed for specialised functions

Looking ahead, the Ministry will increasingly need a wide range of specialist skills and capabilities that are outside of its general policy workforce. These skills and capabilities include expertise in areas such as economic modelling, behavioural and market economics, strategic finance, and investment management. Sourcing these skills will enable the Ministry to better understand the performance of the system and provide advice to support improved performance and value-for-money.

A key aspect of the Ministry's Future Excellence Horizon is to develop and enhance its data and intelligence functions which will require skills and capabilities in data and analysis. To develop experience in, and relationships within and outside the system, such as with local government, the Ministry will need more staff with sector-based engagement skills and experience.

Many of these skills are in short supply and there is always considerable competition for specialist talent. We heard that the Ministry has had difficulty getting the necessary technical skills to undertake its infrastructure mega-projects responsibilities. We heard that some of the limiting factors including current remuneration settings and not having an ongoing, consistent need for that specialist expertise. The Ministry will need to explore opportunities to improve its talent acquisition, including working with Central Agencies and its sector partners, to identify the critical capabilities the Ministry needs and developing a suite of approaches to filling them. This could include the development of system teams, the creative use of secondments and potentially red circling critical roles where it is accepted that a remuneration premium is warranted.

We did not see a people plan for the Ministry and we think there is an opportunity to develop a strategic people plan that supports their strategy and operating model. The process of developing a people plan would help the Ministry to articulate how it will develop, recruit, and retain the people it needs to achieve its objectives.

Leveraging transport-sector wide talent through system teams

The Ministry may not necessarily be able (or need) to 'own' the specialist capability in needs, but it should be able to access it when necessary. The Ministry should explore how it can use secondments and exchange arrangements with industry, local authorities, and transport agencies to access and share specialist resources.

Crown entity leaders told us they are interested in developing explicit and flexible arrangements to share staff. This would help support the Ministry's leadership role and embed a stronger understanding of Crown entities within the Ministry.

We think a 'system teams' model (teams (made up of staff from within the Ministry and from across the transport agencies) would be a suitable arrangement to help the Ministry leverage existing skills such as those that lie within the transport agencies and potentially wider across the private sector. System teams also help build a collaborative culture within the transport agencies, and across the wider transport sector. It can also help upskill Ministry staff who work within these teams.

System teams can be established to address a particular challenge or issue (developing funding models for the NLTF could be a good candidate). Once established, the system team could acquire talent from across the system and the agency with the greatest expertise is appointed to lead –

this may not always be the Ministry. This team then works within its own governance structures and budget to deliver the sought outcome.

Opportunities to build greater diversity and develop its workforce

The Ministry's workforce is not as diverse as other public sector agencies with just 4 percent of the workforce identifying as Māori and 1 percent as Pasifika. Work is underway with the development of a new Diversity and Inclusion Strategy to create a workplace that values diversity and attracts staff and management from different backgrounds. More will be needed with the Ministry grounding its diversity and inclusion objectives in its strategy and operating model.

We heard that development of staff is mixed. For policy staff there is a more well defined and developed framework, but for administrative and technical project/type roles the opportunities are less clear. We also heard that the Ministry's graduate programme could be improved to provide a similar level of development focus to that seen in other graduate programmes.

Performance focus

The Ministry has an annual process for staff and manager expectation setting, tracking progress throughout the year, and having end of year performance conversations. We heard that these processes are clear and accessible, however, these can be inconsistently applied.

Approximately one third of staff reported they did not have regular and effective performance discussions.³⁶ This likely occurs due to work pressures on managers. We heard that teams have inconsistent workloads, with some teams being underutilised while others feeling 'under the pump'. These variations were attributed in part to the Ministry's reactive commissioning process.

To improve performance management application, the Ministry should seek consistent work allocation across teams to manage workloads. Consistent commissioning processes will help achieve this. We note the Ministry's change process proposes changes in organisational structure which should assist in managing span of control and workload management. These changes will better help managers have performance conversations with their staff.

Workforce engagement

We heard from many staff that they are engaged with the work of the Ministry, invested in their own work, and generally believe in the value of what the Ministry does. These comments are reflected in their most recent staff engagement survey results from July 2022.³⁷

- 81 percent average score for the question 'I enjoy working for Te Manatu Waka' (the highest rated question in the survey)
- 79 percent average score for the question 'Te Manatū Waka is a great place to work' (second equal highest rated question in the survey).

Our discussions with staff indicated opportunities to improve union engagement, and in particular considering how to improve the relationship between delegates and the Human Resources area.

³⁶ This is an inference from July 2022 engagement survey results which indicated that that 64 percent of staff responded as having regular and effective performance discussions.

³⁷ How are we travelling – Review and Recommendations (Ask your team) – Ministry of Transport, July 2022.

The chief executive has met with Public Service Association (PSA) delegates, and the delegates have appreciated this engagement.

We do not have data on the current level of staff engagement in the Ministry as their last engagement survey was undertaken in July 2022. The Ministry should consider seeking current staff engagement insights as this should help the Ministry respond to its high staff turnover rates.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Public finance and resource management

Rating

Investment and asset management

28. What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?



Data and technology

29. What is the agency's capability to manage and use information as a strategic asset?



30. What is the agency's capability to leverage technology to drive improvements in service delivery and outcomes?

Public finance management

31. What is the agency's capability to understand, plan, direct and control financial resources to ensure sustainable value-for-money?



Risk and assurance

32. What is the agency's capability to identify and manage agency, Crown and system-wide risk?



33. What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

Future focus for: Public finance and resource management

To improve the Ministry's public finance and resource management capability, we recommend the Ministry:

- Develop tools, infrastructure and processes to improve the use of data and information across the policy, monitoring and assurance functions of the Ministry. This includes ensuring use of data and information is a core part of the induction of new staff.
- Engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve government priorities.
- Work to address the issues raised in the 2023 Audit Management letter on assurance of revenue collected by other agencies, and the accounting treatment for the Clean Car Standard scheme
- Develop a data and information strategy that builds on the existing capabilities and data and information sharing arrangements. This should include identifying the governance and oversight arrangements that reflect a system approach to the capture and use of data and information, rather than an individual agency-specific approach.

Investment and asset management

This section – including the capability rating – focuses on the Ministry’s direct asset base. The Ministry’s responsibility for wider transport system investment is discussed under Core Function advice and assurance on long-term infrastructure and investment.

The Ministry invests in and manages a small asset base of office furniture and IT hardware through a range of standard processes. New assets are approved through business planning processes, and IT hardware replacement is managed through standard lifecycle management practices.

The Ministry also directly owns the Milford Sound/Piopirotahi aerodrome. It operates this through a contract for services with Invercargill Airport, which was agreed in August 2023.

The nature of the Ministry’s asset base is unlikely to change over the medium term. Therefore, we consider existing investment and asset management capability is at the level necessary to support the Ministry’s operations.

Data and technology

The Ministry has an IT strategy and architecture underpinned by a shift to cloud-based services and applications. Operational IT, project, and cyber-security resources are managed through outsourced partnerships. This approach seems to be working well with service and hardware positively referred to by staff. The Ministry appears to get good IT support for a small agency at a reasonable cost. There is positive progress in the data and evidence area, including the knowledge hub and project MONTY (see core function policy and funding advice).

Data needs to be accessible and incorporated into the Ministry’s functions

Similar to the discussion under the core function policy and funding advice, assurance and monitoring teams also inconsistently access and incorporate data and evidence into their work. The Ministry’s high turnover contributes to this issue as it takes time for new staff to learn about existing data, tools, and resources.

Leveraging data from the across the Transport system is an opportunity

The most significant opportunity for the Ministry is the ability to leverage data that already exists within the transport system, such as that held by the transport Crown entities. Gathering this data into one accessible place would provide a valuable resource for its own analysts and the wider sector.

We found however that arrangements for data access and sharing systems within the transport system are not as effective as they could be. For instance, transport agencies that hold data for regulatory and /or other legitimate public service reasons are often reluctant to provide data access for policy development and research, despite this being possible under section 11 of the Privacy Act.

Negotiations between legal teams (not data practitioners) have required specific use cases to be specified for access (e.g. a single policy question) rather than providing access for open policy research, analytics or insights purposes. There are also concerns on the level of assurance on IT security, and of analytical teams access and use of private and confidential records.

There are a number of possible solutions including:

- Increase transparency of data governance and security, including IT arrangements and or employee accountability which can provide assurance to independent crown agencies that 3rd parties within Government won't misuse data.
- Curated data sets – data which can be anonymised but retain important information such as location Open data sets – a really positive initiative which can bring analysis of government data from 3rd parties and private sector to the public's awareness but typically these do strip out most of the information required to undertake any advanced policy analysis (e.g. equity) within Government.
- Memorandum of Understanding – can be useful and often utilised between the Ministry and others to agree ongoing data access but also requires continual update and expansion is often difficult.
- Assured Information Sharing Agreements – legislation which formally sets up data sharing and access between organisations (significant resource requirements, typically outside of the data practitioners capabilities, often requiring legal support which today organisations have been reluctant to commit to). The Ministry and NZTA have investigated this in the past but the project was stopped largely due to lack of resources.

Uneven IT investment across the system has also driven barriers in data sharing. Many of the significant datasets are held on and/or supported by legacy systems and contractors, which might be efficient within the Crown entity but makes it difficult for the Ministry to access this information. If the Ministry gains access to this information, it then must clean, store, and manage the data which can create double handling.

Public finance management

This section focuses on the Ministry's systems, processes, and practices in managing its relatively minor departmental appropriations and its financial responsibilities in respect to non-departmental appropriations which includes the NLTF. For a broader discussion of the Ministry's role in guiding, driving, and assuring value-for-money infrastructure investment, see core function advice and assurance on long-term infrastructure investment.

Recent reports (including reports from Martin Jenkins, KPMG, Probit Consulting and EY) have generally been positive about the Ministry's Finance Function. The KPMG report (2023) noted that the finance section undertakes the right core activities, and its costs align with international benchmarks. Some of the reports also commented on the trusted relationship between the finance and internal teams, and external customers.

The Ministry's 2021/22 Audit rating for financial information systems and controls was "very good", however the 2022/23 rating had dropped to "needs development" and recommended major improvements be made. The two issues Audit New Zealand raised related to the processes for providing assurance over the revenue collected by other agencies and the accounting treatment for the Clean Car Standard Scheme. The Ministry will need to address these two issues.

The Ministry has a coherent cascade between the departmental strategic intentions, output plan and its business plan. The business plan includes timing and FTE information to link resourcing decisions to the Ministry's priorities, and we understand it is extending the timeframe to three years to take a longer-term view and align to a multi-budgeting approach. Capturing this information will help the Ministry prioritise programmes to achieve outcomes and drive value-for-

money. We were encouraged to hear of the Ministry's value-for-money assessment tool used in the budget bid process, and how it was provided as an example of good practice for other agencies.

We heard from the Ministry that the Vote Transport's appropriation structure has caused some additional workload and management issues and could be improved. The Ministry should engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve its objectives.

High turnover has also negatively impacted the Ministry's Finance team because it has had to focus on getting new hires up to speed with the Ministry's business processes and training new managers in internal budget systems.

Risk and assurance

The Ministry has a comprehensive set of risk and assurance guidance documents including:

- Enterprise risk Management Guidelines
- Enterprise risk Management Policy
- Enterprise risk Management Framework
- Ministry of Transport risk appetite Statement.

The Ministry engages EY to fulfil the Internal Audit function. With EY, the Ministry establishes an annual programme of assurance, including audit reviews, which are agreed by the Senior Leadership Team. The findings from these reviews help identify areas for improvement, address any capability gaps, and enhance the quality of the Ministry's function and performance.

The Ministry has a long-established Risk and Audit Committee (RAC) with three external members with extensive public management experience. It is good practice to review the focus of the committee against the needs of the organisation under its revised function and operating model arrangements. We note that some departments have both external member(s) of their risk and assurance/audit committees as well as an 'External Advisory Committee'.

The Auditor-General's guidance on committees³⁸ states that "Regularly rotating members allows fresh thinking and new skills to join the Committee. Members' terms can be staggered to overlap and provide some continuity, with members who have experience interacting with the department and newer members who bring fresh perspectives." In line with the Auditor-General's guidance the Ministry could consider how it could regularly rotate RAC membership. This could be done through staggering members' terms to provide continuity with members with experience interacting with the department and newer members who bring fresh perspectives.

We heard the Ministry's use of outsourced assurance providers enables them to get a deeper and wider set of assurance skills than they would be able to source and afford internally. While these arrangements have allowed the Ministry to bring a level of experience and expertise onboard than they might have been able to through a permanent recruitment solution, this cannot substitute for the Ministry continuing to build organisational capability and maturity with respect to risk and assurance practices.

³⁸ See [Getting the most out of your department's Audit and Risk Committee — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://www.oag.parliament.nz/publications/2017/04/getting-the-most-out-of-your-department-s-audit-and-risk-committee)

The Ministry's proposed future work programme is focused on transitioning the Ministry from being "risk aware to risk intelligent" as a pathway to organisational success which is an appropriate shift to be making.

As the Ministry focuses on its system leadership and stewardship role, its management of risk will need to reflect this broader system wide shift in focus. The Ministry has identified system level risks and associated system assurance activities and processes as an area of opportunity which is a positive step forward.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Appendix One – Ratings overview










The Future Excellence Horizon in this report outlines the contributions that MPP will have to deliver to meet the outcomes sought by New Zealanders. These ratings below assess whether – given current conditions – these aspects of delivery and capability are at the level required for the agency to deliver on its contributions.

Delivery

Element	Rating	
Overall ability to respond to Government priorities		
Core functions	Rating	
	Impact	Value
Primary function: Transport System Leader and Steward		
Core function – Policy Advice Policy and Funding Advice		
Core function - Regulatory Stewardship		
Core function – Advice and assurance on long-term infrastructure investment		
Core Function – Crown Entity Monitoring		

Capability

Capability area	Rating
Leadership, Culture, and Direction	
Purpose, vision, and strategy	
Leadership and governance	
Values, behaviour and culture	
Continuous improvement	
Collaboration and Delivery	
Customers, clients, and citizens	

Māori–Crown Relationship	
Operating model	
Partnerships and engagement	
Workforce	
Workforce development	
Performance focus	
Workforce engagement	
Public finance and resource management	
Investment and asset management	
Data and technology	
Public finance	
Risk and assurance	

Rating scale

This report uses the scale below to rate agency capability. For more information on this rating system, see **Appendix Three**.



Leading



Embedding



Developing



Weak



Unable to rate/not rated

Appendix Two - Agency Capability Model Overview

Future Excellence Horizon		
What contribution will New Zealanders need from the agency in the medium term?		
Delivery		
1	How does the agency respond to Government Priorities?	
2	For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3	For each core function, how does the agency demonstrate increased value and impact over time?	
4	How does the agency meet its system stewardship responsibilities (including regulatory stewardship)?	
5	How does the agency provide advice and services to Ministers?	
Capability		
Element	Lead question	
Leadership, Culture, and Direction	Purpose, vision, and strategy	6 What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?
		7 What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and governance	8 What is the agency's capability to exercise relevant system and sector leadership roles?
		9 What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?
		10 What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?
	Values, behaviour and culture	11 What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for it to succeed?
	Continuous improvement	12 What is the agency's capability to encourage, use, and learn from evaluative activity?
		13 What is the agency's capability to report, monitor and use performance information?



Collaboration and delivery	Customers, clients, and citizens*	14	What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and use these to innovate and drive better experiences?
		15	What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
		16	What is the agency's capability to be open, transparent and accessible in actively engaging with stakeholders and citizens?
	Māori-Crown Relationship	17	What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?
	Operating model*	18	What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
		19	What is the agency's capability to evaluate service delivery options?
	Partnerships and engagement	20	What is the agency's capability to contribute to the success of its wider operating system(s), including collaborating with partners and providers?
21		What is the agency's capability to manage its context with external stakeholders and the public?	
Workforce	Workforce development	22	What is the agency's capability to develop its people (including its diversity and leadership)?
		23	What is the agency's capability to anticipate and respond to future capacity and capability requirements, and how are they organised to meet demand?
	Performance focus	24	What is the agency's capability to promote and develop a high performing workforce?
		25	What is the agency's capability to manage or improve performance that is not meeting expectations?
	Workforce engagement	26	What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?
		27	What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?
Public Finance and Resource Management	Investment and asset management	28	What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?
	Data and technology	29	What is the agency's capability to manage and use information as a strategic asset?
		30	What is the agency's capability to leverage data and technology to drive improvements in service delivery and outcomes?
	Public finance	31	What is the agency's capability to understand, plan, direct and control financial resources to deliver sustainable value-for-money?
	Risk and assurance	32	What is the agency's capability to identify and manage agency, Crown and system-wide risk?
		33	What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

*See - Appendix One for definitions of 'Customers, Clients and Citizens' and 'Operating Model'

Appendix Three – Capability Ratings

Ratings help to clarify relative strengths and highlight the priority areas on which to focus, given the challenges, risks, and opportunities in the medium term. Ratings are applied in terms of the future the agency is preparing for (the Future Excellence Horizon) and are not an assessment of current or past performance.

Indicator Level	What it indicates
<div data-bbox="209 689 453 792" style="background-color: #4CAF50; color: white; padding: 5px; text-align: center; font-weight: bold;">Leading</div> <div data-bbox="277 824 379 927" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Excellent current level of capability to support sustained and high levels of delivery • Strategic and systematic approach to forecasting future capability challenges and responding accordingly • Systems in place to monitor and build capability to meet future demands • Organisational learning and external benchmarking used to continuously evaluate and improve • Strong change management capability to deliver against Future Excellence Horizon.
<div data-bbox="209 1193 453 1296" style="background-color: #8BC34A; color: white; padding: 5px; text-align: center; font-weight: bold;">Embedding</div> <div data-bbox="272 1346 373 1449" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Comprehensive and consistently good current capability and practices, with future capability gaps identified • Demonstrates plans and activities to change and improve in areas of current and future capability gaps, and is well placed to continue improving • Mostly aligned to Future Excellence Horizon • Comprehensive and consistently good organisational practices and systems in place to support effective management.
<div data-bbox="209 1635 453 1738" style="background-color: #C08040; color: white; padding: 5px; text-align: center; font-weight: bold;">Developing</div> <div data-bbox="277 1778 379 1881" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Weakness or gaps in current capability • Only partial or limited understanding of future state • Concerns in the agency’s ability to have appropriate future capability and limited ability to execute change against the future state • Some current and future capability gaps not clearly identified and forecasting of future capability challenges needs to be improve.

<p>Weak</p> 	<ul style="list-style-type: none"> • Significant area(s) of critical weakness or concern in terms of delivery and/or capability and the agency has limited or no awareness of them • Weakness or gaps in current capability • Very limited or no view of future opportunities and challenges for the agencies • Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
<p>Unable to rate/ not rated</p> 	<ul style="list-style-type: none"> • No evidence available to make a credible judgement.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Appendix Four – List of agencies interviewed

Ministry of Transport

- Staff and managers
- Kahui
- Risk and Assurance Committee

External agencies

Auckland Light Rail Ltd

Auckland Transport

City Rail Link

Civil Aviation Authority

Greater Wellington Regional Council

Ia Ara Aotearoa Transporting New Zealand -

KiwiRail

Let's Get Wellington Moving

Maritime New Zealand

Ministry of Housing and Urban Development

New Zealand Airports Association

New Zealand Automobile Association

New Zealand Infrastructure Commission - Te Waihanga

New Zealand Police

New Zealand Port Company chief executive officers Group

New Zealand Transport Agency Waka Kotahi

Office for Māori Crown Relations – Te Arawhiti

Transport Accident Investigation Commission

The Treasury

Appendix Five – List of Future Focus areas

Delivery

Responding to Government Priorities

- Continued focus on successfully delivering the priorities of the Government and building trust and confidence in the Ministry. As opportunities arise seeking engagement with the Government and the sector to clarify the Ministry's role (see Transport System Leader and Steward)

Primary function: Transport System Leader and Steward

- Lead the development of a proposal defining and describing the role of the Ministry as system steward and leader. This should be shared across the transport system and the Ministry should use this work to engage the Government on the Ministry's role with the aim of meeting government priorities.
- Work with Ministers, transport system agencies and the Central Agencies to identify areas for improving the system configuration, including roles, responsibilities and decision-rights in relation to transport regulation.
- Lead the transport system towards strategic alignment by translating Government priorities and the transport outcomes into agreed sector priorities to then flow through to performance and delivery. This approach should be based on co-design and partnership principles. This approach will ensure a unified response to the issues, build a culture of collaboration and resource sharing, and demonstrate to Ministers and the sector the value of collaborative ways of working.
- Review and update the Ministry's own strategies and plans (including corporate plans and sector or mode strategies) to ensure they are similarly aligned and consistent with the outcomes and priorities for the system and the priorities of the Government.

Core function – Policy Advice Policy and Funding Advice

- Identify and implement tools and processes to bring a future focus in advice and get ahead of future shifts in policy thinking in transport. To be successful in these areas the Ministry may need to both broaden its talent pool and ensure access to policy experts in a wide range of fields.
- Prioritise and lead a system approach to data and analytics, building from existing work already underway, including Project Monty, the Transport Evidence Base Strategy and the Transport Knowledge Hub. This approach could include a 'transport data hub' that is operated and shared across the whole transport system (but may or may not be inside the Ministry).

- Identify and commit to high priority policy areas requiring a system team approach (see the workforce section). Possible areas for this way of working include transport system revenue and funding, the future of airports, and the future of ports.
- Proactively engage with other systems to ensure the transport system is aligned with other sectoral strategies, reform processes and change e.g. local government, urban planning and development, resource management, health reforms.

Core function - Regulatory Stewardship

- Ensure regulatory stewardship activities – particularly those related to strategic planning and prioritisation of stewardship efforts – are resourced and prioritised. This should include finalising the new Transport System Regulatory Stewardship Plan and ensuring it sets out a review programme which provides suitable assurance on the health of the transport regulatory system.
- Work with regulators and regulated parties to undertake a regulatory system review, with a focus on options to clarify roles and responsibilities. This includes clarifying where gaps may exist, addressing duplication, and ensuring that decision-making is set at a level that ensures effective operation of the system (provided suitable check and balances are in place).
- Work with the Transport Crown entities to establish clear performance frameworks to understand, assess and monitor the performance of transport regulatory systems, with a focus on connecting the performance of the transport regulators to the overall performance of the transport system.

Core Function – Advice and Assurance on Long-Term Infrastructure Investment

- Build a strategic national view of transport investment needs, which enables effective prioritisation, including value-for-money.
- Clarify the Ministry's assurance role in mega-projects and infrastructure investment programmes to ensure it is aligned to its principal advisor and purchaser roles. The Ministry should provide assurance to Ministers on delivery within its purchaser role, with a particular focus on the management of project benefits, scope, and cost parameters.
- Develop the required specialist expertise, to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments, set within the context of priorities informed by a clear transport system strategy.
- Consider the opportunities to base some of the technical assurance skills within the Ministry and how it can leverage capabilities within the transport Crown entities to reduce its outsourcing costs.

Core Function – Crown Entity Monitoring

- Embed a monitoring framework to ensure a clear monitoring approach that enables strategic and insightful advice on entity governance, capability and performance.

- Ensure the Ministry's monitoring function uses a clearly defined approach for assessing the capability and performance of the transport regulators, and that implementation of this approach is led alongside policy teams and those with domain expertise. Intelligence and insights from external stakeholders, alongside robust performance information, should inform this approach.
- Work with the Crown entity chairs to ensure clarity of understanding of the monitoring function and how the boards can assist the Ministry to discharge its statutory duty and ensure a focus on transport outcomes.
- Build a stronger value-for-money focus within its monitoring approach to ensure investment managed through Crown entities is effective, efficient, and well aligned against transport system priorities.
- Ensuring staff undertaking the monitoring of Crown entities have the processes, mechanisms and expectations to stay better connected across the Ministry, particularly with the policy and data and analytic teams, and with external stakeholders and groups that can provide important perspectives and insights on the capability and performance of the entities.

Capability

Leadership, Culture and Direction

- Update the Ministry's purpose statement to align it with its system leadership and stewardship responsibilities. This updated purpose statement will need to be reflected in the Ministry's organisational strategy, operating model, funding and governance, and culture.
- Undertake work with staff to identify, describe and promote the culture the Ministry needs to be an effective system leader and steward (e.g. proactive, outward focused and resilient).
- Identify opportunities to enhance its monitoring and evaluation capability so that the Ministry can more consistently evaluate the value and impact of policy changes, and system investment.

Collaboration and Delivery

- Improve its ability to understand the views of citizens and reflect it in advice. It can build this from the expertise of delivery focussed agencies such as NZTA and MSD.
- Develop a stronger and deliberate connection to and understanding of transport system users, operators, designers and asset owners and integrate these perspectives the Ministry's advice.
- Continue initiatives to develop the Ministry's Māori Crown relationship capability, including how it can be used to enable and support better policy development (for example in recognising Māori perspectives) and system monitoring (including understanding how well Crown entities are engaging with Māori as part of their work).

- Once the Ministry has clarified its role as system leader and steward, it should consider all elements of its operating model. It needs to be able to respond to Ministerial priorities alongside the Ministry's role as system leader and steward.
- Review the use of contractors and consultants with the objective of finding opportunities to rebalance its reliance on them. The relevant Government procurement guide to contractors and consultants could be adapted and extended to use as the reviewing framework.
- Review the current stakeholder engagement framework to ensure it is strategic and sustainable.
- The Ministry needs to foster a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

Workforce

- Identify the Ministry's immediate talent gaps in technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps. Work with transport Crown entities and Central Agencies to access existing talent through processes such as system teams and two-way secondments.
- Develop a strategic people plan which addresses recruitment, retention, leadership development, talent acquisition, and performance management. The plan will need to have a focus on understanding and addressing the drivers of turnover, and how it can lift its recruitment brand to attract the talent the Ministry needs.
- Align organisational leadership capability to support the increased focus on the Ministry's system leadership role. This means taking opportunities to develop and recruit people with the strategic and relationship skills to drive sector performance.
- Continue work already underway to create a workplace that is diverse and attracts staff and management from different backgrounds.

Public Finance and Resource Management

- Develop tools, infrastructure and processes to improve the use of data and information across the policy, monitoring and assurance functions of the Ministry. This includes ensuring use of data and information is a core part of the induction of new staff.
- Engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve government priorities
- Work to address the issues raised in the 2023 Audit Management letter on assurance of revenue collected by other agencies, and the accounting treatment for the Clean Car Standard scheme.
- Develop a data and information strategy that builds on the existing capabilities and data and information sharing arrangements. This should include identifying the governance and oversight arrangements that reflect a system approach to the capture and use of data and information, rather than an individual agency-specific approach.

Irene Kilford

From: Martin Kessick <Martin.Kessick@publicservice.govt.nz>
Sent: Friday, 5 April 2024 8:15 am
To: Audrey Sonerson
Subject: Capability Review Meeting
Attachments: 1st draft report - how it could be adjusted to respond to MoTs initial concerns_.docx

Follow Up Flag: Follow up
Flag Status: Completed

Hi Audrey,

I trust you are well.

I've been able to make the following progress since our last discussion about the Capability Review;

- Arranged for us to meet with Brendon & Doug on Thursday 11 April at 2:15 (this is the time we have set aside for your regular catch up). I think we should have a pre-meet if possible (currently arranging that with Sharyn, likely via Teams early on the same day).
- Draft a 'One Pager' (attached), for us to discuss in advance of that meeting (it draws on some of the points raised in our discussion together with some observations about the PSC template that the Reviewers used and some comparisons with the other live capability reviews).
- I've also been able to commission some analysis on the ratings. I won't send this to you because it contains analysis against other reviews that are not yet published, but I'll bring it along to our pre-meet.

Let me know whether my 'one pager' is consistent with what you have been working on and whether you can spare some time for a pre-meet (which I'd be happy to do via Teams if that makes it easier).

Regards

Martin

Confidentiality notice: This email may be confidential or legally privileged. If you have received it by mistake, please tell the sender immediately by reply, remove this email and the reply from your system, and don't act on it in any other way. Ngā mihi.



Purpose

This note sets out some possible adjustments to the MoT capability review report that would help ensure the report is relevant to the Ministry's context and be most useful to the CE and the Ministry.

These adjustments could be set out for the Lead Reviewers to consider, in three key areas:

- Repositioning material on the Ministry's "System leadership and stewardship" core function
- Increased specificity on the areas of improvement focus for the next two years.
- Revisiting the 'ratings' in light of these adjustments.

System leadership and stewardship

Issue – Currently the report identifies system leadership and stewardship as the Ministry's primary role and key focus for action, but this approach deprioritises other functions & deliverables, sets unrealistic expectations given the size of the Ministry and scope of the sector, the language on system leadership doesn't resonate, and the focus on this area does not recognise the Government's priorities for the Ministry.

An approach to address these concerns uld involve;

- Context - rename the core function to "sector leadership" (or "sector leadership and performance")
- Prominence - move to be the last core function and delete the "primary core function" content on page 30
- Description – change the five-year description of its role to be choreographer, orchestrator, system monitor, [but noting these words are unfavourably referenced in the 2018 PIF] (from current text of connector and integrator, translates strategy into delivery, engaging, information and influencing households and communities in trade off decisions)
- Sequencing – lead into the sector leadership section, through more direct actions on other core functions e.g. Crown entity monitoring, development of data. This could be articulated through the 12-24 month action schedule – see next section below.
- Sector leadership future focus – Redraft the Future focus to reflect this is about effective delivery on its other functions (linked to point above).

Actions, steps and focus areas

Issue – It's difficult to discern from the review where to focus, what steps to take to lift capability and address the opportunities identified and how this fits in a two year timeframe, while recognising what is realistic to achieve. Note that the report already attempts to identify the immediate actions and opportunities, described across pages 9-10 of the report, but that this falls short and doesn't really address the "given your experience & what you've heard, where do I focus my improvement effort over the next two years" test.

An approach to address these concerns might encompass:

- Reduce the number of future focus – from 39 to under 30.
- Update the two-year timeline in the executive summary, make it clearer and strengthen the links between them.



- Consider if a wider range of ratings would provide more value in highlighting the areas for focus e.g. those areas that are doing better move to enabling, and those that are worse and need greater focus move to weak.

Other points and options

This section contains some other actions that might address the general tone of the report

- **Preliminary findings - Comparison** – the preliminary findings contain most of the key points made in the report. They seem a bit more helpful because they are all future focussed.
- **Ratings** – too many “developing” ratings – put some greener ratings, where the Ministry is doing comparatively well e.g. policy advice.
- **Findings - substance** – the findings are backed up by what was heard in interviews, previous reviews 2018 PIF, and 2021 Debbie Francis Review, as well as their own documentation e.g. stakeholder interviews in 2022.
- **Findings - tone** – the tone of the report differs from the tone of the preliminary findings. The final report is based on a template provided for the review which adopts a “*one good point...however, these bad points*” which deemphasises the good points & information that comes before the “however” (NB this “good point, however bad points”, either isn’t used, or as nearly as common, in the two other Capability Review reports.)

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Irene Kilford

From: Audrey Sonerson
Sent: Tuesday, 9 April 2024 8:39 am
To: martin.kessick@publicservice.govt.nz
Subject: Capability Review
Attachments: Agency Capability Review - Ministry of Transport Feedback (1).docx

Kia ora Martin,

Ahead of our 1:1 discussion Thursday I attach my internal preparation. You will see that the language is such that I would not/not be looking to send directly to the reviewers as is, but I thought it would be useful for you to see as well.

Ngā mihi,
Audrey

Audrey Sonerson (she / her / Ms)
Hēkeretari o te Manatū Waka – Tumu Whakarae | Secretary for Transport & Chief Executive
Te Manatū Waka Ministry of Transport
M: + ^{s 9(2)(a)} | E: a.sonerson@transport.govt.nz | transport.govt.nz
Executive Assistant: Sharyn Forty | M: ^{s 9(2)(a)} | E: s.forty@transport.govt.nz



Hāpaitia ana ngā tāngata o Aotearoa kia eke
Enabling New Zealanders to flourish

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Te Tuhinga | Memorandum

To Audrey Sonerson

From Chris Nees and Anastasia Lagoutaris

Date 5 April 2024

Reviewed by Paul O'Connell

Agency Capability Review: Ministry of Transport Feedback to PSC

Purpose

1 To provide you with key points of feedback to raise with PSC and the agency reviewers.

Key points

- 2 We welcome the intent behind the review and chance to provide feedback. However, for the findings to land well and be influential, we have identified three key changes needed:
- **A clearer and more realistic articulation of the Ministry's role** in the transport system, reflecting our position as a conductor, not a top down director.
 - **A reassessment of the key challenges we need to meet into the future.** The report misses the significant fiscal challenges across the Vote, government expectations to drive large policy and investment programmes while improving value for money.
 - **A more practical and forward-looking approach to what the Ministry focusses on.** The report contains many ideas that tangibly improve the performance of the transport system. We think our core focus needs to be on leading the sector and stakeholders through this period of significant change and meeting the our key challenges above.
- 3 More generally we have concerns about:
- **The evidence base in parts of the report**, in particular the degree to which isolated feedback from stakeholders appears to have significantly influenced the findings and recommendations. The system is designed to have tension in it, and we would expect to see some disagreement with what we do and how we are doing it.
 - **Performance ratings that do not align with the narrative** in sections of the report. For example the ratings in the 'Delivery' section of the report fail to recognise our policy quality and responsiveness to government priorities. This is not the priority capability the Ministry should be in investing in.
 - **A range of factual and contextual errors** throughout the report.
- 4 Below we set out more specifically the key changes we think the report needs, with more detail in the attached appendix.

The Ministry's role in the transport system

5 We view our role as being the 'conductor' of the system, rather than director. It is important that the recommendations around system leadership make this distinction.

6 The report suggests we would sit at the top of the system and direct it to do certain things. This does not reflect the practical constraints we face as a small (and getting smaller) agency, nor that the sector would not be well-served by a 'command-and-control' type approach. We would challenge whether such a role would be consistent with the collaborative approach the report discusses? We also consider that current legislative structures don't envisage this role or provide the levers to deliver it.

7 s 9(2)(g)(i)
As you note in the report, the COVID experience was an example of performing this kind of role but also unsustainable beyond the short term.

8 The key features of our role as we see it include:

- A choreographer who sets the expectations across the system and monitors its performance and health.
- To intervene as needed to drive performance improvements, including by providing Ministers with options and levers to do so.
- To facilitate, collaborate and influence both within and outside the transport sector, ensuring government objectives are achieved, and transport is integrated into other government policy systems (e.g. planning, climate, health).

9 We recognise the need to lift our performance across these dimensions of our role.

The key challenges to meet in the future

10 We also have a different view of the key challenges facing the Ministry, as follows:

Managing significant fiscal challenges across the Vote

11 The Ministry must adapt to its shrinking baseline, which was already forecast to decline before the Government's savings requirements. Our challenge here is to focus our resourcing on the clear priorities the government has given us.

12 More significantly, this fiscal challenge applies across Vote Transport, with all crown entities and most notably NZTA. The national land transport programme is facing significant cost pressures and high delivery expectations. Our role as monitor of the Crown Entities is crucial to support them to adapt and give Ministers assurance it is occurring.

13 We expect these fiscal challenges to endure for at least 3-5 years and therefore are a significant priority for us to address.

Delivering a large infrastructure programme while ensuring value for money

14 The Government has an ambitious programme of infrastructure delivery in the land transport sector. Its priorities are set out in the GPS and require a significant redirection of effort across the Ministry and within NZTA. The same challenge applies with rail and ferry investments. To enable wider the Ministry is also delivering a large and complex programme of policy work to address the future financing and funding needs of the transport system.

15 If we deliver these programmes and support NZTA and KiwiRail to do so, it will likely be the single biggest contribution we could make to system performance for decades. We would expect to see this recognised in your report.

Delivering the performance shifts in the transport system that matter for New Zealanders

- 16 We need a much better understanding of how the transport system is currently performing so we can improve our monitoring role and support the Government to intervene where necessary.
- 17 We acknowledge we are not actively using the existing frameworks and data for understanding this performance as well as could be the case, so we are missing a key diagnostic tool. However, the report does not consider this at all.

A forward-looking, practical approach to what the Ministry focusses on, reflecting our context

- 18 We are concerned that many of the report's findings are either too vague or high level to help improve our performance. They lack sharpness and miss our current context.
- 19 The transport system does not need more think pieces and strategies from the Ministry. We need to get on with addressing the challenges set out above, supporting the government to achieve its key objectives and enabling the wider transport system to do the same.
- 20 We think success looks like leading through a period of significant wide-ranging change to the sector, establishing clarity about the changes, building stakeholder understanding whilst ensuring a focus on longer-term performance of the system.
- 21 We do not agree with the finding that delivery and responding to government priorities is a major area of concern or future focus. The report does not recognise the Ministry's policy advice strength and how well the Ministry has responded to the new Government's priorities, For the last five years we have achieved upper quartile results in NZIER policy quality reviews, we've delivered major programmes of work well, and we've quickly delivered a significant set of reforms as part of the 100 day plan with positive feedback from Ministers.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Appendix 1: Key feedback themes identified in the Review

We have identified five themes of specific feedback that apply across the report and are set out below.

Feedback themes	Section	Specific content
<p>1. Improving your evidence base for conclusions</p> <p>We would value you adding evidence to explain how you have reached your judgements. For example, whether this is the overwhelming view of stakeholders and if it takes into account the Ministry's perspectives.</p>	Executive Summary, p.6, Performance challenge	Under transport system leadership, you've mentioned that a "lack of unified long-term future direction" has resulted in "misaligned priorities". We're unsure what this statement means, and no specific examples have been provided. We aren't sure what you are suggesting we do to address this.
	4 Delivery, p.36, Responding to Government Priorities	You've talked broadly about stakeholder concerns with the Ministry. We would like some evidence/detail on the specifics of these concerns and the situations where they appear.
	5 Capability, p.67, Performance focus	You've stated that consistent commissioning processes will help achieve performance management. We disagree with this approach. Could you clarify how this would help?
	5 Capability, p.70, Investment and asset management	You've stated that "the nature of the Ministry's asset base is unlikely to change over the medium term". Why? Could you provide clarification to back this claim?
	2 Context, p.20, Long-term planning and investment in transport infrastructure is required across New Zealand to support its economic potential	You've noted that New Zealand's transport infrastructure is aging and much of it will need to be replaced over the next decade. What is the basis for this statement and the decade reference?
	5 Capability, p.56, Values, behaviour, and culture	You've mentioned stakeholders say the Ministry "tends to default to Ministry statutory levers, rather than a softer collaborative approach". We disagree with this statement. What are the examples or situations?
	4 Delivery, p.41, Core Function: Policy and Funding Advice	You've stated that "these types of issues may have contributed to Ministers seeking alternative policy advice". We consider this

		to be 'advice shopping' rather than evidence of poor advice, which is how the report reads.
	4 Delivery, p.42, Core Function: Policy and Funding Advice	<p>You've mentioned you heard that data, evidence, and evaluation are not consistently featuring in policy processes and decision-making.</p> <p>Whilst there is room for improvement, we have had overall positive assessment of data use and analysis in informing policy advice. We disagree that the metric for judging quality should be based around stakeholder feedback</p>
	4 Delivery, p.48, Core Function: Advice	<p>You've stated stakeholders sometimes viewed investment advice as "slow, cumbersome, and a handbrake on delivery". Do the reviewers have a view on whether the balance is right – much of our role and advice has been to make clear the trade-offs and implications of investment decisions. This does not necessarily align with the priorities of delivery agencies.</p>
<p>2. Clarity of message</p> <p>We found the report included unclear statements in a number of places and would value clarification of your meaning, and examples.</p>	Executive Summary, p.4, Future Excellence Horizon	<p>This section of the report is unclear and suggests a role for the Ministry that is different to our articulation. We disagree with specific points like Ministers aren't seeking out and valuing our input, we don't have resilience measures for adverse weather events. It also includes very open-ended terms like technical expertise, agile regulation, build out costs which aren't given any specificity about their meaning in this context.</p>
	Executive Summary, p.7&8, Performance challenge	<p>Can you explain what our limited technical expertise is, what you mean by 'user view' and why you think we aren't engaged in housing and land use planning?</p>
		<p>We also disagree with the statements about the Ministry's role and challenges in this section, per our overarching comments.</p>

	Executive Summary, p.10, Insights and opportunities	<p>The first medium term action is very vague and hard to turn into practical action. We are unclear what it means.</p> <p>The medium-term opportunities are also vague. Can you be clearer about what a 'system focus' means, why you have focussed on the transport hub, and the benefits from 'strategy alignment' that you suggest?</p>
	4 Delivery, p.50, Core Function: Crown Entity Monitoring	Please refer to the last paragraph on Ministry relationships – We agree we need to clarify and improve our monitoring role, however we are not clear on what you envisage here. What would a “wider system perspective to the Ministry’s monitoring” role look like practically?
	5 Capability, p.60, Future focus for: Collaboration and delivery	<p>You’ve stated that the Ministry sometimes struggles to act on others’ views. We’re unsure whether this is the view of stakeholders or the reviewers. We would appreciate clarification on whether this suggests we don’t put others’ views to Ministers, or whether it means that stakeholders consider we advocate for them. If the latter, we don’t agree it is our role to do so.</p> <p>We think you need to recognise that that we are ultimately giving effect to Ministers views, not stakeholders.</p> <p>We don’t understand what you mean by “the Ministry consider all elements of its operating model”. What could it look in practice?</p>
	5 Capability, p.66, Workforce development	Please refer to the final two paragraphs discussing a ‘system teams’ model – we disagree that this would be helpful or a priority.
	5 Capability, p.67, Performance focus	You’ve mentioned varying team workloads in the Ministry were partly due to the Ministry’s “reactive commissioning process”. This doesn’t recognise that the Ministry undertook an organisation review late last year which will have addressed

		<p>this concern. Our operating model now provides for more agile responses, as seen by our response to the new government.</p>
	<p>Appendix Five – List of Future Focus areas, p.81, Delivery</p>	<p>We disagree with the comment that we need to build government trust and confidence in the Ministry. We consider our response to the new government has been very strong.</p> <p>We also doubt the government will have strong appetite for the proposed work on roles, responsibilities, and definitions of our role. The practical benefits of this would need to be spelt out.</p> <p>The point about broadening our talent pool conflicts with other suggestions to deepen our transport knowledge.</p> <p>We disagree with the suggestions to focus on the future of ports and ports – why are these listed?</p>
	<p>Appendix Five – List of Future Focus areas, p.82, Delivery (core functions)</p>	<p>You haven't recognised that the GPS is providing a national view of transport investment needs.</p> <p>We disagree with the proposed assurance role for the Ministry. It would require a significant investment in the Ministry and isn't a priority for government and risks overlap with NZTA.</p> <p>We disagree with this view and would like further clarification around how the Ministry could improve by following these agencies.</p>
<p>We have identified contradictions in statements.</p>	<p>Executive Summary, p.5, Future Excellence Horizon</p>	<p>It doesn't make sense why you have reframed the transport outcomes framework – why not just use this?</p>
	<p>4 Delivery, p.38, Overarching role: Transport System Leader and Steward</p>	<p>Paragraphs three and four contradict each other – the former states there can't be an overarching strategy while the latter recommends one.</p>
<p>We would value further clarity around how NZTA and MSD do</p>	<p>5 Capability, p.59, Future focus for: Collaboration and delivery</p>	<p>You've stated the Ministry can "improve its ability to understand the views of citizens" by looking towards delivery</p>

<p>this differently and how the Ministry can build expertise from these agencies.</p>	<p>Appendix Five – List of Future Focus areas, p.83, Capability</p>	<p>focused agencies like NZTA and the Ministry of Social Development (MSD)</p>
<p>3. Parts where the reviewers miss Ministry of Transport context</p> <p>Our declining baseline is not acknowledged (only increases are discussed)</p>	<p>2 Context, p.26, Funding and staffing have grown in recent years</p>	<p>This section presents a graph and context around Ministry and departmental funding from 2018 to 2024</p>
<p>This material is outdated or incorrect and needs to be updated.</p>	<p>2 Context, p.23, The transport system can help achieve New Zealand’s greenhouse gas emission targets</p>	<p>Please update this section to reflect: “mode shift” is not a feature of the current government’s priorities. the government’s strategic approach relies on the ETS as the key tool for emissions reductions. Latest emissions projections show we are on track for the first and second emissions budgets.</p>
	<p>2 Context, p.24, The Ministry has delivered significant work across its key priorities</p>	<p>Please update to reflect the latest draft GPS release was March 2024.</p>
	<p>5 Capability, p.67, Workforce development</p>	<p>Please update to reflect that the Ministry does not have a graduate programme.</p>
<p>4. Practical and realistic expectations about the Ministry’s role in the transport system</p>	<p>Executive Summary, p.3, About the Ministry of Transport</p>	<p>We disagree with your statements in these sections and ask that you reassess these, after considering our statements about our role.</p>
<p>Executive Summary, p.3, Future Excellence Horizon</p>		
<p>Executive Summary, p.5, Future Excellence Horizon</p>		

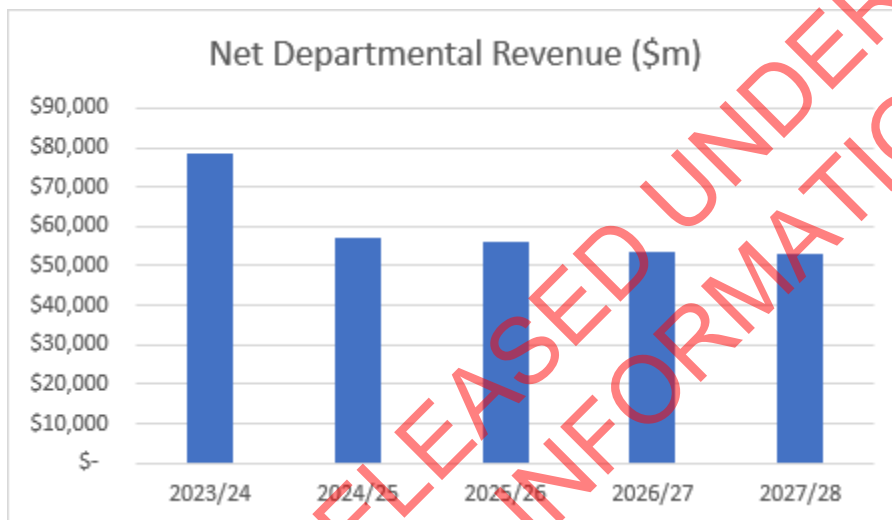
<p>We disagree with several statements about the Ministry's role. This reflects our overarching comments in this note.</p>	<p>4 Delivery, p.37, Overarching Role: Transport system Leader and Steward</p>	
	<p>4 Delivery, p.40, Overarching Role: Transport system Leader and Steward</p>	
	<p>4 Delivery, p.51, Core Function: Crown Entity Monitoring</p>	
	<p>Executive Summary, p.6,7&8, Performance challenge & Insights and opportunities</p>	
	<p>2 Context, p.24, The Ministry operates within a complex and challenging operating environment</p>	
	<p>3 Future Excellence Horizon, p.30, Overarching Role: Transport System Leader and Steward</p>	
	<p>Appendix Five – List of Future Focus areas, p.83, Capability</p>	
<p>5. Some ratings do not match the text assessment</p> <p>A number of sections have been rated as “Developing”, however the written descriptions are largely positive and would justify a higher rating of ‘embedding’. We would invite the reviewers to reflect on these ratings and whether they are justified. Two specific examples are noted in the following columns</p>	<p>4 Delivery, p.36, Responding to Government priorities</p>	<p>We disagree with your ratings as we have had very positive feedback about our response to the government's priorities. You acknowledge some of these in your first paragraph. Other parts of your analysis here don't relate to how well we respond to government priorities.</p>
	<p>4 Delivery, p.41, Core Function: Policy and Funding Advice</p>	<p>We disagree with the ratings in this section as the text reflects our strengths in policy advice capability, data and evidence and value for money.</p> <p>Please provide clarification as to why this has been marked as Developing?</p>

Irene Kilford

From: Audrey Sonerson
Sent: Monday, 22 April 2024 3:11 pm
To: doug.craig@rdcgroup.co.nz; Boyle; martin.kessick@publicservice.govt.nz
Cc: Chris Nees; Brent Johnston
Subject: Feedback on the draft
Attachments: DRAFT MoT Capability Review report - MOT proposed edits.docx

Dear Brendon, Doug and Martin

Thank you for your time earlier in the month to discuss my comments on the Agency Capability Review. As discussed, we have redrafted the executive summary to set out how we see our role in the transport system and the specific performance challenges we face. The result has been to make this summary much shorter and sharper, and in our view, set us up with a more focussed set of issues for the Ministry to tackle. I think these will also support a constructive discussion with Ministers. I would also appreciate you making some comment about the forward financial position. The current graph, while correct, doesn't include the steep decline we are going to have in resources available to us, which is important context for the rest of the report. Perhaps we could join the following to the existing graph?



In the body of the report we have provided some brief comments in a number of places where we think there needs to be change or clarification. We have attempted to keep this to a minimum. I wanted to restate my particular concern that the ratings you have used in section four of the report aren't a reasonable representation of our total performance, particularly for our response to government priorities and the quality of our policy advice. Overall, I'd like to see more spread of ratings.

Once we have seen a revised draft version from you we will be in a position to firm up our agency response. I'm happy for my team to engage with you directly on any of the specific comments we have made or any further information or evidence we could provide for you— Chris Nees is our lead from this end.

Ngā mihi,
Audrey

Audrey Sonerson (she / her / Ms)

Hēkeretari o te Manatū Waka – Tumu Whakarae | Secretary for Transport & Chief Executive

Te Manatū Waka Ministry of Transport

M: + ^{s 9(2)(a)} | E: a.sonerson@transport.govt.nz | transport.govt.nz

Executive Assistant: Sharyn Forty | M: ^{s 9(2)(a)} | E: s.forty@transport.govt.nz

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Agency Capability Review for the Ministry of Transport

1 March 2024

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Info	Details
Version	1.3 Draft version – provided to the Ministry of Transport
Date	1 March 2024

Lead Reviewer biographies

Brendan Boyle

Brendan has an extensive public service background, with experience in both senior management and governance, leading change management projects and digital transformation within the public service.

Brendan has held a wide range of senior government roles, most recently as a member of the COVID-19 Taskforce within the Department of the Prime Minister and Cabinet. Between 2003 and 2018, Brendan held several Chief Executive roles, including Chief Executive of the Ministry of Social Development, Department of Internal Affairs and Land Information New Zealand.

Since 2018, Brendan has been involved in both the public and private sectors, as a serving panel member on the Ministerial Review into the Future for Local Government and a council member for the University of Otago Council. He is also the Director of Fair Way Limited, a dispute resolution and conflict management organisation.



Doug Craig

Doug brings strong experience as a senior public service leader in both New Zealand and Australia.

Doug previously held the role of Deputy Commissioner at the State Services Commission. He also held roles as Deputy Chief Executive of the Ministry of Social Development, and Deputy Secretary Policy and Strategy and Deputy Secretary-Housing in the Department of Human Services in the Victorian Public Service.

Doug has also been involved as a consultant in a number of significant reviews including reviews of organisational culture, Machinery of Government, governance and regulation as well as advising on organisational design and change for both central and local government organisations.



Table of Contents

Executive Summary	3
Responding to the Challenge	7
Context	10
Future Excellence Horizon	23
Delivery.....	30
Capability.....	48
Leadership, Culture, and Direction	49
Collaboration and delivery.....	54
Workforce.....	59
Public finance and resource management.....	64
Appendix One – Ratings overview.....	69
Appendix Two - Agency Capability Model Overview.....	71
Appendix Three – Capability Ratings.....	73
Appendix Four – List of agencies interviewed.....	75
Appendix Five – List of Future Focus areas	76

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Executive Summary

About this Review

The Agency Capability Review (the Review) of the Ministry of Transport (the Ministry) began in June 2023, with interviews substantially completed by October 2023. This report presents the findings of the Review and draws on multiple sources including the Ministry's self-review and interviews with Ministry staff, transport agencies, transport stakeholders, and Central Agency officials. The Review considered the Ministry's delivery and capability across all aspects of the Agency Capability Model.

Alongside this Review, in September and October 2023 the Ministry undertook a change process to implement a new organisational structure. Where possible we comment on the impact of the change process on the Ministry's capabilities. However, given the new organisational structure has not yet been fully embedded, our ratings are based on the structure as it was at the time the Review was substantially undertaken (unless otherwise stated).

The main period of information gathering and analysis for this report occurred in September and October 2023 and before the Government had formed after the 2023 General Election. Work was subsequently undertaken to reflect the changes in the Ministry's context and priorities in the report including meeting with the Minister of Transport in February 2024.

About the Ministry of Transport

The Ministry is the Government's system lead on transport. The Ministry provides policy advice, monitors Crown entities operating in the transport system, and provides regulatory stewardship of the transport regulatory system. The Ministry works with a range of stakeholders (including transport infrastructure owners, transport service providers, regulators, local government, stakeholders, and interest groups) across land, air and sea transport.

Transport plays a crucial role in the lives of New Zealanders. It moves people, services, and goods across the country and across borders, supporting individuals and families, services, and businesses. It also contributes to other government priorities such as housing and urban development. Given the important role that transport plays in the lives of New Zealanders – and will continue to play – it is critical that the Ministry has the capability to effectively lead the transport system to deliver outcomes that citizens and government expect.

Future Excellence Horizon

What does success look like for the Ministry over a five-year timeframe?

The Ministry's small size, absence of directive powers, and the breadth and complexity of the transport system means it needs to operate very deliberately in the system to get results. We liken this to the role of a conductor. The Ministry does not sit at the top of the transport system and 'direct' others. Rather, it needs to effectively align, co-ordinate and monitor transport Crown entities (such as the New Zealand Transport Agency Waka Kotahi) to ensure they are delivering what New Zealanders need. Similarly, the Ministry must ensure that policy, funding, and

regulatory settings are calibrated to deliver the outcomes New Zealand needs now and into the future.

We will know the Ministry is successful when it is effectively performing its role as a 'conductor' of the transport system. In practice this means:

1. **Being clear on the outcomes sought across the transport system.** The Ministry needs to use a variety of tools to do this, including the Transport Outcomes Framework, statutory tools such as the Government Policy Statement on land transport, and through collaborative processes in sectors such as the Aviation Council.
2. **Monitoring performance against these outcomes and intervening to drive performance improvements when necessary.** The Ministry needs to use the insights, data built through its Crown Entity monitoring function to provide Ministers with advice on options to address performance challenges across the system and within the transport entities themselves.
3. **Facilitate, collaborate, and influence within and outside the transport sector.** This means engagement to ensure that transport policy objectives are achieved, as well as transport being integrated into other policy systems (e.g. planning, climate and health).

What outcomes do New Zealanders expect from the transport system?

What are the contributions the Ministry will have to make to achieve these outcomes?

The Ministry will have to make several contributions to help the system succeed:

- **Policy and funding advice** – The Ministry provides proactive, and influential advice which prepares policy, funding, and regulatory settings to meet the long-term needs of the transport system. This advice will draw on economics, finance, and data and modelling expertise. The Ministry's policy advice function includes advising on changes to regulatory systems to ensure they reflect emerging technology and trends in the transport system.
- **Crown entity monitoring** – The Ministry monitors transport Crown entities in a way that balances oversight and support. The monitoring relationship will be valued by the Ministry, Ministers and the Crown entities, and the Ministry proactively addresses risks.
- **A 'conductor' across the transport system** – The Ministry works across the system to ensure there is clarity of roles and responsibilities, trade offs are made clear to Ministers and different perspectives are included in advice.

Performance challenge

The Ministry has demonstrated its ability to adapt to changing needs, implement change, and deliver...

The Ministry's contribution to the COVID-19 response is an outstanding example where the Ministry quickly adapted to meet the needs of government, businesses, and communities. In a short amount of time, the Ministry built connections across the system and ensured the domestic transport system and international supply chains remained operational. In interviews, we heard a lot of recognition for the Ministry's approach and action during this crisis period.

We found several other examples where the Ministry successfully acted on opportunities to lift its capabilities. For example, the Ministry has lifted its policy capability in recent years by implementing new systems and processes such as the Transport Knowledge Hub and the Policy Quality Framework.

...and its immediate focus has been on delivering the Government's priorities

The Ministry's immediate focus has rightly been on delivering on the Government's priorities, including those in the Government's 100-day plan. The Ministry and the transport sector were responsible for successfully delivering a number of significant actions. As a result, the Ministry has built trust and confidence with the new Government. This relationship will provide a good platform for the Ministry to progress the opportunities set out in this report.

Looking ahead, the Ministry needs to focus on three key challenges

1. Managing significant fiscal challenges across the department....

The Ministry must adapt to its shrinking departmental baseline, which was already forecast to decline by around 20% before meeting the Government's savings requirements.

While a smaller organisation means less capacity, it creates an opportunity to reconsider work programmes and ensure the Ministry is delivering only what is most important. The Ministry's challenge here is to ensure it has effective internal financial and people management processes to target resources at the Government's priorities and the Ministry's system and stewardship responsibilities. The Ministry will also need strong project and programme management across workstreams to ensure accountability and delivery.

This fiscal context is likely to endure for at least 3-5 years as the government undertakes significant budget repair. Addressing this challenge needs to be a priority to support ongoing fiscal sustainability within the Ministry.

...and the wider Vote Transport.

This fiscal challenge applies at a much greater scale across Vote Transport to all Crown entities. The National Land Transport Programme is facing significant cost pressures and there are high delivery expectations for NZTA. The maritime and aviation sectors rely heavily on third party revenue for funding and face cost pressures. The Ministry as a monitor will need to work with the Crown Entities to support them to adapt to these pressures and give Ministers assurance that they are achieving value for money.

In its policy advice role, the Ministry must also provide advice to Ministers for new funding and financing tools – both to finance the delivery of significant infrastructure, and to modernise the revenue collection system for roading. The outcome of these changes in the revenue system for land transport will be the most significant shift since the road user charge system was established in 1978. The large infrastructure investments funded by the new funding and financing tools will last for decades. The Ministry has a unique opportunity to guide these reforms to make a long-lasting contribution to the enduring challenges of prioritisation limited resources and delivering value for money.

2. Delivering a large infrastructure programme while ensuring value for money

The Government has an ambitious programme of infrastructure and service delivery in the land transport sector. Its priorities are set out in the draft Government Policy Statement (GPS) and include significant system reforms that will require a redirection of effort across the Ministry and within NZTA. Similar funding and financing challenges apply with rail and ferry investments. As noted above, the Ministry is also delivering a large and complex programme of policy reform to address the future financing and funding needs of the transport system.

If the Ministry can deliver this policy programme and support NZTA and KiwiRail with successful implementation, it will likely be the single biggest contribution it could make to system performance for decades.

3. Delivering the performance shifts in the transport system that matter for New Zealanders

The Ministry needs to develop a clearer understanding of how the transport system is currently performing. Without this picture, it is difficult to understand what is going well and where action is needed now and over the medium term to improve performance. Addressing this challenge will improve the Ministry's monitoring role and support the Government to intervene where necessary. It will also support the Ministry to communicate about where they are proposing intervening in the system and why.

The Ministry has an opportunity to use existing frameworks and data to create simple yet compelling performance analysis for the sector and Ministers. Doing so is likely to highlight differences in understanding that can then be further tested, and support work to develop interventions that will lift performance.

Furthermore, as the Government's immediate priorities are responded to, the Ministry has an opportunity to engage Ministers on work programmes across wider aspects of transport policy. There are many aspects of the Ministry's work programme that are not stated Government priorities but still need progressing and direction from Ministers, including in the aviation and maritime sectors. The good relationship already built with Ministers will support engagement on these work programmes, the objectives sought and their relative priorities.

Insights and opportunities

1

Responding to the Challenge

This section contains the Ministry of Transport's, and the Public Service Commission's responses to the findings of this Agency Capability Review. These responses provide the platform to build on the insights coming out of this report and review process.

In this section:

- Ministry of Transport's response
- Public Service Commission response.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Ministry of Transport Response

TBC

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Public Service Commission Response

TBC

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

2

Context

This section presents context about this Review, and the Ministry of Transport's operating context. It presents Ministry's mandate and functions and explores key strategic and organisational themes, including how these themes may develop over the medium term.

In this section:

- Scope of the Review
- Ministry of Transport's role and mandate
- Strategic context
- Ministry of Transport's organisational context.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Scope of the Review

This Review assessed all aspects of the Ministry using the Agency Capability Model, with the main interviews and analysis period having been completed in early October 2023. As requested by the Ministry's Chief Executive, this review considered previous reviews of the Ministry of a similar nature.

The majority of interviews and analysis were undertaken in September 2023 with drafting the report in October, November and December. The report has been updated to reflect the shifts in priorities, and immediate actions (such as the 100-day plan) of the Government, in particular to ensure it is accurate and remains relevant. However, the Review is always at a point in time and we have not re-interviewed stakeholders (except for the Minister of Transport). It is expected that the context for the Ministry will continue to evolve.

While this Review is focused on the Ministry's capability, the Review considered the wider transport system which the Ministry operates within and leads. Comments are provided on the transport system's configuration in the core function System Stewardship.

Ministry of Transport's role and mandate

The Ministry is a department under the Public Service Act 2020. The Ministry describes its role as *the Government's system lead on transport*. Its purpose is to *enable New Zealanders to flourish, reflecting transport's role in shaping our society, economy, and environment*.¹ It advances its purpose through various functions including:²

- policy advice
- Crown entity governance and monitoring
- system leadership and stewardship.

The Ministry is the steward of the transport regulatory system (which is made up of 26 Acts and 268 sets of regulations and rules). This system spans three main modes of transport: land (road and rail), aviation, and maritime. There are some regulatory components in common across all three modes, such as licensing and certification, regulatory compliance, and enforcement.³

The Ministry works with a wide range of agencies to drive the direction and performance of the transport system

The table below outlines the public sector organisations that operate within the transport system spanning various roles including planning, funding, investment delivery, and regulatory compliance.

¹ <https://www.transport.govt.nz/about-us/> retrieved 11 October 2023.

² Defined in *He Rautaki Takunetanga 2021-25 | Strategic Intentions 2021-25*, Ministry of Transport, 2023.

³ For an overview of relevant legislation and regulations, see:

<https://www.transport.govt.nz/footer/legislation/>

Overview of transport agencies

Type of entity	Organisation	Role
Public Service Department	Ministry of Transport	Advises the government on all policy and regulatory matters within the transport system and on funding and governance of the transport Crown entities. Advice includes legislative, regulatory and policy settings, funding levels and priorities.
Crown Entities	Civil Aviation Authority (CAA) (includes the Aviation Security Service)	Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security. The Aviation Security Service provides aviation security services for international and domestic air operations, including airport security, and passenger and baggage screening.
	Maritime New Zealand (MNZ)	Promotes commercial and recreation vessel safety. Controls entry to the maritime system. Investigates marine accidents.
	New Zealand Transport Agency Waka Kotahi (NZTA)	Funds and maintains land transport infrastructure. Manages road safety rules and licensing, as well as road safety education.
	Transport Accident Investigation Commission (TAIC)	Investigates significant air, maritime and rail accidents and incidents, to determine their cause and circumstances, to avoid similar occurrences in the future.
Crown owned companies	City Rail Link Limited (CRL)	Full governance, operational and financial responsibility for the Auckland City Rail Link, with delivery targets and performance expectations.
State Owned Enterprises	Airways Corporation of New Zealand Limited	Provides air navigation and air traffic management services on a commercial basis. It is also responsible for air traffic services in 28.8 million square kilometres of international airspace managed by New Zealand.
	Meteorological Service of New Zealand Limited (MetService)	Provides public weather forecasting services and meteorological information for international air navigation under contract to the Civil Aviation Authority.
	KiwiRail Holdings Limited (trading as KiwiRail Group)	Owns and operates New Zealand's rail networks, including the Interislander ferry transport service. It also provides infrastructure and engineering services for maintaining and improving the rail and ferry networks.

In addition to these transport agencies, the New Zealand Police provides road policing and maritime patrol services. Local government (such as regional councils, territorial authorities, and council-controlled organisations such as Auckland Transport) also fund, maintain, and regulate local road and transport networks. The New Zealand Infrastructure Commission provides research, advice, support and data on both upcoming projects and infrastructure performance.

The Government has announced a new National Infrastructure Agency will be created to coordinate government funding, connect domestic and offshore investments with New Zealand infrastructure projects, and improve funding procurement and delivery.

Strategic framework

The Ministry's strategic framework has two main layers. These layers are the transport system-wide strategies and frameworks, and under this the Ministry specific strategies and plans which seek to advance the system wide strategies and frameworks. These are discussed below.

Transport system strategies and frameworks

Transport Outcomes Framework

The Transport Outcomes Framework (the Framework) was developed by the Ministry in consultation with transport system stakeholders in 2018.⁴ It is designed to identify what government is aiming to achieve through the transport system and influence transport agencies' strategies, plans, and interventions. The Framework sets high level outcomes to guide the transport system, supported by a set of detailed indicators to track progress.

The Framework, including the five outcome areas is presented below:



Government Policy Statement on Land Transport (GPS on Land Transport)

The Land Transport Management Act 2003 requires the Minister of Transport to issue a Government Policy Statement (GPS) on Land Transport. The GPS outlines a long-term strategic approach to land transport investment over the next ten years, and the responsibilities of different

⁴ <https://www.transport.govt.nz/assets/Uploads/Paper/Transport-outcomes-framework.pdf>

agencies and decision makers within the land transport system.⁵ As transport system lead, the Ministry assists the Minister of Transport to develop the GPS. The Government has committed to beginning work to develop a new GPS reflecting the new Roads of National Significance and new public transport priorities in the 100-day plan.

Ministry of Transport specific strategies

There are a range of internally developed strategies and plans which the Ministry uses to align its work programme with transport system-wide strategies and frameworks, and government priorities. These are outlined below.

Strategic Intentions

The Ministry's current strategic intentions are set out in *He Rautaki Takunetanga 2021-25 | Strategic Intentions 2021-25*, which was updated in May 2023.⁶ This document sets out the Ministry's priorities, and these – alongside further government and ministerial priorities – are used to develop its annual work programme. These priorities, and associated work programmes, will need to be considered in the context of the new Government. The priorities in its strategic intentions are outlined below:

1. Start to decarbonise the transport system
2. Improve road safety
3. Support liveable cities
4. Strengthen New Zealand's supply chains
5. Enable emerging aviation technologies.

Strategic context

New Zealand's transport system is complex and faces significant changes over the coming years. This section outlines the key themes to be factored into the Ministry's Future Excellence Horizon.

New Zealand's transport system is broad, complex, and interconnected with other systems

The transport system is multi-modal, spanning land, air, and sea, and includes:

- vehicles that move people and products
- physical infrastructure (e.g. ports, the rail network, roads, and car parks)
- digital infrastructure (e.g. satellite-based navigation infrastructure and aids, travel apps, communications technologies)
- mobility services (e.g. public transport, bike-sharing, ridesharing)

⁵ The current GPS spans 2021/22 to 2030/31, and is accessible here:

<https://www.transport.govt.nz/assets/Uploads/Paper/GPS2021.pdf>

⁶ <https://www.transport.govt.nz/assets/Uploads/F.520MoT20Strategic20Intentions202021-252028Updated20May20202329.pdf>

- institutions and regulatory systems that influence how the transport system functions and develops (e.g. through their structures, management practices, rules, policies, and funding/investment tools). Some parts of the transport system (aviation and maritime in particular) are subject to international regulation.

These features of the transport system are interconnected and work together to move people and goods, both nationally and internationally.

Ownership, funding, delivery, and operations of transport is spread across different organisations

Transport infrastructure and services are delivered by a combination of central government, local government, and private enterprise (including large-scale businesses and, in some cases, many smaller businesses). Together, these organisations are critical to delivering the system we have today, and in developing the transport system we need in the future.

Transport infrastructure ownership, funding, delivery, and operations

	Road (and public transport)	Rail	Ports	Airport
Ownership	Crown (NZTA), Councils	Crown (New Zealand Rail Corporation and KiwiRail)	Councils, private shareholders	Councils, Crown, private shareholders
Governance	Boards, councils	SOE Boards	Boards, councils	Boards, councils
Funding	National Land Transport Fund (NLTF), Crown, councils	Crown, NLTF, rail users	Port users, Crown, and councils	Users (airlines and passengers, commercial operations, land use)
Delivery and operations	NZTA, councils	KiwiRail, Regional councils (metro rail via operator)	Port companies	Airport companies

The transport system impacts – and is impacted by – other related systems

The transport system enables many other systems to function. Transport has a role to play in delivering economic development, urban development and, environmental sustainability, safety, and resilience to increasing threats and hazards, as examples.

The transport system, and transport-based solutions, will be an important enabler to New Zealand’s economic and social prosperity, in areas such as land use planning and resource management, urban design, local government reform, health, and the climate change response.

Long-term planning and investment in transport infrastructure is required across New Zealand to support its economic potential

Transport enables economic activity by supporting labour markets, and the movement of goods and services. Investment in a reliable, connected, and modern transport network is critical to support a high value, productive economy that is connected domestically and internationally. Transport also plays a role in addressing New Zealand’s productivity challenge.

Investment is needed across the regions

New Zealand's transport infrastructure is aging, and much of it will have to be replaced and built out over the next decade to meet transport needs. The World Economic Forum's Global Competitiveness Report 2019 ranked New Zealand 57 out of 141 assessed countries in the category of supply and quality of transport infrastructure.⁷

Transport investments need to respond to long-term regional trends such as demographic change, urban development, and resilience requirements. For example, many urban areas across New Zealand are grappling with housing and infrastructure challenges due to population growth. Transport infrastructure investments need to support urban development plans and public transport to address issues such as congestion levels in major cities and towns.

Auckland will remain a challenging planning environment

Auckland is New Zealand's largest urban centre and is rapidly growing. Currently 1.7 million people live in Auckland, with an additional million expected to live in Auckland over the next 30 years.⁸ Planning, funding, and developing a transport system that supports Auckland's growth will remain a central focus for New Zealand's transport system.

Auckland's transport system has many challenges and opportunities, including enabling more people to use public transport, walk and cycle, addressing congestion, increasing accessibility, reducing its impacts on the environment and reducing road deaths and serious injuries. These changes require planning, funding, and co-operation across central and local government, and Auckland community groups. Such co-operation and co-ordination will be a particular challenge given the scale and variety of transport agencies operating within Auckland.

Integrated, long-term planning is essential

There has tended to be a mode-specific approach to developing and managing transport infrastructure and assets (which is dominated in cost and size by road assets, compared to other asset types). However, getting the best results from the transport system requires considering how all assets (port, rail, mass transport) work together and what investments are required to support a suitable transport system that supports connections and freight (both at a regional and international level).

While some alignment across modes exists in current strategic planning documents, more can be done to align urban planning, infrastructure, and development.⁹ Transport agencies and local government will have to apply long-term planning horizons to develop a clear, strategic pipeline of high-quality investment across the transport system. This will help drive national productivity through improved business efficiency, access and connectivity both domestically and internationally, and greater mobility of the workforce.

⁷ Cited in <https://tewaihanga.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf> page 39.

⁸ <https://www.transport.govt.nz/area-of-interest/auckland/auckland-transport-alignment-project/>

⁹ See <https://tewaihanga.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

Adverse weather events and natural disasters will continue to test transport resilience

Climate change is increasing the likelihood and frequency of extreme weather events. In 2023 alone, New Zealand experienced Cyclone Gabrielle, ex-Cyclone Hale, and the Auckland Anniversary floods which significantly impacted local communities and stress transport systems.

Sea-level rise, floods, landslides, and non-weather-related disasters such as earthquakes and tsunami also present significant risks to the transport system. These risks vary across the country and all regions will have to consider how best to ready their transport infrastructure and services in light of these risks. This may involve upgrading existing infrastructure to ensure it is resilient to natural disaster risk and having contingency plans in place to meet transport requirements if disasters do occur.

The transport system will need to be resilient to economic headwinds and global disruptions outside of New Zealand's control

COVID-19 highlighted New Zealand's vulnerability to global trends outside of our country's control. There are several issues on the horizon which are similarly outside of New Zealand's direct control but could impact the transport system.¹⁰ These include:

- Greater outward migration and significant infrastructure investment could weaken our labour market – particularly for skills needed to deliver infrastructure investment.
- Geopolitical tension fracturing supply chains and limiting access to goods and services needed to build, maintain, and operate critical infrastructure.
- Volatile energy prices which could increase the cost of transport thereby impacting the affordability of private and public transport.¹¹
- Persistently high inflation which can increase infrastructure input costs such as labour and material and constrain central and local government's ability to finance transport infrastructure through higher interest rates.¹²

The transport system will need to overcome funding challenges

Local and central government face significant transport funding challenges due to increasing infrastructure demands, increasing build and replacement costs, and declining revenue.¹³

Land transport investment is currently funded through a range of channels, with the NLTF historically being the largest single source of funds, with additional Crown contributions and

¹⁰ https://www.productivity.govt.nz/assets/Inquiries/resilience/Resilience_Issues_Paper_Final_17-Feb-2023.pdf

¹¹ https://consultation.dpmc.govt.nz/national-security-group/critical-infrastructure-phase-1-public-consultation/user_uploads/discussion-document--strengthening-the-resilience-of-nzs-ci-system.pdf
Paragraph 51

¹² <https://tewaihanganga.govt.nz/media/ueoijhtbe/inflation-what-are-the-implications-for-civil-construction.pdf>

¹³ Annual Report page 10 https://www.transport.govt.nz/assets/Uploads/MOT-4486_Annual-Report-FA2-web.pdf

council spending making up the balance. The NLTF is currently funded from charges levied on road users, primarily through fuel excise duty, road user charges, vehicle and driver registration and licensing fees, and revenues from road tolling. Crown contributions are funded out of general taxation.

Changing dynamics across the transport system such as changes in travel patterns and the use of alternate modes of transport, including walking, cycling and public transport has created revenue shortfalls. This has increased the need for Crown revenue to support the NLTF which may not be sustainable in the future.

Local government faces its own funding challenges due to debt raising limitations and changes in its rating base. Local government is also stretched funding other growth infrastructure such as water, wastewater, and stormwater infrastructure.¹⁴

The transport system will need to overcome these funding challenges to build and maintain transport infrastructure, which could include alternative revenue streams such as time-of-use charges, value capture charges, mileage-based user fees, carbon taxes, tolls, Public Private Partnerships and data monetisation. Other jurisdictions are exploring these options and currently employ alternative financing and to deliver and fund transport projects.

Government will need to manage rising infrastructure costs

There is a need for initiatives to help contain cost pressures as infrastructure costs have been rising in recent years. For example, the cost to maintain State highways rose 10 percent, and road maintenance costs rose 5 percent in 2020.¹⁵ Civil construction prices have been rising faster than the general consumer price which indicates ongoing demand-driven cost inflation.

These impacts may be more pronounced in some regions due to local construction market conditions. Location may also drive high resilience requirements which may increase costs. For example, some local authorities experience greater risk to their infrastructure due to their exposure to adverse weather events. This means per-capita costs of infrastructure varies across regions.¹⁶

Transport technology disruption is likely to continue

Changing technologies, including new and improved drones, aircraft, vehicles, and vessels; autonomous piloting systems; and low carbon technologies will continue to change the way people and goods move. Advancements in areas such as artificial intelligence and blockchain can also have transport applications (blockchain has been trialled in container shipping providing visibility of containers and trade documentation).

These new technologies present significant positive opportunities for government and consumers. They can support cheaper and more affordable transport options (e.g. electric bikes and scooters) and help advance priorities such as transport decarbonisation and productivity growth. New

¹⁴ See <https://tewaihangā.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

¹⁵ See <https://tewaihangā.govt.nz/media/q33dg5m5/sector-state-of-play-transport.pdf>.

¹⁶ https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf.

technologies such as digital driver licences, and biometric facial recognition have the potential to improve regulatory enforcement and user convenience.

Regulation makers and regulators will have to be agile and forward looking to protect communities while unlocking the growth, productivity, and innovation potential of these technologies.

Some technologies are decentrally adopted (for example, consumers adopted e-scooters as soon as they were affordable). In these situations, regulations need to anticipate adoption and get ahead of the risks presented to communities. Other technologies (such as biometric facial recognition) require aligned standards, legal frameworks, and systems for secure, robust data interoperability before wide scale adoption.

The transport system can help achieve New Zealand's greenhouse gas emission targets

The transport system can play a significant role in meeting New Zealand's greenhouse gas emission reduction targets. Transport is one of New Zealand's largest sources of greenhouse gas emissions, producing 39 percent of domestic carbon dioxide emissions, and 17 percent of greenhouse gas emissions.¹⁷ Ministry of Transport forecasts suggest transport emissions may be double where they need to be to achieve targets by 2035 without major interventions.¹⁸

A range of shifts would be required to significantly reduce emissions from the transport system. These include mode shift where people choose less carbon intensive alternatives to driving (e.g. public transport), the adoption of low-emissions vehicles and electric vehicles, and decarbonising heavy transport (increasing the use of biofuels and zero-emissions heavy vehicles).

Some of these shifts can occur through consumer choices and private enterprises responding to consumer expectations. However, government support and co-ordination across communities and businesses is likely to be needed.

The Ministry of Transport's organisational context

The Ministry has delivered significant work across its key priorities

The Ministry has successfully delivered a range of initiatives within a changing and complex context over the last few years. Some of the significant areas of delivery include:

- **COVID-19 response** – the Ministry supported the health response, and ensured transport could reconnect New Zealand to the world. It worked with the aviation and maritime sectors to ensure both freight and people were able to move effectively. The COVID-19 response also highlighted the transport system's – and by extension the Ministry's – critical role in managing the impacts of the pandemic on communities.

¹⁷ Based on 2019 estimates, cited in <https://environment.govt.nz/publications/aotearoa-new-zealands-first-emissions-reduction-plan/transport/>.

¹⁸ This in reference to the emissions profile to get New Zealand to net zero emissions by 2050, see <https://www.transport.govt.nz/assets/Uploads/Transport-chapter-for-emissions-reduction-plan.pdf>.

- **Transport mode strategies and plans** – the Ministry released the draft GPS on Land Transport for consultation in June 2023. The draft GPS sets out transport investment strategic intentions, and how these investments will be funded and allocated. The Ministry has started work on a new GPS as set out in the Government’s 100-day plan released in late 2023. In August 2023, the Ministry released the New Zealand Freight and Supply Chain Strategy which provides long-term strategic direction for the freight and supply chain system and involved widespread engagement with stakeholders in its development.
- **Decarbonising transport** – the Ministry developed the Transport chapter in the Emissions Reduction Plan which sets out the challenge of reducing transport emissions by 41 percent by 2035. In December 2022, it released the Decarbonising Transport Action Plan setting out the detailed actions needed to achieve the plan. The Ministry also led the design of the Clean Car Standard and the Clean Car Discount Scheme.
- **2023 extreme weather events** - the Ministry, as part of the all-of-government response, supported the co-ordinated efforts by central and local government to respond to communities affected by extreme weather events across the North Island.
- **Supporting liveable cities** - the Ministry has progressed significant work to support transport’s contribution in major urban areas, including playing a lead role in the Auckland Transport Alignment Project (ATAP), supporting the implementation of Community Connect, and contributing to cross-government work on Resource Management Reform.
- **Aviation** – in 2023, the Ministry helped pass the Civil Aviation Bill: a large and complex piece of legislation which strengthened aviation safety standards and better enables New Zealand to meet its international aviation emissions obligations. The Ministry also supported the Air Navigation System Review panel, which published its phase two report in May 2023.

The Ministry operates within a complex and challenging operating environment

As conductor of the transport system, the Ministry has a wide range of stakeholders across multiple transport modes with varying interests. This engagement context includes operators working directly in the land transport, maritime, and aviation sectors, industry groups, businesses that rely on transport, mana whenua, and other members of the community who use and are impacted by the transport system. Local government is also a significant stakeholder group given its role in providing transport infrastructure and public transport.

The COVID-19 response highlighted the breadth of the transport sector, and the various groups who have an interest in transport. Through the response, the Ministry built relationships with stakeholders beyond its normal operating conditions – particularly with commercial transport operators. The Ministry also went beyond its core policy role to meet the needs of the transport system at the time (this included co-ordinating communications and response efforts, and managing procurement, for example, with airlines to maintain freight services).

Transport agencies have faced delivery and performance challenges

The last five years has seen constraints on the transport agencies’ ability to perform and deliver major capital projects. These constraints have arisen from the COVID-19 response (which diverted

agency resources), a tight labour market, supply chain issues, inflation, economic volatility, and funding challenges. There have been delays and cost pressures in many significant investment programmes, such as the New Zealand Upgrade Programme, CRL, Transmission Gully, and other capital works within the wider land transport investment programme.

There have also been regulatory performance issues. The most notable issue was identified in 2018, with NZTA failing to exercise adequate oversight over vehicle inspectors and certifiers with one case resulting in a fatality. External reviews found shortcomings in the way NZTA was exercising its regulatory functions, and issues in the way the Ministry exercised its monitoring and oversight functions. The reviews resulted in significant changes in NZTA's regulatory functions, and changes in the Ministry's monitoring practices.

In 2021, the Ministry commissioned an independent review into road safety investment and delivery. This Review found system level governance and oversight issues (including confused roles and responsibilities among partner agencies) limiting the system's ability to effectively deliver road safety investments. The review highlighted the need for the Ministry to play a more active leadership role within the Road Safety Partnership Programme. These findings were overlaid against delivery and performance issues by NZ Police and NZTA, which both agencies are working to address.

The Ministry's role has expanded beyond its transport advisor role

In recent years, the Ministry has had to step beyond its traditional advisor role to provide purchasing advice and assurance on the delivery of significant transport infrastructure and investment (examples include the Ministry's involvement in the New Zealand Upgrade Programme and the Auckland Light Rail Project). To do this, the Ministry has had to build greater commercial, investment management and assurance capability.

The expansion of the Ministry's role has been driven by an increasing level of Crown funding being invested in the transport system outside of the NLTF. As a result of increased Crown funding, Ministers have had a greater responsibility for overseeing investment decision making and delivery in way that have not in the past. Ministers are more directly accountable for such Crown funded investment, whereas the Board of NZTA holds responsibility for delivery of investment made through the NLTF. The increasing role reflects Ministers engaging in a Crown purchasing role with delivery agencies, such as NZTA and KiwiRail.

A change process within the Ministry has been completed

In mid-2023, the Ministry's Chief Executive announced an organisational change process to create a structure and operating model that is financially sustainable, positions the Ministry to support the incoming government to deliver its priorities, and is flexible to respond to any new or emergent priorities. The final decision document stated the change process was also an opportunity to:

- assess and confirm the Ministry's core responsibilities and how those are delivered
- to demonstrate value-for-money from the Ministry's work
- to incorporate different ways of working, enabling the Ministry to be more efficient and influential

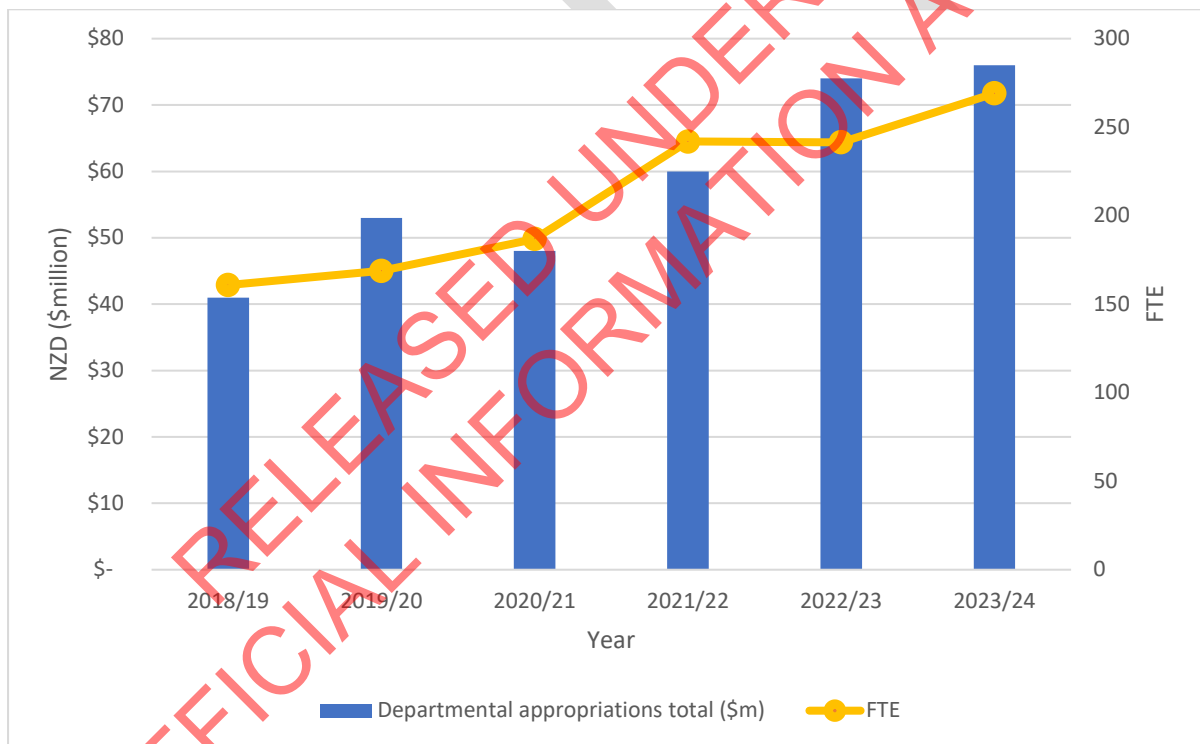
- to set a prioritised and realistic work programme, recognising the resource we have available.

The final decision document was provided to the Ministry’s staff in October 2023. The document references the preliminary findings of this Capability Review (which were discussed with the Ministry’s chief executive in early October 2023). This Review has, where practicable, considered the implications of the change process and references relevant changes in the decision document.

Funding and staffing have grown in recent years

Over recent years the Ministry has had steady growth in its staffing FTE and its departmental funding through Vote Transport. In the last financial year (2022/23), the Ministry received \$76 million in departmental funding which represents an 80 percent increase since 2018/19. Current FTE stands at 241.

Ministry of Transport workforce (FTE) and departmental funding (Vote Transport) 2018/19 – 2023/24



Note that departmental funding represents a small part of Vote Transport which totals approximately \$10 billion in 2022/23. Most of the Vote comprises non-departmental appropriations such as the National Land Transport Programme (34 percent of the Vote for 2023/24) which funds land transport infrastructure.

Like all departments and public sector agencies, the Ministry will need to contribute to the savings sought in the Government’s Fiscal Sustainability Programme. The programme is also seeking a significant reduction in contractor and consultant spend, which will require significant changes from the Ministry given its relatively high (as a ratio of personnel spend) expenditure on contractors and consultants.

3

Future Excellence Horizon

This section presents the Ministry of Transport's Future Excellence Horizon, as developed by the Lead Reviewers, in close consultation with the Ministry and the Public Service Commission. This aims to answer the question: What is the contribution New Zealanders need from the agency in the medium term?

This section outlines the future goal that the agency is working towards. Ratings and discussions in the rest of this report are framed in reference to the contributions defined in this section.

In this section

- Outcomes New Zealanders expect in the future
- Agency contributions necessary to deliver these future outcomes.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Outcomes New Zealanders expect in the future

The Transport Outcomes Framework outlines the outcomes New Zealanders expect from the transport system. To help frame the Future Excellence Horizon, we have specified the following detailed medium-term expectations which align with the Framework outcomes:¹⁹

- **Unlock New Zealand's economic potential** – The transport system provides efficient and integrated roads, rail, ports, airports, intermodal terminals, and key freight centres to reduce the cost of goods and services, support economic growth, and increase New Zealand's competitiveness and productivity. Infrastructure is appropriately sized, robustly and efficiently sourced, and anticipates future demands. Transport solutions and connections are seamless and integrated with efficient and reliable freight networks to enable trade with partners around the world.
- **Support liveable communities and enhanced quality of life** – All communities have timely, safe, affordable, and seamless transport options that connect people to amenities, services, and businesses. Transport also needs to be integrated with land use planning to support long term growth. Transport solutions are designed around the needs of customers and communities, and respond to changing customer patterns (for example working from home) and demand to remain fit-for-purpose.
- **Resilient to shocks and stresses** - The transport system needs to be resilient to the effects of climate change, natural disasters, security, and economic shocks. Risks and threats need to be monitored, and mitigations and contingencies need to be in place. Communities need to be engaged in risk identification and mitigation planning. A clear nation-wide and integrated approach to infrastructure investment is necessary to drive adaptation and resilience in response to threats and risks.
- **Support achieving greenhouse gas emission reduction targets** – The transport system is responsive in taking action to reduce net greenhouse gas emissions through use of cleaner low-carbon fuels and public transport options in New Zealand's largest cities.

Agency contributions necessary to deliver these future outcomes

The Ministry is uniquely placed within the transport system to deliver a range of outcomes which enable the transport system to meet New Zealanders expectations as outlined above. Some of the most important outcomes include:

- **Clarity of transport agencies roles and responsibilities** – To ensure that transport agencies are maximising their contribution to the system by operating in a mutually supporting, non-duplicative way.
- **Clear future state for the transport system** – To help all system participants organise their efforts around a shared vision which is mutually reinforcing.

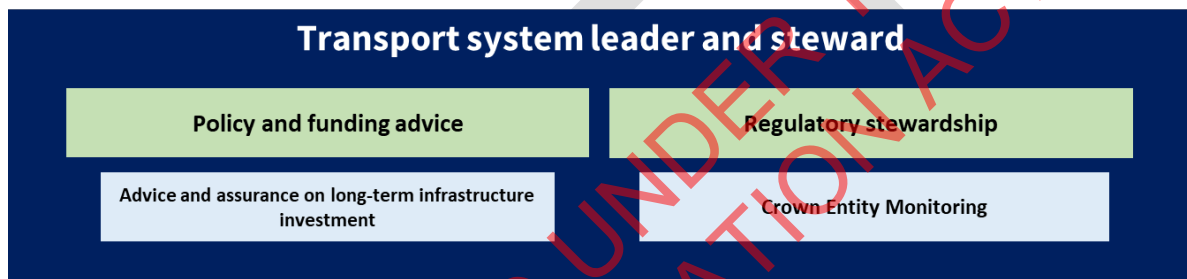
¹⁹ Key resources used to develop these statements include the Transport Outcomes Framework, the Ministry's 2023 Strategic Intentions, and the 2023 Briefings to the Incoming Minister.

- **Sustainable funding** – To enable the transport investment necessary for a successful transport system.
- **Modern regulatory regime** – To enable the transport system to benefit from new technologies (e.g. drones, low carbon fuels, personal transport options) as soon as they are ready.

The Ministry needs to draw on a range of capabilities to deliver these outcomes. Below we define where we think each of the Ministry’s core functions need to be in five years’ time for the Ministry to deliver the necessary contributions. These statements draw on the context discussed in the previous section and are calibrated to the Ministry’s current resourcing.

Overarching Role: Transport System Leader and Steward

All Ministry functions fit under an overarching purpose of leading and stewarding the transport system. The work of the Ministry all directly or indirectly supports this leadership and stewardship function. The diagram below provides the hierarchy of core functions.



In five years, we expect to see the following:

- **Connector and integrator for the transport system** - The Ministry leads change as an integrator and connector across the transport system, and across related systems (e.g. urban development). The Ministry is recognised for its proactive leadership, collegial approach, and focus on intergenerational needs. It works across the transport sector, and with other sectors to define and refine future priorities and direction for the transport system. The Ministry then helps align resources, priorities, and the regulatory environment to help the sector deliver.
- **Translates strategy into delivery** - The Ministry drives delivery which seeks to realise overall strategies and long-term aims for the transport system. The Ministry aligns and can explain how decisions – whether they are investment, regulatory, or delivery – advance long-term objectives. In many cases the Ministry does not deliver directly, (e.g. transport infrastructure which is delivered through NZTA) but it uses its influences and levers to drive effective delivery through the transport agencies.
- **Engaging, informing and influencing stakeholders and communities on trade-off decisions** - The Ministry engages and communicates with stakeholders to ensure they contribute to and understand trade-off decisions. The Ministry works through the transport agencies to engage with regional stakeholders and local communities (including urban, rural, and Māori).

- **Optimises transport system configuration** – The Ministry collaborates with transport agencies to optimise the effectiveness of roles and responsibilities and improve the way transport agencies work together (see further regulatory stewardship). This includes considering governance and ownership structures, who does what, and what are the best operating models for those functions. The Ministry also partners with community groups, private enterprise, and local government to understand regional dynamics (e.g. Auckland, which is large, complex, and multimodal), and implement system changes that best support transport outcomes.
- **Leverages talent across the transport system** – The Ministry is skilled at drawing on talent from across the transport agencies and the wider transport system, including local government and sectors that intersect with transport. People from across the system seek to work at the Ministry given its expertise and collaborative leadership approach to transport issues. It leverages expert skills across the transport sector to develop system-wide views to address transport challenges.

Core Function: Policy and Funding Advice

The Ministry has the mandate to position the transport system ahead of trends and changes through policy and funding advice. We expect to see the following in five years:

- **Future and intergenerationally focused** – The Ministry has a comprehensive view of transport funding, investment, and regulatory needs across regions and across short, medium, and long-term horizons. This view accounts for mega-trends such as technology disruption, supply chain shocks, and climate change. The Ministry uses these views to provide a clear and prioritised view of what is necessary to prepare the transport system for future challenges and opportunities.
- **Impactful, influential, and proactive** – The Ministry translates its future focused view of transport needs into advice that is respected and supports Ministers decision making. This advice is proactive, and provides tangible plans to influence funding, investment, and regulatory settings that position the transport system ahead of future challenges and risks. Advice reflects subject-matter expertise in key areas such as urban economics, funding and finance, and technology. This advice is respected and influential in transport and transport-related decision making and policy debates.
- **Informed by data, evidence and insights** – Transport advice is informed by regional trends (demographics, demand, funding constraints), international trends (supply chain dynamics, energy prices), and insights drawn from the Ministry’s connections across the transport system. Data, evidence, and insights are shared and used effectively by policy teams across the Ministry, and across the wider transport system to inform transport Crown entities and investment decisions.
- **Integrated across wider systems and reform programmes** – The Ministry actively contributes and influences policy debates in related portfolios – such as urban planning, local government, and economic development – which helps these systems deliver for New Zealanders. Ministry advice seeks to align transport with these other systems and helps present a unified view across government about how transport can support the objectives of other systems and vice versa.

Core Function: Advice and Assurance on Long-Term Infrastructure Investment

The Ministry helps ensure transport Crown entities, delivery agencies and transport providers are making high quality and strategically aligned investments. We expect to see the following in five years:

- **Brings an expert long-term view to investments** - The Ministry uses its understanding of regional and international market dynamics, transport economics, competition policy, and wider transport and transport-related strategic context to drive high value investments. The Ministry effectively uses its intergenerational and funding insights to provide advice that supports the right infrastructure investments being prioritised. The Ministry is recognised as a trusted advisor to government for its ability to identify and prioritise well-informed investment in the transport system.
- **Enables effective purchasing** - The Ministry helps Ministers achieve the outcomes they seek by clearly defining and stating the link between government priorities and investment outcomes. The Ministry embeds a robust, value-for-money focused investment lifecycle approach within the transport system to guide purchasing decisions.
- **Strong partnerships across transport Crown entities and the sector** – The Ministry maintains close partnerships with transport Crown entities, local government, and commercial entities involved in the delivery of transport infrastructure. These partnerships provide the Ministry with information to understand the infrastructure market, as well as an influencing channel which the Ministry can use to execute Ministerial purchasing intentions. The Ministry supports those involved in delivery from initiation through to execution.
- **Effective assurance** – The Ministry assures Ministers and the public that infrastructure investments are delivered to plan and achieve agreed outcomes. The Ministry focuses on assuring delivery agencies have the right governance, quality assurance, and benefits realisation systems and processes in place. When issues arise, the Ministry confidently steps in to ensure issues that could impact delivery and benefits realisation are being effectively managed and where appropriate well understood by Ministers.

Core Function: Regulatory Stewardship

The Ministry needs to regularly monitor and adjust regulatory settings to ensure the regulatory system is supporting the needs of the transport system. Aspects of policy advice – particularly the ability to take a future and intergenerationally focused approach to regulatory issues and draw on broad data and insights to reset and improve regulatory settings – directly contribute to the regulatory stewardship function. Additionally, we expect to see the following in five years:

- **Optimised roles, responsibilities, and decision-rights** –The Ministry ensures role, responsibility, and decision-right clarity across regulators and the Ministry. The Ministry helps drive effective and efficient regulatory settings, including where regulators and regulatory systems overlap.
- **Data informed performance monitoring and risk management** – The Ministry understands the outcomes sought from regulatory systems and has performance

measures in place to report and inform improvements to these systems. Performance monitoring is supported by active engagement with regulators, regulated parties, and communities. The Ministry continuously scans for regulatory risks and works with regulators to proactively manage risks as soon as they are identified.

- **Partners and engages with regulators, regulated parties, and stakeholders** – The Ministry understanding of regulatory systems is shaped by close engagements policy agencies, regulators, regulated parties, industry, and communities. Co-design with regulators and regulated parties is used – where appropriate – to shape regulatory settings. The Ministry also maintains strong and consistent engagements with international standard setting bodies and foreign jurisdictions to keep up to date with international changes and best practice.
- **Regulatory stewardship is prioritised** – The Ministry prioritises effective delivery of regulatory stewardship functions. It does this through dedicated resourcing and managing competing short-term priorities to maintain and improve regulatory frameworks.

Core Function: Crown Entity Monitoring

The transport Crown entities are primarily responsible for implementing and realising transport investments and operationalising regulatory systems and settings. As monitor, the Ministry has a significant role in ensuring that Crown entities are performing their function and delivering system wide priorities and strategies. We expect to see the following in five years:

- **Valued monitor** - The Ministry and the transport Crown entities have a mature and reciprocal relationship based on mutual respect for each other's system role. The Ministry values its monitoring role, viewing it as a critical lever to drive the delivery of wider transport system strategies and government priorities. Ministers, transport Crown entities, and stakeholders understand and value the Ministry's monitoring role and related advice. This sense of value is derived from the robustness of the Ministry's data informed views, knowing what questions it needs to ask and its collaborative approach to supporting the Crown entities.
- **Balances oversight and support** – The Ministry guides Crown entities using its transport system-wide context and draws on their perspectives to shape system policy settings and help manage constraints to delivery and performance. The Ministry balances this focus with effectively overseeing and advising on the governance, capability, and performance of the transport Crown entities.
- **Integrated with policy** – Monitoring is effectively integrated with the Ministry's policy function. Monitoring is used to help align Crown entities with wider transport strategies and objectives.
- **Proactive risk management** – The Ministry maintains a clear strategic approach that guides its assessment of delivery, performance, and risk within Crown entities. The Ministry is particularly alert to Crown entity constraints driven by policy and regulatory settings. It works proactively with Crown entities to address these constraints and drive delivery and performance.

- **Effective governance** – The Ministry ensures Crown entity boards continue building the capability and skills needed to effectively govern their Crown entities. The Ministry actively supports Ministers to drive board capability and performance. This includes ensuring advice on board appointments is used as a strategic lever to support Ministers in driving system performance.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

4

Delivery


This section assesses how the agency combines and uses its capability to deliver key functions. Ratings and rating justifications are provided, along with future focuses which identify factors which could impact capability over the time frame of the Future Excellence Horizon.

In this section:

- Responding to Government Priorities
- Primary role: Transport System Leader and Steward
- Core Function: Policy and Funding Advice
- Core Function: Regulatory Stewardship (including system stewardship)
- Core Function: Advice and Assurance on Long-Term Infrastructure Investment
- Core Function: Crown Entity Monitoring.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Responding to Government Priorities

Question	Rating
1. How does the agency respond to Government Priorities?	

What we found

We found a range of examples where the Ministry has effectively responded to Government priorities. Transport Crown entities and transport stakeholders commented positively on the Ministry's proactive and effective engagement approach in support of the Government's COVID-19 response. The Ministry has also had an important role in enabling Crown funding for previous Government initiatives such as Auckland Light Rail and New Zealand Upgrade Programme (NZUP). The Decarbonising Transport Action Plan, clean car Standard, and Clean Car Discount schemes are further examples where the Ministry has helped implement the Government of the day's priorities.

However, we heard from stakeholders that the Ministry has had a tendency to default to a reactive, tactical, and short-term approach in responding to priorities at the expense of addressing long-term strategic issues. There is the opportunity for the Ministry to take a more balanced approach in line with good stewardship and its strategic system leadership accountabilities.

Stakeholders were particularly concerned about the Ministry's ability to respond to priorities that will require capabilities outside of its traditional skill set (into areas such as commercial and financial management related to supporting large infrastructure projects). As these are not core capabilities of the Ministry, they questioned how effective the Ministry's response in those areas has been.

Role clarity is needed to help the Ministry effectively respond to government priorities

The Ministry's challenge in responding effectively to Government priorities relates to having clarity on its core role, as it has been asked to step into several new functions and roles in recent years. Before the Ministry commits to build capabilities and capacity in these areas, it should first determine whether it is the best placed organisation within the transport sector to carry these functions out. It must also engage with the new Government to clarify role and expectations.


We have heard that that the Ministry is rightly focussed on working with the new Government to understand and respond at pace to their priorities. We think it is critical that as those priorities shift towards the medium and longer-term it ensures it clarifies and reflects its role as long-term steward of the transport system. The range of shifts signalled throughout this report – particularly across the core functions – are key foundations which are needed if the Ministry is to effectively respond to government priorities in the future.

Future focus

We recommend the Ministry focus on the following:

- Continued focus on successfully delivering the priorities of the Government and building trust and confidence in the Ministry. As opportunities arise seeking and engagement with the Government and the sector to clarify the Ministry's role (see Transport System Leader and Steward)

Overarching role: Transport System Leader and Steward

Question	Rating
4. How does the agency meet its system stewardship responsibilities? (note regulatory stewardship is discussed separately under Core Function: Regulatory Stewardship)	

What we found

The Ministry is the only agency positioned to lead the transport system as a whole. Its unique role was described as “if not the Ministry, then who?”. As such, we think all Ministry functions are best framed around the Ministry’s role as transport system leader and steward. This means that through all the Ministry’s function and actions, the Ministry needs to lead the transport system – including transport stakeholders and transport agencies – towards the long-term outcomes sought by New Zealanders. It also needs to steward this system, which means ensuring that system settings are fit-for-purpose both now and for future generations.

The Ministry’s actions to support the COVID-19 response demonstrated this leadership and stewardship capability. The Ministry understood what the government was trying to achieve, and interpreted and implemented this vision for the transport system. It did this through open and proactive collaboration with transport agencies, transport stakeholders, and local authorities. It did not fall back on traditional roles, rather it identified the shifts that were required in the system and took active steps to address them.

Stakeholders we interviewed were positive about the Ministry’s approach during this period. While it is not sustainable (for example due to excessive workloads and deferring of other work) to always operate as the Ministry did during COVID-19 (and the Ministry has stepped back from this model), it serves to demonstrate what is possible and the value that the Ministry can bring when it steps up to its leadership and stewardship potential. We discuss various aspects of these primary roles below.

The Ministry needs to build a shared understanding of its role with ministers, transport agencies, and transport stakeholders

While there was a consistent view from Ministry staff that it is the steward and leader of the transport system, we also heard that there would be multiple definitions of what that role entails. The Ministry’s external stakeholders also had a variety of perspectives about its stewardship and leadership role, and what its ideal role should be. Some stakeholders doubted the Ministry’s capability to lead or steward the system given its small size, its current capability, and the complexity and challenges within the system. They also talked about the difference between calling yourself system leader and steward and earning that role, and commanding respect in that role.

The Ministry needs to build a clear understanding internally and externally of its leadership and stewardship role. This will ensure that it can focus on the capabilities and behaviours necessary to give full effect to this role. It also helps set expectations across the transport system, clarifying with its stakeholders what work it undertakes and what it does not undertake.

The Ministry needs to work with Ministers, central agencies and the transport sector agencies to clarify, define and embed these roles. An iterative and collaborative approach is necessary to ensure buy-in to the Ministry’s role and ensure that the Ministry’s role is scoped according to the

greatest needs across the transport system. This process should happen alongside the discussion on transport system configuration below.

The Ministry needs to ensure that the transport system's configuration is fit for purpose

Many stakeholders commented on whether the current configuration of the transport system – the roles, responsibilities, and associated powers of the various transport agencies – is still fit for purpose. One stakeholder commented “there is friction all the way in how the system is set up.” We heard that the current system architecture causes significant tensions between transport agencies, partly because of size and scope imbalances, and partly because of a lack of role clarity across agencies.

The Ministry is the best positioned agency within the transport system to ensure that roles and responsibilities are distributed in a way that supports the overall success of the transport system. While it is outside the scope of this Review to recommend a machinery-of-government style review, the Ministry should consider the changes necessary to reduce friction and enable the transport agencies to best undertake their roles²⁰

Strategies and priorities need to align across the transport system

While some mode-based strategies exist, there are few overarching strategies (with the GPS on Land Transport as a notable exception) which co-ordinate and align across modes. The Ministry and some stakeholders do not consider that system-wide overarching strategies are possible and have instead focused on modal or sub-modal strategies (such as the Freight and Supply Chain Strategy).²¹

As a result, there is no single overarching transport system strategy. An overarching system strategy is a possible method for the Ministry to align the system and provide leadership. For example, the OAG recently endorsed a system strategy approach as one of five key pillars of system leadership.²² It is described as ‘...a strategy that has a vision and an action plan that all those in the system share and provides direction, prioritises initiatives, and aligns actions throughout the system’. The Future Transport Strategy released by Transport for New South Wales in 2022 provides an example of the level of system thinking that may be required.²³

While the Ministry may decide not to develop such a detailed transport system strategy, it is critical for the Ministry to provide system wide alignment and co-ordination. Transport agencies acknowledge the need for a more coherent and cohesive approach that provides a focus for investment priorities for government and the sector. This would help shift the focus from just the short-term to the strategic and longer-term.

There are also opportunities to better align the Ministry's strategies. There is currently a range of strategy documents but no overarching and coherent approach that maps out the priorities within

²⁰ We make additional comments about clarifying roles and responsibilities under core function regulatory stewardship.

²¹ See <https://www.transport.govt.nz/area-of-interest/freight-and-logistics/new-zealand-freight-and-supply-chain-strategy/>

²² Leading New Zealand's approach to Housing and Urban Development, Office of the Auditor General, 2023. While these comments were made in a housing context, and finding equally applies in this situation.

²³ [Future Transport Strategy: Our vision for transport in NSW.](#)

those documents towards outcomes, or how they interact with each other. Many specific strategies involve inherent trade-offs, for example, between reducing transport emissions and improving transport productivity. The absence of alignment across the variety of transport strategies reflects and reinforces a siloed approach within the Ministry.

Long-term vision and strategies need to carry through to delivery and implementation

The Ministry has done a lot of thinking about long-term and intergenerational issues and opportunities in the transport system. The Ministry-led Transport Outcomes Framework is a positive feature of the transport system, providing an agreed set of outcomes and reporting progress through a set of transport indicators published on the Ministry's website. The Framework is used across the transport system agencies' external documents and a recent OAG report²⁴ highlighted the system-wide framework as a feature that that other sectors should develop.

The Framework has had more limited impact in system decision-making or prioritisation, with gaps between its high-level outcomes, how the sector operates to achieve those outcomes and alignment on system priorities.

Other longer-term products produced by the Ministry such as the Generational Investment Approach seem to have had a limited impact on decision-making and delivery in the wider system. There is a disconnect between the long-term, intergenerational thinking within the Ministry and decisions and delivery that is occurring within the transport agencies and others across the transport system.

The Ministry needs to be able to translate its long-term and intergenerational thinking to make it useful and used in delivery in the system. Part of the challenge in this area is getting more clarity on the levers and relationships it has to do this effectively. As one stakeholder told us, *"It is not just creating a strategy – the hard yards start on delivering it"*.

The Future Transport Strategy from Transport for New South Wales provides a basis for how the Ministry could develop a clear system vision that is supported by a clearer integrated delivery plan. Our view is that the Ministry could harness its system relationships to drive this type of strategic thinking in the New Zealand context.

The Ministry needs to connect and collaborate with transport agencies and stakeholders

To effectively lead and steward the system, the Ministry needs an outward focus, and act as an integrator and connector across the transport system, and with other related systems, such as urban development. Stakeholders noted the Ministry's response during COVID-19 as a good example of this type of relationship and engagement. However, we heard that the Ministry has reverted to its pre-COVID-19 operating model which is seen as inward focused, reactive, and focused on discharging functions rather than leading. Some transport Crown entities likened their relationship with the Ministry as parent/child rather than a mature and trusting partnership. The sector sees the Ministry's current engagement approach as representing a "minimum viable

²⁴ Transport sector: A case study of sector-level performance, Office of the Auditor General, 2023. The report found several examples of good practice performance reporting that other sectors can learn from, including "a clearly defined set of meaningful outcomes and outcome indicators (such as the Transport Outcomes Framework and indicators) that are relevant to the public and the performance of the sector".

product”. Having said that, there was general agreement that the transport sector and system need the Ministry to step into its broader system leadership role.

While the COVID-19 operating model resulted in peak workloads that may not be sustainable on an ongoing basis, the Ministry should consider how it can carry the best parts of that engagement approach forward. We discuss this further under the Engagement and Partnerships capability section of this report.

Furthermore, we see an opportunity for the Ministry to leverage the existing talent that exists across the transport system. System teams made up of a mix of staff from within the Ministry and from across the transport agencies could be formed to tackle complex and challenging policy issues that require a collaborative approach e.g. funding and revenue, the future of airports and ports.²⁵ More information on system teams is covered in the workforce section.




Future focus

We recommend the Ministry focus on the following:

- Lead the development of a proposal defining and describing the role of the Ministry as system steward and leader. This should be shared across the transport system and the Ministry should use this work to engage the Government on the Ministry’s role with the aim of meeting government priorities.
- Work with Ministers, transport system agencies and the Central Agencies to identify areas for improving the system configuration, including roles, responsibilities and decision-rights in relation to transport regulation.
- Lead the transport system towards strategic alignment by translating Government priorities and the transport outcomes into agreed sector priorities to then flow through to performance and delivery. This approach should be based on co-design and partnership principles. This approach will ensure a unified response to the issues, build a culture of collaboration and resource sharing, and demonstrate to Ministers and the sector the value of collaborative ways of working.
- Review and update the Ministry’s own strategies and plans (including corporate plans and sector or mode strategies) to ensure they are similarly aligned and consistent with the outcomes and priorities for the system and the priorities of the Government.

²⁵ See the Workforce Development element for more detail on system teams.

Core Function: Policy and Funding Advice

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	
3. How does the agency provide advice and services to Ministers?	

What we found

The Ministry has many strengths in its policy advice capability. The Ministry received positive scores for the quality of advice analysis in the NZIER assessment (4.2 out of 5), good Ministerial satisfaction scores (3.5 out of 5) and timely responses to Official Information Act (OIA) requests (96% within the required timeframes). It has a Policy Quality Framework to monitor and improve its policy advice.

However, we heard mixed feedback about the timeliness and impact of Ministry advice. We heard of examples where the Ministry's advice was slow, failed to respond to the complexity of the transport system, had limited understanding of how it would be translated into delivery or the most recent thinking on the subject matter. These types of issues may have indirectly contributed to situations in the past of Ministers seeking alternative transport policy advice (in particular from NZTA) which has blurred roles and responsibilities around who 'owns' transport policy.

We also heard that the Ministry can tend towards reactive advice, which pulls attention away from advice on long-term significant issues facing the transport system. We also heard that some longer-term advice lacks the urgency and implementation focus expected by Ministers and stakeholders. Stakeholders wanted to see the Ministry lead on issues such as funding and revenue sources, congestion charging and how transport policy can support economic, environmental, and social wellbeing.

Given the significant shifts required within the transport system, the Ministry needs to address these issues to lift its ability to influence and impact the transport system through its policy and funding advice. To do this, it needs:

- a strategic approach to prioritise the matters its advises on, and the pace that it progresses this advice
- subject-matter expertise to underpin its advice
- data and insights which can be used to tailor advice to respond to future challenges and opportunities.

A long-term strategic approach should guide advising efforts

The Ministry should adopt a strategic approach to its policy advice. The system strategy signalled in the previous section will help the Ministry understand the long-term direction of the transport system and prioritise its efforts in the short-term. Aligning advice within a longer-term strategy will

help the Ministry create the space it needs to make headway on longer-term high impact policy issues.

Transport system funding is one of the most important longer-term high impact policy issues that needs to be addressed to enable the shifts required from the transport system. The Ministry is currently reviewing the revenue system over multiple years, with tactical approaches to enable funding for immediate investment priorities. We were concerned to hear from stakeholders that this approach is “too slow” causing them significant anxiety on how they will fund their operations. The Ministry needs to be able to explain why its approach and pace on an issue is in the overall long-term interest of the transport system.

The Ministry also needs to ensure that future focused advice accounts for implementation. The Ministry’s approach to its work on emissions reduction (where it helped shape the Emissions Reduction Plan, with a supporting Ministry-focused Action Plan) represents an example of this approach in action. We encourage the Ministry to build on this style of approach.

Advice needs to be underpinned by subject-matter expertise

Subject-matter expertise is necessary to create influential advice. The Ministry needs to have expertise in key areas such as market and network economics, infrastructure, and data and modelling. It also needs to access expertise in mega-trends such as climate change and technology disruption which can have significantly impact the transport system. The Ministry needs to understand these trends and factor these insights into the work it prioritises and in the content of the advice itself.

The Ministry’s high turnover is a limiting factor to the Ministry’s mainly generalist policy staff developing deep connections and experience with the transport system. The Ministry also struggles to access and retain specialist expertise (such as skills related to infrastructure investment). Solutions to these issues – including system teams - are discussed in the workforce development section of this report.

Systems teams (made up of staff from within the Ministry and from across the transport agencies) could have a significant role in addressing policy issues such as transport system revenue and funding, the future of airports, and the future of ports given the complexity of these issues and the capabilities that currently lie outside the Ministry.

Data and evidence to support good policy advice

Data and evidence are a key input into the Ministry’s policy advice. The Ministry appreciates the importance of this and has established foundational data ‘architecture’ to drive a system wide knowledge hub approach. The development of MONTY (an agency-based modelling of how people and businesses travel under different scenarios, to support better understanding the likely impact of policy and regulatory decisions) is a positive step. The Transport Knowledge Hub and Best Evidence Strategy are also strong foundations, and we also heard about strengths within its small specialist data and evidence team.

However, we heard that data, evidence, and evaluation do not seem to consistently feature prominently in policy processes and decision-making. There are Ministerial expectations for more granular, quantitative data on system performance and value, including financial data, to underpin more robust policy advice. High turnover limits the use of data and tools across the

Ministry (as it takes time to train analysts in the available data, tools, and resources). We think there are opportunities for better engagement between data experts and those working in policy and other areas. The organisational operating model needs to support data integration through training and upskilling, systems availability and a focus on building a strong culture around the use of data and analytics tools.

There is also an opportunity for the Ministry to co-ordinate data that already exists in transport agencies to provide an overall picture of transport system performance.²⁶ Presenting a single authoritative view is a powerful tool to inform the Ministry's own policy, and the efforts of Crown entities and transport stakeholders. This data set could reflect the approach we currently see in the Justice sector.

Transport advice needs to be integrated with related sectors

Transport plays a critical role in giving effect to economic and social outcomes and this needs wide engagement with other sectors. These key interdependencies with other systems are not sufficiently developed. We heard that the Ministry is not involved, or insufficiently involved in key discussions where it should be influential at the table. For example, in high-profile programmes and reforms in the areas of housing, local government, education and health.

The Ministry needs to have a clear understanding of their role with respect to other systems and have a clear approach to its participation and impact in these systems. This should include clear mapping of the different reforms being undertaken across government and elsewhere in the transport system and a clear approach to the engagement of 'at level' capability to participate effectively with their sector partners.

To be successful the Ministry needs a breadth of connections across multiple sectors outside the transport system. This will require an outward focus built on good communications, relationship management and networking skills. Stronger and more purposeful engagement in key areas including housing and urban development, local government, and the wider infrastructure portfolios should be a priority.

Value-for-money

The Ministry has been looking more deeply at its operations to identify potential savings. For example, the 2023 Change Decision Document describes a shift in the ratio of advisor/senior/principal advisor roles to ensure balance between policy expertise and costs.

The other aspect of value is how the Ministry drives value within the system settings they manage or influence through their policy advice. Here we heard some useful tools have been developed, including a Value-for-Money framework used for Budget bids in Budget 2022 (that the Treasury provided it as an example of good practice).

There are significant opportunities for a greater focus on value-for-money in the Ministry's policy advice on competition and funding in the transport system, by better understanding market dynamics and economics as well as competition policy. The Ministry can also add considerable value by ensuring that the government is a smart purchaser and is receiving value-for-money for the significant sums allocated to transport projects (this is covered in the 'other core functions').

²⁶ We provide further comments on this matter in the Data and Technology section.

The Ministry's role in leading the GPS on Land Transport is an area where it can drive further value-for-money in the transport system. There have been attempts by the Ministry to do this, including 'deeper dive' reviews into activity classes within the GPS, but there is still further work to do, with particular opportunities to bring greater data and evidence into the process.

The Ministry needs to take a systematic approach to position itself as an effective advisor to Government on value delivered through system expenditure. This includes being able to show connection to results and outcomes for the system. This same principle applies to other areas, including Crown funded investment programmes and funding reviews of transport Crown entities.

Future focus

We recommend the Ministry focus on the following:

- Identify and implement tools and processes to bring a future focus in advice and get ahead of future shifts in policy thinking in transport. To be successful in these areas the Ministry may need to both broaden its talent pool and ensure access to policy experts in a wide range of fields.
- Prioritise and lead a system approach to data and analytics, building from existing work already underway, including Project Monty, the Transport Evidence Base Strategy and the Transport Knowledge Hub. This approach could include a 'transport data hub' that is operated and shared across the whole transport system (but may or may not be inside the Ministry).
- Identify and commit to high priority policy areas requiring a system team approach (see the workforce section). Possible areas for this way of working include transport system revenue and funding, the future of airports, and the future of ports.
- Proactively engage with other systems to ensure the transport system is aligned with other sectoral strategies, reform processes and change e.g. local government, urban planning and development, resource management, health reforms.

Core Function: Regulatory Stewardship

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

Recent examples of the Ministry's regulatory stewardship approach in action include the development and implementation of the Civil Aviation Act 2023, and ongoing work to review and update maritime legislation. Its stewardship efforts have been guided by the Transport System Regulatory Stewardship Plan which set out the Ministry's regulatory stewardship approach from 2019 to 2022.²⁷

Notwithstanding these examples, we heard of significant challenges across the transport regulatory system. Furthermore, we expect that trends such as technological disruption will place further stress and increase public expectations on regulatory systems. The Ministry has an opportunity to adapt the way it performs its regulatory stewardship role to meet these challenges.

We note that the Government has announced a new government department to be setup which will assess the quality of new and existing legislation, as well as consolidating regulatory quality work across the public sector where appropriate. The creation of the new department is likely to impact on the proposed approaches to the Ministry's regulatory stewardship role.

Regulatory stewardship efforts need to be targeted and strategic

We consistently heard comments that the transport regulatory environment is out of date, need urgent reviewing, and is 'neither enabling nor future proofed'. This aligns with the findings of the Infrastructure Commission:²⁸

The [transport] regulatory system requires constant review from the Ministry [of Transport] and renewal to cope with emerging risks, shocks, and changes in technology. Some changes have been made to the system in a piecemeal way. This raises the question of a risk of a lack of regulatory system coherence, limiting technology choices and a need from the Ministry to ensure that the regulatory powers are enabling and empowering.

We also heard that recent legislative changes have not been guided by a clear set of priorities. The Ministry's existing Transport System Regulatory Stewardship plan expired in 2022, and while a new one is currently in development, it has been delayed due to competing priorities. We lack the information to comment on the nature of the trade-off decisions, however it is concerning that this key tool for regulatory stewardship was deprioritised.

The Ministry needs to adequately resource regulatory stewardship strategy and prioritisation efforts given the breadth of the transport regulatory system and the Ministry's limited resources. The Ministry needs to understand future trends and work with regulators and regulated parties to

²⁷ <https://www.transport.govt.nz/assets/Uploads/Paper/Transport-System-Regulatory-Stewardship-Plan-2019-to-2022.pdf>

²⁸ Infrastructure Commission report on the State of Transport 2021.

form a strategic plan which phases review efforts strategically. Effort should be targeted and phased to leverage related reviews (e.g. reviewing driver licencing and road safety penalties at the same time which benefits both reviews).

The Ministry needs to ensure clear roles and responsibilities across regulatory systems

Several interviewees described a lack of role clarity between the Ministry and regulators within the transport regulatory system. One interview noted that wherever there has been this lack of clarity there has also been duplication of effort.

We heard from some Crown entities that there is an opportunity for greater delegation of decision-rights, with appropriate checks and balances in place. Currently, decision-rights in the Transport regulatory system are set at high levels, causing bottlenecks in timelines and sub-optimal use of resources, including senior officials being involved in detailed regulatory work.

These issues significantly impact the effectiveness of the regulatory system. Lack of clarity risks issues falling between the gaps, particularly where responsibilities are split across various agencies (examples include health and safety, and the regulation of dangerous goods which spans all transport Crown entities and New Zealand Police). Decision-making bottlenecks are also a concern given the rapid pace of technological development, and the speed that is required for the regulatory system to respond effectively.

The Ministry should consider undertaking a regulatory system review with a focus on clarifying and defining roles and responsibilities. This would require work with the regulators to define the best approach to deliver their respective regulatory roles and responsibilities, as well as the location of decision-rights. The new regulatory stewardship plan could be an interim step to help by describing these roles and responsibilities of agencies and setting out overall regulatory priorities.²⁹

Monitoring regulatory performance is critical

As regulatory steward, the Ministry can also look at how they can drive better reporting on the transport system's regulatory performance, in particular by supporting improvements in the reporting undertaken by the transport Crown entities. For example, a recent OAG report identified the following opportunity in NZTA's regulatory reporting:³⁰

The current suite of measures presents some useful information on how Waka Kotahi delivers its regulatory functions. However, they do not present a clear view of how Waka Kotahi has improved its performance or the effectiveness of its regulatory functions. For example, it is unclear whether the targets that are set relate to the number of compliance activities Waka Kotahi is resourced to undertake or whether the level of activity is appropriately benchmarked for a regulator of its nature.

As monitor, the Ministry can influence the performance information Crown entities report on so that they provide greater insight into regulatory performance. These insights, supplemented with

²⁹ A fundamental machinery-of-government style review of roles and responsibilities across the transport agencies may be necessary to fully achieve an effective and efficient regulatory system. This consideration however is beyond the scope of this Capability Review.

³⁰ Transport Sector: A Case Study in Sector Level Report, Office of the Auditor General, 2023 [Transport sector: A case study of sector-level performance \(oag.parliament.nz\)](https://www.oag.parliament.nz/publications/transport-sector-a-case-study-of-sector-level-performance)

transport system wide performance measures such as the ones used to monitor the Transport Outcomes Framework, need to be shared across the Ministry and integrated into policy and advice. The Ministry could look at developing, with the relevant transport Crown entities, performance frameworks for the different regulatory systems that enable meaningful reporting on regulatory system performance. Such frameworks would set out the objectives of the system, and what performance information is being reported and by whom. Through regular reporting the use of such frameworks would provide insights for the Ministry and other agencies to improve regulatory systems as well as support public accountability (through more meaningful reporting to Parliament and the public).

Value-for-Money

The Ministry's existing Regulatory Stewardship Plan describes how value-for-money is driven through cost benefit analysis in Regulatory Impact Assessments, and across the Ministry by coordinating regulatory changes. However, Crown entity comments about role duplication, and decision-making bottlenecks (as minor decisions take longer and can be caught in a bottleneck of limited senior official and Ministerial availability) suggest that there are greater opportunities to drive value-for-money.

Future focus

We recommend the Ministry focus on the following:

- Ensure regulatory stewardship activities – particularly those related to strategic planning and prioritisation of stewardship efforts – are resourced and prioritised. This should include finalising the new Transport System Regulatory Stewardship Plan and ensuring it sets out a review programme which provides suitable assurance on the health of the transport regulatory system.
- Work with regulators and regulated parties to undertake a regulatory system review, with a focus on options to clarify roles and responsibilities. This includes clarifying where gaps may exist, addressing duplication, and ensuring that decision-making is set at a level that ensures effective operation of the system (provided suitable check and balances are in place).
- Work with the Transport Crown entities to establish clear performance frameworks to understand, assess and monitor the performance of transport regulatory systems, with a focus on connecting the performance of the transport regulators to the overall performance of the transport system.

Core Function: Advice and Assurance on Long-Term Infrastructure Investment

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

The Ministry needs to help ensure that transport infrastructure investment is effective, sustainable, and aligned with government priorities and long-term strategic objectives.³¹ We comment on two primary aspects of this role below. We note that in late 2023 the Government announced its intention to establish a new National Infrastructure Agency. Once that agency's role and functions become clearer the Ministry's role may change.

Guiding and prioritising a nation-wide transport investment pipeline

The Ministry needs to provide a nation-wide view of the investment that is in the current pipeline and help identify gaps and opportunities to phase and target investments to realise transport system objectives. As some stakeholders raised with us, there also needs to be a focus on asset maintenance and replacement.

In some respects, it does this well. It has effectively supported Ministers to develop a GPS on land transport, which has been a successful lever for prioritising NLTF investment towards strategic outcomes. However, we did not see the Ministry playing a consistent leadership role in aligning investments both within the transport system and with related systems (e.g. urban development). We also heard that the Ministry's investment advice was sometimes viewed by transport stakeholders as slow, cumbersome, and a 'handbrake' on delivery.

To overcome these challenges, the Ministry needs to position itself as a strategic purchaser and advisor on procurement for government investment in the transport system. It needs to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments. The Ministry may need to secure specialist expertise. For example, it will need people that can engage with the infrastructure market and can advise on this area.

Providing authoritative assurance of transport investments

With the increase in direct Crown funding for transport investments, the Ministry has had to assume a more active role in developing and providing oversight of major investment programmes. We heard concerns about this role – particularly for infrastructure mega-projects – with stakeholders highlighting that the Ministry lacks the necessary technical capability to be an effective participant at the delivery and governance level.

³¹ Funding these investments is another important dimension of assuring transport investment. We consider this aspect separately under core function policy and funding advice.

For the Ministry to effectively undertake this role in the future, it will need to clarify and strengthen its assurance of infrastructure mega-projects and investment programmes. This needs to be done in ways that align with its principal advisor and purchaser roles so that it can provide assurance to Ministers on delivery against benefits, scope and cost parameters. The Ministry will also need to maintain clear independence and differentiation between its assurance role and its role in monitoring Crown entities.

From an assurance perspective, the Ministry needs to have the necessary capability to effectively assure that delivery agencies have the right governance, quality assurance, and benefits realisation systems and processes in place. This assurance function needs to work closely with its monitoring and policy advice functions. When issues arise, the Ministry needs to be able to effectively engage to ensure issues are being effectively managed.

Value-for-money

The Ministry relies heavily on contractors and consultants to source the technical expertise needed to provide investment advice and assurance. The Ministry will need to consider the potential opportunities to base some of these skills within the Ministry. It should also explore how it can better utilise existing capabilities within the transport Crown entities to reduce its outsourcing and contracting costs.

We heard of significant opportunities to drive better value-for-money in the transport infrastructure system, which the Ministry can help realise through its assurance role for investments, and through its advice on system settings. Transport infrastructure stakeholders commented that decision-making on new developments, planning processes, and limited contracting and competition within the infrastructure delivery market all drive increased costs. One key opportunity is developing a pipeline of investment, to ensure that funding is provided for infrastructure with the greatest benefit. The Ministry has an opportunity to work with Crown entities and the private sector to understand and help address these cost drivers.

Future focus

We recommend the Ministry focus on the following:

- Build a strategic national view of transport investment needs, which enables effective prioritisation, including value-for-money.
- Clarify the Ministry's assurance role in mega-projects and infrastructure investment programmes to ensure it is aligned to its principal advisor and purchaser roles. The Ministry should provide assurance to Ministers on delivery within its purchaser role, with a particular focus on the management of project benefits, scope, and cost parameters.
- Develop the required specialist expertise, to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments, set within the context of priorities informed by a clear transport system strategy.
- Consider the opportunities to base some of the technical assurance skills within the Ministry and how it can leverage capabilities within the transport Crown entities to reduce its outsourcing costs.

Core Function: Crown Entity Monitoring

Question	Rating
2. For each core function, how does the agency deliver value and make a positive impact for New Zealanders?	
3. For each core function, how does the agency demonstrate increased value and impact over time?	

What we found

Following the 2018 regulatory failure, the Ministry's monitoring relationship with NZTA was independently reviewed.³² This review resulted in changes to the Ministry's monitoring with a clear and well-articulated approach, supported by mature relationships across the entities at both a board and chief executive level. We heard from Crown entities that this approach had a positive impact.

However, we heard that since then the Ministry had moved towards a more compliance focused monitoring style, rather than working with, and through the boards, to ensure performance and delivery. We were encouraged to hear of recent efforts to shift monitoring away from a compliance focussed approach. The Ministry needs to continue this work, so its monitoring is purpose driven, built from a rich source of data, evidence, information and intelligence, and focused on supporting improved performance and delivery.


Monitoring should be undertaken in a collaborative and purposeful way together with and through the Crown entity boards. There should be a clear annual programme aligned with board assurance processes and an agreed understanding on key focus areas. The Ministry should leverage Board monitoring processes supplemented by areas that it deems a priority. The Ministry's advice on Crown entities' capability and performance needs to deliver strategic value and assurance to Ministers.

Building a two-way relationship with Crown entities

The Ministry needs effective working relationships with the Crown entities. Crown entity board chairs and senior leaders acknowledged the importance of the Ministry's governance and monitoring roles. They also noted that there will always be an element of constructive tension in the relationship.

Many thought these relationships would be stronger if the Ministry made further efforts to understand their entities' context, challenges, and direction. There is strong demand from the Crown entities for the Ministry to bring a wider system perspective to its monitoring role and that this needs to be clearly integrated alongside the oversight of the Crown entities' capability, delivery, and performance. They wanted to see the Ministry support boards to drive transport Crown entity performance in line with wider transport system objectives.

³² Review of the Ministry of Transport's monitoring of the New Zealand Transport Agency's regulatory performance; Martin Jenkins; August 2019, see [Review-of-the-Ministry-of-Transports-monitoring-of-the-NZTA.pdf](#)

We think the Ministry needs to build an increasingly two-way relationship. The Ministry needs to present transport system context to guide the Crown entities, and in return, the Ministry needs to draw on Crown entities perspectives to shape system policy settings and help manage constraints to delivery and performance. The Crown entities themselves have important context to understand the overall performance of the system and these insights can be better leveraged. 

Supporting good Crown entity governance

Appointing board members is one of the key strategic levers Ministers have to influence the direction of Crown entities and operation of the transport system. The Ministry has a significant opportunity to influence the transport system by advising on transport Crown entity board appointments.

The Ministry needs to leverage its role to ensure Crown entity boards continue building the capability and skills needed to effectively govern within the changing and dynamic context they operate within. This role needs to be owned and led by senior leaders in the Ministry. This includes advice on ensuring board skill mix is commensurate with the challenges the sector faces, building a board that complements the monitoring and assurance role of the Ministry and one which continues to upskill and develop to meet new challenges.

Integrating monitoring with other Ministry functions

Insights generated from monitoring activity needs to be effectively shared across policy, data, and finance functions within the Ministry. This helps align high level system settings with delivery information which is often held by Crown entities. However, Crown entities commented that they are often 'joining the dots' between those involved in monitoring and other work underway across the Ministry. The Ministry needs to find ways to drive these connections between monitoring and the wider organisation, such as processes for information sharing, wider involvement in projects.

Value-for-Money

The independent review of the Ministry's monitoring function in 2019 did not identify resourcing concerns. We think this will continue to be the case going forward.

The more significant value-for-money dimension lies outside the Ministry, in the way that its monitoring activities drives better investments and service delivery across the transport Crown entities. There will be increasing need for the monitoring to focus on expenditure through investment programmes (in terms of outcome delivery for investment), assessment of value through funding reviews, and the value from Crown entity spending. To undertake this role, the Ministry will need to ensure it has the data to support understanding cost drivers, and the capability (including financial capability) to use it.

Future focus

We recommend the Ministry focus on the following:

- Embed a monitoring framework to ensure a clear monitoring approach that enables strategic and insightful advice on entity governance, capability and performance.
- Ensure the Ministry's monitoring function uses a clearly defined approach for assessing the capability and performance of the transport regulators, and that implementation of this approach is led alongside policy teams and those with domain expertise. Intelligence and

insights from external stakeholders, alongside robust performance information, should inform this approach.

- Work with the Crown entity chairs to ensure clarity of understanding of the monitoring function and how the boards can assist the Ministry to discharge its statutory duty and ensure a focus on transport outcomes.
- Build a stronger value-for-money focus within its monitoring approach to ensure investment managed through Crown entities is effective, efficient, and well aligned against transport system priorities.
- Ensuring staff undertaking the monitoring of Crown entities have the processes, mechanisms and expectations to stay better connected across the Ministry, particularly with the policy and data and analytic teams, and with external stakeholders and groups that can provide important perspectives and insights on the capability and performance of the entities.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

5

Capability

This section provides a targeted consideration of each element of an agency's capability. It considers the readiness of each capability to support the future contributions expected of the agency. Ratings and rating justifications are provided, along with future focuses which identify factors which could impact capability over the time frame of the Future Excellence Horizon.

In this section:

- Leadership, Culture, and Direction
- Collaboration and Delivery
- Workforce
- Public Finance and Resource Management.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Leadership, Culture, and Direction

Rating

Purpose, vision, and strategy

6. What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?
7. What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?



Leadership and governance

8. What is the agency's capability to exercise relevant system and sector leadership roles?
9. What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?
10. What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?



Values, behaviour, and culture

11. What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for the agency to succeed?



Continuous improvement

12. What is the agency's capability to encourage, use, and learn from evaluative activity?
13. What is the agency's capability to report, monitor and use performance information?



Future focus for: Leadership, Culture, and Direction

To improve the Ministry's leadership, culture, and direction capability, we recommend the Ministry:

- Update the Ministry's purpose statement to align it with its system leadership and stewardship responsibilities. This updated purpose statement will need to be reflected in the Ministry's organisational strategy, operating model, funding and governance, and culture.
- Undertake work with staff to identify, describe and promote the culture the Ministry needs to be an effective system leader and steward (e.g. proactive, outward focused and resilient).

- Identify opportunities to enhance its monitoring and evaluation capability so that the Ministry can more consistently evaluate the value and impact of policy changes, and system investment.

Purpose, vision, and strategy

We heard from Ministry staff that they believe in the Ministry's work, appreciate transport's links to economic and social wellbeing, and are committed to public service. Similar comments are also reflected in the Ministry's latest engagement survey, and staff engagement during the Ministry's recent 2023 change management process.

We see an opportunity for the Ministry to update its purpose statement to build on the positive views of its staff. The Ministry's current purpose statement³³ is quite generic and could apply to any number of agencies and interviewees commented that it does not help to motivate staff. The Ministry is aware of this, and we are encouraged to see that the 2023 Change Decision Document signals an updated purpose statement as an upcoming piece of work.

As it progresses this purpose statement update, the Ministry should engage carefully with Ministry staff, transport agencies, and transport system stakeholders. It should also reflect the Ministry's clarified transport system leader and steward role (a priority action which we cover in the primary function section). Once the new purpose statement is in place, the Ministry will need to ensure it is integrated in its organisational strategy, operating model, funding and governance, and culture.

Strategy

The Ministry's opportunity to lead the sector in supporting a system wide strategic planning process is covered in the transport system leader and steward core function. Internally, the Ministry has a cascade of internal organisational strategies and plans, including its strategic intentions, output plan, and business planning, to align its annual planning process to longer-term objectives and Government priorities. As the Ministry starts to develop the system level vision and priorities, these will need to link into and drive internal Ministry strategy and planning processes.

Leadership and governance

Many staff commented positively about the accessibility of the senior leadership team, which reflects the Ministry's flat structure and small size. Interviewees also commented that having a relatively new Chief Executive provides an opportunity to refresh the Ministry's leadership approach.

As discussed in the system leadership section, the Ministry's senior leadership needs to be outwards focused to fulfil its system leadership role. We heard that the relationship between the Ministry's leadership and other transport system leaders has been inconsistent and at times difficult, which can be due to issues of trust on both sides, and this has reinforced an internal focus. To be a successful system leader, the Ministry needs its leaders to have an outwards focus and take a collaborative leadership approach – as we heard from one transport stakeholder:

³³ The Ministry's current purpose statement: Hāpaitia ana ngā tāngata o Aotearoa kia eke Enabling New Zealanders to flourish.

“The Ministry needs to do collaborative leadership consciously and be trained how to do it as it is not something that is done naturally. It's an entirely different way of approaching things and they need to develop those skills and competencies.”

Through this leadership approach, the Ministry will be able to align transport agencies more effectively with transport strategies and government priorities, while also holding them accountable for performance. The Ministry's senior leaders will also need to be comfortable leading through influence, have strong relationship management skills and be resilient to work in a sector which can involve robust relationships.

Developing collaborative leadership will involve recruiting and building the right cultural fit at a senior level, based on a clear target culture. Training and development will be important to building and refining collaborative leadership capability. The Ministry will also need to , as well as receiving regular feedback from the transport system to test and refine the approach. An operating model based on collaborative leadership also needs to balance collaborating with agencies, while preserving the independence of the Ministry in undertaking monitoring and assurance of performance.

There is an opportunity to improve the effectiveness of transport system governance arrangements

The lack of clarity around the Ministry's system leadership role creates challenges for the effectiveness of the current transport system governance structures. For example, while the Transport Sector Leadership Group of transport chief executives provides a useful forum for discussion and sharing information, we heard it does not have the substance of decision-making that similar groups have in other sectors.

The Ministry has already identified the opportunities to improve its support for system governance through its 2023 change process. We encourage the Ministry to review this area to help improve the effectiveness of governance arrangements.

Values, behaviour, and culture

The Ministry has a good culture to build from. Staff commented positively on the Ministry's culture and the way they are treated, that they felt respected, and that the Ministry's flat structure gave easy access to managers.

However, we also heard from staff that the culture and behaviours can be inward looking and insular with what sometimes comes across as a paternal approach towards transport Crown entities. Stakeholders told us that the Ministry tends to default to the Ministry's statutory levers, rather than a softer collaborative approach. Our impression is that the Ministry's staff can and often do work in an outward focused way with their counterparts in the transport Crown entities, but issues and tensions have arisen at more senior levels.

To effectively lead the transport system, the Ministry will need to shift from seeing itself as a 'small policy agency' with an internal focus to system leader and steward with an external focus. This requires building a culture that is outward focussed, relationship based, collaborative, constructive, mutually trusting, and open to new and alternative ways of thinking and is prepared to surface conflicting ideas.

Feedback suggests that recent senior leadership appointments have helped shift to a more external focus, but more is needed if the Ministry is to raise its leadership impact across the transport system. We encourage the Ministry to seek to take more responsibility for the whole system, let go of aspects of its current operating model and embrace the collaborative leadership approach that a 'system focus' requires. The Ministry's culture, recruitment and workforce development will also need to align and support this shift.

As previously noted, there is an opportunity for the Ministry to work with the transport sector, Crown entities and central agencies to take a wider view of and approach to identifying and deploying talent across the system, including into the Ministry.

Continuous improvement

The Ministry has an experienced evaluation and research team which has good relationships across the transport system and related systems and produces valuable system insights. Two of the most valuable system level initiatives include:

- Transport Evidence Base - Ensure the right data, information, research and evaluation is available for decision-making and that there is an established culture of evidence-based decision-making.
- Transport Knowledge Hub - Connects people across the transport system and promotes the sharing of transport data, evidence, knowledge, research, capabilities, and ideas.

An Office of the Auditor General (OAG) case study on transport sector reporting³⁴ found that the Transport Outcomes Framework and accompanying indicators and reporting means the transport system is advanced in its approach to setting outcomes and being held to account for its performance.

These aspects are encouraging, and we heard that the Ministry has a strong programme of evaluation activities underway to support policy improvement. However, external stakeholder expectations are high and are not always met. Some stakeholders want to see the Ministry undertake and publish more evaluations of implemented policy. Some were concerned that the Ministry did not always follow through with committed evaluations, and that post implementation monitoring was limited.

We also agree with the OAG which identified an opportunity for the Ministry to more clearly connect its performance framework and intervention logic – as it sets out in its strategic intentions – with the system level reporting it currently provides on the outcomes framework. The OAG also said that while the wide range of transport sector strategies, plans, initiatives, and programmes of work are often individually linked to the transport sector outcomes, there is no integrated account of how these strategies and plans “fit together” in contributing to common outcomes. This makes it difficult to understand how the sector intends to achieve its broad outcomes and how progress will be assessed and reported.

Alongside this opportunity, the Ministry should continue leveraging the relationships, expertise, and resources of the wider transport sector. This outreach is critical given the Ministry's size and

³⁴[Transport sector: A case study of sector-level performance \(oag.parliament.nz\)](https://oag.parliament.nz/).

the breadth of the transport system. We understand that the Ministry is currently improving the Transport Knowledge Hub by reducing administrative overheads, and improving the way that the Ministry accesses the transport agencies' research capabilities. It should continue this work and look for similar opportunities.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Collaboration and delivery

Rating

Customers, clients, and citizens

14. What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and using these to innovate and drive better experiences?
15. What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
16. What is the agency's capability to be open, transparent, and accessible in actively engaging with stakeholders and citizens?



Māori-Crown Relationship

17. What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?



Operating model

18. What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
19. What is the agency's capability to evaluate service delivery options?



Partnerships and external engagement

20. What is the agency's capability to contribute to the success of the agency's wider operating system(s), including collaborating with partners and providers?
21. What is the agency's capability to manage its context with external stakeholders and the public?



Future focus for: Collaboration and delivery

To improve the Ministry's collaboration and delivery capability, we recommend the Ministry:

- Improve its ability to understand the views of citizens and reflect it in advice. It can build this from the expertise of delivery focused agencies such as NZTA and the Ministry of Social Development (MSD).
- Develop a stronger and deliberate connection to and understanding of transport system users, operators, designers and asset owners and integrate these perspectives the Ministry's advice.
- Continue initiatives to develop the Ministry's Māori Crown relationship capability, including how it can be used to enable and support better policy development (for

example in recognising Māori perspectives) and system monitoring (including understanding how well Crown entities are engaging with Māori as part of their work).

- Once the Ministry has clarified its role as system leader and steward, it should consider all elements of its operating model. It needs to be able to respond to Ministerial priorities alongside the Ministry's role as system leader and steward.
- Review the use of contractors and consultants with the objective of finding opportunities to rebalance its reliance on them. The relevant Government procurement guide to contractors and consultants could be adapted and extended to use as the reviewing framework.
- Review the current stakeholder engagement framework to ensure it is strategic and sustainable.
- The Ministry needs to foster a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

Customers, clients, and citizens

The Ministry does not have clients or customers in an operational sense because it does not directly provide services to the public beyond running policy consultation processes (some recent examples include its engagements with the public on the Clean Car Rebate Scheme). Its frameworks for guiding these processes and wide public engagements are fit for purpose.

However, we heard that the Ministry sometimes struggles to act on others' views and stakeholders commented that Ministry staff were often willing to listen to their views but were then frustrated when the Ministry failed to translate these views into action. This may in part reflect an inward-focused culture which was similarly noted in the Ministry's 2018 Performance Improvement Framework Review. We heard from staff new to the Ministry that its approach to policy is more "inside out" rather than "outside in" when compared to other public agencies they had worked in.

The Ministry needs to grow its ability to proactively understand citizens experiences and expectations and reflect these views in policy advice. Improving its citizen lens will help it better understand issues such as the distributional impacts of transport system settings, transport users wants and needs, and consumer behaviours. The Ministry can effectively do this by accessing and leveraging the expertise in transport Crown entities (such as NZTA) and agencies (such as MSD) that work closely with the public on policy matters.

The Ministry also needs to support the Crown entities in the transport system to implement modernised digital solutions that will provide efficiency benefits as well as enhanced customer experience.

Māori-Crown Relationship

The Public Service Act requires the Ministry to develop and maintain its capability to engage and understand Māori perspectives. Staff and leadership are interested and enthusiastic about building their Māori capability, while appreciating the size of this challenge for the Ministry.

We were impressed by the Ministry's Kahui group, which was established to provide a te ao Māori perspective on policy work. This is a high calibre group, and we heard that its input is sought and valued across the Ministry.

The Ministry has also taken action to help build its cultural capability through *Hei Arataki | Ministry of Transport Māori Strategy*. This strategy outlines how the Ministry will improve transport outcomes for Māori through better engagement with Māori. The strategy's immediate focus is to develop staff cultural competencies to better engage with Māori and understand their perspectives.

Notwithstanding these positive steps, there are significant challenges and stakeholders described the Ministry as not being mature in its Māori Crown relationship capability. Only five percent of staff responded that they had a comprehensive understanding of the *Hei Arataki* strategy at the time of the 2022 staff engagement survey and senior leadership also had just a modest understanding of the strategy. Senior leaders will need to increase their understanding of the strategy, and also champion it to improve its influence across the Ministry.

The Ministry has recently appointed a Director Māori which should help to drive the work needed to address the capability gap it has in the Māori crown relationship. It is critical that the Ministry supports this role, as expectations may exceed what is realistic of one person to achieve.

To lift the cultural capability of its staff and senior leaders, the Ministry should also continue to implement *Hei Arataki*, including identifying the areas where improved Māori Crown relationship capability will have the greatest impact on its work. These areas are likely to include developing the capability to enable Māori perspectives to be reflected in relevant policy advice, and having the capability to understand how well the Transport Crown entities are engaging with Māori in their work (as they have a more direct engagement need).

Operating model

One of the Ministry's most significant challenges will be adapting its operating model to support its role as system leader and steward. We think it needs to develop an adaptable two-speed operating model so that it can simultaneously respond to the government of the day while taking a longer-term intergenerational approach to the transport system.

Due to the lack of clarity around the Ministry's leadership and steward role, the current operating model is in a state of flux and the Ministry struggles with its various identities as policy shop, system steward, and investment delivery assurance agency. We think the current operating model is mostly focused on discharging statutory roles, rather than assuming responsibility and leadership for the transport system.

As a first step, the Ministry needs to clarify its transport system leader and steward role, and then it should use this clarified role to help shape its operating model (see primary function system leader and steward). Without pre-empting the results of this process, we expect the future operating model to feature:

- Strong focus on engagement skills and the capability to operate in a relational and collaborative manner.
- Monitoring and assurance processes that are robust enough to both influence delivery and enable the transport Crown entities to focus on their core roles.
- Processes and policies that reinforce and enable its system leadership role across the organisation (including recruitment and performance management).
- Culture and behaviours which support an outward and collaborative approach.

- Ability to proactively engage and mobilise the sector through natural disasters and national crises, similar to the Ministry’s leadership approach during COVID-19.

Strategic use of contractors and consultants

The Ministry’s current resourcing model relies on buying in external expertise as contractors and consultants. Due to the small size of the Ministry’s workforce, its ratio of consultants to staff is one of the highest in the Public Service. This may be appropriate given the specialised skills – such as finance and infrastructure invested related expertise – that the Ministry requires to fulfil advising and investment assurance functions.

To respond to Government policy, the Ministry needs to consider how it can better use contractors and consultants effectively, efficiently, and sustainably. The Ministry should focus on building sufficient internal expertise to effectively engage with these contracted experts – “enough to know what it should know” as one stakeholder commented. There needs to be sufficient internal expertise to be able to judge the effectiveness and value-for-money of contracted parties. There may also be opportunities to better leverage the specialist skills that exist within the transport Crown entities (e.g. secondments of investment management and assurance expertise from delivery agencies such as NZTA).

We are confident in the Ministry’s ability to adapt its operating model

During the COVID-19 pandemic, the Ministry adapted its operating model to work more closely alongside the transport sector, engaging in real time to ensure effective support for the government’s COVID-19 response. This required a significant change from the Ministry’s traditional mode of operating. This capability to adapt will serve the Ministry well as it refocuses its operating model around its system leader and steward role.

Partnerships and external engagements

Many stakeholder interviewees were positive about the engagement approach of Ministry staff: they are open and willing to listen. Stakeholders were particularly positive about the Ministry’s engagement during COVID-19, commenting that the Ministry stepped up and out with the sector, and was proactive, curious, and engaged. The Ministry’s stakeholder insights report indicated that interactions between the Ministry and the system “are respectful and the intent and purpose of the Ministry’s ambitions cannot be faulted”.

The Ministry undertakes a biannual stakeholder evaluation process which includes a wider stakeholder survey and in-depth interviews with key senior stakeholders. This is a good process which provides rich information and insights on the Ministry’s engagement with its stakeholders and the opportunities for improvement.

Opportunities to better partner and engage with transport agencies and stakeholders

The Ministry would benefit from a more collaborative approach to its engagements. As previously noted, some of the stakeholders we met described their relationship with the Ministry as ‘parent-child’ like, rather than as equals or partners. The most recent stakeholder evaluation (July 2022) noted that Ministry-Crown entity relationships are ‘sub-optimal’ featuring non-strategic and disjointed interactions (for example, seeking input and co-design on policy in an inconsistent way).

The Ministry also needs to address staff turnover as several interviewees commented that the Ministry's revolving door of new staff makes it hard to develop and maintain meaningful relationships. Some stakeholders also observed that in formal cross-sector engagements (e.g. cross-agency meetings) the Ministry's representatives often lack the experience and authority to contribute meaningfully to the discussion which may be a consequence of high turnover.

Stakeholders also signalled their desire for faster, earlier and more meaningful engagement on policy issues. We heard the Ministry's approach to engaging on policy can be seen more as communication rather than consultation. When the Ministry consults, it can and sometimes does undertake a good process of seeking feedback, but we also heard that some stakeholders thought the Ministry did not always reflect or consider the feedback they had provided.

How the Ministry can improve its partnership and engagement capability

The Ministry's success as a system leader requires it to lift its ability to work with transport agencies which is achieved through partnership and engagement. As stated above, the Ministry needs to foster and build a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

It should seek ways to implement more co-design and collaboration processes for key products where appropriate. Engagements should be proactive, early in policy processes, meaningful, and feature regular updates about current and upcoming engagements across the transport system. The Ministry also needs to be clear about the purpose of engagement, and capacity in which it is engaging (what 'hat' the Ministry is wearing – particularly when engaging with transport Crown entities). The pace of engagements (particularly policy consultations) will need to align with stakeholders and Ministerial expectations.

When thinking about these shifts, the Ministry should build on what has gone well. Stakeholders commented positively on the way that the Ministry engages within the Auckland transport context and would appreciate a similar approach more broadly. We also heard favourable feedback from stakeholders who participated in the early stages of principles-led design projects e.g. the freight strategy and the Civil Aviation Bill.

Building the subject matter expertise of staff and addressing staff turnover will also play a significant role in improving this capability. Solutions to these issues are discussed in the workforce development section.

Workforce

Rating

Workforce development

22. What is the capability of the agency to develop its people (including its diversity and leadership)?
23. What is the agency's capability to anticipate and respond to future capacity and capability, and how are they organised to meet demand?



Performance focus

24. What is the agency's capability to promote and develop a high performing workforce?
25. What is the agency's capability to manage or improve performance that is not meeting expectations?



Workforce engagement

26. What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?
27. What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?



Future focus for: Workforce

To help the Ministry build the workforce capabilities necessary to delivery on its Future Excellence Horizon, we recommend the Ministry focus on the following:

- Identify the Ministry's immediate talent gaps in technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps. Work with transport Crown entities and Central Agencies to access existing talent through processes such as system teams and two-way secondments.
- Develop a strategic people plan which addresses recruitment, retention, leadership development, talent acquisition, and performance management. The plan will need to have a focus on understanding and addressing the drivers of turnover, and how it can lift its recruitment brand to attract the talent the Ministry needs.
- Align organisational leadership capability to support the increased focus on the Ministry's system leadership role. This means taking opportunities to develop and recruit people with the strategic and relationship skills to drive sector performance.
- Continue work already underway to create a workplace that is diverse and attracts staff and management from different backgrounds.

Workforce development

We heard that the Ministry is a good place for new staff to develop their skills. Its small size means it provides its people with a wide range of interesting work, compared to other larger agencies, and several development courses are available for staff and manager. The Ministry prepares regular workforce reports for the senior leadership team which helps them strategically manage the Ministry's workforce. These reports cover key quantitative and qualitative information on workforce issues and opportunities, including turnover, recruitment, leave management, and health and safety.

Addressing high staff turnover

The Ministry has faced a staff retention issues for the past several years:

- Its turnover has been consistently higher than the Public Service average rate for the past eight years, with the 2023 staff turnover at 26 percent (compared to the Public Service average of 17 percent).
- At the time of this Review, approximately 65 percent of staff had been at the Ministry for less than 2 years, with average staff tenure of 2.7 years (compared to mean departmental tenure of 8.2. years).
- The most recent staff engagement survey (July 2022) indicated that at that time over 40% of staff intended to leave the Ministry within the next 12 months.

High turnover is a significant challenge for the Ministry as it limits the experience and expertise of its workforce impacting all Ministry functions, including its ability to influence and engage effectively and provide influential policy advice. Current Ministry experts are also diverted towards training and upskilling the constant influx of new staff. High turnover also limits the Ministry's ability to build deeper relationships with transport system stakeholders.

The Ministry's exit questionnaires suggest that remuneration opportunities (within and outside the transport sector) and limited upward opportunities are the key drivers for staff leaving. It could be difficult for the Ministry to significantly impact either of these drivers. The Ministry may have some ability to target pay towards critical roles, however, this would not address general dissatisfaction with remuneration. Similarly, the Ministry's flat structure means there are limited leadership opportunities and challenges in managers wide span of control, however staff like the flat structure for its easy access to senior leaders. A focus on enabling short-term movement of staff across the transport system would help in providing upward opportunities for Ministry staff (further information on the opportunity for system teams is provided later in this section).

The Ministry needs to focus on the other elements that influence attracting and retaining staff. Building a strong culture that people want to work in is key, with interesting work, as well as offering positive working conditions such flexible working, role sharing, and vibrant staff organisations where possible. The greatest opportunity for the Ministry is to highlight the challenging but rewarding nature of its work and the impact that individuals through policy and other interventions can have on the lives of New Zealanders.

Acquiring the technical skills needed for specialised functions

Looking ahead, the Ministry will increasingly need a wide range of specialist skills and capabilities that are outside of its general policy workforce. These skills and capabilities include expertise in areas such as economic modelling, behavioural and market economics, strategic finance, and investment management. Sourcing these skills will enable the Ministry to better understand the performance of the system and provide advice to support improved performance and value-for-money.

A key aspect of the Ministry's Future Excellence Horizon is to develop and enhance its data and intelligence functions which will require skills and capabilities in data and analysis. To develop experience in, and relationships within and outside the system, such as with local government, the Ministry will need more staff with sector-based engagement skills and experience.

Many of these skills are in short supply and there is always considerable competition for specialist talent. We heard that the Ministry has had difficulty getting the necessary technical skills to undertake its infrastructure mega-projects responsibilities. We heard that some of the limiting factors including current remuneration settings and not having an ongoing, consistent need for that specialist expertise. The Ministry will need to explore opportunities to improve its talent acquisition, including working with Central Agencies and its sector partners, to identify the critical capabilities the Ministry needs and developing a suite of approaches to filling them. This could include the development of system teams, the creative use of secondments and potentially red circling critical roles where it is accepted that a remuneration premium is warranted.

We did not see a people plan for the Ministry and we think there is an opportunity to develop a strategic people plan that supports their strategy and operating model. The process of developing a people plan would help the Ministry to articulate how it will develop, recruit, and retain the people it needs to achieve its objectives.

Leveraging transport-sector wide talent through system teams

The Ministry may not necessarily be able (or need) to 'own' the specialist capability in needs, but it should be able to access it when necessary. The Ministry should explore how it can use secondments and exchange arrangements with industry, local authorities, and transport agencies to access and share specialist resources.

Crown entity leaders told us they are interested in developing explicit and flexible arrangements to share staff. This would help support the Ministry's leadership role and embed a stronger understanding of Crown entities within the Ministry.

We think a 'system teams' model (teams (made up of staff from within the Ministry and from across the transport agencies) would be a suitable arrangement to help the Ministry leverage existing skills such as those that lie within the transport agencies and potentially wider across the private sector. System teams also help build a collaborative culture within the transport agencies, and across the wider transport sector. It can also help upskill Ministry staff who work within these teams.

System teams can be established to address a particular challenge or issue (developing funding models for the NLTF could be a good candidate). Once established, the system team could acquire talent from across the system and the agency with the greatest expertise is appointed to lead –

this may not always be the Ministry. This team then works within its own governance structures and budget to deliver the sought outcome.

Opportunities to build greater diversity and develop its workforce

The Ministry's workforce is not as diverse as other public sector agencies with just 4 percent of the workforce identifying as Māori and 1 percent as Pasifika. Work is underway with the development of a new Diversity and Inclusion Strategy to create a workplace that values diversity and attracts staff and management from different backgrounds. More will be needed with the Ministry grounding its diversity and inclusion objectives in its strategy and operating model.

We heard that development of staff is mixed. For policy staff there is a more well defined and developed framework, but for administrative and technical project/type roles the opportunities are less clear. We also heard that the Ministry's graduate programme could be improved to provide a similar level of development focus to that seen in other graduate programmes.

Performance focus

The Ministry has an annual process for staff and manager expectation setting, tracking progress throughout the year, and having end of year performance conversations. We heard that these processes are clear and accessible, however, these can be inconsistently applied.

Approximately one third of staff reported they did not have regular and effective performance discussions.³⁵ This likely occurs due to work pressures on managers. We heard that teams have inconsistent workloads, with some teams being underutilised while others feeling 'under the pump'. These variations were attributed in part to the Ministry's reactive commissioning process.

To improve performance management application, the Ministry should seek consistent work allocation across teams to manage workloads. Consistent commissioning processes will help achieve this. We note the Ministry's change process proposes changes in organisational structure which should assist in managing span of control and workload management. These changes will better help managers have performance conversations with their staff.

Workforce engagement

We heard from many staff that they are engaged with the work of the Ministry, invested in their own work, and generally believe in the value of what the Ministry does. These comments are reflected in their most recent staff engagement survey results from July 2022.³⁶

- 81 percent average score for the question 'I enjoy working for Te Manatu Waka' (the highest rated question in the survey)
- 79 percent average score for the question 'Te Manatū Waka is a great place to work' (second equal highest rated question in the survey).

Our discussions with staff indicated opportunities to improve union engagement, and in particular considering how to improve the relationship between delegates and the Human Resources area.

³⁵ This is an inference from July 2022 engagement survey results which indicated that that 64 percent of staff responded as having regular and effective performance discussions.

³⁶ How are we travelling – Review and Recommendations (Ask your team) – Ministry of Transport, July 2022.

The chief executive has met with Public Service Association (PSA) delegates, and the delegates have appreciated this engagement.

We do not have data on the current level of staff engagement in the Ministry as their last engagement survey was undertaken in July 2022. The Ministry should consider seeking current staff engagement insights as this should help the Ministry respond to its high staff turnover rates.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Public finance and resource management

Rating

Investment and asset management

28. What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?



Data and technology

29. What is the agency's capability to manage and use information as a strategic asset?



30. What is the agency's capability to leverage technology to drive improvements in service delivery and outcomes?

Public finance management

31. What is the agency's capability to understand, plan, direct and control financial resources to ensure sustainable value-for-money?



Risk and assurance

32. What is the agency's capability to identify and manage agency, Crown and system-wide risk?



33. What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

Future focus for: Public finance and resource management

To improve the Ministry's public finance and resource management capability, we recommend the Ministry:

- Develop tools, infrastructure and processes to improve the use of data and information across the policy, monitoring and assurance functions of the Ministry. This includes ensuring use of data and information is a core part of the induction of new staff.
- Engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve government priorities.
- Work to address the issues raised in the 2023 Audit Management letter on assurance of revenue collected by other agencies, and the accounting treatment for the Clean Car Standard scheme
- Develop a data and information strategy that builds on the existing capabilities and data and information sharing arrangements. This should include identifying the governance and oversight arrangements that reflect a system approach to the capture and use of data and information, rather than an individual agency-specific approach.

Investment and asset management

This section – including the capability rating – focuses on the Ministry’s direct asset base. The Ministry’s responsibility for wider transport system investment is discussed under Core Function advice and assurance on long-term infrastructure and investment.

The Ministry invests in and manages a small asset base of office furniture and IT hardware through a range of standard processes. New assets are approved through business planning processes, and IT hardware replacement is managed through standard lifecycle management practices.

The Ministry also directly owns the Milford Sound/Piopiotaahi aerodrome. It operates this through a contract for services with Invercargill Airport, which was agreed in August 2023.

The nature of the Ministry’s asset base is unlikely to change over the medium term. Therefore, we consider existing investment and asset management capability is at the level necessary to support the Ministry’s operations.

Data and technology

The Ministry has an IT strategy and architecture underpinned by a shift to cloud-based services and applications. Operational IT, project, and cyber-security resources are managed through outsourced partnerships. This approach seems to be working well with service and hardware positively referred to by staff. The Ministry appears to get good IT support for a small agency at a reasonable cost. There is positive progress in the data and evidence area, including the knowledge hub and project MONTY (see core function policy and funding advice).

Data needs to be accessible and incorporated into the Ministry’s functions

Similar to the discussion under the core function policy and funding advice, assurance and monitoring teams also inconsistently access and incorporate data and evidence into their work. The Ministry’s high turnover contributes to this issue as it takes time for new staff to learn about existing data, tools, and resources.

Leveraging data from the across the Transport system is an opportunity

The most significant opportunity for the Ministry is the ability to leverage data that already exists within the transport system, such as that held by the transport Crown entities. Gathering this data into one accessible place would provide a valuable resource for its own analysts and the wider sector.

We found however that arrangements for data access and sharing systems within the transport system are not as effective as they could be. For instance, transport agencies that hold data for regulatory and /or other legitimate public service reasons are often reluctant to provide data access for policy development and research, despite this being possible under section 11 of the Privacy Act.

Negotiations between legal teams (not data practitioners) have required specific use cases to be specified for access (e.g. a single policy question) rather than providing access for open policy research, analytics or insights purposes. There are also concerns on the level of assurance on IT security, and of analytical teams access and use of private and confidential records.

There are a number of possible solutions including:

- Increase transparency of data governance and security, including IT arrangements and or employee accountability which can provide assurance to independent crown agencies that 3rd parties within Government won't misuse data.
- Curated data sets – data which can be anonymised but retain important information such as location Open data sets – a really positive initiative which can bring analysis of government data from 3rd parties and private sector to the public's awareness but typically these do strip out most of the information required to undertake any advanced policy analysis (e.g. equity) within Government.
- Memorandum of Understanding – can be useful and often utilised between the Ministry and others to agree ongoing data access but also requires continual update and expansion is often difficult.
- Assured Information Sharing Agreements – legislation which formally sets up data sharing and access between organisations (significant resource requirements, typically outside of the data practitioners capabilities, often requiring legal support which today organisations have been reluctant to commit to). The Ministry and NZTA have investigated this in the past but the project was stopped largely due to lack of resources.

Uneven IT investment across the system has also driven barriers in data sharing. Many of the significant datasets are held on and/or supported by legacy systems and contractors, which might be efficient within the Crown entity but makes it difficult for the Ministry to access this information. If the Ministry gains access to this information, it then must clean, store, and manage the data which can create double handling.

Public finance management

This section focuses on the Ministry's systems, processes, and practices in managing its relatively minor departmental appropriations and its financial responsibilities in respect to non-departmental appropriations which includes the NLTF. For a broader discussion of the Ministry's role in guiding, driving, and assuring value-for-money infrastructure investment, see core function advice and assurance on long-term infrastructure investment.

Recent reports (including reports from Martin Jenkins, KPMG, Probit Consulting and EY) have generally been positive about the Ministry's Finance Function. The KPMG report (2023) noted that the finance section undertakes the right core activities, and its costs align with international benchmarks. Some of the reports also commented on the trusted relationship between the finance and internal teams, and external customers.

The Ministry's 2021/22 Audit rating for financial information systems and controls was "very good", however the 2022/23 rating had dropped to "needs development" and recommended major improvements be made. The two issues Audit New Zealand raised related to the processes for providing assurance over the revenue collected by other agencies and the accounting treatment for the Clean Car Standard Scheme. The Ministry will need to address these two issues.

The Ministry has a coherent cascade between the departmental strategic intentions, output plan and its business plan. The business plan includes timing and FTE information to link resourcing decisions to the Ministry's priorities, and we understand it is extending the timeframe to three years to take a longer-term view and align to a multi-budgeting approach. Capturing this information will help the Ministry prioritise programmes to achieve outcomes and drive value-for-

money. We were encouraged to hear of the Ministry's value-for-money assessment tool used in the budget bid process, and how it was provided as an example of good practice for other agencies.

We heard from the Ministry that the Vote Transport's appropriation structure has caused some additional workload and management issues and could be improved. The Ministry should engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve its objectives.

High turnover has also negatively impacted the Ministry's Finance team because it has had to focus on getting new hires up to speed with the Ministry's business processes and training new managers in internal budget systems.

Risk and assurance

The Ministry has a comprehensive set of risk and assurance guidance documents including:

- Enterprise risk Management Guidelines
- Enterprise risk Management Policy
- Enterprise risk Management Framework
- Ministry of Transport risk appetite Statement.

The Ministry engages EY to fulfil the Internal Audit function. With EY, the Ministry establishes an annual programme of assurance, including audit reviews, which are agreed by the Senior Leadership Team. The findings from these reviews help identify areas for improvement, address any capability gaps, and enhance the quality of the Ministry's function and performance.

The Ministry has a long-established Risk and Audit Committee (RAC) with three external members with extensive public management experience. It is good practice to review the focus of the committee against the needs of the organisation under its revised function and operating model arrangements. We note that some departments have both external member(s) of their risk and assurance/audit committees as well as an 'External Advisory Committee'.

The Auditor-General's guidance on committees³⁷ states that "Regularly rotating members allows fresh thinking and new skills to join the Committee. Members' terms can be staggered to overlap and provide some continuity, with members who have experience interacting with the department and newer members who bring fresh perspectives." In line with the Auditor-General's guidance the Ministry could consider how it could regularly rotate RAC membership. This could be done through staggering members' terms to provide continuity with members with experience interacting with the department and newer members who bring fresh perspectives.

We heard the Ministry's use of outsourced assurance providers enables them to get a deeper and wider set of assurance skills than they would be able to source and afford internally. While these arrangements have allowed the Ministry to bring a level of experience and expertise onboard than they might have been able to through a permanent recruitment solution, this cannot substitute for the Ministry continuing to build organisational capability and maturity with respect to risk and assurance practices.

³⁷ See [Getting the most out of your department's Audit and Risk Committee — Office of the Auditor-General New Zealand \(oag.parliament.nz\)](https://www.oag.parliament.nz/getting-the-most-out-of-your-department-s-audit-and-risk-committee)

The Ministry's proposed future work programme is focused on transitioning the Ministry from being "risk aware to risk intelligent" as a pathway to organisational success which is an appropriate shift to be making.

As the Ministry focuses on its system leadership and stewardship role, its management of risk will need to reflect this broader system wide shift in focus. The Ministry has identified system level risks and associated system assurance activities and processes as an area of opportunity which is a positive step forward.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Appendix One – Ratings overview












The Future Excellence Horizon in this report outlines the contributions that MPP will have to deliver to meet the outcomes sought by New Zealanders. These ratings below assess whether – given current conditions – these aspects of delivery and capability are at the level required for the agency to deliver on its contributions.

Delivery

Element	Rating	
Overall ability to respond to Government priorities		
Core functions	Rating	
	Impact	Value
Primary function: Transport System Leader and Steward		
Core function – Policy Advice Policy and Funding Advice		
Core function - Regulatory Stewardship		
Core function – Advice and assurance on long-term infrastructure investment		
Core Function – Crown Entity Monitoring		

Capability

Capability area	Rating
Leadership, Culture, and Direction	
Purpose, vision, and strategy	
Leadership and governance	
Values, behaviour and culture	
Continuous improvement	
Collaboration and Delivery	
Customers, clients, and citizens	

Māori–Crown Relationship	
Operating model	
Partnerships and engagement	
Workforce	
Workforce development	
Performance focus	
Workforce engagement	
Public finance and resource management	
Investment and asset management	
Data and technology	
Public finance	
Risk and assurance	

Rating scale

This report uses the scale below to rate agency capability. For more information on this rating system, see **Appendix Three**.



Leading



Embedding



Developing



Weak



Unable to rate/not rated

Appendix Two - Agency Capability Model Overview

Future Excellence Horizon	
What contribution will New Zealanders need from the agency in the medium term?	
Delivery	
1	How does the agency respond to Government Priorities?
2	For each core function, how does the agency deliver value and make a positive impact for New Zealanders?
3	For each core function, how does the agency demonstrate increased value and impact over time?
4	How does the agency meet its system stewardship responsibilities (including regulatory stewardship)?
5	How does the agency provide advice and services to Ministers?
Capability	
Element	Lead question
Purpose, vision, and strategy	6 What is the agency's capability to develop and articulate a relevant and aligned purpose, vision, and strategy to staff and stakeholders?
	7 What is the agency's capability to consider and plan for possible changes in its purpose or role in the foreseeable future?
Leadership and governance	8 What is the agency's capability to exercise relevant system and sector leadership roles?
	9 What is the agency's capability to implement and adapt governance arrangements to support effective organisational performance and delivery?
	10 What is the capability of the agency's senior leadership team to provide collective leadership and direction and to implement change?
Values, behaviour and culture	11 What is the agency's capability to develop and promote the Public Service and organisational behaviours, values and culture needed for it to succeed?
Continuous improvement	12 What is the agency's capability to encourage, use, and learn from evaluative activity?
	13 What is the agency's capability to report, monitor and use performance information?



Collaboration and delivery	Customers, clients, and citizens*	14	What is the agency's capability to understand customers, clients and citizens' medium and long-term needs, and use these to innovate and drive better experiences?
		15	What is the agency's capability to employ service design, continuous improvement and innovation in developing its services?
		16	What is the agency's capability to be open, transparent and accessible in actively engaging with stakeholders and citizens?
	Māori-Crown Relationship	17	What is the agency's capability to develop and maintain its engagement with Māori and to understand and incorporate Māori perspectives?
	Operating model*	18	What is the agency's capability to develop and adapt an operating model to support delivery of Government priorities and its core functions?
		19	What is the agency's capability to evaluate service delivery options?
	Partnerships and engagement	20	What is the agency's capability to contribute to the success of its wider operating system(s), including collaborating with partners and providers?
		21	What is the agency's capability to manage its context with external stakeholders and the public?
Workforce	Workforce development	22	What is the agency's capability to develop its people (including its diversity and leadership)?
		23	What is the agency's capability to anticipate and respond to future capacity and capability requirements, and how are they organised to meet demand?
	Performance focus	24	What is the agency's capability to promote and develop a high performing workforce?
		25	What is the agency's capability to manage or improve performance that is not meeting expectations?
	Workforce engagement	26	What is the agency's capability to maintain positive and effective relationships with its employees, employee networks, and unions and other groups?
		27	What is the agency's capability to develop and maintain a safe, inclusive, and engaged culture and workforce?
Public Finance and Resource Management	Investment and asset management	28	What is the agency's capability to manage investment and assets to support service delivery and drive performance improvement?
	Data and technology	29	What is the agency's capability to manage and use information as a strategic asset?
		30	What is the agency's capability to leverage data and technology to drive improvements in service delivery and outcomes?
	Public finance	31	What is the agency's capability to understand, plan, direct and control financial resources to deliver sustainable value-for-money?
	Risk and assurance	32	What is the agency's capability to identify and manage agency, Crown and system-wide risk?
		33	What is the agency's capability to provide assurance that organisational risks are effectively managed and internal control environment improvements are appropriately prioritised?

*See - Appendix One for definitions of 'Customers, Clients and Citizens' and 'Operating Model'

Appendix Three – Capability Ratings

Ratings help to clarify relative strengths and highlight the priority areas on which to focus, given the challenges, risks, and opportunities in the medium term. Ratings are applied in terms of the future the agency is preparing for (the Future Excellence Horizon) and are not an assessment of current or past performance.

Indicator Level	What it indicates
<div data-bbox="209 689 453 792" style="background-color: #4CAF50; color: white; padding: 5px; text-align: center; font-weight: bold;">Leading</div> <div data-bbox="277 824 379 927" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Excellent current level of capability to support sustained and high levels of delivery • Strategic and systematic approach to forecasting future capability challenges and responding accordingly • Systems in place to monitor and build capability to meet future demands • Organisational learning and external benchmarking used to continuously evaluate and improve • Strong change management capability to deliver against Future Excellence Horizon.
<div data-bbox="209 1193 453 1296" style="background-color: #8BC34A; color: white; padding: 5px; text-align: center; font-weight: bold;">Embedding</div> <div data-bbox="272 1346 373 1449" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Comprehensive and consistently good current capability and practices, with future capability gaps identified • Demonstrates plans and activities to change and improve in areas of current and future capability gaps, and is well placed to continue improving • Mostly aligned to Future Excellence Horizon • Comprehensive and consistently good organisational practices and systems in place to support effective management.
<div data-bbox="209 1635 453 1738" style="background-color: #C08040; color: white; padding: 5px; text-align: center; font-weight: bold;">Developing</div> <div data-bbox="277 1778 379 1881" style="text-align: center;">  </div>	<ul style="list-style-type: none"> • Weakness or gaps in current capability • Only partial or limited understanding of future state • Concerns in the agency’s ability to have appropriate future capability and limited ability to execute change against the future state • Some current and future capability gaps not clearly identified and forecasting of future capability challenges needs to be improve.

<p>Weak</p> 	<ul style="list-style-type: none"> • Significant area(s) of critical weakness or concern in terms of delivery and/or capability and the agency has limited or no awareness of them • Weakness or gaps in current capability • Very limited or no view of future opportunities and challenges for the agencies • Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.
<p>Unable to rate/ not rated</p> 	<ul style="list-style-type: none"> • No evidence available to make a credible judgement.

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982

Appendix Four – List of agencies interviewed

Ministry of Transport

- Staff and managers
- Kahui
- Risk and Assurance Committee

External agencies

Auckland Light Rail Ltd

Auckland Transport

City Rail Link

Civil Aviation Authority

Greater Wellington Regional Council

Ia Ara Aotearoa Transporting New Zealand -

KiwiRail

Let's Get Wellington Moving

Maritime New Zealand

Ministry of Housing and Urban Development

New Zealand Airports Association

New Zealand Automobile Association

New Zealand Infrastructure Commission - Te Waihanga

New Zealand Police

New Zealand Port Company chief executive officers Group

New Zealand Transport Agency Waka Kotahi

Office for Māori Crown Relations – Te Arawhiti

Transport Accident Investigation Commission

The Treasury

Appendix Five – List of Future Focus areas

Delivery

Responding to Government Priorities

- Continued focus on successfully delivering the priorities of the Government and building trust and confidence in the Ministry. As opportunities arise seeking engagement with the Government and the sector to clarify the Ministry's role (see Transport System Leader and Steward)

Primary function: Transport System Leader and Steward

- Lead the development of a proposal defining and describing the role of the Ministry as system steward and leader. This should be shared across the transport system and the Ministry should use this work to engage the Government on the Ministry's role with the aim of meeting government priorities.
- Work with Ministers, transport system agencies and the Central Agencies to identify areas for improving the system configuration, including roles, responsibilities and decision-rights in relation to transport regulation.
- Lead the transport system towards strategic alignment by translating Government priorities and the transport outcomes into agreed sector priorities to then flow through to performance and delivery. This approach should be based on co-design and partnership principles. This approach will ensure a unified response to the issues, build a culture of collaboration and resource sharing, and demonstrate to Ministers and the sector the value of collaborative ways of working.
- Review and update the Ministry's own strategies and plans (including corporate plans and sector or mode strategies) to ensure they are similarly aligned and consistent with the outcomes and priorities for the system and the priorities of the Government.

Core function – Policy Advice Policy and Funding Advice

- Identify and implement tools and processes to bring a future focus in advice and get ahead of future shifts in policy thinking in transport. To be successful in these areas the Ministry may need to both broaden its talent pool and ensure access to policy experts in a wide range of fields.
- Prioritise and lead a system approach to data and analytics, building from existing work already underway, including Project Monty, the Transport Evidence Base Strategy and the Transport Knowledge Hub. This approach could include a 'transport data hub' that is operated and shared across the whole transport system (but may or may not be inside the Ministry).

- Identify and commit to high priority policy areas requiring a system team approach (see the workforce section). Possible areas for this way of working include transport system revenue and funding, the future of airports, and the future of ports.
- Proactively engage with other systems to ensure the transport system is aligned with other sectoral strategies, reform processes and change e.g. local government, urban planning and development, resource management, health reforms.

Core function - Regulatory Stewardship

- Ensure regulatory stewardship activities – particularly those related to strategic planning and prioritisation of stewardship efforts – are resourced and prioritised. This should include finalising the new Transport System Regulatory Stewardship Plan and ensuring it sets out a review programme which provides suitable assurance on the health of the transport regulatory system.
- Work with regulators and regulated parties to undertake a regulatory system review, with a focus on options to clarify roles and responsibilities. This includes clarifying where gaps may exist, addressing duplication, and ensuring that decision-making is set at a level that ensures effective operation of the system (provided suitable check and balances are in place).
- Work with the Transport Crown entities to establish clear performance frameworks to understand, assess and monitor the performance of transport regulatory systems, with a focus on connecting the performance of the transport regulators to the overall performance of the transport system.

Core Function – Advice and Assurance on Long-Term Infrastructure Investment

- Build a strategic national view of transport investment needs, which enables effective prioritisation, including value-for-money.
- Clarify the Ministry's assurance role in mega-projects and infrastructure investment programmes to ensure it is aligned to its principal advisor and purchaser roles. The Ministry should provide assurance to Ministers on delivery within its purchaser role, with a particular focus on the management of project benefits, scope, and cost parameters.
- Develop the required specialist expertise, to be able to confidently support Ministers through trade-off decisions, as well as assess the delivery readiness of different investments, set within the context of priorities informed by a clear transport system strategy.
- Consider the opportunities to base some of the technical assurance skills within the Ministry and how it can leverage capabilities within the transport Crown entities to reduce its outsourcing costs.

Core Function – Crown Entity Monitoring

- Embed a monitoring framework to ensure a clear monitoring approach that enables strategic and insightful advice on entity governance, capability and performance.
- Ensure the Ministry's monitoring function uses a clearly defined approach for assessing the capability and performance of the transport regulators, and that implementation of this

approach is led alongside policy teams and those with domain expertise. Intelligence and insights from external stakeholders, alongside robust performance information, should inform this approach.

- Work with the Crown entity chairs to ensure clarity of understanding of the monitoring function and how the boards can assist the Ministry to discharge its statutory duty and ensure a focus on transport outcomes.
- Build a stronger value-for-money focus within its monitoring approach to ensure investment managed through Crown entities is effective, efficient, and well aligned against transport system priorities.
- Ensuring staff undertaking the monitoring of Crown entities have the processes, mechanisms and expectations to stay better connected across the Ministry, particularly with the policy and data and analytic teams, and with external stakeholders and groups that can provide important perspectives and insights on the capability and performance of the entities.

Capability

Leadership, Culture and Direction

- Update the Ministry's purpose statement to align it with its system leadership and stewardship responsibilities. This updated purpose statement will need to be reflected in the Ministry's organisational strategy, operating model, funding and governance, and culture.
- Undertake work with staff to identify, describe and promote the culture the Ministry needs to be an effective system leader and steward (e.g. proactive, outward focused and resilient).
- Identify opportunities to enhance its monitoring and evaluation capability so that the Ministry can more consistently evaluate the value and impact of policy changes, and system investment.

Collaboration and Delivery

- Improve its ability to understand the views of citizens and reflect it in advice. It can build this from the expertise of delivery focussed agencies such as NZTA and MSD.
- Develop a stronger and deliberate connection to and understanding of transport system users, operators, designers and asset owners and integrate these perspectives the Ministry's advice.
- Continue initiatives to develop the Ministry's Māori Crown relationship capability, including how it can be used to enable and support better policy development (for example in recognising Māori perspectives) and system monitoring (including understanding how well Crown entities are engaging with Māori as part of their work).
- Once the Ministry has clarified its role as system leader and steward, it should consider all elements of its operating model. It needs to be able to respond to Ministerial priorities alongside the Ministry's role as system leader and steward.

- Review the use of contractors and consultants with the objective of finding opportunities to rebalance its reliance on them. The relevant Government procurement guide to contractors and consultants could be adapted and extended to use as the reviewing framework.
- Review the current stakeholder engagement framework to ensure it is strategic and sustainable.
- The Ministry needs to foster a collaborative leadership approach that is based on engagement and strong relationships with the transport system.

Workforce

- Identify the Ministry's immediate talent gaps in technical, system change, and system leadership skills and leverage existing transport sector talent to address these gaps. Work with transport Crown entities and Central Agencies to access existing talent through processes such as system teams and two-way secondments.
- Develop a strategic people plan which addresses recruitment, retention, leadership development, talent acquisition, and performance management. The plan will need to have a focus on understanding and addressing the drivers of turnover, and how it can lift its recruitment brand to attract the talent the Ministry needs.
- Align organisational leadership capability to support the increased focus on the Ministry's system leadership role. This means taking opportunities to develop and recruit people with the strategic and relationship skills to drive sector performance.
- Continue work already underway to create a workplace that is diverse and attracts staff and management from different backgrounds.

Public Finance and Resource Management

- Develop tools, infrastructure and processes to improve the use of data and information across the policy, monitoring and assurance functions of the Ministry. This includes ensuring use of data and information is a core part of the induction of new staff.
- Engage with the Treasury to consider if the Ministry's vote is optimally structured to support the Ministry to achieve government priorities
- Work to address the issues raised in the 2023 Audit Management letter on assurance of revenue collected by other agencies, and the accounting treatment for the Clean Car Standard scheme.
- Develop a data and information strategy that builds on the existing capabilities and data and information sharing arrangements. This should include identifying the governance and oversight arrangements that reflect a system approach to the capture and use of data and information, rather than an individual agency-specific approach.

Irene Kilford

From: Chris Nees
Sent: Wednesday, 24 April 2024 4:33 pm
To: Doug Craig; xtramail.co.nz
Cc: Martin.Kessick@publicservice.govt.nz
Subject: RE: Feedback on the draft
Attachments: Net departmental revenue chart.xlsx

Hi Doug
Here you go.

Cheers
Chris

From: Doug Craig <doug.craig@rdcgroup.co.nz>
Sent: Tuesday, April 23, 2024 10:50 AM
To: Chris Nees <C.Nees@transport.govt.nz>; xtramail.co.nz <bboyle@xtra.co.nz>
Cc: Martin.Kessick@publicservice.govt.nz
Subject: RE: Feedback on the draft

Thanks Chris,

Yes please.

Cheers

Doug



Doug Craig
Director
e. doug.craig@rdcgroup.co.nz
t. 0064 27 721 1010
www.rdcgroup.co.nz

The information contained in this message and or attachments is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. If you have received this message in error please notify the sender immediately and then delete this message along with any attachments. Any opinions expressed in this message are not necessarily those of RDC Group. RDC Group is not responsible for: (i) any viruses in this email or any attachment; or (ii) any effects this email or any attachments have on your network or computer system.

From: Chris Nees <C.Nees@transport.govt.nz>
Sent: Tuesday, April 23, 2024 10:18 AM
To: xtramail.co.nz <bboyle@xtra.co.nz>; Doug Craig <doug.craig@rdcgroup.co.nz>
Cc: Martin.Kessick@publicservice.govt.nz
Subject: RE: Feedback on the draft

Kia ora koutou, just to note the chart title in Audrey's message should be \$000 not \$million. Happy to provide a corrected version if you are going to include this in the next draft or provide the underlying data.

From: xtramail.co.nz <bboyle@xtra.co.nz>
Sent: Monday, April 22, 2024 4:00 PM
To: Audrey Sonerson <A.Sonerson@transport.govt.nz>

Cc: doug.craig@rdcgroup.co.nz; Martin.Kessick@publicservice.govt.nz; Chris Nees <C.Nees@transport.govt.nz>; Brent Johnston <B.Johnston@transport.govt.nz>

Subject: Re: Feedback on the draft

Thanks Audrey, as Doug indicated we will confer and get back to you.
Sent from my iPhone

On 22 Apr 2024, at 3:11 PM, Audrey Sonerson <A.Sonerson@transport.govt.nz> wrote:

Dear Brendon, Doug and Martin

Thank you for your time earlier in the month to discuss my comments on the Agency Capability Review. As discussed, we have redrafted the executive summary to set out how we see our role in the transport system and the specific performance challenges we face. The result has been to make this summary much shorter and sharper, and in our view, set us up with a more focussed set of issues for the Ministry to tackle. I think these will also support a constructive discussion with Ministers. I would also appreciate you making some comment about the forward financial position. The current graph, while correct, doesn't include the steep decline we are going to have in resources available to us, which is important context for the rest of the report. Perhaps we could join the following to the existing graph?

<image003.png>

In the body of the report we have provided some brief comments in a number of places where we think there needs to be change or clarification. We have attempted to keep this to a minimum. I wanted to restate my particular concern that the ratings you have used in section four of the report aren't a reasonable representation of our total performance, particularly for our response to government priorities and the quality of our policy advice. Overall, I'd like to see more spread of ratings.

Once we have seen a revised draft version from you we will be in a position to firm up our agency response. I'm happy for my team to engage with you directly on any of the specific comments we have made or any further information or evidence we could provide for you— Chris Nees is our lead from this end.

Ngā mihi,
Audrey

Audrey Sonerson (she / her / Ms)

Hēkeretari o te Manatū Waka – Tumu Whakarae | Secretary for Transport & Chief Executive

Te Manatū Waka Ministry of Transport

M: ^{s 9(2)(a)} E: a.sonerson@transport.govt.nz | transport.govt.nz

Executive Assistant: Sharyn Forty | M: ^{s 9(2)(a)} E: s.forty@transport.govt.nz

<image001.png>

MINISTRY OF TRANSPORT

Wellington (Head Office) | Ground Floor, 3 Queens Wharf | PO Box 3175 | Wellington 6011 | NEW ZEALAND | Tel: +64 4 439 9000 |

Auckland | NZ Government Auckland Policy Office | Level 7, 167B Victoria Street West | PO Box 106238 | Auckland City | Auckland 1143 | NEW ZEALAND | Tel: +64 4 439 9000 |

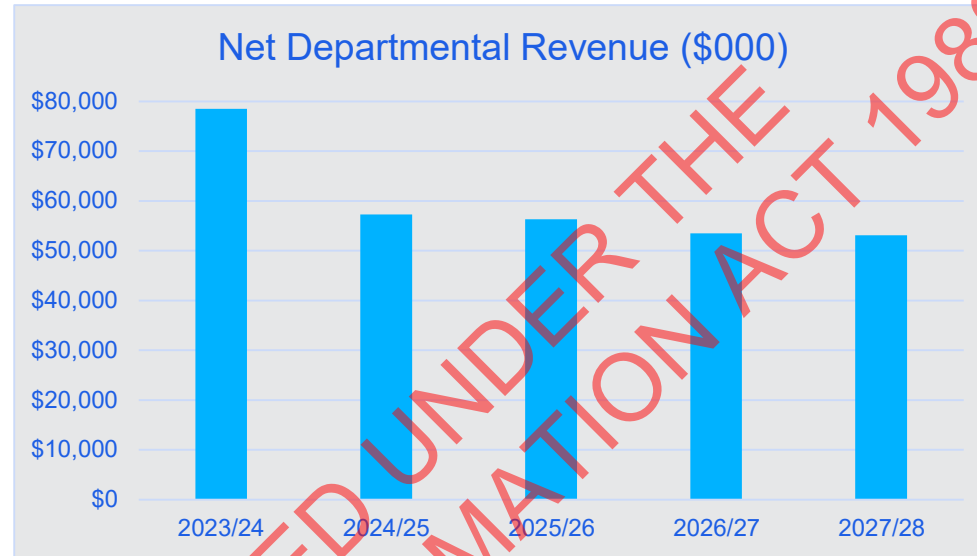
Disclaimer: This email is only intended to be read by the named recipient. It may contain information which is confidential, proprietary or the subject of legal privilege. If you are not the intended recipient you must delete this email and may not use any information contained in it. Legal privilege is not waived because you have read this email.

Please consider the environment before printing this email.

<DRAFT MoT Capability Review report - MOT proposed edits.docx>

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

	2023/24	2024/25	2025/26	2026/27	2027/28
Net revenue (\$000)	\$78,534	57298	56335	53525	53083



RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Irene Kilford

From: Chris Nees
Sent: Tuesday, 28 May 2024 2:50 pm
To: xtramail.co.nz; doug.craig@rdcgroup.co.nz
Cc: Martin.Kessick@publicservice.govt.nz
Subject: RE: Feedback on the draft

Hi Doug and Brendon
 Just wondering if you have an update on this paper and when a new version might be ready?

Thanks
 Chris

From: Chris Nees
Sent: Tuesday, April 23, 2024 10:18 AM
To: xtramail.co.nz <bboyle@xtra.co.nz>; doug.craig@rdcgroup.co.nz
Cc: Martin.Kessick@publicservice.govt.nz
Subject: RE: Feedback on the draft

Kia ora koutou, just to note the chart title in Audrey's message should be \$000 not \$million. Happy to provide a corrected version if you are going to include this in the next draft or provide the underlying data.

From: xtramail.co.nz <bboyle@xtra.co.nz>
Sent: Monday, April 22, 2024 4:00 PM
To: Audrey Sonerson <A.Sonerson@transport.govt.nz>
Cc: doug.craig@rdcgroup.co.nz; Martin.Kessick@publicservice.govt.nz; Chris Nees <C.Nees@transport.govt.nz>; Brent Johnston <B.Johnston@transport.govt.nz>
Subject: Re: Feedback on the draft

Thanks Audrey, as Doug indicated we will confer and get back to you.
 Sent from my iPhone

On 22 Apr 2024, at 3:11 PM, Audrey Sonerson <A.Sonerson@transport.govt.nz> wrote:

Dear Brendon, Doug and Martin

Thank you for your time earlier in the month to discuss my comments on the Agency Capability Review. As discussed, we have redrafted the executive summary to set out how we see our role in the transport system and the specific performance challenges we face. The result has been to make this summary much shorter and sharper, and in our view, set us up with a more focussed set of issues for the Ministry to tackle. I think these will also support a constructive discussion with Ministers. I would also appreciate you making some comment about the forward financial position. The current graph, while correct, doesn't include the steep decline we are going to have in resources available to us, which is important context for the rest of the report. Perhaps we could join the following to the existing graph?

<image003.png>

In the body of the report we have provided some brief comments in a number of places where we think there needs to be change or clarification. We have attempted to keep this to a minimum. I wanted to restate my particular concern that the ratings you have used in section four of the report aren't a reasonable representation of our total performance, particularly for our response to government priorities and the quality of our policy advice. Overall, I'd like to see more spread of ratings.

Once we have seen a revised draft version from you we will be in a position to firm up our agency response. I'm happy for my team to engage with you directly on any of the specific comments we have made or any further information or evidence we could provide for you— Chris Nees is our lead from this end.

Ngā mihi,
Audrey

Audrey Sonerson (she / her / Ms)

Hēkeretari o te Manatū Waka – Tumu Whakarae | Secretary for Transport & Chief Executive

Te Manatū Waka Ministry of Transport

M: s 9(2)(a) | E: a.sonerson@transport.govt.nz | transport.govt.nz

Executive Assistant: Sharyn Forty | M: s 9(2)(a) | E: s.forty@transport.govt.nz

<image001.png>

MINISTRY OF TRANSPORT

Wellington (Head Office) | Ground Floor, 3 Queens Wharf | PO Box 3175 | Wellington 6011 | NEW ZEALAND | Tel: +64 4 439 9000 |

Auckland | NZ Government Auckland Policy Office | Level 7, 167B Victoria Street West | PO Box 106238 | Auckland City | Auckland 1143 | NEW ZEALAND | Tel: +64 4 439 9000 |

Disclaimer: This email is only intended to be read by the named recipient. It may contain information which is confidential, proprietary or the subject of legal privilege. If you are not the intended recipient you must delete this email and may not use any information contained in it. Legal privilege is not waived because you have read this email.

Please consider the environment before printing this email.

<DRAFT MoT Capability Review report - MOT proposed edits.docx>

Irene Kilford

From: Audrey Sonerson
Sent: Friday, 21 June 2024 2:56 pm
To: martin.kessick@publicservice.govt.nz
Subject: Proposed Ministry response to the PIF

Ministry of Transport Response

Introduction

Since commencing in my role as Secretary for Transport and Chief Executive, I have seen the Ministry deliver a range of important work that will create significant benefits for New Zealanders. In a relatively short space of time it has become clear that, while the importance of our role hasn't changed, the environment in which we are operating has evolved rapidly and we must adapt with it.

In that context I would like to thank the reviewers for their report and recommendations. Inevitably, since the reviewers undertook the bulk of their work, our operating environment again changed significantly. This includes an organisational change process that I began to implement in October 2023, delivering significant policy advice at a rapid pace to the incoming government, and managing within the constrained fiscal environment.

Our role

The Ministry is clear on its role. Our small size combined with the breadth and complexity of the transport system means we need to operate as a 'conductor' of the transport system, rather than a director of other agencies. We will be successful by aligning, co-ordinating and monitoring transport Crown entities (such as the New Zealand Transport Agency Waka Kotahi) to ensure they are delivering what New Zealanders need. We must ensure that policy, funding, and regulatory settings are calibrated to deliver the transport outcomes New Zealand needs now and into the future.

Our key challenges and defining success

While the review sets out a comprehensive list of issues, these can be summarised into three key challenges that the Ministry needs to meet, to be successful.

1. Managing significant fiscal challenges across the department and the wider Vote

The Ministry must adapt to its shrinking departmental baseline, which was already forecast to decline by around 20% before meeting the Government's savings requirements. This fiscal context is likely to endure for at least 3-5 years as the government continues to implement its fiscal strategy. Addressing this challenge is a priority to support ongoing fiscal sustainability within the Ministry.

While a smaller organisation means less capacity, it gives us an opportunity to reconsider work programmes and ensure we deliver only what is most important. Addressing this challenge requires effective internal financial and people management processes to target resources at the Government's priorities and the Ministry's system and stewardship responsibilities. We also need to improve project and programme management to ensure accountability and delivery.

This fiscal challenge applies at a much greater scale across Vote Transport, to all Crown entities. The National Land Transport Programme is facing significant cost pressures and there are high delivery expectations for NZTA. The maritime and aviation sectors rely heavily on third party revenue for funding and face cost pressures. In our monitoring role, our challenge is to work with the Crown Entities to support them to adapt to these pressures and give Ministers assurance that they are achieving value for money.

2. Delivering a large policy and infrastructure programme while ensuring value for money

The Government has an ambitious programme of infrastructure and service delivery in the land transport sector. Its priorities include significant system reforms that will require a redirection of effort across the Ministry and within NZTA. Similar funding and financing challenges apply with rail and ferry investments.

In our policy advice role, we need to provide advice to Ministers on new funding and financing tools – both to finance the delivery of significant infrastructure, and to modernise the revenue collection system for roading. The outcome of these changes in the revenue system for land transport will be the most significant shift since the road user charge system was established in 1978. The effects of the large infrastructure investments funded by the new funding and financing tools will last for decades.

If the Ministry can deliver this policy programme and support NZTA and KiwiRail with successful implementation, it will likely be the single biggest contribution we make to system performance for decades.

3. Delivering the performance shifts in the transport system that matter for New Zealanders

We recognised the need to develop a clearer view about how the transport system is currently performing. Without this picture, it is difficult to understand what is going well and where action is needed to improve performance.

The Ministry has started to develop simple yet compelling performance analysis for the sector and Ministers. This approach is likely to highlight differences in understanding that can then be further tested, and support work to develop interventions that will lift performance. Addressing this challenge will also improve our monitoring role function and support the Government to intervene where necessary.

Finally, as the Government's immediate priorities are responded to, we have an opportunity to engage Ministers on work programmes across wider aspects of transport policy. There are many aspects of our work programme that are not stated Government priorities but still need to progress, including in the aviation and maritime sectors. We think the strong relationships we have already built with Ministers will support engagement on these work programmes, to get clarity on the objectives sought and their relative priorities.

Final thoughts

The findings from this review provide an input to guide how we set ourselves up for success. Key to this is being ruthless about where we put our focus. That is why I have focused on the above three critical challenges for us to address. I am pleased with progress that the Ministry is already making in a short space of time while being well aware of how much there still is to do. Success is a moving target, not a fixed horizon, and I and all the staff in the Ministry are up for the challenge.

Irene Kilford

From: Audrey Sonerson
Sent: Friday, 21 June 2024 2:58 pm
To: martin.kessick@publicservice.govt.nz
Subject: Whoops - and here's the remaining feedback

Dear Martin

Thank you for your continued support as the reviewers have developed their report. You have asked for our agency response (see previous email) and any final feedback.

The report has been significantly improved since the last draft. Thank you for addressing many of our concerns. There are a few outstanding points that we would like to see changed:

- a) We continue to disagree with the focus on piloting 'system teams' as a priority in the report. We consistently deliver joint work with Crown Entities across our policy agenda. For example, this includes the revenue reform programme, reviewing the Drivers Licencing system and reform of maritime rules. We also note that Crown Entities cannot provide a substitute to address limited policy resource (which includes the resources of PCO, Cabinet Committee capacity, and house time), which is often the binding constraint we need to manage. We want to avoid muddling accountabilities in the system, which formal joint teams could create. The transport agencies provide critical subject matter expertise, which we already obtain through the examples like the joint work noted above.
- b) We think the 'weak' ratings for 'workforce development' and 'partnerships and external engagement' are unwarranted and don't reflect what we experience. The discussion on turnover and technical skills doesn't reflect the current context where we have a very low turnover rate and many of the specialist skillsets referred to are no longer priorities for the Ministry (e.g. direct management of infrastructure mega projects). The reviewers have chosen to use the all-of government turnover data as a comparator, which is inclusive of agencies with large delivery functions. When compared to primarily policy departments, our turnover is not an outlier as suggested. As noted above, we are constantly partnering with transport agencies to deliver the government's policy priorities.
- c) While we agree there is a need to develop a workforce strategy (and this is underway), the purpose of doing so is to ensure we have the right people with the right skills to deliver what we need. We disagree that delivering workforce diversity is end goal of this strategy.

I would also like to offer some thoughts on how the review process has worked, from an agency perspective and what you might like to consider in future reviews.

The merit of an external review of agency performance is clear. We need such perspectives to assist leaders in how they manage organisations for success. However, I think significant changes to the approach and methodology are needed to make the reports more useful for the relevant agency.

A key issue is that the review has taken an appreciative inquiry approach to the work. The model relies heavily on views of agencies and stakeholders, without really examining whether those are credible. This has resulted in a report that reads much like a stakeholder survey, rather than a balanced and evidence-based assessment of the Ministry and opportunities to improve. We note that this was a problem under the original 'capability review' framework, but will be even more so given the shift back to the PIF.

If we are performing our role well, we would expect to have disagreement and constructive tension with agencies and stakeholders – we aren't here to do what they ask. Future reviews need to consider this issue and perform their own analysis of what is a credible critique and what isn't.

Future reviews also need to be much clearer and crisper in their advice. This review has struggled to clearly articulate the highest priorities the Ministry should focus on in the near term and to manage the

rapidly changing context including a change of government. This has meant there are too many recommendations and findings, and some are too vague and high level. In our case, it would be helpful to be much more practical about what things like 'system leadership' ought to look like in practice and what is it specifically that the reviewers think MoT is not doing or where it needs to improve.

I think a more robust model would be to require Chief Executives to commission a review of this nature on a regular basis, that meets certain criteria. There are a range of external providers who could perform this role and apply a robust, repeatable method, rather than relying on individuals who bring their own different frameworks to the issue. The PSC's role would then be to ensure there is accountability for agencies to deliver on the findings.

As always, happy to discuss and help.

Audrey

Audrey Sonerson (she / her / Ms)

Hēkeretari o te Manatū Waka – Tumu Whakarae | Secretary for Transport & Chief Executive

Te Manatū Waka Ministry of Transport

M: +^{s 9(2)(a)} E: a.sonerson@transport.govt.nz | transport.govt.nz

Executive Assistant: Sharyn Forty | M: ^{s 9(2)(a)} | E: s.forty@transport.govt.nz



Hāpaitia ana ngā tāngata o Aotearoa kia eke
Enabling New Zealanders to flourish

RELEASED UNDER THE
OFFICIAL INFORMATION ACT 1982

Irene Kilford

From: Audrey Sonerson
Sent: Thursday, 25 July 2024 5:22 pm
To: Martin Kessick
Cc: Brent Johnston
Subject: RE: Finalising the Performance Improvement Review

Kia ora Martin,

I am reconsidering our agency response in light of your helpful feedback and the changes made by the reviewers. As a result, it will probably be another few days to get that back to you. I hope therefore to get you something mid-next week.

Happy to discuss.

Ngā mihi,
 Audrey

Audrey Sonerson (she / her / Ms)

M: [s 9\(2\)\(a\)](#) | E: a.sonerson@transport.govt.nz | transport.govt.nz

Executive Assistant: Sharyn Forty | M: [s 9\(2\)\(a\)](#) | E: s.forty@transport.govt.nz

From: Martin Kessick <Martin.Kessick@publicservice.govt.nz>

Sent: Monday, July 15, 2024 8:54 AM

To: Audrey Sonerson <A.Sonerson@transport.govt.nz>

Cc: Brent Johnston <B.Johnston@transport.govt.nz>

Subject: Finalising the Performance Improvement Review

Kia ora Audrey

Further to our text exchange on Friday, here is a summary of the responses, material and process that I was referring to;

1. Lead Reviewers Comments

As mentioned, we forwarded the comments in your email of 21 June to the Lead Reviewers for them to consider. This is a summary of what they shared with us in response;

- The Lead reviewers noted that on their System Teams proposal, they had consistently heard from Ministry staff (as well as external stakeholders) about the challenges the Ministry had had in attracting subject matter knowledge and technical expertise. The Lead Reviewers suggested the system team concept as an approach that would help address that challenge. They stated that the report identified system teams as a possible solution and didn't suggest it would fit every situation.
- On turnover, the Lead Reviewers noted that the Ministry had high turnover for several years, compared to both the public service average and individual agencies (including, the second highest turnover rate across all Public Service Departments for 2022/23). If the Ministry has more recent data showing a significant reduction in its turnover rate (perhaps because of the impact of the Fiscal Sustainability Programme on public service recruitment and retention) that could readily be noted in the report.

- Diversity was only one aspect of workforce that was identified, and certainly not the main issue. The Lead Reviewers noted that they were not suggesting that the end goal of the workforce strategy was diversity, and they didn't think that point was being made in the report.
- Your feedback on the model and process suggested that the report should *"be much more practical about what things like 'system leadership' look like in practice and what it is it specifically that the reviewers think MoT is not doing or where it needs to improve."* The Lead Reviewers noted that 'System lead on transport' is how the Ministry describes its role on its website. They didn't think it appropriate for them to define that role further and remain comfortable that this is something the Ministry needs to work out with their system partners (particularly given the changing context of a new government & Minister).

The Lead Reviewers will not be making further changes to the report (although we do have some minor amendments to ensure recent developments are captured (such as the finalisation of the GPS for Land Transport)).

2. PSC Draft Response

I've attached a copy of the Commissions draft response to the review. We welcome any comments on the draft by the end of the week in which you return from leave, Friday 26 July.

3. MOTs Agency Response

This is the Ministry's response, and you are obviously free to frame it as you choose. The response does provide an opportunity (as with the recent MPP & IR Performance Improvement Review responses) to address the future focus areas described in the report, as well as identifying the specific actions or areas of improvement that it will take (for example under the 'three key challenges' that you identified). There are comments about improving programme & project management, effective internal financial management and effective people management processes, but no specific actions are identified.

The Ministry has again likened its role to that of the 'conductor of the transport system'. We note that your description of the 'conductor' role is similar to how the 'system lead on transport' role is described in the report e.g. aligning, coordinating and monitoring the transport system. Given there are no references to the Ministry being a 'conductor' on its website or other printed material and that the term doesn't resonate with stakeholders, is it helpful for the Ministry to introduce that terminology into the report?

4. Next steps and proposed timeline

The high-level timeline to finalise the report is;

- MoT provides PSC with any feedback on the PSC draft Agency response to the Review by COP Friday 26 July.
- MoT consider PSC comments on the Ministry's draft Agency response and provide any update by COP on Friday 26 July.
- PSC provide MoT with the final draft report (updated with minor amendments & context changes) as soon as it is ready.
- PSC provide MoT with the draft ministerial briefing for the Minister for the Public Service on Monday 29 July (to subsequently be provided to the Minister of Transport).
- PSC – update the report based on Ministerial feedback.

- PSC – work with the Ministry to go through a process of finalising and publishing the report – by end of August

Ngā mihi,

Martin Kessick (he/him)

Kaikōmihana Tautāwhi | Assistant Commissioner

Te Aromātai Whakatatutukitanga | System & Agency Performance

waea pūkoro s 9(2)(a) | Īmēra: Martin.Kessick@publicservice.govt.nz



Te Kawa Mataaho Public Service Commission

www.publicservice.govt.nz | www.govt.nz



Confidentiality notice: This email may be confidential or legally privileged. If you have received it by mistake, please tell the sender immediately by reply, remove this email and the reply from your system, and don't act on it in any other way. Ngā mihi.

This is the text exchange referred to in the above email:

Fri, 12 Jul at 13:58

I hope all is well with you and that you're looking forward to your week off. I have a coffee set up with Ruth next week...great appointment! I'm trying to get an email out to you today regarding the Performance Review. Should I copy it to David as well? Essentially it covers the Lead Reviewers comments on your response, our Agency response as part of the introduction to the report, comments on your Agency response and the process from here.



Thanks. Just send it to me and Brent.

Tue, 13 Aug at 08:17

UNDER THE INFORMATION ACT 1982