

BRIEFING

TO

INCOMING MINISTER OF TRANSPORT

PREPARED BY

THE MINISTRY OF TRANSPORT

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CURRENT DIRECTIONS AND FUTURE CHALLENGES FOR TRANSPORT

THE CURRENT DIRECTION

Throughout the world the transport sector is facing a number of common challenges (including energy security and climate change) that must be overcome if national and international transportation systems are to become more efficient and effective.

New Zealand is no different from other developed countries in having to address these challenges. Indeed, as a small, geographically isolated trading nation, access to secure, reliable and affordable transport networks is crucial to our future. The efficiency of our supply chain (including the transport component of that supply chain) is essential to the competitiveness of our firms in international markets. Equally, the smooth functioning of our local transport systems is important to the social connection of our communities and families.

KEY CHALLENGES

We have identified seven key challenges facing the transport sector:

1. Global financial crisis and boosting economic growth

Increasing productivity and associated growth in national income will be central to our ability to ride-out the global financial crisis and increase our economic performance in the long run. The credit crunch has made it even more important for New Zealand to identify ways to ensure our transport system is able to deliver people and goods to their destinations in a timely and efficient manner. It has also highlighted the need to make the most of our existing infrastructure as competition for funds is now tighter than ever, both domestically and internationally. Transport has an important role to play in this.

2. Funding investment in infrastructure and services while keeping transport affordable

Investment in infrastructure (including services such as public transport) is important to the nation's economic performance. There will be an increasing demand for travel. The impact of this demand will be influenced by, for example, the aging population, our individual economic prosperity and the structure and operation of our cities and communities. These influences will affect the type of transport activities that need investment in the short, medium and long term, the level of investment needed, and ultimately the affordability for New Zealand, business and individuals.

It is not possible to just respond to the demand for investment. It is not affordable nor is it likely to result in effective outcomes for New Zealand. It is important to understand the social and business trends and find the most effective and efficient investment across all forms of transport, including effectively coordinating activities so that some travel and other investment demand can be managed.

3. Increases in the impacts of transport

Even if demand for travel is managed and investment is efficient and effective, without action the negative impacts of transport on the environment (air and ground pollution) and people (noise and safety) will continue to rise. This will have an overall effect on the economy.

The Ministry of Transport (the Ministry) has an important role to play in working with the multiple players involved in addressing these challenges, ensuring that transport policy and regulation supports the development of a more sustainable transport system.

4. Responding to climate change, energy security and cost

During the 21st century New Zealand will face a number of changes driven directly or indirectly by climate change. Policies designed to grow the economy and to reduce emissions are already being implemented here and overseas.

Transport emissions attract attention because they are increasing around the world. In New Zealand, transport accounts for 42 percent of the greenhouse gas emissions from energy use and around 18 percent of our total emissions (when agriculture is included). The transport sector's energy use is growing faster than most other sectors, and there are opportunities to make the transport sector more efficient. Most of this energy (around 90 percent) is used for road transport – hence passenger and freight road transport has been identified as a focus for government as it seeks to reduce overall emissions and meet Kyoto commitments.

New Zealand has set a target of halving per capita greenhouse gas emissions from domestic transport by 2040. It also has a vision of being one of the first countries to widely adopt electric vehicles. Managing the changes in transport behaviours, fuel use and the composition of the vehicle fleet, which are needed to achieve these targets, will be significant challenges for the Ministry and the sector as a whole.

Reliance on fossil fuels to power transport leaves New Zealand exposed to the expected rises in oil prices due to increased demand, and a supply that many forecasts suggest will peak between 2010 and 2020. To help our society and economy adjust to the true cost of using oil and emitting carbon dioxide (a greenhouse gas), the transport sector must improve energy efficiency, and shift to energy sources and modes of transport that are more sustainable and over which we have more control.

New Zealand is relatively well placed to generate electricity from renewable sources, has good sources of first generation biofuels in limited volumes and is developing sources of environmentally friendly, second generation biofuels. Making the most of our opportunities will be an important focus of the Ministry's activity over the coming decade.

A separate briefing, coordinated by the Ministry for the Environment, has been prepared for Ministers with an interest in climate change. That briefing covers background on climate change and explains the New Zealand Emissions Trading Scheme and supporting policies.

5. Land-use development and its impact on transport demand

New Zealand's land-use is relatively low-density compared to many developed nations. Low transport costs have contributed to the development of dispersed communities, with people expecting to travel some distance to get to work or to access services.

If we are to have investment that is affordable to New Zealand, businesses and individuals, this pattern of land-use is unsustainable. However, while the cost of transport fuels may rise in the future, the pattern of land-use will take longer to change. The strategic integration of land-use and transport planning processes to achieve more sustainable development patterns offers a significant opportunity to minimise transport demand generally and reduce people's reliance on cars to get around. This will be essential if transport, energy and economic objectives are to be achieved, particularly in Auckland.

6. Changing demands arising from an ageing population

Between 2006 and 2020 the median age in New Zealand will rise from 35 to 40 years and the proportion of the population aged 65 years and over is projected to grow from 12 percent to 20 percent.

These trends raise a number of issues in terms of access. An older and less able population will mean greater reliance on motorised transport. The transport system available in both rural and urban areas may need to change to support the needs of those less able to participate fully in society and maintain ready access to essential facilities and services – particularly in respect of those who cannot drive.

7. Global terrorism

Global terrorism has had an increasing influence on travel since 11 September 2001. Transport systems are vulnerable to attack and are attractive targets because of the potential for casualties and for economic and social disruption. New security measures aimed at improving aviation and maritime security have been introduced around the world, often imposing considerable costs on providers and users alike. New Zealand's international trade and tourism markets rely on our international transport connections being safe and reliable, and our security systems complying with ongoing changes in international regulations and expectations. Transport sector agencies work with other government agencies (such as Customs) to minimise compliance costs. They also aim to ensure our security measures are robust enough to inspire the confidence upon which our international connections depend.

MAJOR POLICY ISSUES

The previous section of this briefing identified some of the key trends and challenges for New Zealand's transport system. The Ministry of Transport is committed to working with government and the wider transport sector to ensure that New Zealand is able to respond effectively to these and other challenges. The following section presents some of the key policy issues currently being addressed by the Ministry. We appreciate you will have your own priorities for the Transport portfolio and that you may wish to redirect our current programme.

LAND TRANSPORT FUNDING AND REVENUE

Appendix E sets out the framework for the funding and planning of land transport. A further set of detailed briefings can be provided on the operation of the funding and charging system at a later stage.

Priorities and level of funding for the Government Policy Statement on Land Transport (GPS)

The GPS sets government investment priorities for a period of six years within an overall funding envelope. It may be updated at any time but must be updated every three years. The first GPS was released on 5 August 2008. The GPS is released the year before the National Land Transport Programme (NLTP) is produced. It is intended that the NLTP is produced at least every three years. Information on what the GPS priorities and funding levels mean for each region has been detailed by the NZ Transport Agency. This information is now being used to inform the development of the first three-year regional land transport programmes. These regional programmes will then be reflected in the National Land Transport Programme (NLTP) which is due to be released by the NZ Transport Agency in August/September 2009.

The development of the GPS involves extensive analysis to determine the overall level of investment required for achieving the government's objectives and targets. A key challenge is balancing the ability to generate revenues from a range of sources, including Petrol Excise Duty (PED) and Road User Charges (RUC), with the desired level of expenditure on transport infrastructure and services.

With the growing international financial situation, some of local government has already indicated that there might be cutbacks in its programme of investment. As Government co-funds a large range of local government's transport investments, there is likely to be an impact on the number or scale of projects seeking co-funding. However there is also likely to be an ongoing, but growing call on Government to increase its share of co-funding.

[Withheld under section 9(2)(f)(iv) of the Official Information Act 1982]



The State Highway Five Year Plan

The Five-Year State Highway Construction plan is a programme of State highway capital works for the period 2006/07 to 2010/11. The plan is based on the then Transit New Zealand's 2006/07 State Highway Forecast, and at Budget 2006 was underpinned by a government funding guarantee. The State Highway plan lists 'key deliverables' that identify expected progress on 99 large construction projects by 2010/11. It included almost all of Transit New Zealand's capital expenditure programme.

The funding guarantee involved a commitment to provide \$3.6 billion over five years and also made contingency funding available to compensate for any greater-than-forecast input cost escalation. From 2009/10 this funding guarantee will be superseded by the GPS's funding range for the New and Improved State Highways activity class.

Progress to date on the plan is broadly tracking as scheduled in 2006. Seventeen large projects are built and opened as at September 2008, with a further 25 under construction. The NZ Transport Agency currently forecasts that 82 of the 99 projects will meet their 2010/11 key deliverable.

Transport funding outside the National Land Transport Programme

In addition to the NLTP there are a number of activities or initiatives funded outside the NLTP. Current examples include funding for search and rescue, and administrative arrangements to support the regional fuel tax system. Regions are also able to introduce a regional fuel tax scheme.

Rail is primarily funded by the Crown through Treasury and Vote Finance. The Vote Finance funding is from general taxation revenue not road user revenue.

Long Term Sustainability of Revenue Streams

Most land transport revenue (that is revenue specifically for the purpose of land transport investment through the NLTP) comes from FED, RUC and motor vehicle registration. PED is a fixed cent per litre rate and is therefore affected by the amount of petrol purchased. RUC is paid by most non-petrol vehicles using public roads.

RUC revenue is affected by, for example, economic conditions, and levels of compliance and efficiency gains in the transport sector.

At present the largest component of land transport revenue is PED. High oil prices, along with policies aimed at reducing dependence on fossil fuels for transport purposes, are expected to dampen growth in petrol sales and, over the longer term, lead to reductions in volumes sold. Reductions in volume can be offset by increasing the rate of duty, but this itself will further discourage petrol use, at least in the short-term.

In the long-term, other revenue sources will need to be found to supplement or substitute for PED. International expert opinion tends to favour greater use of revenue instruments that charge users directly for their use of the roading network. New Zealand's RUC scheme is generally recognised as a leading example of this approach.

There is potential for more use of price mechanisms to ration road use in an economically efficient way, and work has been undertaken on possibilities such as toll roads and the impact of congestion-related and other user charges in Auckland.

Road User Charges Review

RUC are applied to most vehicles that do not use petrol. The RUC system was introduced in the late 1970's.

An independent RUC review has been initiated to consider the basis on which roading and other costs of the NLTP should be allocated and collected and to ensure that the existing charging system is fair, efficient and based on up-to-date information. The review came about as a result of truck strikes in mid-2008. These strikes were, in part, in response to increases in RUC.

RUC are set with the assistance of a cost allocation model that apportions land transport costs between vehicles in proportion to the direct costs they are estimated to impose on the roading network. The charge varies with vehicle weight and the number of kilometres travelled. Roughly three-quarters of RUC revenue comes from heavy vehicles.

Increasingly, the existing RUC system is seen to require updating to take account of changes in technology and the composition of the vehicle fleet. There are also questions of equity, incentives and compliance in respect of the current scheme.

The Review Group is due to report back to government in March 2009.

Funding and Charging Review

The intention to undertake a funding and charging review was announced at the same time as the independent RUC review. It aims to examine the mechanisms that generate revenue for land transport investment, the way this revenue is used for funding projects and services and the level of funding assistance central government provides for local government transport activities. The review will also identify options for sustainable approaches to funding the land transport system over the short to medium term.

AUCKLAND TRANSPORT ISSUES

Ensuring a nationally and internationally connected Auckland is critical to the growth and prosperity of New Zealand. Auckland can be seen in some ways as providing a microcosm of the issues facing the transport sector as a whole.

Auckland is New Zealand's main gateway to the rest of the world - its airport and port provide two of New Zealand's major international links. Its internal road, rail and passenger transport networks link movements to these key ports from elsewhere in New Zealand, as well as enabling the movement of people and goods within Auckland.

Auckland, along with the Waikato and Bay of Plenty, is expected to continue to grow rapidly. This growth offers opportunities to increase overall productivity, which is already higher than the national average, through economies of scale and agglomeration. It also provides an opportunity to ensure better integration of land-use and transport infrastructure. Realising the potential opportunities from growth represents the major challenge for Auckland and New Zealand. In this context, there are a number of immediate issues that you will encounter, along with a number of longer term issues that need to be considered.

Governance

As a single urban area with over ten separate transport agencies, Auckland faces a number of issues with its transport governance. These matters will be considered as part of the Royal Commission on Auckland Governance (covered in more detail in the Department of Internal Affairs and the Government Urban Economic Development Office (GUEDO) Briefings to Incoming Ministers). It is widely agreed that there is room for improvement in transport governance mechanisms.

Waterview Connection as a Public Private Partnership (PPP)

The Auckland region, particularly business interests, have long advocated for the completion of the 4.7km 'Waterview Connection', which would provide the final major link in Auckland's Western Ring Route. The Waterview Connection Procurement Steering Group identified that there would be value from procuring Waterview as a PPP if critical success factors are achieved. In early 2006 the project had an estimated cost of \$1.89 billion.

In conjunction with Treasury, the Ministry are providing a report back to Cabinet in November 2008 with a range of advice on the project, including a business case, funding options, PPP approaches and the advisability of a firm commitment to proceed. If progressed as a PPP, the Waterview connection project would be both the largest infrastructure project undertaken in New Zealand, and the first major PPP roading project potentially involving private financing.

Growth: Regional Land Transport Strategy (RLTS) and Regional Policy Statement

Ongoing population growth will stretch Auckland's transport network. The current RLTS forecasts that, despite investment of over \$17 billion, congestion in the Auckland region will not improve materially over the next ten years, essentially because of ongoing growth.

The region is reviewing the RLTS and Auckland Regional Policy Statement, with completion due by the end of 2009. These documents will outline the region's

preferred strategy for development of the transport system and land-use patterns until 2050. The RLTS will provide guidance as to the regional priority accorded to major future projects such as the CBD tunnel, rail links to the airport, and an additional Waitemata Harbour Crossing.

FREIGHT

The efficient movement of goods to, from and within New Zealand is critical to the international competitiveness of New Zealand firms and to the successful operation of our domestic economy and society as a whole. The transport modes that are used to move freight also have an impact on the level of the transport sector's greenhouse gas emissions locally and internationally and contribute to more localised environmental effects (eg air, water and noise pollution). Improving the efficiency of the transport component of New Zealand's supply chain and addressing the negative environmental impacts of transport are critical areas of focus for the Ministry.

A National Freight Demands Study (NFDS) has recently been completed that provides the clearest understanding yet of how freight is moving throughout the country.

For the future, coastal shipping and rail will need to move a much larger proportion of the freight task if the transport sector is to increase its resistance against fuel price rises and use fuel more efficiently. The Ministry has a number of initiatives underway to improve the efficiency of freight movements, including improving the efficiency of critical routes, increasing heavy vehicle productivity and implementation of the *Sea Change* strategy.

Freight Strategy/Action Plan

The Ministry is working jointly with the Ministry of Economic Development and the NZ Transport Agency to develop terms of reference for a freight strategy. The freight strategy is also being developed in conjunction with the Growth and Innovation Advisory Board (various parties within the business community have indicated support for further work to be undertaken and implemented in this area). This project follows on from the NFDS that indicated that the overall freight task could grow by up to 75 percent by 2031. This would present significant challenges not only for the transport sector, but for future government infrastructure investment decisions.

It is expected that the terms of reference would have a broad focus on developing a freight strategy and action plan that will improve New Zealand's overall supply chain, enhance productivity and increase the international competitiveness of New Zealand firms.

Critical Routes/Roads of National Significance

Over the last three months, the Ministry has been developing an initiative to look at transport routes that are critical to the economic performance of New Zealand.

The aim of the initiative is to identify ways of improving the efficiency and effectiveness of routes whether by investment in infrastructure or identifying other interventions. Other interventions might include, for example, improving vehicle productivity.

Heavy Vehicle Productivity

The transport industry has been asking for heavier and longer vehicles to be allowed to operate for some time based on the argument that this will improve productivity, bring economic benefits, assist sustainability objectives and improve safety. The Ministry is leading work to investigate the development of a controlled permit system to allow heavy vehicles to operate outside the current weight and dimension limits on specified routes.

The Ministry is currently undertaking a six month trial of a selected number of operators using heavier vehicles on specified routes. It is expected that the trials will be completed in early 2009 and a report to the government will follow setting out the results of the trials and (depending on the outcome) seeking approval to proceed with public consultation and the development of a controlled permit system. Two of the challenges in realising the productivity gains are the ability of bridges to carry the weight of the trucks and for local government to find the funds to upgrade routes if required.

Driver and fleet management – which aims to improve the productivity, safety and fuel efficiency of the heavy and light commercial vehicle fleets – is also part of the work programme.

Sea Change Strategy Implementation

An extensive programme of work is underway by the Ministry, other agencies and industry stakeholders to implement the action plan set out in *Sea Change*. The main areas of current action are information gathering, workforce (including training and qualification issues and immigration) and funding (the establishment of a new contestable fund through the NZ Transport Agency in the GPS).

The issue of how well ports serve both domestic sea freight and international supply chains was raised by a number of submitters to *Sea Change* and has been attracting increasing scrutiny across government. Ministry staff are scoping a major piece of policy work on ports as a key element of the supply chain. The recently completed NDFS and current work by the Ministry of Economic Development's Growth and Innovation Advisory Board are relevant to the investigation of further work on the ports sector.

INTERNATIONAL CLIMATE CHANGE NEGOTIATIONS ON INTERNATIONAL TRANSPORT FUEL EMISSIONS

Currently, greenhouse gas emissions from fuel used in international aviation and maritime transportation are not included in developed countries' emission reduction obligations under the climate change agreement – the Kyoto Protocol. Instead, countries negotiate through the International Maritime Organization and International Civil Aviation Organization to progress technical, operational and economic measures. At recent meetings focused on the international climate change negotiations, there has been an emphasis on delivering an outcome by December 2009 (for a scheduled meeting in Copenhagen).

Given New Zealand's high dependence on international transportation for its primary industry sector and tourism, officials within the Ministry ensure New Zealand's concerns for fair and equitable solutions are represented in these international fora.

The Minister of Transport and the Minister for Climate Change Issues will both have an interest in this area of policy development. A separate briefing for Ministers with responsibilities relating to climate change has been prepared by the Ministry for the Environment.

INTERNATIONAL AND DOMESTIC AVIATION

For the aviation sector, recent high oil prices have seen some major international airline collapses this year and more are likely. The economic downturn in key source markets for New Zealand's tourism industry will also have a negative impact on air transport growth rates.

With respect to domestic air transport, consumers are benefiting from the main-trunk competition between three jet operators. Travel by air is cost competitive and can be more fuel-efficient than travel by car. Provincial services are already provided by relatively fuel-efficient turboprop aircraft so we are unlikely to see the same jet fuel price impact as in the United States, where regional jets prevail and services are being curtailed.

In the face of unprecedented high fuel costs, the airline industry is seeking every means to increase its productivity and reduce supplier costs. In this regard it is particularly concerned about airport and airways charges. The airways system can also play a positive role in reducing fuel costs for the airlines through, for example, improving flight scheduling to minimise delayed landings. Airways New Zealand is proving to be a world leader in this regard.

Air Services Negotiations with the European Union

Negotiations with European Commission officials towards an open aviation market between New Zealand and the European Union are scheduled for 24 – 26 November 2008.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

Domestic Aviation Security Review

Following the attempted hijacking of an aircraft en-route from Blenheim to Christchurch in February, a thorough review of domestic aviation security has been undertaken. The purpose of the review was to determine what protective security measures are necessary to manage risk resulting from unlawful interference with domestic civil aviation in New Zealand

[Withheld under section 6 (a) of the
Official Information Act 1982]

Officials are working with industry to develop options for applying enhanced security [Withheld under section 9 (2)(f)(iv) of the Act] at airports.

ENTRY OF CARGO TO UNITED STATES (US)

The US recently passed security legislation requiring that 100 percent of container cargo to US ports be screened at its port of origin, including scanning for radioactivity. For air cargo, implementation dates for 50 percent screening and 100 percent screening are February 2009 and August 2010 respectively. For maritime cargo 100 percent screening will be required by July 2012.

The Ministry is leading a project to meet the US requirements for air cargo. At this stage, airlines are confident that these requirements can be met within the timeframes provided.

New Zealand Customs is leading a project to meet the new US requirements for maritime cargo in New Zealand; however, they have yet to receive specific detail on what these requirements are.

IMPROVING FUEL ECONOMY IN THE NEW ZEALAND FLEET

A draft vehicle fuel economy standard has been developed for light vehicles entering the New Zealand fleet. Options to implement the draft standard require Ministerial consideration. The implementation of the standard is an important component of achieving the New Zealand Energy Efficiency and Conservation Strategy (NZECS) target that requires the average standard of CO₂ emissions for vehicles entering the fleet to be 170g of CO₂ per kilometre by 2015. The motor industry will need time to change its vehicle mix to accommodate this target.

The NZECS states that the government has agreed in principle that New Zealand will be one of the first countries in the world to widely deploy electric vehicles. The electric vehicle work programme looks at a number of issues in realising this goal, such as availability of electric vehicles, incentive schemes, safety issues, and infrastructure requirements. A Cabinet paper is being developed that will explain where New Zealand is in relation to this aspiration.

For every year that goes by, more countries will introduce electric vehicles, making it harder to achieve the in-principle agreement. We will be seeking to clarify the new government's position on this issue at an early stage.

DEVELOPMENT OF THE 2020 ROAD SAFETY STRATEGY

Between 1990 and 2002 significant road safety gains were made and annual deaths fell from 729 to 405. Since that time the rate of progress has slowed and the 2006 road toll of 393 was followed by 423 deaths in 2007. Year-to-date results suggest 2008 will be better than 2007. Since 2005 the number of hospitalisations in excess of one day have also been steadily increasing, where they had previously been showing a general decline.

These results suggest that the 2010 'headline targets' of no more than 2,200 serious injuries and 300 road deaths now appear unlikely to be met.

Concern that the 2010 target will not be met is central in guiding the development of the *2020 Strategy*, which will replace the current *Road Safety to 2010* strategy as the key long-term policy document for road safety. Preparations are underway to develop the *2020 Strategy* which will be in place in 2010.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

TRANSPORT RULES PROGRAMME

The Minister of Transport is empowered to make transport Rules on matters covering land, aviation, maritime and marine protection activities. Over the past six years this Ministerial authority has been delegated to an associate Minister or Minister for Transport Safety. The Rules programme and process ensures that Rule development proposals contribute to the government's strategic aims for transport, set in the broader social, economic, cultural and environmental priorities. The *New Zealand Transport Strategy* requires that, in setting the Rules programme, the government works with relevant sectors and interests to identify key issues and uses this information to inform the development of priorities and actions. Appendix D contains a list of Transport Rules made during 2007/08.

NEW ZEALAND RAILWAYS CORPORATION (NZRC)

Rail already plays a role in freight and passenger transport. There are a number of work streams underway to give effect to the decisions following the buy-back of the Toll NZ business.

NZRC is a State Owned Enterprise. With the creation of the NZRC as a single business it is important government clearly defines its objectives for rail, both from an economic and a business perspective. As an SOE; rail is outside the planning, funding and accountability framework for transport.

We anticipate an increased need for the Ministry to provide policy advice on issues such as rail transport policy objectives, safety and the approach to multi-modal investment analysis.

PARTICIPATION IN INTERNATIONAL FORA

The Ministry and the Minister have involvement in a range of international organisations and fora, including those listed below. We are happy to provide detailed briefings on any or all of these groups on request. Should you wish to attend any of their meetings, we will prepare comprehensive background notes.

International Civil Aviation Organization (ICAO)

ICAO sets Standards and Recommended Practices in 18 Annexes to the Convention on International Civil Aviation (Chicago Convention) to achieve global uniformity. The Ministry is the State representative and pays New Zealand's annual assessment.

International Transport Forum (ITF)

The ITF is an inter-governmental organisation within the OECD family. Its aim is to foster a deeper understanding of the essential role played by transport in the economy and society.

General Agreement on Trade in Services/World Trade Organization (GATS/WTO)

GATS has limited coverage of the transport sector. However, under the Annex on Air Transport Services, GATS principles apply to computer reservation systems, aircraft repair and maintenance, and the sale and marketing of airline services.

Asia-Pacific Economic Cooperation (APEC)

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

Australian Transport Council (ATC)

The ATC is largely a forum of Transport Ministers from Federal and State governments in Australia. New Zealand has observer member status, but does not vote on matters pertaining to Australian domestic issues.

International Maritime Organization (IMO)

The IMO is a specialised agency of the United Nations with 168 Member States. IMO's main task has been to develop and maintain a comprehensive regulatory framework for shipping.

RISKS

[Withheld under section 9 (2)(h) of the Official Information Act 1982]

DECISIONS REQUIRED IN NEXT SIX MONTHS

There are a number of key issues that will require your consideration and response within the next six months. We have briefly summarised what we consider to be the most important decisions required each month, between now and March 2009, but recognise that these may change subject to your own priorities.

November 2008

- *Reinstatement of legislation for the new Parliament* - The Minister will need to decide whether to recommend reinstatement in the new Parliament of the Land Transport Amendment Bill (No 4) (see page 19), the Land Transport (Driver Licensing) Amendment Bill and the Rail Network Bill.
- *Waterview connection as a PPP* - Decisions on the desirability, procurement and funding of the Waterview connection¹ will be required following receipt of the Waterview Connection Procurement Steering Group's recommendations.

December 2008

- *Extension of the Date for Expiry of the Transport Act 1962* - The Transport Act is due to expire on 1 July 2009, but

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

- *Cabinet paper on Regulations for Regional Fuel Tax* - Decisions will be needed on the use of Regulations to set some administrative requirements for regional fuel tax.
- *2009/10 Letters of Expectations for transport Crown Entities* - The Minister's annual letter to each of the Crown entities signals his or her strategic issues and expectations of them for 2009/10 onwards. This is a key means of the Minister participating in each entity's Statement of Intent process.
- *Landing Charges for Milford Aerodrome* - Ministerial approval will be sought for new landing charges at Milford Aerodrome.
- *Air Services Negotiations* - The Ministry may need to seek Ministerial or Cabinet guidance on contentious issues arising during the negotiation of the NZ-EU Air Services Agreement talks. If Japan agrees to talks about a NZ-Japan Air Services Agreement, there could be a Cabinet paper seeking approval of any outcome. Cabinet authorisation will be sought for the recent air services arrangements negotiated with Canada, South Africa, and Turkey, and for renewal of the Air Transport Agreement with Mexico.
- *Motor Vehicle Registry Activities* – The Ministry and NZTA are currently working through the latter's request for an increase in funding for 2008/09 and out-years for the registry activities. Such costs are paid for from fees and charges earned by the registers and the fees currently recover more than the proposed costs.
- *The Submarine Cables and Pipeline Protection Order 1992* – This will need to be updated to reflect the change in Datum standards (From NZ to World Chart Datum). This will be presented to Cabinet for agreement.

¹ A 4 kilometre section of new motorway in West Auckland incorporating a significant amount of tunnelling.

- *The Submarine Cables and Pipeline Protection Order 2006 (Pohokura)* – This will need to be changed due to damage on the menthol pipeline. The provision for anchoring for vessels under 9m will be removed. Your permission is needed before the Ministry can consult on this change.

February 2009

- *Heavy Vehicle Productivity Project* - A decision will be required on whether to proceed with the development and implementation of a controlled permit system to allow vehicles to operate outside the current weight and dimension limits on selected routes.
- *Domestic Aviation Security Review* - A report on the findings of the review with proposals for enhanced security measures at domestic airports.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

March 2009

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

- *Driver and fleet management programme* - During 2008, surveys, case studies and workshops were used to develop a programme to improve the productivity, safety and fuel efficiency of the heavy and light commercial vehicle fleets. There are budget implications of taking this initiative forward.
- *NZTS – Action Plan* - The NZTS notes that the government will expand and develop the supporting actions listed in the NZTS into a comprehensive action plan by 31 March 2009.

LEGISLATION IN DEVELOPMENT

The Ministry has been managing a heavy legislative programme during 2008 and this is scheduled to continue into 2009.

Land

There are five land transport Bills on the programme at various stages:

- *Land Transport Amendment Bill (No 4)*
This Bill has been considered by the Transport and Industrial Relations Committee, but was not reported back to the House before the dissolution of Parliament. The Bill introduces new drugged driving provisions. It also repeals and rewrites the current legislation covering the motor vehicle register and makes changes to protect personal information contained on that register

[Withheld under section 9 (2)(f)(iv)]

The drugged driving provisions are an important step to reduce the road trauma caused by drugged drivers. The motor vehicle register provisions improve outdated legislation and also address the significant problems that exist under the current open register regime. The Bill will have further opportunity to be considered by a select committee.

- *Land Transport Amendment Bill (No 5)*
This Bill is being drafted. It will include a range of changes aimed at improving road safety, including the final package of measures to implement the Road Safety Strategy to 2010. It will include improvements to the rulemaking process and changes to enable the making of fuel economy standards. The Bill also deals with all remaining provisions in the Transport Act 1962, such as parking warden powers and bylaw-making powers. The provisions of the Transport Act are currently subject to a 1 July 2009 sunset clause, that is, they will expire on 1 July 2009.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

- *Land Transport (Driver Licensing) Amendment Bill*
This is a government Bill introduced by Hon Peter Dunne. It will raise the minimum driving age from 15 to 16 years and extend the length of the learner licence period from six to 12 months.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

The Bill was referred to the Transport and Industrial Relations Committee but public submissions were not called for. The provisions of this Bill complement the changes to the Graduated Driver Licence System under the Land Transport Amendment Bill (No. 5), as part of the Road Safety Strategy to 2010.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

- *Road User Charges Amendment Bill*
This Bill has largely been drafted. It will improve the enforcement provisions for road user charges to reduce the level of revenue leakage. Its introduction has been delayed while the independent Review of Road User Charges is taking place. Some provisions for enforcement of road user charges are currently

contained in the Transport Act 1962, which is subject to the 1 July 2009 sunset clause.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

- *Rail Network Bill*

The Rail network Bill was reported back from the Select Committee in June 2006 but did not proceed into legislation. This Bill was intended to update and amend the legislation for the rail infrastructure business (ONTRACK).

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

Civil Aviation

- *Civil Aviation Act Amendment Bill*

The Ministry is progressing policy work for a Civil Aviation Act Amendment, proposed for introduction in 2009.

[Withheld under section 9 (2)(f)(iv) of the Official Information Act 1982]

Maritime

- *Maritime Transport Amendment Bill*

The Ministry is preparing drafting instructions for the Parliamentary Counsel Office for a Maritime Transport Amendment Bill, proposed for introduction in 2009, to update the Maritime Transport Act 1994. The main areas covered by the Bill are accession to a number of international conventions and protocols that have been recommended to the House by Select Committee; providing legislative mechanisms to underpin the voluntary Port and Harbour Safety Code; clarification of responsibilities for navigational safety; and clarification of section 198, which specifies who is permitted to carry coastal cargo.

APPENDIX A: The Ministry of Transport

MINISTRY FUNCTIONS

As government's principal adviser on transport policy, the Ministry of Transport is responsible for:

- providing leadership and direction to the sector on behalf of you and the government;
- monitoring the transport sector's activities and whether they are achieving government objectives;
- developing policy advice for the government;
- developing and administering legislation, rules and regulations; and
- operating a number of administrative systems.

Operational services in the transport sector are primarily administered and delivered by the transport Crown entities, which work closely with the Ministry of Transport and local government. The Crown entities (listed on page 25) will report to you separately about their operations.

In addition to its core policy and monitoring roles, the Ministry also has responsibility for some operational functions, including:

- collecting and refunding road user charges and fuel excise duty²;
- licensing foreign international airlines flying to and from New Zealand;
- operating Milford Sound/Piopiotahi Aerodrome;
- overseeing the Crown's interest in joint venture airports; and
- administering a contract with the Meteorological Service of New Zealand for the provision of public weather warnings and forecasts.

There are a number of transport issues that fall outside the Ministry's realm of responsibility, but which are still important in the sector. For example, issues pertaining to New Zealand's rail network have been, and are primarily the responsibility of the Minister of Finance and the Treasury. However, with the recent decision to establish a single Crown-owned rail group, there may be an increased need for policy advice from the Ministry. The government's interest in Air New Zealand, of which it is the majority shareholder, is also largely outside the Ministry's portfolio responsibility. However, as with rail, we maintain a close watch on developments relevant to the airline and retain open channels of communication with key stakeholders in the industry.

Ministry Staffing

Ministry staff are spread between small offices in Christchurch and Auckland and the larger Head Office in Wellington. The Ministry's staff profile is as follows:

- 193 staff
- 187.90 FTE
- 17 vacancies
- 14.72 percent turnover

² Service delivery provided through NZTA via a service level agreement.

VOTE Transport

The Minister of Transport is accountable for appropriations in Vote Transport totalling \$3 billion in 2008/09³. In addition, the Minister is responsible for the collection of Crown revenue totalling \$1 billion in this financial year.

Please note that the numbers detailed in this report reflect the changes processed as part of the October Baseline Update and so do not necessarily agree with the Estimates for the 2008/09 year.

The majority of the expenditure is funded by the revenue collected from road tax.

Appendix B provides a detailed breakdown of the Vote. The Ministry has a total budget of \$52.324 million, excluding capital, of which approximately \$15 million goes to the NZTA for managing motor vehicle registrations. A summary of the appropriations for Vote Transport is:

Appropriation Type	\$m
Departmental Output Expenses	52.324
Capital Expenditure to be incurred by the department	3.600
Non departmental outputs	1,782.914
Other expenses incurred on behalf of Crown	27.513
Capital Investment in organisations other than departments	1,147.854
Purchase / development of Crown capital assets	24.948
Total	\$ 3,039.153

Financial Reporting Procedures to the Minister

Currently the Ministry's financial operations are reported to the Minister as part of the quarterly output report.

³ This excludes the fiscally neutral transfer of \$20 billion relating to the establishment of the NZ Transport Agency (and the disestablishment of Land Transport New Zealand and Transit New Zealand). The \$20 billion mainly represents the value of the State Highway network.

MINISTRY LEADERSHIP TEAM

Martin Matthews:



Chief Executive

As Chief Executive, I have overall responsibility for the performance of the Ministry. My challenge is to lead the Ministry's staff and the transport sector as a whole, to ensure it is working towards the government's vision of providing New Zealand with an affordable, integrated, safe, responsive and sustainable transport system.

John Bradbury:



Deputy Chief Executive

As Deputy Chief Executive, John Bradbury has an integrating role with a whole-of-Ministry and a whole-of-sector perspective. The responsibilities of his group include the Ministry's profile in Auckland and the governance and monitoring of the transport Crown entities. John also holds an advisory and leadership role on international transport relationships.

Wayne Donnelly:



Acting General Manager – Strategy and Sustainability

Wayne Donnelly currently leads the Strategy and Sustainability Group, which works to set the strategic direction and frameworks for the transport sector. This includes developing high-level strategies such as the NZTS. The Group includes research, statistics and economic analysis experts who examine transport outlook and trends. Wayne also has responsibilities for sector development and leadership.

Liz Anderson:



General Manager - Land Transport Investment and Development

Land transport investment and development is a key priority, as signalled by the recent *Next Steps Review of the Land Transport Sector*. This Group is well placed to assist with improving this aspect of New Zealand's transport system by developing policy for land transport investment and planning, access and mobility, revenue and charging, and land transport economic policy.

David Crawford:



General Manager - Land Transport Environment and Safety

David Crawford leads the Group responsible for land transport safety and environmental outcomes. The deliverables for this Group include establishing, monitoring and maintaining a strategic policy framework for land transport environment and safety. This includes policy and legislative responsibilities for road and rail policy; the development of vehicle, driver and commercial transport licensing, and user and vehicle standards; as well as transport climate change policy for land, aviation and maritime.

Bruce Johnson:



General Manager - Aviation, Maritime and Security

Bruce Johnson leads a Group which creates, monitors, and maintains policy frameworks and develops legislation for aviation, maritime and transport security. The Group is responsible for international relationships, including the negotiation and maintenance of air services agreements with other countries. The Group also led the development of *Sea Change: the domestic sea freight strategy* and includes the Sea Freight Development Unit.

Claire Johnstone:



General Manager – Corporate

Claire Johnstone leads the Corporate Group responsible for the core functions of Finance, Communications, Human Resources, Legal, Administration, Information Technology, Audit Risk, Ministerial Correspondence, Minister's Office Staffing and Stakeholder Engagement. This Group also oversees corporate planning, performance and reporting, and transport sector budget and financial management.

Fiona Macmaster:



Director, Finance Audit Resources

Fiona Macmaster as Director Finance Audit and Resources is responsible for the financial management of the Ministry, which includes the Crown funding to Crown entities of \$2 billion. Fiona is also responsible for the internal risk committee and the Audit Committee.

Martin Glynn:

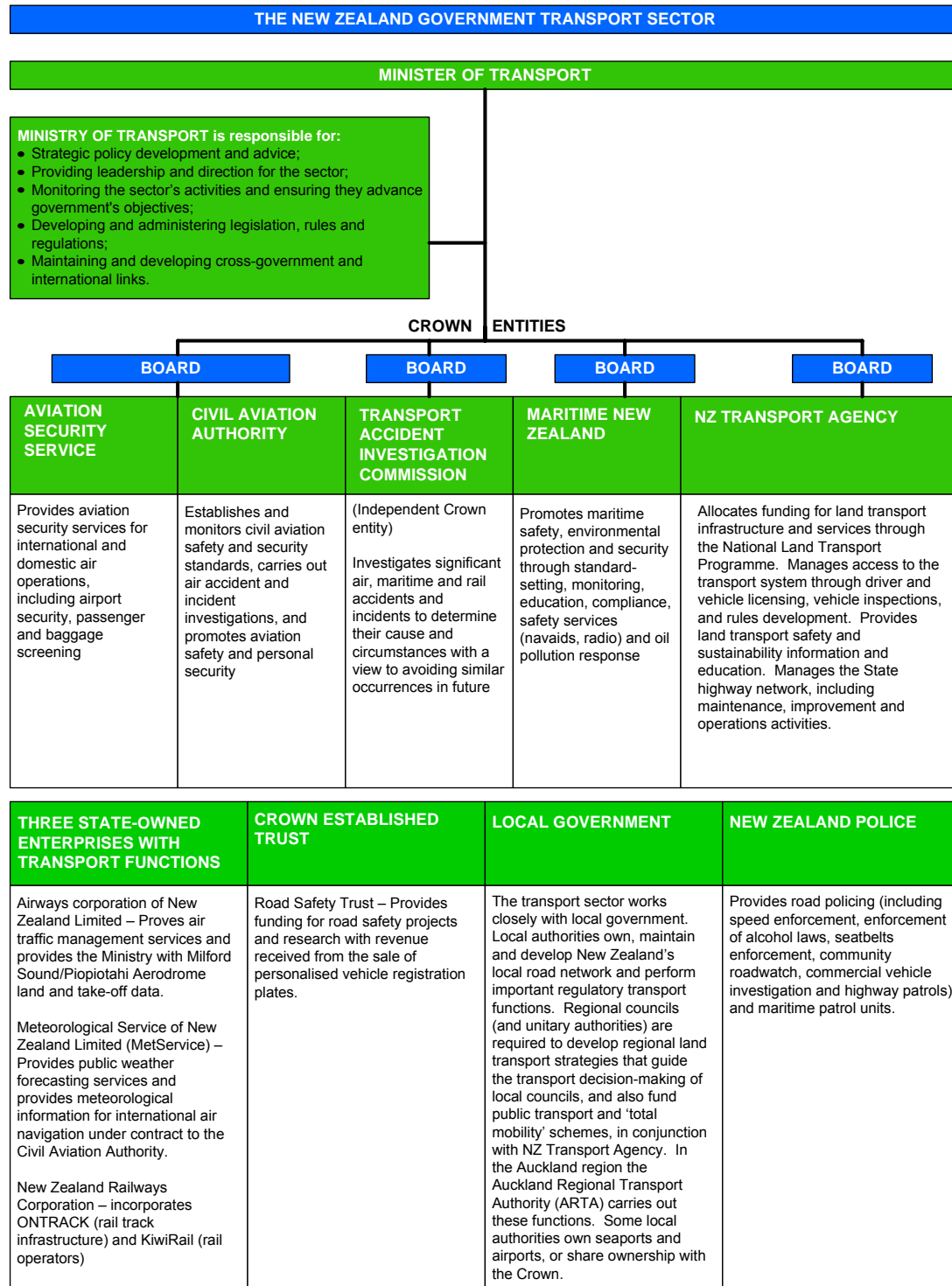


Director Auckland

As Director Auckland, Martin Glynn leads the Ministry's involvement in Auckland transport issues. The team also manages key stakeholder relationships for strategic transport matters in Auckland. The team works within the Government's Urban and Economic Development Office (GUEDO) collaborative network.

OVERVIEW OF THE TRANSPORT SECTOR

The New Zealand government transport sector has comprised: the Minister of Transport; the Ministry of Transport; five Crown entities; three state-owned enterprises; and one Crown established trust. The Minister of Transport is directly responsible for the Crown entities and the Trust, and their functions and responsibilities are briefly outlined below.



Each of the Crown entities has a Board, appointed by the Minister of Transport, to administer its functions as set out in legislation, or in the case of the Road Safety Trust, a trust deed. These organisations are primarily responsible for the delivery of government activities in the transport sector. More detailed descriptions of their operations will be found in their separate agency briefings, while details of Board members and their terms of appointment are contained in Appendix B of this Briefing. Note that the Aviation Security Service is not a separate Crown entity; it is part of the Civil Aviation Authority and its Committee has the same makeup as the CAA Board. The Aviation Security Service is treated separately at an operational and Ministerial accountability level, but not for Parliamentary accountability purposes (eg Statement of Intent). The Road Safety Trust receives administrative support from the NZ Transport Agency.

How the Ministry Works with the Government Transport Sector

The Ministry works closely with the transport Crown entities, providing strategic leadership, coordinating their work in the transport sector and acting as the Minister of Transport's agent. As Minister, you are responsible for the Crown's relationship with, and accountability for, these entities. The Ministry assists you to discharge this role. On your behalf, the Ministry reviews each Crown entity's Statement of Intent, negotiates about planned performance (output agreement), monitors their progress against agreed objectives and advises on their performance.

In addition to each Crown entity's Statement of Intent and output agreement, the broad expectations of the relationship between the Minister, the Ministry and the Crown entity are set out in a series of Minister's Letters of Expectations. Crown entity boards report quarterly to the Minister on entity performance. Periodic independent reviews of the Crown entities' capability and resources are conducted by the Ministry on your behalf.

The Ministry also has a leadership role in the sector. It encourages collaboration and coordination between the agencies and generally works to ensure that the public sector has a unified voice on transport matters.

The Ministry participates in an inter-agency working group, comprising the NZ Police, the NZ Transport Agency and the Ministry, to develop the annual funding proposal for the road policing programme, which is then submitted by the NZ Transport Agency to you for statutory approval. The Ministry also monitors the delivery of road policing services.

NZ Transport Agency Accountability Regime

Over the last 18 months, a range of transport sector reviews, including the *Review of Next Steps in the Land Transport Sector*, recommended changes and improvements to the accountability requirements for the land transport Crown entities. Several substantive changes to the statutory funding and planning system were included in the Land Transport Management Amendment Act 2008, which also merged Land Transport New Zealand and Transit New Zealand into the NZ Transport Agency. At the same time, central agencies have encouraged improvements to State sector accountability practices, including issuing guidance on elements of the Crown Entities Act regime and implementing the Review of Accountability Documents (RoADs). The Ministry is leading a substantive programme of work, in conjunction with the NZ Transport Agency, to coordinate and implement these new accountability requirements and practices.

The Transport Modes

The following provides a general overview of the role of government in the transport sector, along with some more general information on each mode.

Aviation

The government's role in the aviation sector includes its international role through membership of the International Civil Aviation Organization; as policy maker; and economic, safety and security, regulatory and operational roles through the Ministry, the Civil Aviation Authority and the Aviation Security Service. The government is involved in joint venture agreements with local authority companies for seven domestic airports. Hawke's Bay Airport, currently a Joint Venture, is due to become a corporation from 1 January 2009⁴. The Ministry operates the aerodrome at Milford Sound/Piopiotahi. The government also has the majority shareholding in Air New Zealand. The aviation sector largely operates on a user-pays basis.

A number of local authorities have an ownership role in airport companies, with the two major international airports (Auckland and Christchurch) traded on the Stock Exchange.

Maritime

The government's role in the maritime sector includes its international role through membership of the International Maritime Organization; as policy maker; and a regulatory role through agencies such as Maritime New Zealand. Domestic sea freight is moved through a mix of New Zealand operated and internationally operated ships under coastal trading law (s198 of the Maritime Transport Act).

In 2008, *Sea Change: the domestic sea freight strategy* was launched as a way to encourage greater use of shipping and reduce freight growth pressures on road and rail transport. Under this initiative, the NZ Transport Agency is making \$36 million available over the next four years to promote the share of freight carried by sea and to develop the domestic sea freight sector.

While the government does not have an ownership role in the port sector, local authorities have a significant ownership role in all New Zealand's port companies. There is a limited amount of private sector ownership in some port companies. The Southport, Lyttelton and Tauranga port companies are traded on the Stock Exchange. The efficient operation of the port sector is critical to our export and import industries, and therefore to our economic performance, in which the government has considerable interest.

Rail

With the purchase of the Toll Rail business in July 2008 the Crown now owns all the elements of the major rail business. New Zealand Railways Corporation, which has been established as a State Owned Enterprise, consists of the rail freight business

⁴ This date should be 1 July 2009 not 1 January 2009.

(KiwiRail), the infrastructure group (ONTRACK), the passenger group (such as Tranz Metro, Tranz Scenic), and the ferry group (Interislander).

For the last two years the focus in rail has been on the resolution of the maintenance and capital funding arrangements between Toll Rail and the Crown (ONTRACK). The Minister of Finance and ONTRACK have led this work. The Ministry has had a reduced role in rail policy advice but rail safety policy and legislation have remained the responsibility of the Ministry of Transport.

Road

The government owns and fully funds the State highway network. Most other roads (local roads) are owned by local councils and funded locally, with funding assistance (55 percent on average) from government⁵. The government has a policy and regulatory role in the operation of the broader roading network (eg setting signage and marking standards, and speed limit setting procedures). The government also determines road user requirements, including driver and operator licensing standards and setting motor vehicle safety and environmental standards.

Access to economic and social opportunities through public transport, walking and cycling

The government has a policy and regulatory role in passenger transport activities (eg licensing of passenger transport operators). Planning public transport services in New Zealand is delegated to regional councils. Territorial authorities, the Auckland Regional Transport Authority (ARTA) and central government agencies (for State highways and rail) are responsible for public transport infrastructure. The majority of public transport services are provided by the private sector either under contract to a regional council (with funding from the National Land Transport Programme and rates), or commercially at the initiative of the operator ('commercial services'). The government also indirectly provides passenger rail services in Wellington, and long distance passenger rail services. Currently about 80 percent of services are contracted services, and 97 percent of public transport services are in Auckland, Wellington or Christchurch.

Walking and cycling are a key part of most transport journeys in New Zealand. They contribute to participation in economic activity (such as getting people to work) and can also make a significant contribution to a number of initiatives for improving health and physical activity, and reducing emissions.

RECENT CHANGES IN THE TRANSPORT SECTOR

A number of significant recent changes in the transport sector have impacted on its shape and direction.

The government established ARTA in 2004 as a subsidiary of the Auckland Regional Council. ARTA's role is to plan, fund and develop the Auckland regional land transport system. This includes integrating land transport planning for the Auckland region, and producing an Auckland Transport Plan. As a consequence of the establishment of ARTA, Auckland councils are now unable to apply directly to the NZ

⁵ There are some Crown-owned roads, such as those providing access to ski fields, on Department of Conservation land.

Transport Agency for funding. Those applications can only be made by ARTA. These arrangements are unique to Auckland.

The government also repurchased the national rail network from Toll NZ in 2004 and established ONTRACK to own and manage New Zealand's rail network (this includes 4,000km of railway track as well as signals, bridges and tunnels).

The 2007 Next Steps Review of the Government Land Transport Sector identified a number of areas of improvement that were given effect in the Land Transport Management Amendment Act 2008 (the Amendment Act). Overall, the Amendment Act improves the transport system by bringing together the planning of land transport activities: State highways, public transport and local roads. In addition, the Amendment Act provides for a clearer statement of national priorities (including funding allocation) through the Government Policy Statement on Land Transport Funding (GPS). Some of the key changes established by the Amendment Act include:

- establishing the GPS (discussed on page 43);
- introducing full hypothecation - the dedication (or 'ring-fencing') of all fuel excise duty, road user charges and motor vehicle registration fees for land transport expenditure;
- establishing the New Zealand Transport Agency - the merger of the former Land Transport New Zealand and Transit New Zealand will reduce the amount of planning churn and promote a more consistent stream of advice, greater integration of land transport as a network (especially at the regional level); and
- enabling Regional Fuel Tax (RFT) - a tax levied on petrol and diesel at a regional level. It is an additional funding tool available to regions for transport projects that will not reasonably be funded from any other source in the timeframe desired by the region.

In May 2008 the government released its *Sea Change* strategy to help revitalise the domestic shipping industry. *Sea Change* sets the target for domestic sea freight to be carrying at least 30 percent of all inter-regional domestic freight in New Zealand by 2040. It also includes an action plan that focuses on providing a visible focal point (including the establishment of a Sea Freight Development Unit, which is currently housed within the Ministry), improved access to funding, information gathering, workforce initiatives and policy development

The NZTS 2008 provides the overarching framework for transport to 2040. It covers all of the transport modes and includes a series of targets to guide the development of the transport system to 2040. The NZTS is discussed in more detail on page 31. The GPS was released at the same time as the NZTS. More detail on the GPS is provided on page 43.

The government purchased the rail freight and passenger businesses from Toll NZ in 2008.

THE ROLE OF LOCAL GOVERNMENT

Regional councils and local authorities manage transport infrastructure, develop local transport policy, and provide public transport services within their own areas of responsibility. As such, territorial authorities are important players in the transport

sector and it is important that central and local government work together in the planning, funding and delivery of transportation throughout New Zealand.

THE ROLE OF THE PRIVATE SECTOR

The private sector is a major contributor to the operation of the transport modes and its impact on the achievement of outcomes should not be underestimated. Significant private organisations (eg Fonterra) have direct interests in a safe, reliable and sustainable transport system. They can make choices that have a significant impact on the nature and direction of demand for transport infrastructure.

The Ministry is looking to engage more effectively with private sector stakeholders and has small stakeholder relationship teams based in Auckland, Wellington and Christchurch.

NEW ZEALAND TRANSPORT STRATEGY

In August 2008, the *New Zealand Transport Strategy 2008* (NZTS) was published. It sets the long-term direction for transport to 2040 and provides a greater degree of strategic leadership to the transport sector. The NZTS was informed by relevant parts of the *New Zealand Energy Strategy* and the *New Zealand Energy Efficiency and Conservation Strategy*.

The NZTS provides a vision for transport to 2040 and details a strategic approach to achieving that vision. The vision is that:

'People and freight in New Zealand have access to an affordable, integrated, safe, responsive and sustainable transport system.'

NZTS Objectives and Targets

There are a number of long-standing objectives for the transport sector that are enshrined in the Land Transport Management Act 2003 and which focus the NZTS and the key actions resulting from it. The objectives are:

- Ensuring environmental sustainability
- Assisting economic development
- Assisting safety and personal security
- Improving access and mobility
- Protecting and promoting public health

Linked to these objectives is a corresponding series of targets that have been agreed by government as a basis for measuring progress. In most cases, the targets within the NZTS are expressed in terms of achievement by 2040.

For example, for the objective *assisting economic development*, the targets are: to improve reliability of journey times and reduce average journey times for identified critical routes. For the objective *assisting safety and personal security*, the targets are: to reduce road deaths to no more than 200 per annum by 2040, and to reduce serious injuries on roads to no more than 1,500 per annum by 2040.

These targets will be subject to review and refinement over the coming two years (prior to the next NZTS update in 2010). The research and analysis involved is also intended to develop clear and realistic targets against those objectives and areas where targets have yet to be established. The Ministry is working with local government to develop more regionalised targets.

Key Components

A 'business-as-usual' approach will not be adequate to achieve the objectives and targets for the transport sector, and the Ministry has identified seven key components where increased emphasis needs to be applied. These will need to guide how transport is planned and delivered. The seven key components are:

- integrated planning;
- making best use of existing networks and infrastructure;
- investing in critical infrastructure and the transport sector workforce; and

- increasing the availability and use of public transport, cycling, walking and other shared and active modes.
- considering options for charging that will generate revenue for investment in transport infrastructure and services;
- using new technologies and fuels; and
- maintaining and improving international links.

Action Plan

A number of short-term supporting actions have been identified to assist in achieving targets and to develop improved responses to transport issues. These actions will be undertaken over the next three years. This work will be led by the Ministry but will involve local authorities and other stakeholders as necessary.

The Ministry will also develop a more comprehensive action plan by 31 March 2009 that will identify shorter term government actions to implement the NZTS.

APPENDIX B: Board Appointments

Transport Crown Entity Board Membership

New Zealand Transport Agency	Term Ends	First Appointed
Brian Roche (Chair)	30 June 2011	1 August 2008
Garry Moore	30 June 2011	1 August 2008
Paul Fitzharris	30 June 2011	1 August 2008
Bryan Jackson	30 June 2011	1 August 2008
Grahame Hall	30 June 2011	1 August 2008
Alick Shaw	30 June 2011	1 August 2008
Mike Williams	31 July 2010	1 August 2008
Christine Caughey	31 July 2010	1 August 2008

Maritime New Zealand	Term Ends	First Appointed
Susan Staley (Chair)	30 November 2009	(3 rd term) 1 December 2007
Dave Morgan (Deputy Chair)	9 October 2009	(2 nd term) 9 October 2006
Ken Gilligan	30 October 2008	(2 nd term) 9 October 2006
Adrienne Young Cooper	30 November 2010	(2 nd term) 1 December 2007
Michael Ludbrook	31 October 2009	9 October 2006

Civil Aviation Authority⁶	Term Ends	First Appointed
Rick Bettle (Chair)	30 September 2009	5 October 2006
Errol Millar (Deputy Chair)	30 April 2010	5 April 2007
Darryll Park	30 November 2010	(3 rd term) 1 December 2007
Susan Hughes	30 November 2010	(2 nd term) 1 December 2007
Ross Crawford	30 April 2010	5 April 2007

Road Safety Trust	Term Ends	First Appointed
Yvonne Sharp (Chair)	30 November 2010	1 December 2007
Robin Morton	30 May 2011	1 June 2008
Alicia Gainsford	30 June 2011	1 July 2008
NZTA nominee (TBC)	Not Applicable	Not Applicable

Transport Accident Investigation Commission	Term Ends	First Appointed
Hon Bill Jeffries (Chief Commissioner)	30 September 2008	(4 th term) 16 October 2006
Pauline Winter (Deputy Chief Commissioner)	30 November 2009	(4 th term) 1 December 2007
Bryan Wyness	30 November 2010	(2 nd term) 1 December 2007

Maritime Appeal Authority	Term Ends	First Appointed
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⁶ It is the present practice that members appointed to Civil Aviation Authority of New Zealand Board are appointed by the Civil Aviation Authority of New Zealand Board to the Aviation Security Service Committee.

Garry Leslie Evans	31 December 2010	(2 nd term) 1 January 2008
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Pacific Forum Line	Term Ends	First Appointed
Patrick Fepulea'i (Chair)	No fixed term	28 August 1996
Christopher Kamilus Rupen (Deputy)	No fixed term	7 May 1998
Alf Itsimaera	No fixed term	12 March 2002
Crossley Tatui	31 December 2008	31 January 2008
Anand Kumar	No fixed term	21 June 2007
John Rounds	No fixed term	21 June 2007
Paul Karalus	No fixed term	27 September 2006
David John Morgan	8 July 2009	(4 th Term) 9 July 2007

Aviation Medical Convener	Term Ends	First Appointed
Convener – currently vacant Appointment process underway		
Dr David Black (Deputy Convener)	12 August 2010	13 August 2007

Oil Pollution Advisory Committee	Term Ends⁷	First Appointed
Catherine Taylor (Chair)		1 September 2007
Ray Barlow		21 September 1997
Peter Dawson		16 April 1996
Vacant – Department of Conservation Representative ⁸		
Tikitū Tutua-Nathan		1 September 2007
Captain Stephen Parker		15 July 2008
John Pfahlert		1 September 2007
Mike Pryce		
Doug Watson		1 September 2007
Peter Williams		2005
Ian Williams		
Warren Tuckey		15 July 2008
Vacancy – Ministry for Environment Representative ⁹		

⁷ Terms expire when members change jobs or resign.

⁸ Note: nomination process has commenced.

⁹ Note: nomination process has commenced.

APPENDIX C: Vote: Transport

Departmental Outputs

The Ministry's departmental output appropriations have changed in 2008/09 from prior years.

In previous years, the major component of the departmental output appropriations was \$67 million to purchase services relating to the Motor Vehicle Registry (MVR) and Revenue Management business from Land Transport NZ under contract to the Secretary for Transport.

The legal ownership of the MVR transferred to the NZ Transport Agency on 1 August 2008. The Ministry retains legal responsibility for RUC collection and refunds and FED refunds. As a result of this, the departmental outputs decreased by \$42 million, as the majority of the output became a non-departmental one. Three new departmental appropriations (* in the table below) were created to reflect the Ministry's ongoing responsibilities. One month of the disestablished appropriation (Motor Vehicle Registry and Revenue Management) remains in 2008/09 because of the 1 August transfer date.

Departmental Outputs	\$m
Policy advice, including rules development	29.734
Sector Leadership and Support	4.800
Motor Vehicle Registry and Revenue Management	5.197
Land Transport revenue forecasting and strategy *	0.916
RUC collection, investigation and enforcement *	9.852
Refund of fuel excise duty *	0.332
Milford Aerodrome operation	0.200
Next Steps review & implementation	1.050
Distress radio beacons	0.243
Total	\$52.324

Non-Departmental Outputs

The non-departmental outputs totalling \$1,782.914 million administered by the Ministry of Transport for operating funding are:

	\$m
New Zealand Transport Agency¹⁰	
• Licensing Activities Annual *	3.275
• Regulatory Implementation & Enforcement – Annual *	0.548
• Regulatory Enforcement PLA	2.704
• Rail and Sea Freight PLA	2.000
• Research and Performance Monitoring PLA	4.502
• Transport Demand Management, and Walking and Cycling PLA	33.748
• Promotion, Information and Education PLA	34.948
• Management of Funding Allocation System PLA	73.633
• Maintenance of Local Roads PLA	247.133

¹⁰ Note that the numbers detailed in this Briefing reflect the changes processed as part of the October Baseline Update so do not necessarily agree with the Estimates for the 2008/09 year.

• Maintenance of State Highways PLA	298.524
• Passenger Transport Services PLA	313.800
• Regional Land Transport PLA	319.120
• New and Improved Infrastructure for Local Roads PLA	353.064
• Motor Vehicle Registry	39.493
• Canterbury Transport Project	4.500
• Regional Development Transport Funding	10.000
• Implementation of Regional Fuel Tax	0.300
Maritime New Zealand and others	
• Maritime Safety Regulation and Monitoring	5.689
• Search and Rescue Activities	7.078
Meteorological Services of New Zealand	
• Weather Forecasts and Warnings	17.511
Transport Accident Investigation Commission	
• Reporting on Accident or Incident Investigations	3.938
ONTRACK	
• Waikato Rail Funding	5.000
Aviation Security Service	
• Maritime Security	0.145
Civil Aviation Authority	
• Civil Aviation Policy Advice	2.261
	\$1,782.914

The majority of the non-departmental funding goes into the National Land Transport Fund (NLTF) by way of Permanent Legislative Authority (PLA) and the Board of the NZ Transport Agency allocates this funding under the National Land Transport Programme. This allocation includes funding some elements of its own operations. The direct Crown funding for the NZ Transport Agency itself is asterisked. The Motor Vehicle Registry costs are funded from a range of motor vehicle licence and fee revenues.

Capital Investment in Organisations other than Departments

Of the \$1,147 million there are three main components

- \$728 million for a one-off appropriation New and Improved Infrastructure for State Highways – Crown Contribution. This is mainly \$347 million as the balance of the transport revenue guaranteed as part of Budget 2006 plus \$380 million carried forward from 2007/08 as it was not required and the original appropriations have been disestablished
- \$78 million for the State Highway Cost Escalation Guarantee
- \$320 million for the New and Improved State Highway construction PLA.

Other Expenses on Behalf of the Crown

Of the \$27 million, \$18 million funds the concessions and administration of the new scheme to provide SuperGold cardholders with reduced price public transport.

Revenue

The main elements of Crown revenue controlled by Vote Transport are as follows:

Tax Revenue	\$m
Motor Vehicle Registration	184.543
Road User Charges	876.506
Fuel Exercise Duty Refunds	(73.668)
MVR and RUC admin fees	56.032
Total	\$ 56.0321,043,413

This revenue is forecast on a six-monthly basis. Any increase or decrease is matched by a corresponding increase or decrease in the expenditure from the National Land Transport Fund. These adjustments are processed through the baseline updates.

APPENDIX D: Legislative Responsibilities

The Ministry of Transport is charged with administering the Acts and Regulations listed below.

Legislation

Air Facilitation Act 1993 (provisions now deemed part of the Immigration Act 1987 administered by the Department of Labour)
Air Facilitation (Domestic Passengers and Cargo) Act 1994
Airport Authorities Act 1966
Auckland Airport Act 1987
Civil Aviation Act 1990
Customs Law Act 1908
Land Transport Act 1998
Land Transport Management Act 2003
Maritime Security Act 2004
Maritime Transport Act 1994
Meteorological Services Act 1990
Port Companies Act 1998
Public Transport Management Act 2007
Railways Act 2005
Road User Charges Act 1977
Ship Registration Act 1992
Shipping Act 1987
Submarine Cables and Pipelines Protection Act 1996
Taranaki Harbours Act 1965
Government Roothing Powers (called Transit New Zealand Act until 1 August 2008)
Transport Accident Investigation Commission Act 1990
Transport Act 1962
Transport Services Licensing Act 1989
Transport (Vehicle and Driver Registration and Licensing) Act 1986
Waterfront Industry Restructuring Act 1989
Wellington Airport Act 1990

Major Statutory Regulations

Airport Authorities (Airport Companies Information Disclosure) Regulations 1999
Carriage by Air (New Zealand Currency Equivalents) Notice (No 2) 1998
Civil Aviation (Aeronautical Information Service) Levies Order 2001
Civil Aviation Charges Regulations (No 2) 1991
Civil Aviation (ANZA Mutual Recognition Agreement) Order 2007
Civil Aviation (Offences) Regulations 1997
Civil Aviation (Safety) Levies Order 2002
Engine Drivers' Examination Regulations 1952
Foreshore Licence Regulations 1960
Heavy Vehicle Regulations 1974
Land Transport (Approved Laboratory and Analyst in Charge) Notice 2000
Land Transport (Assessment Centre and Accident Report Fees) Regulations 1998
Land Transport (Certification and Other Fees) Regulations 1999
Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999
Land Transport (Driver Licensing) Rule 1999
Land Transport (Infringement and Reminder Notices) Regulations 1998

Land Transport (Offences and Penalties) Regulations 1999
 Land Transport (Ordering a Vehicle off the Road) Notice 1999
 Land Transport (Requirements for Storage and Towage of Impounded Vehicles) Regulations 1999
 Land Transport (Road User) Rule 2004
 Land Transport (Storage and Towage Fees for Impounded Vehicles) Regulations 1999
 Land Transport (Traction Engine Safety) Regulations 2006
 Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004
 Land Transport Management (Compliance with Auckland Regional Land Transport Strategy) Order 2006
 Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005
 Marine Protection (Offences) Regulations 1998
 Marine Safety Charges Regulations 2000
 Maritime (Offences) Regulations 1998
 Maritime Security Regulations 2004
 Maritime Security (Designated Authority) Order 2004
 Maritime Security (Maritime Security Organisations) Order 2004
 Maritime Transport Act (Conventions) Order 1994
 Maritime Transport (Certificates of Insurance) Regulations 2005
 Maritime Transport (Fund Convention) Levies Order 1996
 Maritime Transport (Infringement Fees for Offences Relating to Major Maritime Events) Regulations 1999
 Maritime Transport (Marine Protection Conventions) Order 1999
 Maritime Transport (Maximum Amounts of Liability for Pollution Damage) Order 2003
 Notice of Direction to Require Screening 2002
 Oil Pollution Levies Order 1998
 Railways Regulations 2008
 Road User Charges (Rates) Order 2008
 Road User Charges Regulations 1978
 Ship Registration (Fees) Regulations 1992
 Shipping (Charges) Regulations 2000
 Submarine Cables and Pipelines Protection (Tui Area Development) Order 2007
 Submarine Cables and Pipelines Protection (Kupe Gas Project) Order 2008
 Submarine Cables and Pipelines Protection (Maari Development) Order 2008
 Traffic Regulations 1976
 Transport (Breath Tests) Notice 1989 (No. 2)
 Transport (Change of Ownership) Regulations 1995
 Transport (Towage Fees) Notice 2004
 Transport (Vehicle Registration and Licensing) Regulations 1994
 Transport Services Licensing Regulations 1989

Legislation Changes

The following Acts were passed during the 2007/08 year:

2007-66	Land Transport Amendment Act 2007
2007-89	Civil Aviation Amendment Act 2007

The following Regulations were made during the 2007/08 year:

2007/182	Land Transport (Assessment Centre and Accident Report Fees) Amendment Regulations 2007
2007/201	Submarine Cables and Pipelines Protection (Tui Area Development) Order 2007
2007/232	Land Transport Amendment Act 2005 Commencement Order 2007
2007/233	Transport Services Licensing Amendment Regulations 2007
2007/234	Land Transport (Infringement and Reminder Notices) Amendment Regulations 2007
2007/235	Land Transport (Storage and Towage Fees for Impounded Vehicles) Amendment Regulations 2007
2007/236	Land Transport (Requirements for Storage and Towage of Impounded Vehicles) Amendment Regulations 2007
2007/265	Land Transport (Offences and Penalties) Amendment Regulations (No 2) 2007
2007/343	Land Transport Management (Road Tolling Scheme for ALPURT B2) Amendment Order 2007
2007/347	Civil Aviation Charges Amendment Regulations (No 2) 2007
2007/361	Nelson Airport Bylaws Approval Order 2007
2007/376	Land Transport (Offences and Penalties) Amendment Regulations (No 3) 2007
2007/404	Civil Aviation Amendment Act 2007 Commencement Order 2007

2008/9	Submarine Cables and Pipelines Protection (Kupe Gas Project) Order 2008
2008/10	Submarine Cables and Pipelines Protection (Maari Development) Order 2008
2008/62	Civil Aviation Amendment Act 2007 Commencement Order 2008
2008/99	Civil Aviation Charges Amendment Regulations 2008
2008/108	Railways Regulations 2008
2008/109	Transport Services Licensing Amendment Regulations 2008
2008/117	Land Transport (Approved Vehicle Surveillance Equipment) Notice 2008
2008/130	Civil Aviation (Aeronautical Information Service) Levies Amendment Order 2008
2008/131	Land Transport (Certification and Other Fees) Amendment Regulations 2008
2008/132	Land Transport (Offences and Penalties) Amendment Regulations 2008
2008/133	Traffic Amendment Regulations 2008
2008/170	Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations 2008
2008/178	Road User Charges (Rates) Order 2008

Rules

The Minister makes ordinary transport rules. The New Zealand Transport Agency (formerly Land Transport New Zealand), Maritime New Zealand and the Civil Aviation Authority administer these rules.

The following rules were made during the 2007/08 year:

Land Transport Rules:

Land Transport (Road User) Amendment Rule 2007

Heavy-vehicle Brakes Amendment 2008
Operator Licensing 2007
Passenger Service Vehicles Amendment 2007 (No 2)
Traffic Control Devices Amendment 2007
Tyres and Wheels Amendment 2007
Tyres and Wheels Amendment (No 2) 2007
Vehicle Dimensions and Mass Amendment (No 2) 2007
Vehicle Equipment Amendment 2007
Vehicle Exhaust Emissions 2007
Vehicle Lighting Amendment (No 2) 2007
Vehicle Standards Compliance Amendment 2007
Vehicle Standards Compliance Amendment (No 2) 2007
Work Time and Logbooks 2007
Land Transport (Driver Licensing) Amendment Rule 2008
Frontal Impact Amendment 2008
Heavy Vehicles Amendment 2008
Operator Safety Rating 2008

Civil Aviation Rules:

Part 125 – Medium Aeroplanes Health & Usage Monitoring Systems
Part 91 – General Operating and Flight Rules, 406 MHz Emergency Locator Beacons
Part 135 – Helicopters & Small Aeroplanes – Experience levels
Omnibus Rule Package
Revocation of Rule Part 11
Part 61 – Recreational Pilot Licence

Maritime and Marine Protection Rules:

Gazetted 7/08/08 Maritime Amendment Omnibus (Rules 20-91)
Gazetted 7/08/08 Maritime Rule 40C and 42B – Fire fighting equipment
Gazetted 03/07/08 Marine Protection Rule – MARPOL Annex I – Oil (Parts 120-123B)
Gazetted 03/07/08 Marine Protection Rule – MARPOL Annex II – Noxious Liquid Substances
Gazetted 31/05/08 Maritime Rules Part 91 – Navigation Safety Rule
Kayak Personal Flotation Devices

APPENDIX E: New Zealand's Land Transport Planning and Funding System

This appendix summarises parts of New Zealand's land transport planning and funding system, and describes some of the mechanisms and levers which the Minister of Transport can use to influence the system. A more comprehensive briefing can be prepared.

The statutory framework for land transport planning and funding in New Zealand

The Land Transport Management Act 2003

Much of New Zealand's land transport system is planned, funded and delivered by central and local government. The Land Transport Management Act 2003 (LTMA) is the main transport planning and funding statute. Two of the other key relevant Acts are the Local Government Act 2002 and the Resource Management Act 1991.

The LTMA provides the framework for allocating central government funding to land transport activities (projects and services), such as State highways, local roads and public transport services, and the associated planning processes. These activities are delivered by regional councils and city/district councils ("approved organisations") and the NZ Transport Agency (using private sector contractors). The NZ Transport Agency is the Crown entity responsible for allocating funding as well as delivering its own activities, such as those relating to the construction and maintenance of the State highways.

The revenue for land transport comes mostly from road users through fuel excise (petrol tax), charges on diesel and heavy vehicles (Road User Charges) and vehicle licensing and registration charges. The LTMA hypothecates, or dedicates, this revenue in the national land transport fund for land transport purposes. Local government also contributes a significant portion of the cost of its land transport activities from rates (property tax) and borrowing. This contribution is known as the local share. Other sources of revenue will also be used in the future including regional fuel taxes and tolling.

The LTMA is a substantial piece of legislation and, in places, technical and prescriptive. Following amendments in 2008, the LTMA:

- establishes the national land transport fund that sets aside funding for land transport purposes
- provides for a number of statutory documents including:
 - strategic documents which set out national and regional transport outcomes (the GPS, regional land transport strategies and the national land transport strategy)
 - regional and national programming documents that set out what activities should be funded to deliver on the outcomes in the strategy documents (regional land transport programmes and the national land transport programme)

- sets out the processes that must be followed when land transport activities are funded by the NZ Transport Agency
- allows alternative funding mechanisms (tolling of new roads, roading concession agreements (PPPs) and regional fuel taxes)
- establishes the NZ Transport Agency and sets out a number of specific accountability arrangements (the Crown Entities Act 2004 sets out the general accountability arrangements for the Agency)
- establishes the regional council committees that prepare the regional strategies and programmes and sets out their membership requirements and functions (regional transport committees).

Government Policy Statement on Land Transport

The GPS details the government's desired outcomes and funding priorities for the land transport sector¹¹. It covers the period 2009/10 to 2014/15 and more indicatively for a further four years to 2018/19. This includes the impacts the government wishes to achieve, how it will achieve these by funding certain activity classes, how much funding will be provided for land transport and how this funding will be raised.

The aim of the GPS has been to set measurable targets, although this has not yet been achieved in some areas due to information gaps or pending policy work. The Ministry expects to fill these gaps over the next few years. GPS targets have been shaped by those in the NZTS and achievement of the GPS targets will thus represent progress towards NZTS targets.

The GPS is reviewed every three years on a timeframe which enables it to inform the local government three year planning cycle.

There is a current GPS which was issued in August 2008. This timing allows the GPS to be factored into planning for the next three year planning cycle beginning 1 July 2009. The non-statutory New Zealand Transport Strategy, which was also issued in August 2008, influenced decisions on the current GPS.

The first regional land transport programmes are due to be in place from 1 July 2009. The first three year national land transport programme will be in place from 1 July 2009.

Figure 1 below describes the relationships between the LTMA's documents.

¹¹ The definition of the land transport sector includes coastal shipping.

Figure 1: LTMA Document relationships

